

**PUBLIC JOINT STOCK COMPANY «INTERREGIONAL  
DISTRIBUTION GRID COMPANY OF NORTH-WEST»  
INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020  
AND REPORT ON REVIEW**

*August 2020*

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## Report on Review of Interim Financial Information

To the shareholders and Board of Directors of  
Public joint stock company "Interregional Distribution  
Grid Company of North-West"

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Public joint stock company "Interregional Distribution Grid Company of North-West" and its subsidiaries, which comprise the interim condensed consolidated statement of profit or loss and other comprehensive income for the three and six months ended 30 June 2020, the interim condensed consolidated statement of financial position as at 30 June 2020, interim condensed consolidated statement of cash flows, interim condensed consolidated statement of changes in equity for the six months then ended, and selected notes to the interim condensed consolidated financial statements (interim financial information). Management of Public joint stock company "Interregional Distribution Grid Company of North-West" is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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



Совершенство бизнеса,  
улучшаем мир

### **Conclusion**

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

A handwritten signature in blue ink, appearing to read 'Гребенюк' (Grebeniuk), written in a cursive style.

A.Y. Grebeniuk  
Partner  
Ernst & Young LLC

21 August 2020

### **Details of the entity**

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

### **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.



Interim condensed consolidated statement of profit or loss and other comprehensive income  
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Three months ended 30 June (unaudited)		Six months ended 30 June (unaudited)	
		2020	2019	2020	2019
Revenue	7	10,729,141	11,308,600	23,804,012	24,686,459
Operating expenses	10	(11,110,597)	(10,673,699)	(22,786,533)	(22,315,574)
Expected credit losses		(137,668)	(243,650)	(90,396)	(274,341)
Other income	8	115,586	125,731	274,236	218,183
Other expenses	9	(13,116)	(7,425)	(15,652)	(7,425)
<b>Results from operating activities</b>		<b>(416,654)</b>	<b>509,557</b>	<b>1,185,667</b>	<b>2,307,302</b>
Finance income	11	24,657	21,438	71,584	40,964
Finance costs	11	(263,911)	(363,699)	(576,594)	(711,347)
<b>Total finance costs</b>		<b>(239,254)</b>	<b>(342,261)</b>	<b>(505,010)</b>	<b>(670,383)</b>
<b>Profit/(loss) before tax</b>		<b>(655,908)</b>	<b>167,296</b>	<b>680,657</b>	<b>1,636,919</b>
Income tax expense	12	110,874	(47,567)	(175,816)	(348,783)
<b>Profit/(loss) for the period</b>		<b>(545,034)</b>	<b>119,729</b>	<b>504,841</b>	<b>1,288,136</b>
<b>Other comprehensive income/(loss)</b>					
<i>Items that will never be reclassified subsequently to profit or loss</i>					
Change in the fair value equity investments measured at fair value through other comprehensive income		3,259	2,332	132	2,911
Remeasurement of the defined benefit liability		(40,996)	(101,536)	(16,137)	(151,273)
Income tax	12	7,548	19,842	3,201	29,673
<b>Other comprehensive loss for the period, net of income tax</b>		<b>(30,189)</b>	<b>(79,362)</b>	<b>(12,804)</b>	<b>(118,689)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(575,223)</b>	<b>40,367</b>	<b>492,037</b>	<b>1,169,447</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		(545,029)	119,730	504,852	1,288,144
Non-controlling interest		(5)	(1)	(11)	(8)
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		(575,218)	40,368	492,048	1,169,455
Non-controlling interest		(5)	(1)	(11)	(8)
<b>Earnings/(loss) per share</b>					
Basic earnings/(loss) per ordinary share (in RUB)	21	(0.0057)	0.0012	0.0053	0.0134

These Interim condensed consolidated financial statements were approved by management on 21 August 2020 and were signed on its behalf by:

General Director



A.Y. Pidnik

Deputy General Director for  
Economy and Finance


L.V. Shadrina

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


I.G. Zhdanova

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

**Interim condensed consolidated statement of financial position**  
**(in thousand of Russian rubles, unless otherwise stated)**

	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	39,299,358	40,037,317
Intangible assets	14	270,076	266,945
Right-of-use assets	15	1,063,682	613,705
Trade and other receivables	17	140,184	140,121
Assets related to employee benefit plans		317,467	314,159
Other non-current financial assets	16	573,730	551,544
Deferred tax assets		28,246	18,533
Advances issued and other non-current assets	18	114,733	71,540
<b>Total non-current assets</b>		<b>41,807,476</b>	<b>42,013,864</b>
<b>Current assets</b>			
Inventories		1,348,532	965,749
Income tax prepayments		161,288	44,438
Trade and other receivables	17	5,355,250	5,360,864
Advances issued and other current assets	18	845,502	706,810
Cash and cash equivalents	19	635,994	232,088
<b>Total current assets</b>		<b>8,346,566</b>	<b>7,309,949</b>
<b>Total assets</b>		<b>50,154,042</b>	<b>49,323,813</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20	9,578,592	9,578,592
Reserve related to business combination	20	10,457,284	10,457,284
Other reserves		(104,626)	(91,822)
Retained earnings / (accumulated loss)		251,551	(132,938)
<b>Total equity attributable to owners of the Company</b>		<b>20,182,801</b>	<b>19,811,116</b>
Non-controlling interest		225	236
<b>Total equity</b>		<b>20,183,026</b>	<b>19,811,352</b>
<b>Non-current liabilities</b>			
Loans and borrowings	22	12,780,991	12,803,516
Trade and other payables	23	294,145	291,552
Advances received	25	806,598	350,546
Employee benefit liabilities		1,013,434	983,386
Deferred tax liabilities		870,888	730,285
<b>Total non-current liabilities</b>		<b>15,766,056</b>	<b>15,159,285</b>
<b>Current liabilities</b>			
Loans and borrowings and short-term portion of long-term loans and borrowings	22	3,715,577	2,491,915
Trade and other payables	23	4,536,694	5,546,021
Taxes, other than income tax	24	1,271,279	1,344,441
Advances received	25	3,495,583	3,610,619
Provisions		1,185,637	998,058
Current income tax liabilities		190	362,122
<b>Total current liabilities</b>		<b>14,204,960</b>	<b>14,353,176</b>
<b>Total liabilities</b>		<b>29,971,016</b>	<b>29,512,461</b>
<b>Total equity and liabilities</b>		<b>50,154,042</b>	<b>49,323,813</b>

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

Interim condensed consolidated statement of cash flows  
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period		504,841	1,288,136
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	10	2,394,623	2,281,040
Finance costs	11	576,594	711,346
Finance income	11	(71,584)	(40,964)
Loss/(gain) on disposal of property, plant and equipment		2,947	(6,451)
Expected credit losses		90,396	274,341
Accounts receivable write-off		590	785
Accounts payable write-off		(435)	(587)
Change in provisions		203,817	(37,749)
Other non-cash transactions		(2,194)	(2,707)
Income tax expense	12	175,816	348,783
<b>Total effect of adjustments</b>		<b>3,875,411</b>	<b>4,815,973</b>
Change in assets related to employee benefit plans		20,810	29,116
Change in employee benefit liabilities		(15,836)	(18,172)
Change in long-term trade and other receivables		(63)	(151,935)
Change in long-term advances issued and other non-current assets		(43,193)	(178,492)
Change in long-term trade and other payables		2,593	19,189
Change in long-term advances received		456,052	1,160,715
<b>Cash flows from operating activities before changes in working capital and provisions</b>		<b>4,295,774</b>	<b>5,676,394</b>
<i>Changes in working capital</i>			
Change in trade and other receivables		(48,707)	1,258,791
Change in advances issued and other assets		(138,691)	310,447
Change in inventories		(383,265)	(436,436)
Change in trade and other payables		(511,722)	(1,398,393)
Change in advances received		(115,036)	(1,369,949)
Other		-	1,946
<b>Cash flows from operating activities before income tax and interest paid</b>		<b>3,098,353</b>	<b>4,042,800</b>
Income tax paid		(520,351)	(187,783)
Interest paid under lease agreements		(67,006)	(76,048)
Interest paid		(535,796)	(578,915)
<b>Net cash from operating activities</b>		<b>1,975,200</b>	<b>3,200,054</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets		(1,951,623)	(2,223,670)
Proceeds from the sale of property, plant and equipment and intangible assets		642	9,988
Interest received		18,499	19,951
Dividends received		26	-
<b>Net cash used in investing activities</b>		<b>(1,932,456)</b>	<b>(2,193,731)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings	22	15,435,089	10,089,120
Repayment of loans and borrowings	22	(14,703,623)	(10,527,859)
Dividends paid		(304,630)	-
Repayment of lease liabilities		(65,674)	(1,029)
<b>Net cash from / (used in) financing activities</b>		<b>361,162</b>	<b>(439,768)</b>
<b>Net increase in cash and cash equivalents</b>		<b>403,906</b>	<b>566,555</b>
Cash and cash equivalents at the year beginning		232,088	151,123
<b>Cash and cash equivalents at the year end</b>	19	<b>635,994</b>	<b>717,678</b>

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

Interim condensed consolidated statement of changes in equity  
(in thousand of Russian rubles, unless otherwise stated)

	Equity attributable to owners of the Company						
	Share capital	Reserve related to business combination	Other reserves	Retained earnings / accumulated loss	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2019</b>	9,578,592	10,457,284	(45,186)	(645,455)	19,345,235	253	19,345,488
Profit/(loss) for the period	-	-	-	1,288,144	1,288,144	(8)	1,288,136
Other comprehensive loss	-	-	(148,362)	-	(148,362)	-	(148,362)
Income tax related to other comprehensive loss	-	-	29,673	-	29,673	-	29,673
<b>Total comprehensive income/(loss) for the period</b>	-	-	(118,689)	1,288,144	1,169,455	(8)	1,169,447
Dividends to shareholders (Note 20)	-	-	-	(381,707)	(381,707)	-	(381,707)
<b>Balance at 30 June 2019 (unaudited)</b>	9,578,592	10,457,284	(163,875)	260,982	20,132,983	245	20,133,228
<b>Balance at 1 January 2020</b>	9,578,592	10,457,284	(91,822)	(132,938)	19,811,116	236	19,811,352
Profit/(loss) for the period	-	-	-	504,852	504,852	(11)	504,841
Other comprehensive loss	-	-	(16,005)	-	(16,005)	-	(16,005)
Income tax related to other comprehensive loss	-	-	3,201	-	3,201	-	3,201
<b>Total comprehensive income/(loss) for the period</b>	-	-	(12,804)	504,852	492,048	(11)	492,037
Dividends to shareholders (Note 20)	-	-	-	(120,363)	(120,363)	-	(120,363)
<b>Balance at 30 June 2020 (unaudited)</b>	9,578,592	10,457,284	(104,626)	251,551	20,182,801	225	20,183,026

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

Notes to the interim condensed consolidated financial statements  
(in thousand of Russian rubles, unless otherwise stated)

## 1 Background

### (a) *The Group and its operations*

The primary activities of PJSC IDGC of North-West and its subsidiaries (hereinafter jointly referred to as the “Group”) are provision of services for transmission and distribution of electricity for power grids, as well as provision of services for technological connection of consumers to the network and sale of electricity to end customers in the territory of North-West Region of Russia. The main subsidiaries are listed in Note 5.

The parent company is PJSC ROSSETI.

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

### (b) *Russian business environment*

The Group’s operations are located in the Russian Federation, therefore it is exposed to risks related to the state of the economy and financial markets of the Russian Federation.

The economy of the Russian Federation displays some of the characteristics of emerging markets. The country’s economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system continues to evolve and is subject to frequent changes and varying interpretations. Continuing political tensions, as well as international sanctions against certain Russian companies and citizens, continue to have a negative impact on the Russian economy.

The coronavirus pandemic (COVID-19) in 2020 caused financial and economic tensions on world markets, as well as a decline in consumer spending and business activity. The decline in demand for oil, natural gas and petroleum products, along with an increase in oil supply as a result of the cancellation of the OPEC+ production agreement in March 2020, led to a drop in world prices for hydrocarbons. Since March 2020, there has been significant volatility in the stock, currency and commodity markets. Many countries, including the Russian Federation, have introduced quarantine measures. Social distancing and isolation measures have led to the suspending of companies’ activities in retail, transport, travel and tourism, catering and many other areas.

The impact of the pandemic on the development of the economy at the level of individual countries and the world economy as a whole has no historical analogues with other periods when governments adopted rescue measure packages. Forecasts of changes in macroeconomic parameters in the short and long term, the extent of the impact of the pandemic on companies in various industries, including estimates of the duration of the crisis period and the pace of recovery, differ significantly.

The Group assesses the impact of the above events on the Group’s operations as limited, taking into account the following:

- The system-forming nature and position in the industry in which the Group operates, ensuring uninterrupted transmission of electricity to consumers and connecting capacity;
- Government regulation of tariffs for core operating activities, which allows forecasting within the limits of approved tariffs for the Group’s services;
- No changes in the current period in the ways and volumes of using the Group’s production assets;
- No currency risk (most of the Group’s income and expenses, as well as monetary assets and liabilities, are denominated in Russian rubles);
- There is no direct negative impact on the main operating activities of the Group of legislative (regulatory) changes aimed at limiting the distribution of COVID-19.

At the same time, uncertainty about the future operating conditions of the Group and its counterparties remains, and an additional risk may lie in the prolonged nature of the pandemic, the timing and nature of the impact of which is not currently possible to predict with a sufficient degree of reliability.



**Notes to the interim condensed consolidated financial statements**  
(in thousand of Russian rubles, unless otherwise stated)

The Group continues to monitor and evaluate the situation and respond accordingly, as follows:

- Work in contact with Federal and regional authorities to contain the spread of coronavirus and take all necessary measures to ensure the safety and protection of the life and health of its employees and contractors;
- Implement measures to ensure reliable power supply, implement priority investment projects and ensure the Group's financial stability;
- Track forecast and actual information on the impact of the pandemic on the economy of the Russian Federation and on the activities of the Group's main counterparties;
- Incorporate such forward-looking and factual information in its assessment of the possible impact of changing micro- and macro-economic conditions on the Group's financial position and results of operations.

**(c) Relations with state**

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

As at 30 June 2020, the Russian Government owned 88.04% in the share capital of the parent company PJSC ROSSETI including 88.89% of the voting ordinary shares and 7.01% of the preference shares (as at 31 December 2019: 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares).

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

**2 Basis of preparation of consolidated financial statements**

**(a) Statement of compliance**

These interim condensed consolidated financial statements for the three and six months ended 30 June 2020 have been prepared in accordance with IAS 34, *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International financial reporting standards ("IFRS").

**(b) Use of professional judgments and estimates**

The key judgments applied by the management in the preparation of these interim condensed consolidated financial statements with respect to the Group's accounting policies and significant sources of estimation uncertainty are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2019 and as at that date.

**(c) Change in presentation**

***Reclassification of comparatives***

Some amounts in the comparative information for the previous period have been reclassified to ensure comparability with the presentation of data in the current reporting period. A reclassification was made for the previous reporting period: taxes, other than income tax, previously disclosed in the note "Trade and other payables", were allocated as a separate item in the interim condensed consolidated statement of financial position.

### 3 Significant accounting policies

The main accounting policies and methods of calculation used by the Group are consistent with those described in the audited consolidated financial statements for the year ended 31 December 2019, with the exception of the adoption of new standards and interpretations that are mandatory for annual periods beginning on 1 January 2020 and are applicable to the Group's operations.

#### *Amendments to IFRS 3 Business Combinations*

These amendments change the definition of business in order to simplify its application in practice. In addition, an optional "asset concentration test" is introduced, which does not require further analysis to determine whether a business exists. When applying the asset concentration test, if virtually all of the fair value of the assets acquired is concentrated in a single asset (or a group of similar assets), such assets will not be considered a business.

#### *Conceptual Framework for Financial Reporting*

The revised financial reporting framework contains a new Chapter on measurement, recommendations for reporting financial results, improved definitions and recommendations (in particular, the definition of liabilities), and explanations on specific issues such as the role of management, prudence, and measurement uncertainty in the preparation of financial statements.

#### *Amendments to IAS 1 and IAS 8 Determination of Materiality*

These amendments clarify the definition of materiality and the application of this concept by including recommendations on the definition that were previously presented in other IFRS standards and ensure consistency in the definition of materiality in all IFRS standards. Information is considered material if it is reasonably expected that omission, misstatement, or difficulty in understanding it could affect the decisions made by key users of general purpose financial statements based on such financial statements that provide financial information about a particular reporting entity.

The application of these standards and interpretations did not have a significant impact on these interim condensed consolidated financial statements of the Group.

### 4 Measurement of fair values

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

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

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

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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



Notes to the interim condensed consolidated financial statements  
(in thousand of Russian rubles, unless otherwise stated)

## 5 Significant subsidiaries

	<u>Country of incorporation</u>	<u>30 June 2020 Ownership/voting shares, %</u>	<u>31 December 2019 Ownership/voting shares, %</u>
JSC Pskovenergosbyt	Russian Federation	100	100
JSC Pskovenergoagent	Russian Federation	100	100
JSC Energoservice North-West	Russian Federation	100	100
OJSC Lesnaya Skazka	Russian Federation	98*	98*

\* Non-controlling interest of subsidiary OJSC Lesnaya skazka is not significant (2%) that is why it is not disclosed in these consolidated financial statements.

During the extraordinary General meeting of shareholders of OJSC Lesnaya Skazka from 22 of May 2019, it was decided to liquidate OJSC Lesnaya skazka. The liquidation process is expected to be completed no more than 2 years after the decision. Management believes that this event does not have a material impact on these interim condensed consolidated financial statements.

## 6 Information about segments

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

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

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

Revenue and EBITDA indicators are used to reflect the performance of each reporting segment, since they are included in internal management reports prepared on the basis of RAS reporting data and are regularly analyzed and evaluated by the Management Board. To reflect the results of each reporting segment, EBITDA is used: profit or loss before interest expense, taxation, depreciation, and (starting from the interim condensed consolidated financial statements for the three and six months ended 30 June 2020) – net accrual/recovery of impairment losses on property, plant and equipment and right-of-use assets (taking into account current accounting and reporting standards in the Russian Federation). Management believes that the EBITDA calculated in this way is the most significant indicator for evaluating the performance of the Group's operating segments.

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

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

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

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

Notes to the interim condensed consolidated financial statements  
(in thousand of Russian rubles, unless otherwise stated)

(i) *Information about reportable segments*

For the three months ended 30 June 2020:

	Electricity Transmission							Energy Retail			
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov energosbyt	Other	Unallocated items	Total
Revenue from external customers	1,219,398	1,521,560	1,620,720	1,690,136	1,678,592	974,019	202,143	1,844,976	1,394	–	10,752,938
Inter-segment revenue	–	–	12	–	–	–	860,665	93,214	91,605	–	1,045,496
<b>Segment revenue</b>	<b>1,219,398</b>	<b>1,521,560</b>	<b>1,620,732</b>	<b>1,690,136</b>	<b>1,678,592</b>	<b>974,019</b>	<b>1,062,808</b>	<b>1,938,190</b>	<b>92,999</b>	<b>–</b>	<b>11,798,434</b>
Including											
<i>Electricity transmission</i>	1,136,979	1,493,895	1,576,356	1,673,759	1,648,620	966,132	1,025,973	–	–	–	9,521,714
<i>Connection services</i>	4,770	5,330	4,478	1,649	11,148	1,221	25,339	–	–	–	53,935
<i>Resale of electricity</i>	–	–	–	–	–	–	–	1,937,474	–	–	1,937,474
<i>Other revenue</i>	74,055	16,013	3,681	12,844	14,158	4,795	5,705	716	83,481	–	215,448
<i>Rental income</i>	3,594	6,322	36,217	1,884	4,666	1,871	5,791	–	9,518	–	69,863
<b>EBITDA</b>	<b>35,657</b>	<b>181,950</b>	<b>110,727</b>	<b>57,780</b>	<b>349,071</b>	<b>35,552</b>	<b>189,519</b>	<b>9,837</b>	<b>(8,229)</b>	<b>2,342</b>	<b>964,206</b>

For the three months ended 30 June 2019:

	Electricity Transmission							Energy Retail			
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov energosbyt	Other	Unallocated items	Total
Revenue from external customers	1,260,611	1,684,141	1,702,543	1,898,056	1,629,089	1,098,173	242,168	1,790,224	3,595	–	11,308,600
Inter-segment revenue	–	–	13	–	–	1	829,528	110,026	84,114	–	1,023,682
<b>Segment revenue</b>	<b>1,260,611</b>	<b>1,684,141</b>	<b>1,702,556</b>	<b>1,898,056</b>	<b>1,629,089</b>	<b>1,098,174</b>	<b>1,071,696</b>	<b>1,900,250</b>	<b>87,709</b>	<b>–</b>	<b>12,332,282</b>
Including											
<i>Electricity transmission</i>	1,181,803	1,642,048	1,648,167	1,729,862	1,601,629	1,081,439	1,007,589	–	–	–	9,892,537
<i>Connection services</i>	4,279	6,584	13,471	162,513	12,738	1,495	4,502	–	–	–	205,582
<i>Resale of electricity</i>	–	–	–	–	–	–	–	1,899,939	–	–	1,899,939
<i>Other revenue</i>	70,400	24,317	3,081	4,195	9,705	13,486	53,954	311	87,562	–	267,011
<i>Rental income</i>	4,129	11,192	37,837	1,486	5,017	1,754	5,651	–	147	–	67,213
<b>EBITDA</b>	<b>80,908</b>	<b>391,167</b>	<b>363,845</b>	<b>222,007</b>	<b>271,037</b>	<b>219,878</b>	<b>159,076</b>	<b>46,959</b>	<b>1,856</b>	<b>2,543</b>	<b>1,759,276</b>

For the six months ended 30 June 2020:

Notes to the interim condensed consolidated financial statements  
(in thousand of Russian rubles, unless otherwise stated)

	Electricity Transmission						Energy Retail			Total	
	Electricity Transmission						Energy Retail				
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov energosbyt	Other		Unallocated items
Revenue from external customers	2,786,533	3,433,281	3,576,963	3,779,179	3,790,503	2,119,227	410,553	3,966,679	6,195	–	23,869,113
Inter-segment revenue	–	–	12	–	–	–	1,877,975	324,964	189,480	–	2,392,431
<b>Segment revenue</b>	<b>2,786,533</b>	<b>3,433,281</b>	<b>3,576,975</b>	<b>3,779,179</b>	<b>3,790,503</b>	<b>2,119,227</b>	<b>2,288,528</b>	<b>4,291,643</b>	<b>195,675</b>	<b>–</b>	<b>26,261,544</b>
Including											
<i>Electricity transmission</i>	2,570,888	3,356,752	3,487,306	3,756,976	3,733,526	2,097,769	2,222,292	–	–	–	21,225,509
<i>Connection services</i>	16,628	7,044	9,794	2,620	19,693	2,480	44,343	–	–	–	102,602
<i>Resale of electricity</i>	–	–	–	–	–	–	–	4,290,446	–	–	4,290,446
<i>Other revenue</i>	191,817	60,926	3,681	16,063	27,924	15,235	10,421	1,197	177,575	–	504,839
<i>Rental income</i>	7,200	8,559	76,194	3,520	9,360	3,743	11,472	–	18,100	–	138,148
<b>EBITDA</b>	<b>344,663</b>	<b>746,856</b>	<b>599,053</b>	<b>344,775</b>	<b>973,181</b>	<b>157,894</b>	<b>413,717</b>	<b>82,051</b>	<b>(7,365)</b>	<b>4,749</b>	<b>3,659,574</b>
For the six months ended 30 June 2019:											
	Electricity Transmission						Energy Retail			Total	
	Electricity Transmission						Energy Retail				
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov energosbyt	Other		Unallocated items
Revenue from external customers	2,909,846	3,699,991	3,689,182	4,078,696	3,567,194	2,342,015	465,066	3,929,143	5,326	–	24,686,459
Inter-segment revenue	–	–	26	–	–	3	1,853,317	341,976	172,376	–	2,367,698
<b>Segment revenue</b>	<b>2,909,846</b>	<b>3,699,991</b>	<b>3,689,208</b>	<b>4,078,696</b>	<b>3,567,194</b>	<b>2,342,018</b>	<b>2,318,383</b>	<b>4,271,119</b>	<b>177,702</b>	<b>–</b>	<b>27,054,157</b>
Including											
<i>Electricity transmission</i>	2,717,748	3,626,397	3,589,173	3,903,235	3,519,643	2,313,402	2,235,379	–	–	–	21,904,977
<i>Connection services</i>	19,696	9,154	19,352	163,123	21,630	4,202	15,062	–	–	–	252,219
<i>Resale of electricity</i>	–	–	–	–	–	–	–	4,270,588	–	–	4,270,588
<i>Other revenue</i>	165,069	35,449	5,023	9,399	15,924	20,871	56,652	531	177,434	–	486,352
<i>Rental income</i>	7,333	28,991	75,660	2,939	9,997	3,543	11,290	–	268	–	140,021
<b>EBITDA</b>	<b>591,120</b>	<b>1,093,141</b>	<b>817,860</b>	<b>587,648</b>	<b>709,661</b>	<b>408,481</b>	<b>380,232</b>	<b>71,092</b>	<b>1,357</b>	<b>5,286</b>	<b>4,665,878</b>

Notes to the interim condensed consolidated financial statements  
(in thousand of Russian rubles, unless otherwise stated)

As at 30 June 2020:

	Electricity Transmission						Energy Retail		Total			
	Electricity Transmission						Pskov energosbyt	Other				
	Arkhan- gelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch				Pskov branch	Vologda branch	
<b>Segment assets</b>	5,622,447	9,840,185	4,782,119	5,577,199	13,242,219	7,075,484	5,177,840	5,237	1,115,278	108,425	3,420,656	55,967,089
<i>Including property, plant and equipment and construction in progress</i>	4,233,987	8,696,401	3,602,450	4,459,994	12,008,842	6,208,651	4,546,669	–	7,404	17,480	20,363	43,802,241

As at 31 December 2019:

	Electricity Transmission						Energy Retail		Total			
	Electricity Transmission						Pskov energosbyt	Other				
	Arkhan- gelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch				Pskov branch	Vologda branch	
<b>Segment assets</b>	5,622,687	10,176,350	4,580,193	5,738,341	13,448,664	6,989,628	5,121,621	7,173	1,035,054	133,735	2,776,260	55,629,706
<i>Including property, plant and equipment and construction in progress</i>	4,344,473	8,930,845	3,712,153	4,522,915	12,277,604	6,257,492	4,616,555	–	7,235	18,050	25,112	44,712,434

Notes to the interim condensed consolidated financial statements  
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(ii) *Reconciliation of reportable segment EBITDA*

Reconciliation of reportable segment EBITDA is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
<b>EBITDA of reportable segments</b>	<b>964,206</b>	<b>1,759,276</b>	<b>3,659,574</b>	<b>4,665,878</b>
Discounting of financial instruments	1,026	(29,987)	3,680	(29,882)
Adjustment for expected credit loss	(28,440)	(155,447)	16,939	(206,945)
Adjustment for lease	76,275	36,463	148,958	73,168
Recognition of pension and other long-term employee benefit obligation	(18,300)	(38,213)	(13,911)	(62,508)
Adjustment for assets related to employee benefits	(6,804)	(8,723)	3,308	(29,115)
Adjustment for available-for-sale financial assets	(3,259)	(2,332)	(132)	(2,911)
Adjustment for value of property, plant and equipment	930	8,030	5,971	7,814
Revenue for which the recognition criteria for IFRS 15 have not been met	(23,798)	–	(65,101)	–
Other adjustments	(166,648)	35,403	(139,207)	102,894
<b>EBITDA</b>	<b>795,188</b>	<b>1,604,470</b>	<b>3,620,079</b>	<b>4,518,393</b>
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(1,202,366)	(1,143,440)	(2,394,623)	(2,281,040)
Interest expenses on financial liabilities at amortized cost	(247,311)	(264,642)	(499,175)	(539,450)
Interest expenses on lease liabilities	(1,419)	(29,092)	(45,624)	(60,984)
Income tax expense	110,874	(47,567)	(175,816)	(348,783)
<b>Profit for the period per interim condensed consolidated statement of profit or loss and other comprehensive income</b>	<b>(545,034)</b>	<b>119,729</b>	<b>504,841</b>	<b>1,288,136</b>

**7 Revenue**

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Electricity transmission	8,638,841	9,064,798	19,285,863	20,055,064
Sales of electricity and capacity	1,844,260	1,789,913	3,965,482	3,928,612
Technological connection services	53,935	205,582	102,602	252,219
Other revenue	123,507	182,577	314,447	313,287
	<b>10,660,543</b>	<b>11,242,870</b>	<b>23,668,394</b>	<b>24,549,182</b>
Rental income	68,598	65,730	135,618	137,277
	<b>10,729,141</b>	<b>11,308,600</b>	<b>23,804,012</b>	<b>24,686,459</b>

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

**8 Other income**

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Income from identified non-contracted electricity consumption	4,610	353	12,176	12,545
Income in the form of fines and penalties on commercial contracts	103,910	118,985	237,755	187,192
Insurance reimbursement, net	3,220	878	11,590	1,553
Accounts payable write-off	129	428	435	587
Gain from property, plant and equipment and inventories received free of charge	1,208	930	2,194	2,707
Gain on disposal of property, plant and equipment	–	1,316	–	6,451
Other income	2,509	2,841	10,086	7,148
	<b>115,586</b>	<b>125,731</b>	<b>274,236</b>	<b>218,183</b>

Notes to the interim condensed consolidated financial statements  
(in thousand of Russian rubles, unless otherwise stated)

## 9 Other expenses

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Loss on disposal of property, plant and equipment	1,037	–	2,947	–
Other expenses	12,079	7,425	12,705	7,425
	<b>13,116</b>	<b>7,425</b>	<b>15,652</b>	<b>7,425</b>

## 10 Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Personnel costs	3,280,995	3,255,787	6,584,619	6,602,896
Depreciation and amortization	1,202,366	1,143,440	2,394,623	2,281,040
<i>Material expenses, including:</i>				
Electricity for compensation of losses	793,227	773,168	2,138,319	2,134,783
Electricity for sale	1,019,506	978,782	2,224,138	2,235,653
Purchased electricity and heat power for own needs	50,311	44,060	158,360	156,654
Other material costs	676,668	602,236	1,162,091	1,073,771
<i>Production work and services, including:</i>				
Electricity transmission services	3,122,579	2,929,450	6,508,763	6,236,401
Repair and maintenance services	160,940	240,125	210,822	325,655
Other production works and services	58,454	66,684	97,132	93,253
Taxes and charges other than income tax	104,979	104,985	210,143	210,662
Rent	12,054	6,522	20,879	12,486
Insurance	14,373	14,695	28,780	30,017
<i>Other third-party services, including:</i>				
Communication services	30,577	33,405	60,288	68,194
Security services	71,821	78,312	143,740	148,070
Consulting, legal and audit services	52,121	11,136	83,699	16,275
Software costs and servicing	13,704	14,527	26,127	31,307
Transportation services	41,179	32,210	67,591	71,269
Other services	178,182	167,673	300,777	269,609
Provisions	204,021	(26,779)	203,336	(39,883)
Other expenses	22,540	203,281	162,306	357,462
	<b>11,110,597</b>	<b>10,673,699</b>	<b>22,786,533</b>	<b>22,315,574</b>

## 11 Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
<b>Finance income</b>				
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	10,710	10,458	18,499	19,951
Unwind of discount on financial assets measured at amortised cost	11,164	10,104	22,054	19,959
Dividends receivable	1,185	706	1,185	706
Interest income on assets related to employee benefits	–	–	24,118	–
Effect from initial discounting of financial liabilities	–	–	2,405	–
Amortization of discount on financial assets	1,598	170	3,323	348
	<b>24,657</b>	<b>21,438</b>	<b>71,584</b>	<b>40,964</b>
<b>Finance costs</b>				
Interest expenses on financial liabilities measured at amortized cost	247,311	264,642	499,175	539,450
Interest expenses on lease liabilities	1,419	29,092	45,624	60,984
Interest expenses on long-term employee benefit obligation	14,609	39,806	29,747	80,680
Effect from initial discounting of financial assets	22	30,159	92	30,233
Amortization of discount on financial liabilities	550	–	1,956	–
	<b>263,911</b>	<b>363,699</b>	<b>576,594</b>	<b>711,347</b>

Notes to the interim condensed consolidated financial statements  
(in thousand of Russian rubles, unless otherwise stated)

## 12 Income tax

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
<b>Current income tax</b>				
Current tax	(145,290)	20,696	41,504	236,827
Adjustment of tax for previous periods	154	93	220	93
<b>Total</b>	<b>(145,136)</b>	<b>20,789</b>	<b>41,724</b>	<b>236,920</b>
Deferred income tax	34,262	26,778	134,092	111,863
<b>Income tax expense</b>	<b>(110,874)</b>	<b>47,567</b>	<b>175,816</b>	<b>348,783</b>

Income tax rate officially established by Russian legislation in 2020 and 2019 was 20%.

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

Profit before tax is related to income tax expense as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
<b>Profit/(loss) before tax</b>	<b>(655,908)</b>	<b>167,296</b>	<b>680,657</b>	<b>1,636,919</b>
<b>Income tax at the applicable tax rate</b>	<b>(131,182)</b>	<b>33,459</b>	<b>136,131</b>	<b>327,384</b>
Tax effect on not taxable or non-deductible for tax purposes items	20,154	14,015	39,465	21,306
Adjustments for prior years	154	93	220	93
	<b>(110,874)</b>	<b>47,567</b>	<b>175,816</b>	<b>348,783</b>

Income tax recognized in other comprehensive income:

	Three months ended 30 June 2020			Six months ended 30 June 2020		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Financial assets measured at fair value through other comprehensive income	3,259	(652)	2,607	132	(26)	105
Remeasurements of the defined benefit liability	(40,996)	8,200	(32,796)	(16,137)	3,227	(12,910)
	<b>(37,737)</b>	<b>7,548</b>	<b>(30,189)</b>	<b>(16,005)</b>	<b>3,201</b>	<b>(12,804)</b>

	Three months ended 30 June 2019			Six months ended 30 June 2019		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Financial assets measured at fair value through other comprehensive income	2,332	(466)	1,865	2,911	(582)	2,329
Remeasurements of the defined benefit liability	(101,536)	20,308	(81,228)	(151,273)	30,255	(121,018)
	<b>(99,204)</b>	<b>19,842</b>	<b>(79,362)</b>	<b>(148,362)</b>	<b>29,673</b>	<b>(118,689)</b>



Notes to the interim condensed consolidated financial statements  
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### 13 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost / deemed cost</i>						
At 31 December 2018	8,456,305	37,210,830	20,754,031	10,349,003	3,770,563	80,540,732
Transfer to right-of-use assets	–	–	–	(29,241)	–	(29,241)
At 1 January 2019	8,456,305	37,210,830	20,754,031	10,319,762	3,770,563	80,511,491
Reclassification between groups	(7,340)	(2,813)	(410)	10,563	–	–
Additions	–	–	–	–	1,700,794	1,700,794
Transfer	91,924	716,503	463,534	191,335	(1,463,296)	–
Disposals	(1,375)	(3,065)	(1,783)	(10,956)	(10,888)	(28,067)
At 30 June 2019	8,539,514	37,921,455	21,215,372	10,510,704	3,997,173	82,184,218
<i>Accumulated depreciation and impairment</i>						
At 31 December 2018	(3,514,199)	(20,910,040)	(9,326,267)	(6,294,532)	(48,150)	(40,084,903)
Transfer to right-of-use assets	–	–	–	8,285	–	8,285
At 1 January 2019	(3,514,199)	(20,910,040)	(9,326,267)	(6,286,247)	(48,150)	(40,084,903)
Reclassification between groups	(2,114)	2,005	410	(301)	–	–
Transfer of impairment losses upon commissioning assets into operation	(46)	(250)	(109)	(40)	445	–
Depreciation charge	(176,278)	(954,623)	(581,980)	(443,481)	–	(2,156,362)
Disposals	940	2,647	954	10,440	142	15,123
At 30 June 2019	(3,691,697)	(21,860,261)	(9,906,992)	(6,719,629)	(47,563)	(42,226,142)
<i>Net book value</i>						
At 31 December 2018	4,942,106	16,300,790	11,427,764	4,054,471	3,722,413	40,447,544
Transfer to right-of-use assets	–	–	–	(20,956)	–	(20,956)
At 1 January 2019	4,942,106	16,300,790	11,427,764	4,033,515	3,722,413	40,426,588
At 30 June 2019	4,847,817	16,061,194	11,308,380	3,791,075	3,949,610	39,958,076
<i>Cost / deemed cost</i>						
At 1 January 2020	8,735,725	39,638,306	21,945,588	11,238,857	3,233,883	84,792,359
Reclassification between groups	3,884	(643)	200	(3,441)	–	–
Additions	–	–	–	–	1,499,896	1,499,896
Transfer	132,974	1,103,074	269,592	155,753	(1,661,393)	–
Disposals	(2,240)	(1,958)	(2,178)	(17,838)	(40,308)	(64,522)
At 30 June 2020	8,870,343	40,738,779	22,213,202	11,373,331	3,032,078	86,227,733
<i>Accumulated depreciation and impairment</i>						
At 1 January 2020	(3,932,729)	(23,005,072)	(10,614,603)	(7,124,147)	(78,491)	(44,755,042)
Reclassification between groups	(1,966)	2,241	(499)	224	–	–
Transfer of impairment losses upon commissioning assets into operation	(19)	(3,884)	(291)	(630)	4,824	–
Depreciation charge	(181,302)	(957,008)	(587,185)	(472,797)	–	(2,198,292)
Disposals	897	1,917	1,429	16,504	4,212	24,959
At 30 June 2020	(4,115,119)	(23,961,806)	(11,201,149)	(7,580,846)	(69,455)	(46,928,375)
<i>Net book value</i>						
At 1 January 2020	4,809,377	13,305,718	10,813,161	3,919,368	3,643,904	37,491,427
At 30 June 2020	4,755,224	16,776,973	11,012,053	3,792,485	2,962,623	39,299,358

As at 30 June 2020, construction in progress includes advance payments for property, plant and equipment of RUB 23,727 thousand (30 June 2019: RUB 22,585 thousand) and materials for the fixed assets construction of RUB 958,065 thousand (30 June 2019: RUB 1,338,971 thousand).

Capitalized interest for the six months ended 30 June 2020 amounted to RUB 27,954 thousand (for the six months ended 30 June 2019: RUB 35,677 thousand), with capitalization rate of 6.72%-7.44% (for the six months ended 30 June 2019: 7.08%-7.92%).

As at 30 June 2020 and 30 June 2019 there are no property, plant and equipment pledged as collateral for loans and borrowings.

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#### 14 Intangible assets

	Software	Certificates, licenses and patents	Other intangible assets	Total intangible assets
<i>Initial cost</i>				
At 1 January 2019	405,663	31,602	99,323	536,588
Additions	51,159	355	21,699	73,213
Disposals	(37,616)	(2,866)	–	(40,482)
At 30 June 2019	<u>419,206</u>	<u>29,091</u>	<u>121,022</u>	<u>569,319</u>
<i>Accumulated amortization and impairment</i>				
At 1 January 2019	(242,222)	(23,632)	(2,334)	(268,188)
Amortization charge	(58,874)	(3,683)	(2,090)	(64,647)
Disposals	37,051	2,857	–	39,908
At 30 June 2019	<u>(264,045)</u>	<u>(24,458)</u>	<u>(4,424)</u>	<u>(292,927)</u>
<i>Net book value</i>				
At 1 January 2019	<u>163,441</u>	<u>7,970</u>	<u>96,989</u>	<u>268,400</u>
At 30 June 2019	<u>155,161</u>	<u>4,633</u>	<u>116,598</u>	<u>276,392</u>
<i>Initial cost</i>				
At 1 January 2020	402,881	17,369	114,054	534,304
Reclassification between groups	198	228	(426)	–
Additions	62,058	1,515	15,967	79,540
Disposals	(59,780)	(13,108)	(6,385)	(79,273)
At 30 June 2020	<u>405,357</u>	<u>6,004</u>	<u>123,210</u>	<u>534,571</u>
<i>Accumulated amortization and impairment</i>				
At 1 January 2020	(246,097)	(14,747)	(6,514)	(267,358)
Amortization charge	(67,594)	(2,012)	(7,573)	(77,179)
Disposals	59,601	13,095	7,346	80,042
At 30 June 2020	<u>(254,090)</u>	<u>(3,664)</u>	<u>(6,741)</u>	<u>(264,495)</u>
<i>Net book value</i>				
At 1 January 2020	<u>156,784</u>	<u>2,622</u>	<u>107,540</u>	<u>266,945</u>
At 30 June 2020	<u>151,267</u>	<u>2,340</u>	<u>116,469</u>	<u>270,076</u>

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## 15 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Total
<i>Initial cost</i>					
At 1 January 2019	647,210	40,031	12,490	32,248	731,979
Additions	5,182	45,070	1,024	1,814	53,090
Changes in lease terms	(17,694)	147	(3,647)	354	(20,840)
Disposal or termination of lease	(20,387)	–	–	–	(20,387)
At 30 June 2019	614,311	85,248	9,867	34,416	743,842
<i>Accumulated amortization</i>					
At 1 January 2019	–	–	–	(8,285)	(8,285)
Amortization charge	(48,909)	(6,865)	(991)	(3,272)	(60,037)
Disposal or termination of lease	625	–	–	–	625
At 30 June 2019	(48,284)	(6,865)	(991)	(11,557)	(67,697)
<i>Net book value</i>					
At 1 January 2019	647,210	40,031	12,490	23,963	723,694
At 30 June 2019	566,027	78,383	8,876	22,859	676,145
<i>Initial cost</i>					
At 1 January 2020	620,282	85,491	13,340	33,550	752,663
Additions	58,925	460,054	1,094	97,579	617,652
Change the terms of lease	(38,912)	667	1,035	–	(37,210)
Disposal or termination of lease	(7,095)	(249)	(5,142)	(720)	(13,206)
At 30 June 2020	633,200	545,963	10,327	130,409	1,319,899
<i>Accumulated amortization</i>					
At 1 January 2020	(105,668)	(15,775)	(2,235)	(15,280)	(138,958)
Amortization charge	(54,920)	(53,044)	(1,590)	(13,029)	(122,583)
Change the terms of lease	2,219	20	12	187	2,438
Disposal or termination of lease	742	236	1,603	305	2,886
At 30 June 2020	(157,627)	(68,563)	(2,210)	(27,817)	(256,217)
<i>Net book value</i>					
At 1 January 2020	514,614	69,716	11,105	18,270	613,705
At 30 June 2020	475,573	477,400	8,117	102,592	1,063,682

## 16 Other non-current financial assets

	30 June 2020	31 December 2019
<b>Non-current</b>		
Financial assets at fair value through other comprehensive income		
<i>investments in quoted equity instruments</i>	14,739	14,607
<i>investments in unquoted equity instruments</i>	1,180	1,180
Financial assets at amortized cost	557,811	535,757
	<b>573,730</b>	<b>551,544</b>

Financial assets at fair value through other comprehensive income include shares of PJSC “TGC-1” and JSC “FGC UES”, as well as other securities, the fair value of which amounted to RUB 15,919 thousand as at 30 June 2020 (RUB 15,787 thousand as at 31 December 2019). At the end of each reporting period, the fair value of the shares of PJSC “TGC-1” and JSC “FGC UES” was determined using market quotes (level 1 inputs), fair value of other securities was estimated without the use of observable market data (unobservable inputs – level 3).

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For the six months ended 30 June 2020 the increase in the fair value of investments at fair value through other comprehensive income of RUB 132 thousand was recognized in other comprehensive income (for the six months ended 30 June 2019: the increase in the fair value RUB 2,911 thousand).

As at 30 June 2020 financial assets at amortised cost are represented by deposits placed in OJSC “Bank Tavrichesky” (“The Bank”) of RUB 2,080,000 thousand at the rate of 0.51% per annum with maturity on 12 April 2035 (as at 31 December 2019: RUB 2,080,000 thousand).

At the beginning of 2015 to the Bank Tavrichesky was initiated bailouts process. Major creditors of the Bank: PJSC “Lenenergo” and PJSC “IDGC of North-West” agreed to participate in the reorganization and financial rehabilitation of the Bank, providing co-funding as referred to below. ASV allocated 28 billion roubles received from the bank of Russia with maturity of 10 years to facilitate the Bank financial restructuring. In accordance with the plan of restructuring part of JSC “IDGC of North-West” deposit (including accrued interest for the use of the deposit) in the Bank was replaced with a 20 years subordinated deposit of 2,080,000 thousands roubles with an interest payable on a quarterly basis at a rate of 0.51% per annum.

Currently, the Bank operates on a routine basis, providing a full range of services to the customers, including settlements and payments on a timely basis.

The Group recognized the deferred tax asset on provision for expected credit loss of financial investments in accordance with IAS 12 *Income Taxes*. As at 30 June 2020 the amount of this deferred tax asset was RUB 304,438 thousand (as at 31 December 2019: RUB 308,849 thousand).

Financial assets at amortized cost as at 30 June 2020 and 31 December 2019 are Bank deposits with an initial maturity of more than three months:

	<u>Interest rate</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Bank	0.51%	557,811	535,757

## 17 Trade and other receivables

	<u>30 June 2020</u>	<u>31 December 2019</u>
<b>Non-current trade and other accounts receivable</b>		
Trade receivables	2,383	3,305
Other receivables	137,801	136,816
	<b>140,184</b>	<b>140,121</b>
<b>Current trade and other accounts receivable</b>		
Trade receivables	10,787,543	12,631,340
Allowance for expected credit loss on trade receivables	(5,921,820)	(7,701,505)
Other receivables	1,172,378	1,120,943
Allowance for expected credit loss on other receivables	(682,851)	(689,914)
	<b>5,355,250</b>	<b>5,360,864</b>

Balances with related parties are disclosed in Note 30.

## 18 Advances given and other assets

	<u>30 June 2020</u>	<u>31 December 2019</u>
<b>Non-current</b>		
Advances issued	9,157	8,389
VAT on advances from customers and clients	105,576	63,151
	<b>114,733</b>	<b>71,540</b>
<b>Current</b>		
Advances issued	240,072	138,311
Allowance for expected credit losses on advances given	(17,510)	(17,510)
VAT recoverable	30,204	6,968
VAT on advances from customers VAT on advances issued for acquisition of fixed assets	571,872	556,079
Prepaid taxes, other than income tax	20,864	22,962
	<b>845,502</b>	<b>706,810</b>

Information about balances with related parties is disclosed in Note 30.

Notes to the interim condensed consolidated financial statements  
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## 19 Cash and cash equivalents

	<u>30 June 2020</u>	<u>31 December 2019</u>
Cash at bank and in hand	635,994	232,088
	<u><b>635,994</b></u>	<u><b>232,088</b></u>

	<u>Rating</u>	<u>Rating agency</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Bank 1	A+(RU)	AKRA	363	367
Bank 2	–	–	–	18,568
Bank 3*	–	–	896	896
Bank 4*	AA+(RU)	AKRA	65,536	34,181
Bank 5*	ruAAA	Expert RA	719	7,721
Bank 6*	AAA(RU)	AKRA	567,111	168,959
Cash in hand			1,369	1,396
			<u><b>635,994</b></u>	<u><b>232,088</b></u>

\* Government-related banks.

As at 30 June 2020 and 31 December 2019, all cash and cash equivalents balances are denominated in roubles.

As at 30 June 2020 and 31 December 2019 there are no cash equivalents.

## 20 Share capital

### (a) Share capital

	<u>Ordinary shares</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>
Par value (RUB)	0.1	0.1
On issue at 1 January	95,785,923,138	95,785,923,138
<b>On issue at end of period, fully paid</b>	<u><b>95,785,923,138</b></u>	<u><b>95,785,923,138</b></u>

### (b) Reserve related to business combination

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

### (c) Dividends

At the end of 2019, the amount of declared dividends was RUB 313,451 thousand, of which the amount of interim dividends paid for the 9 months of 2019 was RUB 191,570 thousand, and the remaining amount of dividends paid for the end of 2019 was RUB 121,881 thousand. At the end of 2018, the amount of declared dividends amounted to RUB 381,707 thousand.

As at 30 June 2020, the amount of unclaimed dividends was RUB 1,518 thousand (as at 30 June 2019: none).

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## 21 Earnings per share

The calculation of basic earnings per share for the three and six months ended 30 June 2020 and 2019 is presented below.

The Company has no dilutive financial instruments.

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Ordinary shares at 1 January	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
<b>Weighted average number of shares for the period ended 30 June</b>	<b>95,785,923,138</b>	<b>95,785,923,138</b>	<b>95,785,923,138</b>	<b>95,785,923,138</b>
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Weighted average number of ordinary shares outstanding, for the period ended 30 June (shares)	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
Earnings/(loss) for the period attributable to holders of ordinary shares	(545,029)	119,730	504,852	1,288,144
<b>Basic earnings/(loss) per ordinary share (in RUB)</b>	<b>(0.0057)</b>	<b>0.0012</b>	<b>0.0053</b>	<b>0.0134</b>

## 22 Loans and borrowings

	30 June 2020	31 December 2019
<b>Non-current liabilities</b>		
Unsecured loans and borrowings	14,900,000	12,360,000
Lease liabilities	1,135,853	657,514
Less: current portion of long-term lease liabilities	(254,862)	(213,998)
Less: current portion of long-term loans and borrowings	(3,000,000)	–
	<b>12,780,991</b>	<b>12,803,516</b>
<b>Current liabilities</b>		
Unsecured loans and borrowings	460,715	2,277,917
Current portion of long-term lease liabilities	254,862	213,998
Current portion of long-term loans and borrowings	3,000,000	–
	<b>3,715,577</b>	<b>2,491,915</b>
<b>Including:</b>		
Interests payable on loans and borrowings	15,133	23,801
	<b>15,133</b>	<b>23,801</b>

As at 30 June 2020 and 31 December 2019 all balances of loans and borrowings are denominated in roubles.

The Group raised the following bank loans during the six months ended 30 June 2020:

	Year of maturity	Effective interest rate	Amount
Unsecured bank loans	2021	6.87%	300,000
Unsecured bank loans	2020	Key rate of the Central Bank of the Russian Federation + 1.4%	670,000
Unsecured bank loans*	2020-2022	6.9%-7.25%	6,219,507
Unsecured bank loans*	2021	Key rate of the Central Bank of the Russian Federation + 1.24%	1,000,000
Unsecured bank loans*	2020-2021	7%-8.75%	725,582
Unsecured bank loans	2020	7%	400,000
Unsecured bank loans	2021-2023	6.9%-7%	4,400,000
Unsecured bank loans	2020-2023	Key rate of the Central Bank of the Russian Federation + 1.28% – Key rate of the Central Bank of the Russian Federation + 1.64%	1,720,000
			<b>15,345,089</b>

\* Loans and borrowings received from state-related companies.

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The Group repaid the following significant bank facilities during the six months ended 30 June 2020 (including prematurely for RUB 14,703,624 thousand):

	<u>Amount</u>
Loans and borrowings received from state-related companies	11,573,624
Other loans and borrowings	3,130,000
	<u><b>14,703,624</b></u>

As at 30 June 2020, the available limit on the Group's open but unused credit lines amounted to RUB 25,036,418 thousand (31 December 2019: RUB 21,445,884 thousand). The Group is able to raise additional funding within the respective limits, including those to be used to enable performance of its current obligations.

### 23 Trade and other payables

	<u>30 June 2020</u>	<u>31 December 2019</u>
<b>Non-current accounts payable</b>		
Trade payables	7,829	–
Other payables	286,316	291,552
<b>Total financial liabilities</b>	<u><b>294,145</b></u>	<u><b>291,552</b></u>
<b>Current accounts payable</b>		
Trade payables	2,904,915	3,406,005
Other payables and accrued expenses	187,923	371,574
Dividends payable	14,290	198,556
<b>Total financial liabilities</b>	<u><b>3,107,128</b></u>	<u><b>3,976,135</b></u>
Payables to employees	1,429,566	1,569,886
	<u><b>4,536,694</b></u>	<u><b>5,546,021</b></u>

### 24 Taxes, other than income tax

	<u>30 June 2020</u>	<u>31 December 2019</u>
Value-added tax	830,645	917,591
Property tax	94,930	92,383
Social security contributions	257,137	231,603
Other taxes payable	88,567	102,864
	<u><b>1,271,279</b></u>	<u><b>1,344,441</b></u>

### 25 Advances received

	<u>30 June 2020</u>	<u>31 December 2019</u>
<b>Non-current</b>		
Advances for connection services	569,327	285,533
Other advances received	237,271	65,013
<b>Total non-current advances from customers</b>	<u><b>806,598</b></u>	<u><b>350,546</b></u>
<b>Current</b>		
Advances for connection services	3,017,435	2,969,948
Other advances received	478,148	640,671
<b>Total current advances from customers</b>	<u><b>3,495,583</b></u>	<u><b>3,610,619</b></u>

As at 30 June 2020 and 31 December 2019 advances received are reflected including VAT.



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## 26 Provisions

	2020	2019
<b>Balance at 1 January</b>	<b>998,058</b>	<b>698,268</b>
Increase for the year	208,670	9,933
Decrease due to reversal	(5,334)	(49,831)
Provisions used	(15,757)	(148,911)
<b>Balance at 30 June</b>	<b>1,185,637</b>	<b>509,459</b>

The provisions were accrued for pending legal cases brought against the Group for ordinary activities, including at 30 June 2020:

- RUB 292,755 thousand for LLC TNS Energo Veliky Novgorod disputed debt for the provision of services for the transmission of electric energy purchased in order to compensate for losses for the period from September 2016 to December 2018, as well as for penalties and fines in respect of liability for compensation of losses;
- RUB 736,777 thousand, the Company had assessed the risk on the property tax for the years 2016 – 6 months 2020. Refer to detailed description of tax risk in Note 29.

The Group expects that legal disputes will be resolved within 12 months after the reporting date.

## 27 Financial risk and capital management

In the normal course of business, the Group is exposed to a variety of financial risks, including, but not limited to, market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's financial risk and capital management objectives and policies, as well as the fair value determination process, are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

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

### (a) Credit risk

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

	Carrying amount	
	30 June 2020	31 December 2019
Financial assets at fair value through other comprehensive income	15,919	15,787
Trade and other receivables (less allowance for expected credit loss)	5,495,434	5,500,985
Cash and cash equivalents	635,994	232,088
Financial assets at amortized cost	557,811	535,757
	<b>6,705,158</b>	<b>6,284,617</b>

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

	30 June 2020		31 December 2019	
	Gross	Allowance for expected credit loss	Gross	Allowance for expected credit loss
Buyers of electricity sales services	2,592,132	(1,701,218)	2,734,504	(1,824,065)
Buyers of electricity transmission services	7,853,024	(4,192,591)	9,500,112	(5,844,823)
Buyers of services for sale of heat energy	5,321	(5,126)	6,365	(5,938)
Buyers of technological connection services	68,556	(17,434)	162,226	(18,417)
Other buyers	270,893	(5,451)	231,438	(8,262)
	<b>10,789,926</b>	<b>(5,921,820)</b>	<b>12,634,645</b>	<b>(7,701,505)</b>

The aging of trade and other receivables is provided below:

	30 June 2020		31 December 2019	
	Gross	Allowance for expected credit loss	Gross	Allowance for expected credit loss
Not past due	2,623,636	(20,566)	3,803,170	(361)
Past due less than 3 months	1,944,236	–	1,391,918	(190,003)
Past due more than 3 months and less than 6 months	569,530	–	472,235	(159,077)
Past due more than 6 months and less than 1 year	662,747	(436,325)	633,823	(549,189)
Past due more than 1 year	6,299,956	(6,147,780)	7,591,258	(7,492,789)
	<b>12,100,105</b>	<b>(6,604,671)</b>	<b>13,892,404</b>	<b>(8,391,419)</b>

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

	2020	2019
<b>At 1 January</b>	<b>(8,391,419)</b>	<b>(8,468,251)</b>
Increase in provision for the period	(199,104)	(540,116)
Amounts of trade and other receivables written off against provision	1,877,144	265,757
Reversal of provision for the period	108,708	300,509
<b>Balance at 30 June</b>	<b>(6,604,671)</b>	<b>(8,442,101)</b>

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**(b) Liquidity risk**

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

30 June 2020	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
<b>Non-derivative financial liabilities</b>								
Loans and borrowings	15,360,715	17,253,198	4,436,109	6,183,428	6,633,661	–	–	–
Lease liabilities	1,135,853	1,900,768	147,806	287,205	230,393	199,383	154,941	881,040
Trade and other payables	4,830,839	4,969,759	4,536,695	386,025	10,881	1,715	1,715	32,728
	<b>21,327,407</b>	<b>24,123,725</b>	<b>9,120,610</b>	<b>6,856,658</b>	<b>6,874,935</b>	<b>201,098</b>	<b>156,656</b>	<b>913,768</b>
<b>31 December 2019</b>								
	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>0-1 years</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>Over 5 years</b>
<b>Non-derivative financial liabilities</b>								
Loans and borrowings	14,637,917	16,263,504	3,226,164	8,729,604	4,307,736	–	–	–
Lease liabilities	657,514	1,419,170	161,000	152,466	71,489	70,094	43,137	920,984
Trade and other payables	5,837,573	5,861,638	5,546,021	315,617	–	–	–	–
	<b>21,133,004</b>	<b>23,544,312</b>	<b>8,933,185</b>	<b>9,197,687</b>	<b>4,379,225</b>	<b>70,094</b>	<b>43,137</b>	<b>920,984</b>

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(c) *Fair values and carrying amounts*

A comparison of the fair values and carrying amounts of the Group's financial instruments is presented below, except for those financial instruments whose carrying amounts correspond to their fair values:

Financial instruments	Note	30 June 2020		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
<b>Financial assets at amortized cost</b>						
Long-term bank deposits	16	557,811	1,315,498	–	–	1,315,498
Long-term accounts receivable	17	140,184	136,088	–	–	136,088
<b>Financial assets at fair value through other comprehensive income</b>						
Investments in equity instruments	16	15,919	15,919	14,739	–	1,180
<b>Financial liabilities measured at amortised cost</b>						
Current and non-current loans and borrowings	22	(15,360,715)	(15,333,589)	–	–	(15,333,589)
Non-current accounts payable	23	(294,145)	(291,256)	–	–	(291,256)
		<b>(14,940,946)</b>	<b>(14,157,340)</b>	<b>14,739</b>	<b>–</b>	<b>(14,172,079)</b>

Financial instruments	Note	31 December 2019		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
<b>Financial assets at amortized cost</b>						
Long-term bank deposits	16	535,757	1,144,751	–	–	1,144,751
Long-term accounts receivable	17	140,121	138,158	–	–	138,158
<b>Financial assets at fair value through other comprehensive income</b>						
Investments in equity instruments	16	15,787	15,787	14,607	–	1,180
<b>Financial liabilities measured at amortised cost</b>						
Current and non-current loans and borrowings	22	(14,637,917)	(14,314,491)	–	–	(14,314,491)
Non-current accounts payable	23	(291,552)	(286,113)	–	–	(286,113)
		<b>(14,237,804)</b>	<b>(13,301,908)</b>	<b>14,607</b>	<b>–</b>	<b>(13,316,515)</b>

The interest rate used to discount expected future cash flows on long-term bank deposits for the purpose of determining the disclosed fair value as at 30 June 2020 was 3.77% (as at 31 December 2019: 4.64%).

The interest rate used to discount expected future cash flows on long-term accounts receivable for determining the disclosed fair value as at 30 June 2020 was 3.76%-4.57% (as at 31 December 2019: 4.95%-5.93%).

The interest rate used to discount expected future cash flows on long-term accounts payable for determining the disclosed fair value as at 30 June 2020 was 7.06%-7.26% (as at 31 December 2019: 7.95%-8.48%).

The interest rate used to discount the expected future cash flows for long-term and short-term loans borrowings for the purpose of determining the fair value disclosed as at 30 June 2020 was 6.58% (as at 31 December 2019: 8.28%).

During the six months ended 30 June 2020 there were no transfers between the levels of the fair value hierarchy.

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(in thousand of Russian rubles, unless otherwise stated)

The reconciliation of financial assets measured at fair value through other comprehensive income as at the beginning and end of period is presented below (the Group has no financial assets measured fair value through profit or loss):

	<b>Financial assets measured at fair value through other comprehensive income</b>
As at 1 January 2020	15,787
Change in fair value recognized through other comprehensive income	132
As at 30 June 2020	<u>15,919</u>

## 28 Capital commitments

As at 30 June 2020 the Group has outstanding commitments under contracts for the purchase and construction of property plant and equipment items for RUB 5,127,885 thousand, including VAT (as at 31 December 2019: RUB 4,897,014 thousand, including VAT).

## 29 Contingencies

### (a) Insurance

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

### (b) Taxation contingencies

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

The Russian tax authorities may impose additional tax liabilities and penalties based on the rules established by transfer pricing legislation if the price/profitability of controlled transactions differs from the market level. The list of controlled transactions primarily includes transactions concluded between related parties.

Starting from 1 January 2019, control over transfer pricing for a significant part of domestic transactions has been lifted. However, the exemption from price control may not apply to all transactions made in the domestic market. However, in the case of additional charges, the mechanism of counter-adjustment of tax liabilities can be used if certain legal requirements are met. Intra-group transactions that have fallen out of the control of the transfer pricing since 2019 may nevertheless be inspected by the territorial tax authorities for obtaining an unjustified tax benefit, and transfer pricing methods may be used to determine the amount of additional charges.

The Federal Executive authority authorized to control and supervise taxes and fees may verify prices/profitability in controlled transactions and, if it does not agree with the prices applied by the Group in these transactions, add additional tax liabilities if the Group is unable to justify the market nature of pricing in these transactions by providing transfer pricing documentation that meets legal requirements.

As the practice of applying property tax rules continues to develop, the Group's criteria for classifying property as movable or immovable property may be challenged by the tax authorities and courts. The Group's management does not exclude the risk of resource outflow, and the impact of such developments cannot be reliably estimated.

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

Under the decision of MIFNS Russia No. 4 for the largest taxpayers as a result of tax inspection for 2013-2015, in 2018 the Group was charged with additional tax in the amount of RUB 66,179 thousand. The property classified by the Group for tax purposes as "movable", was classified by the tax authority as "immovable" (including power lines of low and medium voltage).

The Group on the basis of the claim paid this amount, reflecting the payment in correspondence with the account of settlements on claims, and disputes the decision of the tax authority in court.

### (c) Legal proceedings

The Group is party to a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the consolidated financial statements.

### (d) Environmental matters

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

## 30 Related party transactions

### (a) Control relationships

Related parties are shareholders affiliates and entities under common ownership and control of the Group members of the Board of Directors and key management personnel of the Company. The Company's parent as at 30 June 2020 and 31 December 2019 was PJSC ROSSETI. The ultimate controlling party is the state represented by the Federal Property Management Agency, which held majority of the voting rights of PJSC ROSSETI.

### (b) Transactions with the parent its subsidiaries and associates

Transactions with the parent, its subsidiaries and associates include transactions with PJSC ROSSETI its subsidiaries and associates:

	Amount of transaction				Carrying amount	
	Three months ended 30 June		Six months ended 30 June		30 June	31 December
	2020	2019	2020	2019	2020	2019
<b>Revenue, Net other income, Finance income</b>						
<b>The parent company</b>						
Other revenue	308	307	615	615	–	–
<b>Entities under common control of the parent company</b>						
Sales of electricity	–	55	–	98	–	–
Other revenue	60	35,192	54,465	35,417	151,441	116,134
Other operating income	195	–	390	27,254	32,417	32,396
	<b>563</b>	<b>35,554</b>	<b>55,470</b>	<b>63,384</b>	<b>183,858</b>	<b>148,530</b>

Notes to the interim condensed consolidated financial statements  
(in thousand of Russian rubles, unless otherwise stated)

	Amount of transaction				Carrying amount	
	Three months ended 30 June		Six months ended 30 June		30 June	31 December
	2020	2019	2020	2019	2020	2019
<b>Operating expenses, Finance costs</b>						
<b>The parent company</b>						
Consulting legal and audit services	32,188	30,160	59,760	59,410	20,251	23,470
Other production works and services	7,103	7,104	14,207	14,207	–	–
<b>Entities under common control of the parent company</b>						
Electricity for sale	–	1,274	–	2,983	–	–
Electricity transmission services	1,720,561	1,832,098	3,527,229	3,719,982	536,336	574,633
Technological connection services	–	15	1,792	15	–	8
Repair and maintenance services	314	652	314	652	379	–
Rent	143	152	372	367	1,810	351
Reserves	–	1,246	–	1,246	133,426	133,415
Other expenses	2,297	8,170	7,722	17,495	5,441	29,295
	<b>1,762,606</b>	<b>1,880,871</b>	<b>3,611,396</b>	<b>3,816,357</b>	<b>697,643</b>	<b>761,172</b>

	30 June 2020	31 December 2019
<b>Entities under common control of the parent company</b>		
Advances issued	14,050	15,462
Advances received	2,283	2,334
	<b>16,333</b>	<b>17,796</b>

As at 30 June 2020, there is no dividends payable to the parent company (as at 31 December the liability to the parent company for the payment of dividends amounted to RUB 106,093 thousand).

**(c) Transactions with key management personnel**

In order to prepare these interim condensed consolidated financial statements the key management personnel are members of the Management Board and the Board of Directors.

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

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Short-term remuneration for employees	20,433	28,659	43,982	58,461
Post employment benefits and other long-term benefits	1,667	482	3,321	964
	<b>22,100</b>	<b>29,141</b>	<b>47,303</b>	<b>59,425</b>

As at 30 June 2020, the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the interim condensed consolidated statement of financial position includes liabilities related to the key management personnel of RUB 84 thousand (31 December 2019: RUB 79 thousand).



***(d) Transactions with government-related entities***

In the course of its operating activities the Group is engaged in many transactions with government-related entities. These transactions are carried out in accordance with regulated tariffs or based on market prices.

Revenues from government-related entities for the three and six months ended 30 June 2020 constitute 20.16% and 21.25% (for the three and six months ended 30 June 2019: 18.73% and 20.37%) of total Group revenues including 16.73% and 17.29% (for the three and six months ended 30 June 2019: 15.32% and 16.65%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three and six months ended 30 June 2020 constitute 64.84% and 64.94% (for the three and six months ended 30 June 2019: 73.13% и 68.41%) of total electricity transmission costs.

Interest accrued on loans and borrowings from state-related banks for the three and six months ended 30 June 2020 amounted to 65% and 74% (for the three and six months ended 30 June 2019: 85% и 86%) of total interest accrued.

As at 30 June 2020 cash and cash equivalents held in government-related banks amounted to RUB 634,262 thousand (as at 31 December 2019: RUB 211,756 thousand).

Loans and borrowings received from government-related banks are disclosed in Note 22.

As at 30 June 2020, lease obligations for state-related companies (as part of loans and borrowings) amounted to RUB 765,620 thousand (as at 31 December 2019: RUB 181,176 thousand).