Independent auditor's report
on the consolidated financial statements of
Joint Stock Company "Federal Passenger Company"
and its subsidiaries
for the year ended 31 December 2021

March 2022

Translation of the original Russian version

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To the Shareholders of
Joint Stock Company “Federal Passenger Company”

Opinion

We have audited the consolidated financial statements of Joint Stock Company “Federal Passenger Company” and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and other non-financial assets	
As described in detail in Note 2 to the consolidated financial statements, the Group represents one cash-generating unit ("CGU"). The Group bases its CGU impairment calculation on significant assumptions and estimations. This audit matter was a key one to the audit procedures due to the significance of the Group's carrying value of property, plant and equipment and other non-financial assets, and high sensitivity of CGU's fair value less cost to sell to the various assumptions and estimations. Such assumptions include the projected growth of tariffs on passenger transportation, capital investments, operating expense and discount rate.	In our audit procedures we performed analysis of assumptions and estimations, used in determination of CGU's fair value less cost to sell. We, including assistance of our experts, also tested calculation of CGU's fair value less cost to sell. Furthermore, we performed analysis on management's sensitivity analysis on key assumptions and estimations used in the impairment calculation. We also reviewed the related disclosures to the consolidated financial statements.

Other information included in the Annual Report

Other information consists of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The partner in charge of the audit resulting in this independent auditor's report is I.V. Moskalenko.

I.V. MOSKALENKO,
acting on behalf of Ernst & Young LLC
on the basis of power of attorney w/o number dated 1 March 2022,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906099674)

25 March 2022

Details of the auditor

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

Details of the audited entity

Name: Joint Stock Company "Federal Passenger Company"
Record made in the State Register of Legal Entities on 3 December 2009, State Registration Number 1027739707203.
Address: Russia 107078, Moscow, Mashy Porivaevoy st., bld. 34

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Joint Stock Company "Federal Passenger Company"

Consolidated Statement of Financial Position as at 31 December 2021

(All amounts are in millions of Russian rubles)

	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	4	274,592	257,084
Right-of-use assets	5	901	1,242
Investment property		112	100
Advances issued for acquisition of non-current assets		226	110
Intangible assets	6	667	760
Investments in associates and joint ventures		76	85
Deferred tax assets	11	14,348	12,893
Other non-current financial assets		5,749	6,256
Other non-current assets		574	545
Total non-current assets		**297,245**	**279,075**
Current assets			
Inventories	7	4,789	4,515
Prepayments and other current assets	8	9,265	8,547
Income tax receivable		28	110
Receivables	9	5,943	4,029
Other short-term financial assets		–	800
Cash and cash equivalents	10	3,058	3,928
		23,083	**21,929**
Assets classified as held for sale		103	34
Total current assets		**23,186**	**21,963**
Total assets		**320,431**	**301,038**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	18	221,961	206,961
Investment property revaluation reserve		767	1,111
Reserve on re-measurement of defined benefit liabilities		3,732	1,472
Accumulated deficit		(44,175)	(41,383)
Total equity attributable to equity holders of the parent		**182,285**	**168,161**
Non-current liabilities			
Net assets attributable to non-controlling participants in LLCs		71	71
Deferred tax liabilities	11	3,813	3,334
Long-term borrowings	12, 17	48,500	48,500
Lease obligations, net of current portion	5, 17	603	1,016
Employee benefit obligations	13	10,296	12,436
Other contract liabilities	16	740	333
Other non-current liabilities		129	–
Total non-current liabilities		**64,152**	**65,690**
Current liabilities			
Trade and other payables		40,294	38,872
Transportation contract liabilities	15	7,014	4,223
Lease obligations, short-term portion	5, 17	503	429
Other tax payables for income tax		22	–
Taxes and similar charges payable (other than income tax)	14	2,646	2,290
Short-term borrowings	12, 17	16,748	15,889
Other current contract liabilities	16	1,573	1,132
Other current liabilities		5,194	4,352
Total current liabilities		**73,994**	**67,187**
Total liabilities		**138,146**	**132,877**
Total equity and liabilities		**320,431**	**301,038**

Pyastolov V.G. General Director

Viatkin A.A. Chief Financial Officer

25 March 2022

The accompanying notes are an integral part of these consolidated financial statements.

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Joint Stock Company "Federal Passenger Company"

Consolidated Statement of Profit or Loss
for the year ended 31 December 2021

(All amounts are in millions of Russian rubles)

	Notes	2021	2020
Revenues			
Revenues from transportation		177,033	121,101
Other revenues		12,886	10,154
Total revenues	3, 19	**189,919**	**131,255**
Operating expenses			
Railway infrastructure expenses		(60,533)	(49,303)
Wages, salaries and related contributions		(46,378)	(40,231)
Locomotives expenses		(38,896)	(35,126)
Rent of rolling stock and related expenses		(4,487)	(2,865)
Materials, repairs and maintenance		(20,900)	(17,424)
Depreciation and amortization	4, 5, 6	(16,342)	(15,223)
Rolling stock maintenance and equipping		(3,179)	(3,846)
Bedding and servicing expenses		(5,743)	(4,067)
Taxes other than income tax		(591)	(648)
Bank charges		(1,769)	(1,303)
Fuel		(835)	(637)
Electricity		(507)	(419)
Reversal of loss/(loss) on impairment of property, plant and equipment, right-of-use assets, advances issued for acquisition of non-current assets and intangible assets	4	84	(655)
Allowance for expected credit losses, net	26	804	(65)
Other operating expenses	20	(6,257)	(5,306)
Total operating expenses		**(205,529)**	**(177,118)**
Operating loss before subsidies		**(15,610)**	**(45,863)**
Subsidies	21	13,644	8,595
Operating loss after subsidies		**(1,966)**	**(37,268)**
Finance expense and similar items		(5,197)	(4,283)
Finance income and similar items		766	607
Finance expense and similar items, net		**(4,431)**	**(3,676)**
Other income	22	2,994	950
Other expenses	23	(654)	(4,630)
Foreign exchange loss, net		(12)	(49)
Loss before taxation	3	**(4,069)**	**(44,673)**
Current taxes	11	(78)	17
Deferred taxes	11	984	9,831
Net loss for the period		**(3,163)**	**(34,825)**
Attributable to:			
Equity holders of the parent		(3,163)	(34,825)
Loss per share			
Basic loss for the period attributable to ordinary equity holders of the parent, in Russian rubles		(0.01)	(0.18)
Diluted loss for the period attributable to ordinary equity holders of the parent, in Russian rubles		(0.01)	(0.18)

Pyastolov V.G. General Director

Viatkin A.A. Chief Financial Officer

25 March 2022

The accompanying notes are an integral part of these consolidated financial statements.

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Joint Stock Company "Federal Passenger Company"

Consolidated Statement of Other Comprehensive Income for the year ended 31 December 2021

(All amounts are in millions of Russian rubles)

	Notes	2021	2020
Net loss for the year		**(3,163)**	**(34,825)**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods, net of income tax			
Gain on revaluation of property, plant and equipment at the date of transfer to investment property		27	2
Gain on re-measurement of employee defined benefit liabilities	13	2,260	53
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**2,287**	**55**
Other comprehensive income for the period, net of tax		**2,287**	**55**
Total comprehensive loss for the period, net of tax		**(876)**	**(34,770)**
Attributable to:			
Equity holders of the parent		(876)	(34,770)
		(876)	**(34,770)**

Pyastolov V.G. General Director

Viatkin A.A. Chief Financial Officer

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Joint Stock Company "Federal Passenger Company"

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

(All amounts are in millions of Russian rubles, except share amount)

		Attributable to equity holders of the parent					
		Share capital					
	Notes	Common shares	Amount	Investment property revaluation reserve	Reserve on re-measurement of defined benefit liabilities	Accumulated deficit and other reserves	Total equity
As at 1 January 2020	18	**186,961,040,539**	**186,961**	**1,115**	**1,419**	**(6,564)**	**182,931**
Net loss for the period		–	–	–	–	(34,825)	(34,825)
Other comprehensive income		–	–	2	53	–	55
Total comprehensive income/(loss)		–	–	2	53	(34,825)	(34,770)
Transfer of revaluation reserve on disposal of non-current assets		–	–	(6)	–	6	–
Share capital increase		20,000,000,000	20,000	–	–	–	20,000
As at 31 December 2020	18	**206,961,040,539**	**206,961**	**1,111**	**1,472**	**(41,383)**	**168,161**
Net loss for the period		–	–	–	–	(3,163)	(3,163)
Other comprehensive income		–	–	27	2,260	–	2,287
Total comprehensive (loss)/income		–	–	27	2,260	(3,163)	(876)
Transfer of revaluation reserve on disposal of non-current assets		–	–	(371)	–	371	–
Share capital increase		15,000,000,000	15,000	–	–	–	15,000
As at 31 December 2021	18	**221,961,040,539**	**221,961**	**767**	**3,732**	**(44,175)**	**182,285**

Pyastolov V.G. General Director

Viatkin A.A. Chief Financial Officer

25 March 2022

The accompanying notes are an integral part of these consolidated financial statements.

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Joint Stock Company "Federal Passenger Company"

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

(All amounts are in millions of Russian rubles)

	Notes	2021	2020
Cash flows from operating activities			
Loss before taxation		(4,069)	(44,673)
Adjustments to reconcile loss before taxation to net cash flows generated from operations			
Depreciation and amortization	4, 5, 6	16,342	15,223
Change in impairment of financial assets, net		(804)	65
(Income)/loss on disposal of property, plant and equipment	22	(1,418)	3,983
Reversal of loss/(loss) on impairment of property, plant and equipment, right-of-use assets, advances issued for acquisition of non-current assets and intangible assets, net	4	(84)	655
Finance expense and similar items, net		4,431	3,676
Change in write-offs of obsolete and damaged inventories		(36)	73
Change in provision for legal claims, net		–	(17)
Foreign exchange loss, net		12	49
Effects of employees defined benefit obligations	13	121	193
Other (profit)/losses, net		(83)	211
		14,412	**(20,562)**
Changes in working capital			
Increase in receivables		(872)	(918)
(Increase)/decrease in prepayments and other current assets		(718)	2,797
Increase in inventories		(222)	(680)
(Decrease)/increase in trade and other payables		(2,586)	14,671
Increase/(decrease) in transportation contract liabilities		2,791	(5,011)
Increase/(decrease) in taxes and similar charges payable (other than income tax payable)		356	(387)
Increase/(decrease) in other contract liabilities and in other current liabilities		1,819	(868)
Net cash received/(used) from operating activities before income taxes		**14,980**	**(10,958)**
Income taxes received		20	1,691
Net cash flows received/(used) from operating activities		**15,000**	**(9,267)**

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Joint Stock Company "Federal Passenger Company"

Consolidated Statement of Cash Flows
for the year ended 31 December 2021 (continued)

(All amounts are in millions of Russian rubles)

	Notes	2021	2020
Cash flows from investing activities			
Purchases of property, plant and equipment		(30,295)	(39,938)
Proceeds from disposal of property, plant and equipment and intangible assets		3,036	543
Purchases of intangible assets		(135)	(159)
Loans issued, net		800	19,750
Interest received		254	312
Proceeds from disposal of controlling shares in subsidiary companies less retired cash		174	–
Net cash used in investing activities		**(26,166)**	**(19,492)**
Cash flows from financing activities			
Contributions to share capital from shareholder	18	15,000	20,000
Proceeds from long-term borrowings	17	10,000	–
Repayment of long-term borrowings	17	(714)	(714)
Proceeds from short-term borrowings	17	16,754	26,019
Repayment of short-term borrowings	17	(25,294)	(11,411)
Interest paid	17	(4,892)	(3,991)
Lease payments, excluding interest paid	5	(445)	(361)
Interest paid on leases	5	(113)	(146)
Net cash from financing activities		**10,296**	**29,396**
Net (decrease)/increase in cash and cash equivalents		**(870)**	**637**
Cash and cash equivalents at the beginning of the period	10	3,928	3,291
Cash and cash equivalents at the year end	10	**3,058**	**3,928**

Pyastolov V.G. General Director

Viatkin A.A. Chief Financial Officer

25 March 2022

(All amounts are in millions of Russian rubles, unless otherwise specified)

1. Description of Business and Russian Environment

Joint Stock Company “Federal Passenger Company” (“FPC” or “the Company”) was established on 3 December 2009 in connection with implementation of the Program of Railway Transportation Industry Restructuring (“the Program”) for the organization of effective passenger transportation in the long-haul passenger transportation segment. The Company is 100% less 1 share owned by the OJSC “Russian Railways” (OJSC “RZD” or “the Parent”). OJSC “Russian Railways” is 100% owned by the Russian Federation, which is the Company’s ultimate controlling party.

The legal address of FPC is Mashi Porivaevoy Street, 34, 107078, Moscow, Russian Federation.

These consolidated financial statements of FPC and its subsidiaries (the “Group”) for the year ended 31 December 2021 were authorized for issue by the management of FPC on 25 March 2022.

The Company’s subsidiaries are as follows:

Name of the subsidiary	The principal place of business	Nature of business	Group’s effective equity interest 31 December 2021	Group’s effective equity interest 31 December 2020
“NapitkiTransService” LLC	Russia	Beverages sale	51%	51%
“Travel-Tur” LLC	Russia	Tourism	50.01%	50.01%
“Transmobilnost” JSC	Russia	Baggage transportation	100%	100%

Corporate Information

Subsidiaries of the Company are registered in the Russian Federation.

Factors Affecting Financial Position of the Group

Operating environment

The Russian Federation continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy that are intended to reduce the negative impact on the Russian economy of sanctions imposed on it by several countries.

In 2021, the spread of coronavirus pandemic (COVID-19) continued, at the same time, the global economy was actively recovering throughout the year. In 2021, recovery growth of Russian economy also took place. The positive macroeconomic situation contributed to a significant recovery in demand for transport services. In particular, there was increase in passenger turnover.

The subsequent Group’s results of operations will largely depend on the further development of the situation with the expansion of coronavirus infection and pace of economic recovery in the Russian Federation.

1. Description of Business and Russian Environment (continued)

Factors Affecting Financial Position of the Group (continued)

Management believes it is taking appropriate measures to support the sustainability and the stability of the Group’s business in the current circumstances.

Pricing policy

The Government of Russian Federation sets tariffs for the Company’s transportation services based on anticipated macroeconomic indicators and the Company’s projected funding requirements targeted to cover operating expenditures, capital expenditures and repayment of borrowings. The Federal Antimonopoly Service (FAS) sets the Company’s tariffs for certain classes of passenger transportation (third- and fourth-class of long-haul passenger transportation).

The Company is required to price its regulated third- and fourth-class long-haul passenger transportation services on the basis of a detailed price lists set out in Federal Tariff Regulator order #156-t/1 dated 27 July 2010. Prices set out in Tariff 156-t/1 are subject to annual, and occasionally supplemental, indexation.

As discussed above, the Government of Russian Federation regulates tariffs for third- and fourth-class long-haul passenger transportation for the Company, while deluxe-, first- and second-class long-haul passenger transportation is unregulated and subject to market pricing. International tariffs for passenger transportation are set according to inter-governmental and interagency agreements, and vary according to the countries involved.

Following FAS order #1193/21 dated 28 October 2021 tariffs for regulated long-haul passenger transportation segment of Company were increased by 4.3% beginning 1 January 2022.

It is currently uncertain whether any further changes will be introduced in the tariff setting policy. The consolidated financial statements do not include any adjustments that might result from these uncertain effects. Such adjustments, if any, will be reported in the Group’s consolidated financial statements in the period when they become known and estimable.

Subsidies

The Group continued to receive subsidies from federal government to compensate the effects of passenger transportation tariffs regulation. These subsidies are shown as a separate line item in the consolidated statement of profit or loss (Notes 21, 27).

1. Description of Business and Russian Environment (continued)

Foreign Exchange

The following table presents official exchange rates of the Russian ruble to foreign currencies set by the Central bank of Russian Federation as at 25 March 2022, 31 December 2021 and 31 December 2020.

	25 March 2022	31 December 2021	31 December 2020
US dollar (USD)	96.05	74.29	73.88
Euro (EUR)	105.47	84.07	90.68
Swiss franc (CHF)	103.15	80.94	83.51

Liquidity

As at 31 December 2021, the Group's current liabilities exceeded its current assets by Rbls 50,808 million (31 December 2020: Rbls 45,224 million) which is to a large extent explained by decrease of the amount of short-term loans receivable from the Parent and the nature of Group's current liabilities mainly represented by payables for purchase, modernization and maintenance of property, plant and equipment ("PP&E") as a part of Company's investment program, as well as by transportation contract liabilities (advances received) due to the fact that the Company's sales of transportation services are made predominantly on prepayment basis. The Company does not expect any changes in the general business terms of its contracts with customers and suppliers.

The Group is investing in expansion, modernization and maintenance of its PP&E. The Group finances its investment activities through cash generated from operations and partially long-term borrowings.

Management of the Group takes the following steps to improve Group's liquidity:

- Conclusion of loan agreements, including framework agreements with leading Russian banks to provide sufficient financial resources if required. As at 31 December 2021, the unutilized amount under credit line agreements, which are free from financial covenants is Rbls 17,000 million. Number of credit line agreements provides for financial covenants, which are estimated on a quarterly basis. Group's Management carries out regular monitoring and predictive analysis of financial covenants, coordinates additional parameters and conditions with banks – loan providers, in case required;
- Diversification of external borrowing sources, including entrance into the Russian capital market. As at 31 December 2021, the Company has a registered program for the issue of exchange-traded non-convertible bonds for the amount of Rbls 100,000 million and available limit of additional issues according to the program in the amount of Rbls 51,500 million (Note 12);
- OJSC "RZD" intends to provide support for the Company if needed to ensure an acceptable level of working capital;
- Engagement with Federal Executive authorities regarding full compensation of revenues lost due to state price regulation of third- and fourth-class long-haul passenger transportation services; (Note 21)
- Further optimization of the operating costs structure and procurement activities.

1. Description of Business and Russian Environment (continued)

Liquidity

Management believes that through 2022 the Group will have sufficient funding, including existing cash balances and cash equivalents, cash generated from operating activities as well as financing via loans and borrowings which allows it to continue as a going concern for the foreseeable future.

2. Summary of Significant Accounting Policies

Basis of Preparation of Consolidated Financial Statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Russian ruble is used as functional currency of all entities of the Group as it is the currency of the primary economic environment in which these entities operate. These consolidated financial statements are presented in Russian rubles (“Rbls”) and all values are rounded to the nearest million, unless otherwise indicated.

The Company and its subsidiaries are required to maintain their accounting records and prepare their statutory accounting reports in Russian rubles and in accordance with the Regulations on Accounting and Reporting in the Russian Federation. These consolidated financial statements are based upon the statutory accounting records, as adjusted and reclassified in order to comply with IFRS. The principle adjustments relate to revenues recognition, valuation of property, plant and equipment, impairment of non-current assets, leases, employee benefit obligations, provisions, deferred income taxes and accounting for subsidiaries and associates.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Changes in Accounting Policy and Disclosures

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements, that has a material effect on the information in the statement of financial position at the beginning of the preceding period.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and amendments to the standards and interpretations effective as of 1 January 2021.

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Policy and Disclosures (continued)

The nature and the impact of new standards/amendments affecting the accounting policies, disclosures, financial position or performance of the Group are described below.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to standards and interpretations applied by the Group for the first time

The following amendments and interpretations, which are effective for annual periods beginning on or after 1 January 2021, affected the Group's accounting policy but did not have material impact on the consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 Financial instruments, IAS 39 Financial instruments: Recognition and Measurement, IFRS 7 Financial instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group uses the practical expedients for contractual changes or changes to cash flows. These amendments did not have a material impact on the consolidated financial statements of the Group.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* – amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Policy and Disclosures (continued)

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The Group took advantage of the extension of the application period of practical expedient and continued account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. These amendments did not have a material impact on the consolidated financial statements of the Group.

Standards and amendments issued but not effective

The new standards and amendments to standards that are potentially applicable to the Group’s operations, issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these amendments when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. The Group is currently assessing the impact the amendments will have on the consolidated financial statements of the Group.

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Policy and Disclosures (continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 3 Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Policy and Disclosures (continued)

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use,* which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Policy and Disclosures (continued)

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021 the Board issued amendments to IAS 12. The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments also clarifies that the deduction of payments to settle liabilities for tax purposes is a matter of judgement (according to applicable tax law) whether such deductions respond to the tax purposes for the liability recognized in the financial statement (and interest expenses) or related asset (and interest expenses). This judgment is important to determining whether any temporary differences exist on initial recognition of assets and liabilities.

The amendments to IAS 12 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments are not expected to have a material impact on the Group.

2. Summary of Significant Accounting Policies (continued)

Principles of Consolidation

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, i.e. investees controlled by the Group, as at 31 December 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

The financial statements of the subsidiaries are prepared for the same reporting period as a parent company. All intergroup transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group. Assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognized at fair value.

2. Summary of Significant Accounting Policies (continued)

Principles of Consolidation (continued)

Acquisition of subsidiaries

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

Transactions under common control

The transactions with entities under common control are measured at the actual consideration stated in any agreement related to the each transaction, provided that there is no requirement of IFRS to measure the transaction at fair value and except for transactions described below.

When assets are acquired in the transactions under common control and payment is deferred beyond normal credit terms the resulting liability is recognized at its fair value at that date and the difference between the cash price equivalent and the total payment is recognized as credit to the equity. The assets are recognized at the nominal amount of consideration payable.

On extinguishment of financial liability to the party under common control the difference between the fair value of liability settled and its carrying value is recognized in profit or loss.

Any difference between the fair value of assets transferred for settlement and the fair value of liability settled is recognized directly in equity as additional contribution or distribution accordingly.

When provisions of the lease agreement with parties under common control where the Group is a lessee are modified the Group uses the original interest rate implicit in the lease to discount the revised minimum lease payments in order to calculate the new lease liability and recognizes any change in the original lease liability as adjustment to the carrying amount of the asset.

Functional currencies

The Group's consolidated financial statements are presented in rubles, which is also the Company's functional currency and the functional currency of all subsidiaries. Items included in the financial statements of each entity are measured using the functional currency of each entity.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market priced in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management determines the policies and procedures for both recurring fair value measurement, such as investment properties, and for non-recurring measurement, such as assets held for sale and distribution and assets of discontinued operations.

External appraisers are involved for valuation of significant assets and significant liabilities. Involvement of external appraisers is decided upon annually by the Company's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are properly maintained. The management decides, after discussions with the appraisers, which valuation techniques and inputs to use for each case.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, Plant and Equipment

Property, plant and equipment are recognized at historical cost of acquisition or construction less accumulated depreciation and impairment (the Group's approach to the accounting for impairment is described in *Significant Judgment, Estimations and Assumptions* section below).

Construction-in-progress comprises costs directly related to construction and acquisition of property, plant and equipment plus an appropriate allocation of directly attributable variable and fixed overheads that are incurred in construction. Depreciation commences once the asset becomes available for use.

Subsequent expenditures relating to an item of property, plant and equipment, which qualify for recognition as assets in accordance with provisions of IAS 16 *Property, Plant and Equipment*, are capitalized. Major renewals and improvements are capitalized, and the assets replaced are derecognized. When each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Costs other than those referred to above are recognized as an expense when incurred.

When assets are sold or retired, their carrying value is eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of profit or loss.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life. Depreciation is charged to operating expenses in the respective period. The land is not depreciated.

The useful lives used to calculate depreciation are as follows (years):

Buildings	10-60
Constructions	10-100
Superstructure	20-25
Rolling stock, passenger	25-28
Operating equipment	4-60
Other fixed assets	4-60

The Liquidation, residual values and useful lives of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

2. Summary of Significant Accounting Policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase or renewal options, as described in *Significant accounting judgments, estimates and assumptions* below) and leases of low-value assets (less than Rbls 300 thousand). Lease payments on such contracts are recognized as expenses on a straight-line basis over the lease term within *Rent of rolling stock and related expenses* of consolidated statement of profit or loss.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis from the start date of the lease till the earlier of the following dates: the asset's useful life or the end date of the lease. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The estimated useful life of right-of-use assets is determined on the same basis as for fixed assets.

The useful lives used to calculate depreciation are as follows (years):

Land	1-49
Buildings	1-48
Constructions	1-49
Roadbed	38
Superstructure	4-7
Rolling stock, passenger	1-43
Operating equipment	16
Other fixed assets	2-3

Group as a lessor

The Group owns buildings used for production and administrative purposes and leases out under operating leases some areas in such buildings. These areas represent a small part of total areas of the owner-occupied property, and could not be separated from the areas self-occupied by Group. The Group classifies such buildings as property, plant and equipment. For disclosing leased out assets balances the Group applies proportion of leased out area to total area of the building.

2. Summary of Significant Accounting Policies (continued)

Investment Property

Investment property is initially recognized at cost, including directly attributable expenditure, and subsequently remeasured at fair value which reflects market conditions at the end of the reporting period.

Fair values are determined based on an annual evaluation performed by an accredited external independent appraiser, applying a valuation model recommended by the International Valuation Standards Committee.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (being an asset that necessarily takes a substantive period of time to get ready for its intended use or sale) are capitalized as part of the cost of respective asset. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. Borrowing costs include interest and other costs incurred in connection with the borrowing of funds.

Intangible Assets

Intangible assets (primarily software) are initially measured at cost. Intangible assets are recognized if it is probable that the future economic benefits attributable to the asset will flow to the enterprise. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses (the Group's approach to the accounting for impairment is described in *Significant Judgment, Estimations and Assumptions* section below). Internally generated intangible assets, excluding capitalized development costs, are not capitalized and related expenditure is reflected in profit or loss in the period in which the expenditure is incurred

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over the estimated useful lives of the related assets. Useful lives of the Group's intangible assets vary from 2 to 10 years. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on intangible assets with finite lives is included into operating expenses of the respective period. The Group does not have intangible assets with indefinite useful lives.

2. Summary of Significant Accounting Policies (continued)

Financial Assets and Liabilities

The Group’s financial assets include:

Cash and cash equivalents, trade and other receivables and loans issued classified as loans and receivables, derivative financial instruments classified as financial assets at fair value through profit or loss and financial assets classified as available-for-sale investments.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset.

The Group’s financial liabilities include trade and other payables and interest bearing loans and borrowings classified as loans and borrowings, derivative financial instruments classified as financial liabilities at fair value through profit or loss and financial guarantee contracts.

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The Group disaggregates financial assets based on common credit risk characteristics such as instrument type, credit risk rating, debtor or issuer type, date of initial recognition, and establishes an allowance based on historical default percentage for such disaggregated groups adjusted for forward looking factors specific to the debtors (e.g. the probability of default in the industry) and the economic environment.

For trade receivables and contract assets, the Group applies the standard’s simplified approach and calculates expected credit losses based on lifetime expected credit losses.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are these contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially recognized as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount of the expected credit losses determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of amortization/income recognized in accordance with IFRS 15 *Revenue from Contracts with Customers*, if applicable.

2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories, which include materials, fuel and spare parts, are valued at the lower of cost as determined by the weighted average method and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and Cash Equivalents

Cash consists of cash on hand and balances with banks. Cash equivalents comprise highly liquid investments with original maturities of three months or less.

Net Assets Attributable to Non-controlling Participants in LLCs

Non-controlling interest in the Group's subsidiaries, established in the form of a limited liability company ("LLC"), do not satisfy the conditions of an equity instrument, since in accordance with the legislation of Russian Federation and charters, participants of those subsidiaries have a right to request the redemption of their interests in cash. Based on the provisions of the law determining the exit period, the net assets attributable to non-controlling participants in LLC had been presented within non-current liabilities. Share of non-controlling participants in profit or loss of those subsidiaries is presented in the statement of profit or loss as finance income or expense.

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The specific recognition criteria described below must also be met before revenue is recognized.

Transportation services

In respect of services related to passenger transportation, revenue is recognized over time by reference to the stage of completion of the transportation at the reporting date.

In 2012 Group introduced Customers Loyalty Program RZD-Bonus which gives rise to allocation of a portion of the transaction price to the loyalty program liability based on relative standalone selling price. The loyalty points represent a separate performance obligation as they provide a material right to the customer and is recognized as a contract liability until the points are redeemed. Revenue is recognized upon redemption of products by the customer.

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Recognition (continued)

In respect of services related to baggage and cargo transportation, revenue is recognized by reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of the transportation and the amount of revenue can be measured reliably. In the event that either of the conditions above is not met as at the reporting date, the recognition of revenue is deferred to the date when transportation is completed, i.e. baggage or cargo delivered to the place of destination. The stage of completion is determined as a percentage of services performed to date to total services to be performed.

Rental income

Rental income arising from operating leases on investment properties and rent of passenger cars is accounted for on a straight-line basis over the lease terms and is included in other revenue due to its operating nature.

Finance and similar income and expense

Interest income and expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of such an instrument, taking into consideration all contractual terms of the instrument.

Interest income earned and interest expense, incurred by the Group, are treated as finance income and expense, respectively.

Railway Infrastructure Expenses

Infrastructure expenses incurred due to railways common infrastructure usage by the Company to transfer passengers and baggage in the long-haul passenger trains. Infrastructure services are mainly comprised of provision of access to railway lines and stations, dispatcher's supervisory control over passenger traffic and automated tickets selling systems.

Government Subsidies

Government subsidies related to income are recognized as income over the periods necessary to match them on the systematic basis with the related cost, which they are intended to compensate.

Income relating to government subsidies is presented separately in the statement of profit or loss. The Group provides further disclosures in Note 21.

Subsidies contributed towards the acquisition of an asset are deducted from the cost of those assets. Such subsidies are then recognized as income over the useful life of a depreciable asset by way of reduced depreciation charge.

2. Summary of Significant Accounting Policies (continued)

Government Subsidies (continued)

When loans or similar assistance are provided by the Government or related institutions at below-market interest rate, the effect of this favourable interest rate is regarded as a government grant and measured as the difference between the initial carrying amount of the loan and the proceeds received.

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Employee Benefits

Defined benefit plans

The Group operates defined benefit pension plans. These benefits are partially funded. In addition, the Group provides certain other retirement and post-retirement benefits to its employees. These benefits are unfunded. The obligation and cost of benefits under the plans are determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under the line *Wages, Salaries and Related Contributions* in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognizes restructuring-related costs.

Defined contribution plans

In addition to the defined benefit plans described above, the Group also sponsors a defined contribution plan for certain of its employees. The plan provides for contributions by the Group ranging from 0.9% to 4.8% of salary, and by employees ranging from 0.7% to 10.7% of salary. The Group’s contributions relating to the defined contribution plan are expensed in the year to which they relate.

2. Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

State plan

In addition, the Group is legally obliged to make contributions to the Pension Fund of the Russian Federation (a multi-employer defined contribution plan). The Group’s only obligation is to pay the contributions as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group’s contributions to the State Pension Fund relating to defined contribution plans are expensed in the period to which they relate.

Contributions to the State Pension Fund together with other state social contributions are calculated as 30% (2020: 30%) on the annual gross salary of each employee before taxes. Excess of annual gross salary of employee over Rbls 966 thousand (2020: Rbls 912 thousand) is taxed at 27.1%, excess of annual gross salary of employee over Rbls 1,465 thousand (2020: Rbls 1,292 thousand) is taxed at 15.1% (2020: 15.1%).

Other long-term benefits

The Group introduced a number of long-term employee benefits, including loyalty bonus. The obligation and cost of benefits are determined separately for each benefit using the projected unit credit method. Service cost, net interest on the net defined benefit liability and re-measurement of the net defined benefit liability for other long-term benefits are recognized in the statement of profit or loss.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligations.

If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contractual Commitments

Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future.

The Group discloses significant contractual commitments for major types of purchases in the notes to the consolidated financial statements. Commitments are disclosed including value added tax (VAT).

2. Summary of Significant Accounting Policies (continued)

Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and accompanying disclosures, and disclosure of contingent liabilities during the reporting period.

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The most significant estimates relate to the depreciable lives of property, plant and equipment, impairment of non-financial and financial assets, determination of defined benefit obligations and the related current service costs with regard to pension plans and other long-term employee benefits, amounts of write-downs for obsolete inventory, provision for legal contingencies and deferred taxation. Actual results could differ from these estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

For each lease contract based on specific conditions, the Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

If the lease contracts include extension or termination option, the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination, including assessing the significance of the fine for withdrawing from the contract in a broad economic context. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

2. Summary of Significant Accounting Policies (continued)

Judgments (continued)

Determining the interest rate for measuring discontinued lease liabilities – Group as lessee

If the interest rate implicit in the lease cannot be readily determined, the Group determines the incremental borrowing rate for measuring discontinued lease liabilities by the follow:

- If the Group's companies have borrowings, credit lines that are comparable in terms, provisions and other conditions to measured lease contract, the Group's companies use these interest rates as discount rates for appropriate lease liabilities;
- If the Group companies haven't borrowings, credit lines that are comparable in terms, provisions and other conditions to measured lease contract, the Group's companies use market interest rates as discount rates for appropriate lease liabilities taking into account average market rates adjusted on credit risk of Group's companies and credit terms.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, and the present value of minimal lease payments at the inception of the lease is significantly lower than the fair value of the leased asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year discussed below.

The Group based its assumptions and estimates on the latest information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The most significant estimates relate to the depreciable lives of property, plant and equipment, impairment of non-financial and financial assets, determination of the net employee defined benefit liabilities and the related current service costs with regard to pension plans and other long-term employee benefits, fair value of financial instruments, revaluation of investment property, provision for tax and legal contingencies, deferred taxation. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies (continued)

Estimates and Assumptions (continued)

Useful life of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognized in profit or loss.

Impairment of property, plant and equipment and other non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group represents one cash-generating unit (CGU or CGU FPC). The Group bases its impairment calculation on detailed budget and forecasts. These budgets and forecasts generally cover the period of three years and are further extrapolated for the mid-term period applying forecasted inflation rate, passenger turnover and tariffs growth rates. For longer periods, a long-term growth rate is determined and applied to projected future cash flows.

The Group performed assessment of external and internal impairment indicators. Taking into account the continuing uncertainty of further economic growth and possible negative effect on the Group’s financial position, financial performance, and Group’s economic prospects, the Group identified impairment indicators as of 31 December 2021 and performed impairment test on property, plant and equipment, and other non-current assets.

For the purposes of impairment test performed as of 31 December 2021 and 31 December 2020, the Group based its mid-term cash inflows projections on the forecasted inflation rate, passenger turnover and tariffs growth rates for the period up to and including the year 2030.

The Group determined recoverable amount of CGU FPC as of 31 December 2021 based on fair value less cost to sell (31 December 2020: based on fair value less cost to sell).

2. Summary of Significant Accounting Policies (continued)

Estimates and Assumptions (continued)

The following key assumptions were used for calculation of CGU FPC recoverable amount as of 31 December 2021:

- Discount rate is based on publicly available market data and derived from its weighted average cost of capital (WACC), which takes into account both cost of equity and cost of debt and is adjusted for the specific risks attributable to the tested assets. Cost of equity takes into consideration beta factors evaluated based on publicly available market data;
- Projected cash inflows take into account gradual recovery of long-haul passengers' transportation turnover to the level of 2019, which is expected in 2027-2028. Passengers' turnover growth rate is forecasted at 4.6%-9.4% for 2022-2024. In subsequent periods (2025-2030) gradual passenger turnover growth is expected at 1.8%-3.7% due to delayed demand satisfaction as well as set of initiatives implementation focused on optimizing and extension of routing network, increasing accessibility of passenger transportation and improving the product offer. Projected change in tariffs for passenger transportation for forecasted periods was based on management assumptions in respect of future inflation rates;
- Projected cash inflows also include continuing government support of the industry in the form of subsidies;
- Projected cash outflows take into account decrease in operating expenses during 2022-2030 as a result of several strategic initiatives implementation, as well as significant growth of investments in rolling stock to meet aging rolling stock replacement requirements.

As of 31 December 2021 and 31 December 2020, the Group performed an annual impairment test for its property, plant and equipment, intangible assets and advances issued for acquisition of non-current assets. The Group did not identify impairment loss for CGU FPC as of 31 December 2021 and as of 31 December 2020.

CGU FPC	**31 December 2021**	**31 December 2020**
Recoverable amount of CGU FPC based on fair value less cost to sell	315,996	305,801
Discount rate used in the estimate of recoverable amount, before tax	12.85%	12.05%
Impairment loss for the year ended 31 December	–	–

Impairment of financial assets

As at each reporting date, the Group recognizes an allowance for expected credit losses for all debt instruments not held at FVTPL. The Group firstly assesses existence of impairment of financial assets on individual basis, if reasonable and supportable information is available without undue cost or effort. Otherwise, the Group assesses expected credit losses on a group basis (provision matrix), giving consideration to comprehensive credit risk level information. Assets, which are impaired individually, are excluded from assessment on a group basis.

2. Summary of Significant Accounting Policies (continued)

Estimates and Assumptions (continued)

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the counterparty has low consolidated credit risk indicator (financial performance and standing, due diligence, payment discipline) at the reporting date, and has no history of overdue payments on financial instruments.

The Group decreases carrying value of financial assets through the use of allowance accounts and recognizes impairment losses (or reversals) on contract assets and receivables, including lease receivables within operating expenses in *Loss on impairment of financial assets, net* line of the consolidated statement of profit or loss while impairment losses (or reversals) on other financial assets are recognized within other expenses.

A financial asset is partially of fully written off when the Group has no reasonable expectations to receive contractual cash flows for financial asset. The Group usually writes financial assets off when contractual payments are more than 3 years overdue and are not subject to enforcement recovery activity, when the debtor (issuer) is declared bankrupt and there is negligible probability to recover the contractual cash flows, as well as when there is negative court decision which the Group does not intend to challenge.

Long-term employee benefits – defined benefit plans

The present value of defined post-employment benefit obligations and related current service cost are determined in accordance with actuarial valuations, which rely on demographic and financial assumptions including mortality, both during and after employment, rates of employee turnover, discount rate, future salary and benefits levels and, to a limited extent, expected return on plan assets. In the event that further changes in the key assumptions are required, the future amounts of the pension benefit costs may be affected materially. All assumptions are reviewed at each reporting date. More details are provided in Note 13.

Litigations

The Group exercises considerable judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as legal counsel. Revisions to the estimates may significantly affect future operating results.

2. Summary of Significant Accounting Policies (continued)

Estimates and Assumptions (continued)

Current taxes

Russian tax, currency and customs legislation is subject to varying interpretations and changes occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest, which can be significant. Periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As at 31 December 2021, the management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. More details are provided in Notes 14.

Deferred tax assets

Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in respective tax jurisdiction. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from the estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be materially affected. Further details are provided in Note 11.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using appropriate valuation techniques including the discounted cash flows models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 2 and Note 26.

Revaluation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognized in the profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2021 and 31 December 2020. Investment property was valued with a reference to market-based evidence, using comparable prices adjusted for specific market factors, such as nature, location and condition of the property.

3. Segment Reporting

For management purposes, the Group is organized into business units based on their services, and has three reportable operating segments:

- *Domestic regulated long-haul passenger service segment* comprises third- and fourth-class passenger transportation services within Russian Federation borders where prices are set by the Company based on tariffs determined by Federal Antimonopoly Service (FAS). Due to state regulation of these tariffs, the Company receives subsidies from federal budget.
- *Unregulated long-haul passenger service segment* comprises deluxe-, first- and second-class long-haul passenger transportation services within Russian Federation borders where the Company sets its own pricing policy and international passenger service where the tariffs are generally set according to inter-governmental and interagency agreements, and vary depending on the countries involved.
- *All other segments* include rent of passenger rolling stock and other property, rolling stock’s repair and maintenance for third parties, supplementary passenger services (tea, newspapers), surcharges for ticket sales, railway infrastructure services, servicing of rolling stock services and other services provided by the Group.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on a basis of segment operating profit or loss determined based on management accounts that differ from the IFRS consolidated financial statements for the reason that the management accounts are based on local GAAP figures. The operating segment results do not include effects of certain non-recurring transactions, such as business acquisitions, and the effects of some adjustments that may be considered necessary to reconcile the management accounts to IFRS consolidated financial statements.

Prices between operating segments are generally set on a basis, where applicable, similar to transactions with third parties.

Substantially all of the Group’s operating assets are located and significant part of the services (except for international transportation services) are provided in the Russian Federation.

Segment revenue is revenue that is directly attributable to a segment, whether from sales to external customers or from transactions with other segments. Segment revenue does not include:

- Subsidies from federal budgets;
- Interest income;
- Foreign exchange gains;
- Gain on disposals and changes in fair value of financial assets;
- Gain on disposal of property, plant and equipment (PP&E);
- Gain on disposal of assets held for sale;
- Penalties charged to customers;
- Gain on disposal of controlling interest in subsidiaries;
- Other income.

3. Segment Reporting (continued)

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments. Segment expense does not include:

- Interest expense;
- Foreign exchange losses;
- Loss on disposals and changes in fair value of financial assets;
- Loss on disposal of PP&E;
- Loss on disposal of assets held for sale;
- Loss on impairment of property, plant and equipment, advances issued for acquisition of non-current assets and intangible assets;
- Contributions to trade union, membership in professional associations;
- Bank charges;
- Income tax expense;
- Loss on impairment of financial assets, net;
- Social expenses;
- Commercial expenses;
- Change in provision for legal claims;
- Other expenses.

Segment result is measured as segment revenue less segment expense.

3. Segment Reporting (continued)

The following tables present revenue and segment results information regarding the Group's reportable operating segments:

The year ended 31 December 2021:

	Domestic regulated long-haul passenger transportation	**Unregulated long-haul passenger transportation**	**All other segments**	**Eliminations (A)**	**Adjustments (B)**	**Total**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Sales to third parties	82,720	85,006	23,978	–	(1,785)	**189,919**
Inter-segment sales	–	108	2,361	(2,469)	–	**–**
Total income	**82,720**	**85,114**	**26,339**	**(2,469)**	**(1,785)**	**189,919**
Total expenses	(102,825)	(84,352)	(20,791)	2,469	11,511	**(193,988)**
Segment result	**(20,105)**	**762**	**5,548**	**–**	**9,726**	**(4,069)**

The year ended 31 December 2020:

	Domestic regulated long-haul passenger transportation	**Unregulated long-haul passenger transportation**	**All other segments**	**Eliminations (A)**	**Adjustments (B)**	**Total**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Sales to third parties	60,915	54,712	16,876	–	(1,248)	**131,255**
Inter-segment sales	–	139	1,557	(1,696)	–	**–**
Total income	**60,915**	**54,851**	**18,443**	**(1,696)**	**(1,248)**	**131,255**
Total expenses	(97,133)	(72,070)	(14,205)	1,696	5,784	**(175,928)**
Segment result	**(36,218)**	**(17,219)**	**4,228**	**–**	**4,536**	**(44,673)**

(A) Inter-segment revenues and margins are eliminated on consolidation.

3. Segment Reporting (continued)

(B) The operating profit of each operating segment does not include the following adjustments representing differences between management accounts and these consolidated financial statements prepared in accordance with IFRS for the year ended 31 December:

	2021	2020
	Rbls mln	*Rbls mln*
Total segment results	**(13,795)**	**(49,209)**
Amounts withheld from customers for tickets' return (according to transportation rules)	554	331
Accrual of deferred income from Customer Loyalty Program RZD Bonus	(827)	(133)
Net-off of rent income against bedding and servicing expenses provided by outsources	(1,145)	(910)
Other revenue adjustments	(367)	(536)
	(1,785)	**(1,248)**
Subsidies from federal budgets	13,644	8,595
Subsidies recognized under state operating activities resumption program (Note 21)	–	4,566
PP&E adjustments (C)	3,407	(213)
Additional employee long-term benefit obligations (Note 13)	(121)	(193)
Free of charge transportation, bonuses and other employee benefits	(1,193)	(967)
Reversal of loss / (loss) from impairment of property, plant and equipment, right-of-use assets, advances issued for acquisition of non-current assets and intangible assets, net (Notes 4, 6)	84	(655)
Finance expenses and similar items, net	(4,431)	(3,676)
Claims to customers, net (Notes 22, 23)	210	172
Bank charges	(1,769)	(1,303)
Contributions to trade union, membership fees to professional associations (Note 23)	(321)	(308)
Foreign exchange loss, net	(12)	(49)
Net-off of rent income against bedding and servicing expenses provided by outsources	1,145	910
Other expenses adjustments	868	(1,095)
	11,511	**5,784**
Total adjustments to income before taxation	**9,726**	**4,536**
Loss before tax	**(4,069)**	**(44,673)**

(C) PP&E adjustments represent the effect of different carrying values and useful lives of property, plant and equipment and accounting treatment of property, plant and equipment components for the purposes of management accounts and consolidated financial statements prepared in accordance with IFRS.

The Group did not present disclosure of operating assets and liabilities, as well as breakdown of expenses included in reported segment result as they are not regularly provided to the chief operating decision maker in assessing segment performance and deciding how to allocate resources.

4. Property, Plant and Equipment

Property, plant and equipment as at 31 December 2021 and 31 December 2020 comprised the following:

31 December 2021:

Gross book value	Balance as at 1 January 2021	Additions	Transfers	Disposals	Balance as at 31 December 2021
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Land	33	–	–	(16)	17
Buildings	19,160	253	284	(1,554)	18,143
Constructions	5,328	258	98	(568)	5,116
Superstructure	333	8	–	(22)	319
Operating equipment	20,451	431	229	(709)	20,402
Rolling stock, passenger	419,162	20,192	6,593	(7,929)	438,018
Other fixed assets	1,958	20	–	(52)	1,926
Construction-in-progress	9,378	15,898	(7,204)	(250)	17,822
Total	**475,803**	**37,060**	**–**	**(11,100)**	**501,763**

Accumulated depreciation and impairment	Balance as at 1 January 2021	Depreciation charge for the period	Accumulated depreciation on disposals	Balance as at 31 December 2021
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Land	–	–	–	–
Buildings	(3,800)	(540)	229	(4,111)
Constructions	(2,316)	(173)	214	(2,275)
Superstructure	(152)	(9)	17	(144)
Operating equipment	(9,909)	(1,091)	402	(10,598)
Rolling stock, passenger	(144,022)	(13,829)	5,117	(152,734)
Other fixed assets	(736)	(57)	38	(755)
Construction-in-progress	–	–	–	–
Impairment	(57,784)	–	1,230	(56,554)
Total	**(218,719)**	**(15,699)**	**7,247**	**(227,171)**

4. Property, Plant and Equipment (continued)

31 December 2020:

Gross book value	**Balance as at 1 January 2020**	**Additions**	**Transfers**	**Disposals**	**Balance as at 31 December 2020**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Land	32	1	–	–	33
Buildings	17,793	922	687	(242)	19,160
Constructions	4,906	313	125	(16)	5,328
Superstructure	333	–	–	–	333
Operating equipment	20,018	805	49	(421)	20,451
Rolling stock, passenger	395,316	40,010	4,305	(20,469)	419,162
Other fixed assets	1,953	178	–	(173)	1,958
Construction-in-progress	6,813	8,078	(5,166)	(347)	9,378
Total	**447,164**	**50,307**	**–**	**(21,668)**	**475,803**

Accumulated depreciation and impairment	**Balance as at 1 January 2020**	**Depreciation charge for the period**	**Accumulated depreciation on disposals**	**Balance as at 31 December 2020**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Land	–	–	–	–
Buildings	(3,558)	(245)	3	(3,800)
Constructions	(2,163)	(159)	6	(2,316)
Superstructure	(143)	(9)	–	(152)
Operating equipment	(9,112)	(1,037)	240	(9,909)
Rolling stock, passenger	(140,463)	(13,034)	9,475	(144,022)
Other fixed assets	(765)	(67)	96	(736)
Construction-in-progress	–	–	–	–
Impairment	(58,674)	–	890	(57,784)
Total	**(214,878)**	**(14,551)**	**10,710**	**(218,719)**

Net book value	**Balance as at 31 December 2021**	**Balance as at 31 December 2020**	**Balance as at 1 January 2020**
	Rbls mln	*Rbls mln*	*Rbls mln*
Land	17	33	32
Buildings	14,032	15,360	14,235
Constructions	2,841	3,012	2,743
Superstructure	175	181	190
Operating equipment	9,804	10,542	10,906
Rolling stock, passenger	285,284	275,140	254,853
Other fixed assets	1,171	1,222	1,188
Construction-in-progress	17,822	9,378	6,813
Impairment	(56,554)	(57,784)	(58,674)
Total	**274,592**	**257,084**	**232,286**

4. Property, Plant and Equipment (continued)

Borrowing interest costs included in the property, plant and equipment during the year ended 31 December 2021 amounted to Rbls 9 million (2020: Rbls 6 million). No specific borrowing capitalization was made during the reporting period (2020: none).

During the year ended 31 December 2021 the Group recognized reversal of impairment profit related to carrying amount of certain property, plant and equipment and construction in progress items which were planned to be disposed by the management in amount of Rbls 84 million (2020: gain from impairment reversal Rbls 655 million) related to certain property, plant and equipment.

5. Leasing – Amounts Recognized in the Statement of Financial Position and in the Statement of Profit or Loss

	Buildings	**Other**	**Total**	**Lease commitments**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Carrying values as at 1 January 2021	**1,225**	**17**	**1,242**	**1,445**
Additions	49	–	**49**	49
Reassessment	56	1	**57**	57
Disposals	–	–	–	–
Interest expenses	–	–	–	113
Payment of lease liabilities for the period	–	–	–	(558)
Depreciation charge for the period	(445)	(2)	**(447)**	–
Carrying values as at 31 December 2021	**885**	**16**	**901**	**1,106**

	Buildings	**Other**	**Total**	**Lease commitments**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Carrying values as at 1 January 2020	1,708	–	**1,708**	1,836
Additions	2	20	**22**	22
Disposals	(52)	–	**(52)**	(52)
Interest expenses	–	–	–	146
Payment of lease liabilities for the period	–	–	–	(507)
Depreciation charge for the period	(433)	(3)	**(436)**	–
Carrying values as at 31 December 2020	**1,225**	**17**	**1,242**	**1,445**

Amounts recognized in the statement of profit or loss are as follows:

	2021	**2020**
	Rbls mln	*Rbls mln*
Depreciation charge of right-of-use assets	(447)	(436)
Interest expenses related to lease liabilities	(113)	(146)
Rent expense – short-term leases	(4,380)	(2,829)
Rent expense – leases of low-value assets	(107)	(36)
Total amount recognized in profit or loss	**(5,047)**	**(3,447)**

6. Intangible Assets

Intangible assets as at 31 December 2021 and 2020 comprised the following:

31 December 2021:

Gross book value	Balance as at 1 January 2021	Additions	Transfers	Disposals	Balance as at 31 December 2021
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Software	3,568	4	140	(35)	3,677
Other intangible assets	88	1	–	(18)	71
Software under development	84	99	(140)	–	43
Total	**3,740**	**104**	**–**	**(53)**	**3,791**

Accumulated amortization and impairment	Balance as at 1 January 2021	Amortization charge for the year	Accumulated amortization on disposals	Balance as at 31 December 2021
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Software	(2,910)	(189)	34	(3,065)
Other intangible assets	(70)	(7)	18	(59)
Total	**(2,980)**	**(196)**	**52**	**(3,124)**

31 December 2020:

Gross book value	Balance as at 1 January 2020	Additions	Transfers	Disposals	Balance as at 31 December 2020
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Software	3,501	94	19	(46)	3,568
Other intangible assets	334	18	–	(264)	88
Software under development	42	61	(19)	–	84
Total	**3,877**	**173**	**–**	**(310)**	**3,740**

Accumulated amortization and impairment	Balance as at 1 January 2020	Amortization charge for the year	Accumulated amortization on disposals	Balance as at 31 December 2020
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Software	(2,725)	(203)	18	(2,910)
Other intangible assets	(156)	(33)	119	(70)
Total	**(2,881)**	**(236)**	**137**	**(2,980)**

6. Intangible Assets (continued)

Net book value	Balance as at 31 December 2021	Balance as at 31 December 2020
	Rbls mln	*Rbls mln*
Software	612	658
Other intangible assets	12	18
Software under development	43	84
Total	**667**	**760**

7. Inventories

Inventories comprised the following:

	31 December 2021	31 December 2020
	Rbls mln	*Rbls mln*
Spare parts	2,934	2,840
Materials and supplies	1,481	1,363
Fuel and lubricants	199	204
Merchandise inventories	175	108
Total inventories, net	**4,789**	**4,515**

8. Prepayments and Other Current Assets

Prepayments and other current assets comprised the following:

	31 December 2021	31 December 2020
	Rbls mln	*Rbls mln*
VAT balance due from budget and VAT on advances received	8,287	7,735
Advances paid to suppliers	472	350
VAT on advances paid for non-current assets	45	23
Other current assets	461	439
Total prepayments and other current assets	**9,265**	**8,547**

9. Receivables

Receivables comprised the following:

	31 December 2021	31 December 2020
	Rbls mln	*Rbls mln*
Receivables for transportation services, net (A)	2,439	1,467
Other accounts receivable, net (B)	3,504	2,562
Total receivables	**5,943**	**4,029**

(A) Receivables for transportation services comprised the following:

	31 December 2021	31 December 2020
	Rbls mln	*Rbls mln*
Receivables for transportation services	3,698	3,641
Less: expected credit losses allowance	(1,259)	(2,174)
Total receivables for transportation services	**2,439**	**1,467**

(B) Other accounts receivable comprised the following:

	31 December 2021	31 December 2020
	Rbls mln	*Rbls mln*
Other accounts receivable	3,903	2,981
Less: expected credit losses allowance	(399)	(419)
Total other accounts receivable	**3,504**	**2,562**

10. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	31 December 2021	31 December 2020
	Rbls mln	*Rbls mln*
Bank deposits	600	–
Cash and other cash equivalents in Russian rubles	2,438	3,887
Cash in foreign currencies	20	41
Total cash and cash equivalents	**3,058**	**3,928**

11. Income Taxes

The major components of income tax expense and benefits for the years ended 31 December 2021 and 31 December 2020 comprised the following:

	2021	2020
	Rbls mln	*Rbls mln*
Current income tax		
Income tax expense	78	33
Income tax benefits related to prior years assessments	–	(50)
Current income tax expense/(benefit)	**78**	**(17)**
Deferred tax benefit		
Relating to origination and reversal of temporary differences	(984)	(9,831)
Income tax benefit reported in profit or loss	**(906)**	**(9,848)**
Income tax expense/(benefit) recognized in other comprehensive income	8	(4)
Income tax benefit	**(898)**	**(9,852)**

A reconciliation of theoretical income tax expense to the actual income tax expense recorded in the consolidated statements of profit or loss for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
	Rbls mln	*Rbls mln*
Loss before income tax	**(4,069)**	**(44,673)**
Income at statutory tax rate of 20% according to Russian legislation (2020: 20%)	**(814)**	**(8,935)**
Non-deductible expenses for tax purposes and other effects, net		
Non-deductible employee benefits	264	211
Non-deductible income tax benefits related to prior years	–	(50)
Non-taxable income from loss compensations	(551)	(1,311)
Non-deductible utilities services expense	52	49
Other non-deductible material expense	94	128
Other effect, net	49	60
Total income tax benefit reported in profit or loss in the consolidated statement of profit or loss	**(906)**	**(9,848)**
Effective income tax rate	22%	22%

11. Income Taxes (continued)

Deferred tax relates to the following:

	1 January 2021	**Recognition and reversal of temporary differences in profit or loss**	**Recognition in other comprehensive income**	**31 December 2021**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Tax effects of taxable temporary differences				
Valuation of property, plant and equipment	(3,260)	(432)	–	(3,692)
Valuation of inventories	(61)	(38)	–	(99)
Investment property	(13)	(2)	(7)	(22)
Tax effects of deductible temporary differences				
Tax losses carry forward	10,010	1,459	–	11,469
Valuation of receivables	1,168	(340)	–	828
Valuation of payables/accruals	1,009	301	–	1,310
Employee benefit obligations	653	(29)	(1)	623
Right-of-use assets, net	40	1	–	41
Valuation of intangible assets	6	(3)	–	3
Other	7	67	–	74
Total deferred tax asset, net	**9,559**	**984**	**(8)**	**10,535**

	1 January 2020	**Recognition and reversal of temporary differences in profit or loss**	**Recognition and restoration in other comprehensive income**	**31 December 2020**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Tax effects of taxable temporary differences				
Valuation of property, plant and equipment	(2,629)	(631)	–	(3,260)
Valuation of inventories	(85)	24	–	(61)
Investment property	(48)	36	(1)	(13)
Tax effects of deductible temporary differences				
Tax losses carry forward	–	10,010	–	10,010
Valuation of receivables	460	708	–	1,168
Valuation of payables/accruals	1,222	(213)	–	1,009
Employee benefit obligations	670	(22)	5	653
Right-of-use assets, net	26	14	–	40
Valuation of intangible assets	15	(9)	–	6
Other	93	(86)	–	7
Total deferred tax (liability)/asset, net	**(276)**	**9,831**	**4**	**9,559**

As of 31 December 2021 the Group recognized deferred tax assets in the amount of Rbls 14,348 million (31 December 2020: Rbls 12,893 million) and deferred tax liabilities in the amount of Rbls 3,813 million (31 December 2020: Rbls 3,334 million).

11. Income Taxes (continued)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

12. Borrowings

The outstanding balances of long-term borrowings comprised the following:

31 December 2021		**Original currency**	**Principal amount in original currency**	**Maturity of non-current portion**	**Current**	**Non-current**
			Rbls mln		*Rbls mln*	*Rbls mln*
Fixed rates						
Other		RUR	91		91	–
Variable rates						
Central Bank of Russia key rate + 1.10%		RUR	3,002		3,002	–
Central Bank of Russia key rate + 1.45%		RUR	500		500	–
Central Bank of Russia key rate + 1.75%-1.77%		RUR	10,000	2025-2026	–	10,000
Central Bank of Russia key rate + 1.20%		RUR	2,504		2,504	–
Debt securities issued						
6.90%-8.90%	(A)	RUR	39,027	2023-2025	10,527	28,500
G-curve[1]	(A)	RUR	10,124	2028	124	10,000
Total					**16,748**	**48,500**

31 December 2020		**Original currency**	**Principal amount in original currency**	**Maturity of non-current portion**	**Current**	**Non-current**
			Rbls mln		*Rbls mln*	*Rbls mln*
Fixed rates						
1.50%		RUR	4,935		4,935	–
Other		RUR	66		66	–
Variable rates						
Central Bank of Russia key rate + 1.25%		RUR	714		714	–
Central Bank of Russia key rate + 1.38%-1.48%		RUR	9,569		9,569	–
Debt securities issued						
6.90%-8.90%	(A)	RUR	39,018	2022-2025	518	38,500
G-curve[1]	(A)	RUR	10,087	2028	87	10,000
Total					**15,889**	**48,500**

[1] Zero-coupon rate for government securities, published by Moscow Exchange.

12. Borrowings (continued)

(A) In April 2017 Group issued non-convertible bonds series 001P-01 for the total amount of Rbls 5,000 million and maturity of 10 years each with embedded put option exercisable in 5.5 years. Bonds were issued on domestic market. The first coupon was set at 8.8%. Coupons are paid semi-annually in arrears.

In December 2017 Group issued non-convertible bonds series 001P-02 for the total amount of Rbls 5,000 million and maturity of 10 years each with embedded put option exercisable in 5 years. Bonds were issued on domestic market. The first coupon was set at 7.75%. Coupons are paid semi-annually in arrears.

In March 2018 Group issued non-convertible bonds series 001P-03 for the total amount of Rbls 10,000 million and maturity of 10 years each with embedded put option exercisable in 6.5 years at nominal value. Bonds were issued on domestic market. The first coupon was set at 7.2%. Coupons are paid semi-annually in arrears.

In October 2018 Group issued non-convertible bonds series 001P-04 for the total amount of Rbls 5,000 million and maturity of 10 years each with embedded put option exercisable in 5 years. Bonds were issued on domestic market. The first coupon was set at 8.9%. Coupons are paid semi-annually in arrears.

In November 2018 Group issued non-convertible bonds series 001P-05 for the total amount of Rbls 10,000 million and maturity of 10 years each. Bonds were issued on domestic market. Coupon rate is fixed as 8.4% p.a. for the first and second coupon periods. Coupon rate starting from the 3-rd and subsequent coupon periods is set using floating interest rate with reference to point at zero-coupon yield curve of Moscow Exchange corresponding to maturity yield for 7 years re-set semi-annually at the end of the 5th business day before the next coupon period start.

In June 2019 Group issued non-convertible bonds series 001P-06 for the total amount of Rbls 8,000 million and maturity of 10 years each with embedded put option exercisable in 4 years. Bonds were issued on domestic market. The first coupon was set at 8.4%. Coupons are paid semi-annually in arrears.

In November 2019 Group issued non-convertible bonds series 001P-07 for the total amount of Rbls 5,500 million and maturity of 10 years each with embedded put option exercisable in 6 years. Bonds were issued on domestic market. The first coupon was set at 6.9%. Coupons are paid semi-annually in arrears.

As of 31 December 2021 the unutilized amount under credit line agreements was Rbls 84,000 million of which credit line agreements for Rbls 17,000 million have no financial covenants.

13. Employee Benefits

The Group provides to its employees defined benefit and defined contribution pension plans. The plans require contributions to be made to a separately administered non-state pension fund “Blagosostoyanie” and not-for-profit fund “Pochet”. Pension entitlements under defined benefit plans are accrued using the projected unit credit method.

In order to be entitled to pension through the non-state pension fund “Blagosostoyanie” (defined benefit pension plan) a person should meet a number of criteria, including the following:

(1) An employee should make contribution to the pension plan at his/her own expense;

(2) An employee (irrespective of the date of birth) should have at least 5 years of services with the Parent and its subsidiaries, during which an employee made contribution to the pension plan at his/her own expense;

(3) An employee born before 1967 and joined the pension plan before 1 July 2007 – 15 years of services with the Parent and its subsidiaries;

(4) An employee should retire from the Group.

All other employees making contributions to the pension plan at his/her own expense are participants of the defined contribution plan.

Not-for-profit fund “Pochet” provides pensions to employees of the Group retired before the defined benefit plans provided through the non-state pension fund “Blagosostoyanie” referred to above were introduced.

Benefits accrued through pension plan administered by non-state pension fund “Blagosostoyanie” are partially funded, whilst benefits administered by not-for-profit fund “Pochet” are unfunded.

In addition, the Group provides other retirement, post employment and other long-term benefits to its employees, which comprise free of charge transportation on long-haul trains provided on the annual basis and lump-sum payment upon retirement ranging from 1 to 6 monthly salaries and depending on the duration of the service period, free of charge sanatorium therapy to retired employees, payments after certain service periods and some other. These benefits are unfunded.

Similarly to defined obligation pension plan, entitlements to such additional benefits are accrued using the projected unit credit method.

13. Employee Benefits (continued)

Defined Contribution Plans

Total amount recognized as an expense in respect of payments to defined contribution plans for the years ended 31 December 2021 and 2020:

	2021	2020
	Rbls mln	*Rbls mln*
Pension Fund of the Russian Federation	7,352	6,392
Defined contribution plan “Blagosostoyanie”	318	324
Total expense for defined contribution plans	**7,670**	**6,716**

Defined Benefit Plans

Almost all employees are entitled to some part of the post employment and other long-term employee benefit program of the Group and as at 31 December 2021 320 employees were considered as participants of the defined benefit pension plan (31 December 2020: 410 employees). In addition, there are approximately 17 thousand retired employees eligible for the post retirement benefit program of the Group provided through not-for-profit fund “Pochet” as at 31 December 2021 (31 December 2020: 19 thousand).

The amounts recognised in the consolidated statement of financial position are as follows:

As at 31 December 2021:

	Blago-sostoyanie	Pochet	Other long-term benefits	Other post-employment benefits	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Present value of defined benefit obligations	268	811	3,529	5,883	**10,491**
Fair value of plan assets	(195)	–	–	–	**(195)**
Net pension liability	**73**	**811**	**3,529**	**5,883**	**10,296**

As at 31 December 2020:

	Blago-sostoyanie	Pochet	Other long-term benefits	Other post-employment benefits	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Present value of defined benefit obligations	353	1,029	3,694	7,576	**12,652**
Fair value of plan assets	(216)	–	–	–	**(216)**
Net pension liability	**137**	**1,029**	**3,694**	**7,576**	**12,436**

13. Employee Benefits (continued)

Defined Benefit Plans (continued)

Changes in the present value of defined benefit obligation are as follows:

	Blago-sostoyanie	Pochet	Other long-term benefits	Other post-employment benefits	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Defined benefit obligations at 31 December 2019	**453**	**1,040**	**3,697**	**7,348**	**12,538**
Service costs	8	–	1,455	305	**1,768**
Current service cost	*8*	–	*1,455*	*305*	***1,768***
Costs arising on transfer of employees (i)	–	–	35	40	**75**
Interest on the defined benefit obligation	20	58	140	444	**662**
Re-measurement of the defined benefit obligation:	–	–	(126)	–	**(126)**
Actuarial gains from change in financial assumptions	–	–	*8*	–	***8***
Actuarial gains from change in demographic assumptions	–	–	*(2)*	–	***(2)***
Other	–	–	*(132)*	–	***(132)***
Sub-total included in the consolidated profit or loss	**28**	**58**	**1,504**	**789**	**2,379**
Re-measurement of the defined benefit obligation	18	72	–	(143)	**(53)**
Actuarial gains from change in financial assumptions	*1*	*6*	–	*82*	***89***
Actuarial gains from change in demographic assumptions	*(11)*	*30*	–	*(61)*	***(42)***
Other	*28*	*36*	–	*(164)*	***(100)***
Sub-total included in the consolidated other comprehensive income	**18**	**72**	**–**	**(143)**	**(53)**
Settlement of liability	(146)	(141)	(1,507)	(418)	**(2,212)**
Defined benefit obligations at 31 December 2020	***353***	***1,029***	***3,694***	***7,576***	***12,652***

13. Employee Benefits (continued)

Defined Benefit Plans (continued)

	Blago-sostoyanie	Pochet	Other long-term benefits	Other post-employment benefits	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Defined benefit obligations at 31 December 2020	**353**	**1,029**	**3,694**	**7,576**	**12,652**
Service costs	6	–	1,465	304	**1,775**
Current service cost	*6*	–	*1,465*	*304*	***1,775***
Costs arising on transfer of employees (i)	2	–	62	63	**127**
Interest on the defined benefit obligation	16	59	144	450	**669**
Re-measurement of the defined benefit obligation:	–	–	(432)	–	**(432)**
Actuarial gains from change in financial assumptions	–	–	*(42)*	–	***(42)***
Actuarial gains from change in demographic assumptions	–	–	*(53)*	–	***(53)***
Other	–	–	*(337)*	–	***(337)***
Sub-total included in the consolidated profit or loss	**24**	**59**	**1,239**	**817**	**2,139**
Re-measurement of the defined benefit obligation	(3)	(183)	–	(2,075)	**(2,261)**
Actuarial gains from change in financial assumptions	*(6)*	*(90)*	–	*(1,015)*	***(1,111)***
Actuarial gains from change in demographic assumptions	*2*	–	–	*(369)*	***(367)***
Other	*1*	*(93)*	–	*(691)*	***(783)***
Sub-total included in the consolidated other comprehensive income	**(3)**	**(183)**	**–**	**(2,075)**	**(2,261)**
Settlement of liability	(106)	(94)	(1,404)	(435)	**(2,039)**
Defined benefit obligations at 31 December 2021	**268**	**811**	**3,529**	**5,883**	**10,491**

(i) The costs and assets arising from transfer of employees represent the transfer of assets and obligations, which originated from the movement of employees from, as well as back to, the Parent. Net losses are the difference between the costs arising from transfer of employees and the assets arising from transfer of employees.

13. Employee Benefits (continued)

Defined Benefit Plans (continued)

Movements in the net assets of defined benefit pension plan during 2021 and 2020 were as follows:

	2021 *Rbls mln*	2020 *Rbls mln*
Fair value of plan assets at the beginning of the year	**216**	**247**
Interest on the assets	12	13
Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	–	(5)
Contributions from the employer	2,006	2,173
Settlement of liability	(2,039)	(2,212)
Fair value of plan assets at 31 December	**195**	**216**

Assets administered by non-state pension fund "Blagosostoyanie" as a percentage of the fair value of total plan assets were as follows:

	31 December 2021	31 December 2020	1 January 2020
Corporate bonds and stocks of legal entities	64%	64%	63%
Shares in closed investment funds	17%	22%	25%
Cash equivalents and bank deposits	–	–	1%
Other	19%	14%	11%
Total	**100%**	**100%**	**100%**

Most benefits to employees and retired employees depend on wage growth and consumer price index. Defined benefit obligation of post-employment benefits in addition depend on changes in life expectancy of retired employees.

Plan assets under the defined benefit pension plan are subject to risks of financial market. Since retirement of a participant non-state pension fund Blagosostoyanie carries out all the risks of the plan with respect to this participant, thereby risks for the Group are reduced.

13. Employee Benefits (continued)

Defined Benefit Plans (continued)

Actuarial assumptions used were as follows:

	31 December 2021	31 December 2020	1 January 2020
Discount rate	8.4%	6.3%	6.4%
Average rate of employee turnover	9.6%	8.0%	9.0%
Projected average growth of wages	4.2%	4.0%	4.0%
Projected average growth of benefits	4.2%	4.0%	4.0%
Life expectancy table	Russia, 2019, with probability corrected to 80% of the initial level	Russia, 2019, with probability corrected to 80% of the initial level	Russia, 2018, with probability corrected to 80% of the initial level

In addition, the Group assumed that since 2022 salary will increase in line with inflation rate in Russia. The Group estimates future inflation rates based on the Ministry of Economic Development of the Russian Federation and the Economist Intelligence Unit assessments.

The increase in discount rate resulted from a increase noted in the reporting period in the market yields of government bonds.

Results of sensitivity analysis of defined benefit obligation:

		Change in obligations at	
	Change in assumption	31 December 2021	31 December 2020
		Rbls mln	*Rbls mln*
Discount rate	-0.5%	300	496
	+0.5%	(280)	(455)
Rate of employee turnover per year, relative change	-10%	145	174
	+10%	(137)	(166)
Annual average growth of benefits and salary	-0.5%	(312)	(491)
	+0.5%	332	530
Mortality rate	-10%	96	163
	+10%	(89)	(151)

The sensitivity analysis is based on realistic possible changes as of the end of the reporting year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

Weighted average duration of the defined benefit obligation is 6.4 years (at 31 December 2020: 8.4 years). The expected contributions to the defined benefit plans for the next annual period are Rbls 2,015 million.

14. Taxes and Similar Charges Payable (Other than Income Tax Payable)

Taxes and similar charges payable (other than income tax payable) comprised the following:

	31 December 2021	31 December 2020
	Rbls mln	*Rbls mln*
Settlement with social funds	1,828	1,522
Personal income tax	307	247
Property tax	233	407
VAT	106	44
Other	172	70
Total taxes and similar charges payable (other than income tax)	**2,646**	**2,290**

15. Transportation Contract Liabilities

	2021	2020
	Rbls mln	*Rbls mln*
As of 1 January	4,223	9,234
As of 31 December	7,014	4,223

Revenue, recognized in the reporting period that was included in the contract liability balance at the beginning of the period amounted to Rbls 4,223 million (2020: Rbls 9,234 million).

16. Other Non-current and Current Contract Liabilities

Other non-current and current liabilities as of 31 December 2021 and as of 31 December 2020 comprised the following:

	31 December 2021	31 December 2020
	Rbls mln	*Rbls mln*
Other non-current liabilities		
Other contract liabilities – "RZD Bonus" loyalty program	740	333
Total other non-current liabilities	**740**	**333**
Other current liabilities		
Other contract liabilities – "RZD Bonus" loyalty program	1,313	893
Other contract liabilities for scrap iron sale and advances for trip management services	260	239
Total other current liabilities	**1,573**	**1,132**

16. Other Non-current and Current Contract Liabilities (continued)

In July 2012 Group introduced Customers Loyalty Program "RZD-Bonus". According to Program customers, participants of Program, accumulate points for purchasing tickets for railway transportation provided by the Group, Parent and partners. Accumulated points can be used by passengers to compensate cost of tickets at future purchases. As of 31 December 2021 contract liabilities accrued in relation to Program amounted to Rbls 2,053 million (31 December 2020: Rbls 1,226 million).

	Other current contract liabilities		
	RZD Bonus Short-term portion	RZD Bonus Long-term portion	Total 31 December 2021
	Rbls mln	*Rbls mln*	*Rbls mln*
As of 1 January 2021	**893**	**333**	**1,226**
Accrued	1,313	1,062	2,375
Recognised	(893)	(655)	(1,548)
As of 31 December 2021	**1,313**	**740**	**2,053**

17. Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities in 2021 and 2020 comprised the following:

			Non-monetary changes		
	1 January 2021	Cash flows	Interest accrued	Other changes	31 December 2021
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Long-term borrowings	48,500	9,286	–	(9,286)	48,500
Short-term borrowings	15,280	(8,540)	–	9,350	16,090
Interest accrued	609	(4,892)	4,939	2	658
Lease liabilities, short-term portion	429	(558)	113	519	503
Lease liabilities, net of current portion	1,016	–	–	(413)	603
Total	**65,834**	**(4,704)**	**5,052**	**172**	**66,354**

			Non-monetary changes		
	1 January 2020	Cash flows	Interest accrued	Other changes	31 December 2020
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Long-term borrowings	49,214	(714)	–	–	48,500
Short-term borrowings	736	14,608	–	(64)	15,280
Interest accrued	591	(3,991)	4,012	(3)	609
Lease liabilities, short-term portion	384	(507)	146	406	429
Lease liabilities, net of current portion	1,452	–	–	(436)	1,016
Total	**52,377**	**9,396**	**4,158**	**(97)**	**65,834**

18. Equity

Share Capital

The share capital of the Company as at 31 December 2021 consists of 221,961,040,539 (31 December 2020: 206,961,040,539) authorized, issued, outstanding and fully paid common shares with par value of Rbls 1.

In March 2021 Company placed additional issue of ordinary shares with par value of 1 ruble each for the total amount of Rbls 15,000 million. All shares were fully paid in cash in March 2021.

	2021	**2020**
Weighted average number of ordinary shares, mln	218,673	190,513
Net loss for the period, Rbls mln	(3,163)	(34,825)
Basic loss per share, Rbls per share	(0.01)	(0.18)
Diluted loss per share, Rbls per share	(0.01)	(0.18)

Company does not possess any instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future.

The Company shareholder structure was as follows:

	31 December 2021	**31 December 2020**	**1 January 2020**
OJSC "RZD"	100% less 1 share	100% less 1 share	100% less 1 share
JSC "RZD Upravlenie aktivami"	1 share	1 share	1 share
Total	**100%**	**100%**	**100%**

19. Revenues

Revenues from contracts with customers and operating lease income for the year ended 31 December 2021 comprised the following:

Revenue description	Domestic regulated long-haul passenger transportation segment	Unregulated long-haul passenger transportation segment	All other segments	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Domestic long-haul passenger transportation	76,192	78,649	10,928	**165,769**
International long-haul passenger transportation	–	3,619	–	**3,619**
Domestic baggage and cargo transportation	6,479	–	–	**6,479**
International baggage and cargo transportation	–	32	–	**32**
Tickets reissue and booking charges	–	1,134	–	**1,134**
Provision of passenger rolling stock	–	–	3,188	**3,188**
Printed matter and tea	–	–	2,993	**2,993**
Repair of rolling stock	–	–	1,915	**1,915**
Surcharge for ticket sales and other	–	–	1,473	**1,473**
Railway infrastructure services	–	–	841	**841**
Servicing of rolling stock and personal services	–	–	433	**433**
Other services	–	–	1,188	**1,188**
Total revenues from contracts with customers	**82,671**	**83,434**	**22,959**	**189,064**
Satisfied				
At point in time	–	–	7,569	**7,569**
Over time	82,671	83,434	15,390	**181,495**
Total revenues from contracts with customers	**82,671**	**83,434**	**22,959**	**189,064**
Lease income	–	–	855	**855**
Total income	**82,671**	**83,434**	**23,814**	**189,919**

Reconciliation of revenues from contracts with customers revenues disclosed in Note 3 "Segment Reporting":

	Domestic regulated long-haul passenger transportation segment	Unregulated long-haul passenger transportation segment	All other segments	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Sales to third parties	82,720	85,006	23,978	**191,704**
Inter-segment sales	–	108	2,361	**2,469**
Total revenue	**82,720**	**85,114**	**26,339**	**194,173**
Adjustments and eliminations	(49)	(1,680)	(2,525)	**(4,254)**
Total income	**82,671**	**83,434**	**23,814**	**189,919**

19. Revenues (continued)

Revenues from contracts with customers and operating lease income for the year ended 31 December 2020 comprised the following:

Revenue description	Domestic regulated long-haul passenger transportation segment	Unregulated long-haul passenger transportation segment	All other segments	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Domestic long-haul passenger transportation	54,532	48,698	7,909	**111,139**
International long-haul passenger transportation	–	2,182	–	**2,182**
Domestic baggage and cargo transportation	6,310	–	–	**6,310**
International baggage and cargo transportation	45	–	–	**45**
Tickets reissue and booking charges	–	1,425	–	**1,425**
Provision of passenger rolling stock	–	–	2,195	**2,195**
Railway infrastructure services	–	–	1,816	**1,816**
Repair of rolling stock	–	–	1,703	**1,703**
Printed matter and tea	–	–	1,368	**1,368**
Surcharges for tickets sales and other	–	–	1,075	**1,075**
Servicing of rolling stock and personal services	–	–	344	**344**
IT services	–	–	160	**160**
Locomotive traction services	–	–	160	**160**
Other services	–	–	543	**543**
Total revenues from contracts with customers	**60,887**	**52,305**	**17,273**	**130,465**
Satisfied				
At point in time	–	–	4,689	**4,689**
Over time	60,887	52,305	12,584	**125,776**
Total revenues from contracts with customers	**60,887**	**52,305**	**17,273**	**130,465**
Lease income	–	–	790	**790**
Total income	**60,887**	**52,305**	**18,063**	**131,255**

Reconciliation of revenues from contracts with customers revenues disclosed in Note 3 "Segment Reporting":

	Domestic regulated long-haul passenger transportation segment	Unregulated long-haul passenger transportation segment	All other segments	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Sales to third parties	60,915	54,712	16,876	**132,503**
Inter-segment sales	–	139	1,557	**1,696**
Total revenue	**60,915**	**54,851**	**18,433**	**134,199**
Adjustments and eliminations	(28)	(2,546)	(370)	**(2,944)**
Total income	**60,887**	**52,305**	**18,063**	**131,255**

20. Other Operating Expenses

Other operating expenses for the year ended 31 December 2021 and 31 December 2020 comprised the following:

	2021	**2020**
	Rbls mln	*Rbls mln*
Security and fire safety costs	1,474	593
Accounting services	1,201	1,248
Information services	527	447
Transportation services	487	473
Health monitoring expenses	293	214
Business trips and personnel education	253	199
Cost of foreign railways' services	246	441
Selling tickets expenses	244	202
Commercial expenses	233	116
Telecommunication fees	168	230
Insurance expense	84	111
Social expenses	61	62
Consulting services	48	184
Other expenses	938	786
Total other operating expenses	**6,257**	**5,306**

21. Subsidies from Federal Budget

Subsidies from federal budget for the year ended 31 December 2021 and 31 December 2020 comprised compensations of the effects of tariffs' regulation for third- and fourth-class long-haul passenger transportation services, and other compensation payments for the transportation of certain categories of passengers. In 2020 Company received operating activities resumption subsidy in amount of Rbls 4,566 million. The subsidy's amount was recognized as decrease of railway infrastructure costs.

22. Other Income

Other income for the year ended 31 December 2021 and 31 December 2020 comprised the following:

	2021	**2020**
	Rbls mln	*Rbls mln*
Gain on property, plant and equipment disposal	1,418	–
Gains on derecognition of liabilities with expired limitation of action period	233	34
Penalties charged to customers	228	201
Gain on inventories disposal, net	116	1
Change in provision for legal claims	–	17
Other	999	697
Total other income	**2,994**	**950**

23. Other Expenses

Other expenses for the year ended 31 December 2021 and 31 December 2020 comprised the following:

	2021	2020
	Rbls mln	*Rbls mln*
Loss on disposal of property, plant and equipment	–	(3,983)
Contributions to trade union	(321)	(308)
Penalties charged by customers	(18)	(29)
Other	(315)	(310)
Total other expenses	**(654)**	**(4,630)**

24. Related Party Transactions

As defined by IAS 24 *Related Parties Disclosures* the entity is related to a reporting entity if any of the following conditions applies:

(a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(f) The entity is controlled or jointly controlled by a person, that:

  (i) Has control or joint control over the reporting entity;

  (ii) Has significant influence over the reporting entity; or

  (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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

24. Related Party Transactions (continued)

The most significant balances with related parties as of 31 December 2021 and 31 December 2020 are as follows (for description of the nature of the relationships between the Group and its related parties refer to definitions in a.-f. above):

	As of 31 December 2021		As of 31 December 2020	
Related party, nature of relations, type of service/product	**Amounts receivable**	**(Amounts payable)**	**Amounts receivable**	**(Amounts payable)**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Operating activities				
Transactions with parent company (a)				
Attributed to sales and income				
Transportation	143	(2)	106	(1)
Other	1,226	(89)	253	(152)
Attributed to purchases and expenses				
Railway infrastructure	–	(13,544)	52	(10,453)
Locomotives expenses	8	(806)	–	(7,785)
Fixed assets, materials and other services	470	(1,109)	259	(891)
Transactions with parent’s subsidiary companies (a)				
Attributed to sales and income				
Other	82	(9)	56	(8)
Attributed to purchases and expenses				
Repair and other services	4	(215)	67	(307)
Transactions with associates and joint ventures (b)				
Attributed to sales and income				
Other	37	(3)	54	(1)
Attributed to purchases and expenses				
Transportation services	–	(8)	–	(8)
Repair services	–	(5)	–	(4)
Pension contributions	–	(34)	–	(34)
Other	3	(264)	–	(4)

24. Related Party Transactions (continued)

Related party, nature of relations, type of service/product	As of 31 December 2021 Amounts receivable	As of 31 December 2021 (Amounts payable)	As of 31 December 2020 Amounts receivable	As of 31 December 2020 (Amounts payable)
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Ministries of the Russian Federation (a)				
Attributed to sales and income				
Transportation and other	1,783	(264)	1,059	(11)
Rent and other	437	(4)	785	(2)
Attributed to purchases and expenses				
Security and fire prevention services	–	(11)	–	(14)
Sanitation-and-epidemiological services	–	(43)	–	(52)
Banking services	–	(12)	–	(11)
Other services	9	(7)	15	(4)
Transactions with State-controlled entities (a)				
Attributed to sales and income				
Transportation	6,515	(173)	6,621	(265)
Repair and other services	53	–	42	(1)
Attributed to purchases and expenses				
Electricity, fuel, oil	6	(7)	9	(23)
Banking services	–	(107)	–	(93)
Insurance	9	–	–	–
Other services	8	(2,836)	7	(2,598)
Allowance for expected credit losses, net				
Transactions with parent company and with parent's subsidiary companies (a)	(14)	–	(4)	–
Transactions with associates and joint ventures (b)	(3)	–	(3)	–
Ministries of the Russian Federation (a)	(4)	–	(3)	–
Transactions with state-controlled entities (a)	(2)	–	(24)	–
Financing activities				
Transactions with parent's subsidiaries(a)				
Loans receivable	1,000	–	800	–
Loans payable	–	(10)	–	(20)
State-controlled entities (a)				
Loans payable	–	(13,085)	–	(5,650)
Operations with pension funds				
Pension funds (e)				
Payable to the pension fund	69	–	69	–

24. Related Party Transactions (continued)

Related party, nature of relations, type of service/product	For the year ended 31 December 2021 Sales/ income*	For the year ended 31 December 2021 (Purchases)/ (expenses)*	For the year ended 31 December 2020 Sales/ income*	For the year ended 31 December 2020 (Purchases)/ (expenses)*
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Operating activities				
Transactions with parent company (a)				
Attributed to sales and income				
Transportation services	7,188	–	5,543	–
Other	3,706	–	1,653	–
Attributed to purchases and expenses				
Railway infrastructure	–	(60,493)	–	(53,845)
Locomotives expense	–	(38,896)	–	(35,123)
Fixed assets, materials and other services	–	(7,136)	–	(5,701)
Transactions with parent's subsidiary companies (a)				
Attributed to sales and income				
Other	355	–	201	–
Attributed to purchases and expenses				
Repair and other services	–	(1,311)	–	(921)
Transactions with associates and joint ventures (b)				
Attributed to sales and income				
Other	9	–	11	–
Attributed to purchases and expenses				
Transportation services	–	(63)	–	(61)
Repair services	–	(29)	–	(18)
Pension contribution	–	(410)	–	(441)
Other	–	(83)	–	(77)

24. Related Party Transactions (continued)

Related party, nature of relations, type of service/product	For the year ended 31 December 2021 Sales/ income*	For the year ended 31 December 2021 (Purchases)/ (expenses)*	For the year ended 31 December 2020 Sales/ income*	For the year ended 31 December 2020 (Purchases)/ (expenses)*
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Ministries of the Russian Federation (a)				
Attributed to sales and income				
Subsidies (Note 21)	13,644	–	8,595	–
Transportation services	7,242	–	5,653	–
Rent and other	2,821	–	1,957	–
Attributed to purchases and expenses				
Security and fire prevention services	–	(55)	–	(69)
Sanitation-and-epidemiological services	–	(218)	–	(196)
Banking services	–	(161)	–	(147)
Infrastructure services	–	–	–	4,566
Other services	–	(52)	–	(54)
Transactions with state-controlled entities (a)				
Attributed to sales and income				
Transportation	3,473	–	8,143	–
Repair and other services	333	–	302	–
Attributed to purchases and expenses				
Electricity, fuel, oil	–	(141)	–	(133)
Banking services	–	(1,570)	–	(1,126)
Insurance	–	(87)	–	(112)
Other	–	(141)	–	(166)
Allowance for expected credit losses, net				
Transactions with parent company and with parent's subsidiary companies (a)	–	(13)	–	(1)
Transactions with associates and joint ventures (b)	1	–	–	(2)
Ministries of the Russian Federation (a)	–	(1)	–	(1)
Transactions with state-controlled entities (a)	6	–	–	(24)
Transactions with pension funds (e)	–	–	2	–
Financing activities				
Transactions with parent's subsidiary companies (a)				
Interest income on loans receivable	190	–	234	–
Interest expense on loans payable	–	–	–	(3)
Transactions with state-controlled entities (a)				
Interest expense on loans payable	–	(818)	–	(283)
Interest income from changes in present value	446	–	12	–
Operations with pension funds				
Pension funds (e)				
Pension contributions and other	687	(259)	456	(274)

* *Amounts do not include VAT.*

24. Related Party Transactions (continued)

During the year ended 31 December 2021 and 31 December 2020 the Group's companies maintained several accounts in state-controlled and associate banks of the Parent. The amount of cash and short term deposits held in these banks as at 31 December 2021 equated to Rbls 2,465 million (31 December 2020: Rbls 3,539 million), which comprised the following:

	2021	2020
	Rbls mln	*Rbls mln*
Cash and cash equivalents in state-controlled credit organizations	2,465	3,539
Total	**2,465**	**3,539**

Interest income from related parties comprised Rbls 253 million for the year ended 31 December 2021 (2020: Rbls 303 million).

Loans obtained by the Group from related parties attract interest varying from 1.5% to 11.21% during the year ended 31 December 2021 (2020: from 1.5% to 7.5%).

Further, for the year ended 31 December 2021 the Group was entitled to receive tariff compensation of Rbls 2,634 million (2020: Rbls 1,530 million) for transportation of certain categories of passengers from the Federal Railroad Agency (Agency).

Accounts receivable balance outstanding for the tariff compensation on transportation of certain categories of passengers as at 31 December 2021 is Rbls 1,582 million (31 December 2020: Rbls 2,481 million).

Key management personnel comprise General Director and deputies of General Director. Total remuneration accrued and paid to the key management personnel as of the date of financial statements approval amounted to Rbls 161 million for year ended 31 December 2021 (2020: Rbls 160 million).

25. Commitments and Contingencies

Tariff Regulation Policy

Potential reforms in tariff-setting policy may have a significant effect on the Company. The Company is continuously discussing the tariff setting policy, including both- unification of such tariffs between domestic and foreign transportation and increases in the tariffs, with the Government of the Russian Federation.

It is currently uncertain whether any changes will be introduced in the tariff setting policy. These consolidated financial statements do not include any adjustments that might result from these uncertain effects. Such adjustments, if any, will be reported in the Group's consolidated financial statements in the period when they become known and estimable.

25. Commitments and Contingencies (continued)

Taxation

Russia currently has a number of taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, corporate income tax (profit tax), property tax, personal income tax and payroll (social) taxes, together with others.

Statutory stipulated tax benefit concept is in place in respect of all taxes levied on the territory of Russian Federation with specific focus on the presence of business purposes of operational transactions as well as on confirmation of contractual obligations execution by parties to the contract or by the party to which obligations were transferred under the contract or law provisions. This development changes significantly the concept of unreasonable tax benefit receipt recognition, which will affect significantly previously established law practice. At the same time practical mechanism of application of the concept is not yet realized and law practice is not established.

Recent trends in application and interpretation of some of the provisions of Russian tax regulation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of the legislation and assessments. It is therefore possible that transactions and activities that have not been challenged in the past may be challenged at any time in the future. As such, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Assessment of the amount of claims on possible but not brought yet legal actions and assessment of the probability of negative outcomes is not possible. Fiscal periods remain open and subject to review by the authorities in respect of taxes for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

Management believes that it has correctly interpreted tax regulations and adequately provided for tax liabilities in the consolidated financial statements as at 31 December 2021 (Notes 11 and 14) in respect of above mentioned risks. However, the general risk remains that relevant authorities could take different positions with regard to interpretative issues and the effect on the Group’s financial position could be significant.

Insurance

The Russian insurance industry is in developing stage: insurance market capacity and low variety of product lines does not completely meet customers’ requirements. Compulsory insurance common in other parts of the world is being introduced in stages and may not be available for some types of insurance.

Management has approved insurance policy for the Group. This policy sets general principles for the Group in respect of major terms of insurance contracts.

During 2021, the Group continued to maintain insurance coverage regarding major categories of its property.

25. Commitments and Contingencies (continued)

Claims and Potential Claims against the Group

The Group is subject to a number of court proceedings arising out of the normal course of its business. These proceedings primarily relate to application of transportation tariffs. As at 31 December 2021 the Group has not recognized provision in respect of such proceedings (31 December 2020: none) (Note 22).

Purchase Commitments for Capital Expenditures and Repairs

Purchase commitments for capital expenditures and repairs are disclosed including VAT, where applicable.

	31 December 2021	**31 December 2020**
	Rbls mln	*Rbls mln*
Purchase of new rolling stock (A)	177,626	209,121
Purchase of intangible assets	56	68
Modernization and capital repairs of rolling stock	25,007	42,927
Total purchase commitments for capital expenditures and repairs	**202,689**	**252,116**

As at 31 December 2021 purchase commitments for capital expenditures and repairs resulted from the contracts signed with related parties amounted to Rbls 570 million (31 December 2020: Rbls 1,218 million).

(A) Purchase commitments for the purchase of new rolling stock mainly relate to long-term agreement with OAO Tverskoy Vagonostroitelny Zavod.

26. Financial Instruments and Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, finance leases obligations, cash and bank deposits. The main purpose of these instruments is to raise finance for the Group's operations. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group is exposed to credit and liquidity risks and market risk.

Financial risks are monitored by Financial Risks Management Committee and Finance Department of the Company. Credit, currency and interest rate risks are regulated by corporate financial risks management code and policies.

26. Financial Instruments and Risk Management Objectives and Policies (continued)

Credit Risk

Credit risk is the risk that a counter party will fail to discharge an obligation and cause the Group to incur a financial loss.

Cash is placed in financial institutions, which are considered at a time of deposit to have minimal risk of default. Management monitors the creditworthiness of the banks in which it deposits cash and ensures that the deposits placed by the Group in each financial institution do not exceed approved upper limit. These limits are recalculated quarterly in accordance with corporate policies, which include qualitative and quantitative analysis of financial institutions' performance. These limits are monitored and approved by the Company's Financial Risks Management Committee.

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans issued. The carrying amount of these financial assets, net of expected impairment loss allowance, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the impairment already recorded.

The largest part of the Company's sales of transportation services are made on prepayment basis. Accordingly, the Group's trade receivables are originated by a limited number of customers, primarily parent company OJSC "RZD" and Federal Railways Agency (Agency) which administers partial compensation to the Company for railway transportation tariff for certain categories of passengers. Impairment allowance recognized by the Group primarily consists of receivables from Federal Railways Agency (Agency). The Group has no practical ability to amend the legislation governing provisions of subsidies to certain categories of passengers, or to terminate the supply to these counterparties. The Group continuously negotiates with federal authorities the terms of these receivables' collection.

The maximum exposure to credit risk is equal to the carrying amount of financial assets which is disclosed below:

	31 December 2021	**31 December 2020**
	Rbls mln	*Rbls mln*
Loans issued	–	800
Cash and cash equivalents (excluding cash on hand)	3,020	3,882
Receivables	5,943	4,029
Long-term receivable	5,749	6,256
Total credit risk exposure	**14,712**	**14,967**

26. Financial Instruments and Risk Management Objectives and Policies (continued)

Credit Risk (continued)

Analysis of other current financial assets, comprising loans issued and Group's receivables analysis by level of credit risk rating and default probability as of 31 December 2021 and 31 December 2020 comprised the following:

As of 31 December 2021:

	Gross value						
	Level 1	Level 2	Level 3	Level 4			Gross value less allowance for expected credit losses
	Less than 2%	From 2% to 10%	From 10%	Specific financial instrument impairment	Total	Allowance for expected credit losses	
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Loans issued	–	–	–	–	–	–	–
Short-term receivables for transportation services (Note 9)	2,342	91	22	1,243	3,698	(1,259)	2,439
Other accounts receivable (Note 9)	3,193	257	98	355	3,903	(399)	3,504
Long-term receivables for transportation services	5,763	–	–	–	5,763	(14)	5,749
Total	**11,298**	**348**	**120**	**1,598**	**13,364**	**(1,672)**	**11,692**

As of 31 December 2020:

	Gross value						
	Level 1	Level 2	Level 3	Level 4			Gross value less allowance for expected credit losses
	Less than 2%	From 2% to 10%	From 10%	Specific financial instrument impairment	Total	Allowance for expected credit losses	
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Loans issued	800	–	–	–	800	–	800
Short-term receivables for transportation services (Note 9)	1,370	99	10	2,162	3,641	(2,174)	1,467
Other accounts receivable (Note 9)	2,209	211	225	336	2,981	(419)	2,562
Long-term receivables for transportation services	6,274	–	–	–	6,274	(18)	6,256
Total	**10,653**	**310**	**235**	**2,498**	**13,696**	**(2,611)**	**11,085**

Receivables balances are allocated to risk across credit risk rating levels in accordance with Company's credit risk management policy based on debtors' default probabilities.

Company applies credit default probabilities published by rating agencies. For those debtors which have no specific published default probability, Company takes into account actual prior years information on debtor's contract liabilities contract terms, company's financial position and debtor's industry.

26. Financial Instruments and Risk Management Objectives and Policies (continued)

Credit Risk (continued)

Company’s Receivables are distributed between levels 1, 2, 3 and 4. Company allocates Russian Federation Ministries and Agencies as well as state controlled companies to Level 1 with Russian Federation level of credit risk. Oil, gas, consumable fuels and power producing companies are also included in Level 1 risk level. Besides, Level 1 was assigned to companies with low cumulative risk indicator level.

Level 2 and 3 includes other debtors, which do not qualify for inclusion into level 1 based on established default probability. Those debtors, where specific financial instrument analysis was performed are disclosed under Level 4 category.

Default probability is determined by subsidiaries based on aging of past due payments under the contracts as well as specific contract and financial position of debtors analysis.

Level 4 comprises debtors, for which, due to amounts receivable materiality specific analysis was performed to determine compensation receipt probability under the contract. As a result, Company determined compensation receipt probability as low while Company maintains legal rights to these payments.

In the years ended 31 December 2021 and 31 December 2020, the movement in allowance for the expected credit loss was as follows:

	Balance as at 1 January 2021	**Charge for the year**	**Reversed**	**Utilized**	**Balance as at 31 December 2021**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Allowance for expected credit losses on current financial assets					
Receivables for transportation services	(2,174)	(16)	913	18	(1,259)
Other accounts receivable	(419)	(198)	101	117	(399)
Other accounts receivable, long-term	(18)	(14)	18	–	(14)
Total	**(2,611)**	**(228)**	**1,032**	**135**	**(1,672)**

	Balance as at 1 January 2020	**Charge for the year**	**Reversed**	**Utilized**	**Balance as at 31 December 2020**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*	*Rbls mln*
Allowance for expected credit losses on current financial assets					
Receivables for transportation services	(2,172)	(13)	9	2	(2,174)
Other accounts receivable	(396)	(93)	45	25	(419)
Other accounts receivable, long-term	(5)	(18)	5	–	(18)
Total	**(2,573)**	**(124)**	**59**	**27**	**(2,611)**

26. Financial Instruments and Risk Management Objectives and Policies (continued)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.The management monitors net debt to EBITDA (EBITDA is calculated as operating profit after subsidies before the effects of depreciation, amortization and loss on impairment of PP&E and intangible assets for the reporting period), and EBITDA to net interest costs as key financial ratios in accordance with the Group’s debt management policy.

The Group prepares a financial plan on a monthly basis which ensures that the Group has sufficient cash on demand to finance expected operational expenses, financial obligations and investing activities. The Group developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

The following tables summarise the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments, incluing interest payments. Repayments, which are subject to notice, are treated as if notice were to be given immediately. Accordingly, the related liabilities were reported as payable within less than 1 year.

As at 31 December 2021	**Less than 1 year**	**1 to 3 year**	**Over 3 years**	**Total**
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Fixed-rate debts				
Loans and borrowings	13,127	25,972	5,879	**44,978**
	13,127	**25,972**	**5,879**	**44,978**
Lease liabilities				
Lease payments	575	621	48	**1,244**
	575	**621**	**48**	**1,244**
Floating rate debts				
Loans and borrowings	8,277	3,711	24,699	**36,687**
	8,277	**3,711**	**24,699**	**36,687**
Non-interest bearing debts				
Trade payables	38,874	–	–	**38,874**
Other payables	1,420	–	–	**1,420**
Other current liabilities	5,065	–	71	**5,136**
	45,359	**–**	**71**	**45,430**
Total	**67,338**	**30,304**	**30,697**	**128,339**

26. Financial Instruments and Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

As at 31 December 2020	Less than 1 year	1 to 3 year	Over 3 years	Total
	Rbls mln	*Rbls mln*	*Rbls mln*	*Rbls mln*
Fixed-rate debts				
Loans and borrowings	8,133	27,911	16,975	**53,019**
	8,133	**27,911**	**16,975**	**53,019**
Lease liabilities				
Lease payments	545	1,083	61	**1,689**
	545	**1,083**	**61**	**1,689**
Floating rate debts				
Loans and borrowings	11,312	1,292	13,231	**25,835**
	11,312	**1,292**	**13,231**	**25,835**
Non-interest bearing debts				
Trade payables	37,195	–	–	**37,195**
Other payables	1,677	–	–	**1,677**
Other current liabilities	4,269	–	71	**4,340**
	43,141	**–**	**71**	**43,212**
Total	**63,131**	**30,286**	**30,338**	**123,755**

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's cash flows or the fair value of its holdings of financial instruments. Market risk comprises equity, currency and interest rate risks.

Currency risk

The currency risk is the risk of losses due to adverse changes in foreign exchange rates with regard to the Group's assets and liabilities denominated in foreign currencies.

As of 31 December 2021, 31 December 2020 the Group's exposure to currency risk was represented by payables nominated in EUR. As of 31 December 2021 the total outstanding payables nominated in EUR amounted to Rbls 54 million (31 December 2020: Rbls 130 million) and EUR-nominated monetary assets amounted to Rbls 12 million (31 December 2020: Rbls 43 million). As of 31 December 2021 USD-nominated payables amounted to Rbls 5million (31 December 2020: Rbls 4 million) while USD-nominated monetary assets amounted to Rbls 8 million (31 December 2020: Rbls 2 million).

26. Financial Instruments and Risk Management Objectives and Policies (continued)

Market Risk (continued)

Sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before taxation ("PBT") to reasonably possible changes in respective currencies with regard to its net monetary position[2] as at 31 December 2021 and 2020 with all other variables held constant:

	2021		2020	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	(%)	*Rbls mln*	*(%)*	*Rbls mln*
Rbls/EUR	+15.0	(7)	+16.0	(15)
	-15.0	7	-16.0	15

Interest rate risk

The interest rate risk is the risk of financial losses due to adverse changes in the interest rates of the Group's assets and liabilities.

In August 2011 the Group had adopted a formal policy with regard to acceptable exposure to fixed and variable interest rates. The Group periodically reviews current interest rates and uses the results of this analysis to decide whether attraction of fixed-rate or variable-rate borrowings is more beneficial for the Group.

The following table demonstrated the sensitivity to a reasonably possible change in interest rates of the Group's profit before tax (through the impact of variable-rate borrowings) for the year ended 31 December 2021:

2021	**Increase/ decrease in rate**	**Effect on profit before tax**
	%	*Rbls mln*
RUR	+3.0	(379)
RUR	-3.0	730

Fair Value of Financial Instruments

The carrying amounts of financial instruments that are liquid or have a short term maturity (less than three months), such as cash and cash equivalents, short-term bank deposits, short-term accounts receivable and payable are assumed to approximate their fair value.

As no readily available market exists for a part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

[2] Net monetary position comprises financial assets net of financial liabilities.

26. Financial Instruments and Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

With regard to fixed rate financial instruments, their fair value was estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

For quoted debt issued the fair values are calculated based on quoted market prices.

For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following table summarizes differences between the carrying amounts and fair values and provides the fair value measurement hierarchy of financial assets and liabilities of the Group as at 31 December 2021 and 31 December 2020.

	Carrying value	**Fair value**	**Level of fair value hierarchy**
	Rbls mln	*Rbls mln*	
31 December 2021			
Financial assets			
Long-term financial assets	5,749	5,062	Level 2
Financial liabilities			
Long-term fixed rate loans	91	91	Level 2
Long-term fixed rate debt securities:			
- Bonds	33,948	33,470	Level 1
- Bonds	5,079	5,005	Level 2

	Carrying value	**Fair value**	**Level of fair value hierarchy**
	Rbls mln	*Rbls mln*	
31 December 2020			
Financial assets	6,256	6,293	Level 2
Long-term financial assets			
Financial liabilities			
Long-term fixed rate loans	5,001	4,997	Level 2
Long-term fixed rate debt securities:			
- Bonds	39,018	41,026	Level 1

26. Financial Instruments and Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

Management believes that the carrying values of other financial assets and liabilities not detailed in the above table approximate their fair values as at 31 December 2021 and 31 December 2020.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Capital Management

Capital includes equity attributable to the equity holders of FPC.

The Group manages its capital structure in light of changes in economic conditions and may adjust it by issuing new shares and dividend payments to the shareholders.

27. Events After the Reporting Period

Operating Activities

In February 2022 some foreign countries and international organizations introduced new package sanctions on public debt of Russian Federation and a number of Russian banks and companies, including OJSC “RZD” – parent company of the Group and personal sanctions on some individuals.

Due to rising geopolitical tensions since February 2022 there has been a significant increase in volatility on the stock and currency markets, as well as a significant depreciation of the RUB against USD and EUR. On 28 February 2022 The Central Bank of Russian Federation made a decision to increase key rate to 20%.

The Group considers these events as events after the balance sheet date which evidence economic conditions, under which Company was operating, that arose after the reporting date. The quantitative effect of these events can not be reliably estimated at the moment.

Management of the Group analyzes the possible impact of the above events and changing micro- and macroeconomic conditions on the financial position, order of operations and Group performance.

27. Events After the Reporting Period (continued)

Government Subsidies

In January 2022 Company signed an agreement with Federal Agency of Railway Transportation for subsidies' provision for the year 2022 in the amount of Rbls 6,144 million as a compensation for the effects of tariffs' regulation with respect to certain classes of long-haul passenger transportation.

Loans and Borrowings

In January 2022 Company received Rbls 6,000 million under previously signed loan agreement.

Share Capital

In March 2022 Company registered additional ordinary shares issue for the total amount of Rbls 1,300 million.