

Review Opinion on the Interim Financial Information of
***the Interregional Distribution Grid Company of Volga,
Public Joint-Stock Company, and Its Subsidiaries***
for Three and Six Months Ended on June 30, 2020

August 2020

**Review Opinion on the Interim Financial Information of the Interregional
Distribution Grid Company of Volga, Public Joint-Stock Company,
and Its Subsidiaries**

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Review Opinion on the Interim Financial Information

To the Shareholders and the Board of Directors
of Rosseti Volga,
Public Joint-Stock Company

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Interregional Distribution Grid Company of Volga, Public Joint-Stock Company, and its subsidiaries, consisting of an interim condensed consolidated statement of financial position as of June 30, 2020, an interim condensed consolidated statement of profit or loss and other comprehensive income, an interim condensed consolidated statement of changes in equity and an interim condensed consolidated statement of cash flow for three and six months ended at that date, and selected explanatory notes (“interim financial information”). The Management of the Interregional Distribution Grid Company of Volga, Public Joint-Stock Company, is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard (IAS) 34 “*Interim Financial Reporting*”. Our responsibility is to form an opinion on this interim financial information based on our review engagement.

Review Engagement Scope

We conducted a review engagement in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. The review engagement of intermediate financial information includes sending of inquiries primarily to persons responsible for financial and accounting matters, as well as the use of analytical and other review procedures. The scope of the review engagement is much less than the scope of audit conducted in accordance with International Auditing Standards; and therefore, the review engagement does not give us the opportunity to be sure that we will become aware of all significant issues that could be identified during the audit process. Therefore, we are not expressing an auditor’s opinion.

Emphasis of Matter

We draw your attention to paragraph 1 “General Information” of the Notes to the Consolidated Interim Condensed Financial Statements, namely that the Group changed its name from “Interregional Distribution Grid Company of Volga”, PJSC, to “Rosseti Volga, PJSC”, on August 04, 2020. Our conclusion has not been modified in connection with this issue.

Conclusion

Based on our review engagement, we have not identified any facts that could serve as a basis for us to believe that the accompanying interim financial information has not been prepared in all material respects in accordance with International Accounting Standard 34 (1) “*Interim Financial Reporting*”.

T. L. Okolotina
A Partner at
Ernst & Young, LLC

August 21, 2020

General Information on the Company

Name: Rosseti Volga, Public Joint-Stock Company
The entry in the Unified State Register of Legal Entities was made on June 29, 2007 and the company was assigned the state registration number 1076450006280.
Location: 410031, Saratov, Pervomayskaya Street, 42/44, Russia.

Data on auditor

Name: Ernst & Young, LLC
The entry in the Unified State Register of Legal Entities was made on December 5, 2002 and the company was assigned the state registration number 1027739707203.
Location: Bld. 1, Sadovnicheskaya Nab. 77, Moscow, 115035, Russia.
Ernst & Young, LLC is a member of the Self-regulatory Organization of Auditors Association “Sodruzhestvo” (SRO AAS).
Ernst & Young, LLC is included in the control copy of the register of auditors and audit organizations under the main registration recorded number 12006020327.

IDGC of Volga, PJSC
*Interim consolidated condensed statement of profit and loss and other comprehensive income
for three and six months ended on June 30, 2020 (unaudited)
(in thousands of Russian rubles unless specified otherwise)*

	Note	For three months ended on June 30 (unaudited data)		For six months ended on June 30 (unaudited data)	
		2020	2019	2020	2019
Revenue	7	13,509,080	14,641,276	29,729,738	31,303,524
Operating costs	9	(14,703,775)	(13,988,357)	(29,820,325)	(29,023,898)
Accrual of reserve for expected credit losses	25	(77,339)	(338,774)	(120,192)	(339,194)
Other income	8	27,110	84,732	92,996	249,255
Operating profit / (loss)		(1,244,924)	398,877	(117,783)	2,189,687
Financial income	10	65,167	67,083	159,039	127,375
Financial expenses	10	(150,401)	(93,230)	(300,781)	(236,197)
Total financial expenses		(85,234)	(26,147)	(141,742)	(108,822)
(Loss) / profit before tax		(1,330,158)	372,730	(259,525)	2,080,865
Profit tax expense	11	234,235	(83,402)	(12,860)	(460,281)
(Loss) / Profit for the period		(1,095,923)	289,328	(272,385)	1,620,584
Other comprehensive income / (expense)					
<i>Items, that may not be reclassified subsequently as profit or loss</i>					
Changes to fair value of equity investments recorded at fair value through other comprehensive income		18	21	8	30
Revaluation of defined benefit obligations		(157,019)	(120,752)	(73,838)	(179,694)
Profit tax	11	15,386	9,357	8,456	13,908
Total items that may not be reclassified subsequently to profit or loss		(141,615)	(111,374)	(65,374)	(165,756)
Other comprehensive income (expense) for the period, minus profit tax		(141,615)	(111,374)	(65,374)	(165,756)
Total comprehensive income / (expense) for the period		(1,237,538)	177,954	(337,759)	1,454,828
Profit/(loss) per share					
Basic earnings / (loss) per share (RUB)	19	(0.0058)	0.0015	(0.0014)	0.0086

These interim condensed consolidated financial statements (unaudited) were approved by management on August 21, 2020 and signed on behalf of management by the following persons:

Deputy General Director
for Economics and Finance
on the basis of the Power of Attorney No. D/20-270
dated July 15, 2020

I. Yu. Puchkova

IDGC of Volga, PJSC
Interim condensed consolidated statement of financial position
as of June 30, 2020 (unaudited)
(in thousands of Russian rubles unless specified otherwise)

	Note	June 30, 2020 (unaudited data)	December 31, 2019 (audited data)
ASSETS			
Non-current assets			
Fixed assets	12	(45,356,209)	45,634,205
Intangible assets	13	213,991	234,610
Right-of-use asset	14	1,783,299	1,966,425
Trade and other receivables	13	1,395,323	1,170,555
Assets related to liabilities for remunerations to employees		494,152	471,146
Other non-current financial assets		145	137
Advances paid and other non-current assets	16	112,147	64,181
Total non-current assets		49,355,266	49,541,259
Current assets			
Inventories		2,356,770	1,887,975
Pre-payment for profit tax		302,220	134,090
Trade and other receivables	13	6,132,746	5,949,078
Cash and cash equivalents	17	833,053	970,860
Advances paid and other current assets	16	211,374	241,439
Total current assets		9,836,163	9,183,442
Total assets		59,191,429	58,724,701
CAPITAL AND LIABILITIES			
Capital			
Authorized capital	18	18,830,796	18,830,796
Other reserves		(1,221,490)	(1,156,116)
Retained profit		20,764,636	21,228,754
Total capital		38,373,942	38,903,434
Long-term liabilities			
Long-term loans	20	7,116,366	5,719,397
Long-term trade and other payables	21	183,609	260,786
Long-term advances received	23	652,064	358,099
Liabilities for remunerations to employees		1,920,139	1,828,401
Deferred tax liabilities		2,877,642	2,878,279
Total long-term liabilities		12,749,820	11,044,962
Short-term liabilities			
Short-term borrowed funds and the short-term portion of long-term borrowed funds	20	975,374	373,891
Trade and other payables	21	5,176,581	6,983,165
Tax debts other than profit tax	22	1,385,047	891,326
Advances received	23	480,347	479,067
Reserves		50,261	44,783
Debt on current profit tax		57	4,073
Total short-term liabilities		8,067,667	8,776,305
Total liabilities		20,817,487	19,821,267
Total capital and liabilities		59,191,429	58,724,701

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

IDGC of Volga, PJSC
*Interim consolidated condensed statement of cash flow
for three and six months ended on June 30, 2020 (unaudited)
(in thousands of Russian rubles unless specified otherwise)*

		For six months ended on June 30,	
	Note	2020 (unaudited data)	2019 (unaudited data)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit for the period		(272,385)	1,620,584
<i>Adjustments:</i>			
Depreciation of fixed assets, right-of-use assets and intangible assets	9	2,612,534	2,421,037
Financial expenses	10	300,781	236,197
Financial income	10	(159,039)	(127,375)
Profit/(loss) from fixed asset retirement		5,491	(241)
Accrual of reserve for expected credit losses		120,192	339,194
Income from gratuitously received fixed assets		(7,191)	(2,522)
Amortization of accounts payable		(1,097)	(6,009)
Accrual of reserves		7,648	77,228
Profit tax expense		12,860	460,281
Total adjustment effect		2,619,794	5,018,374
Change to assets related to liabilities for remunerations to employees		9,971	1,963
Change to liabilities for remunerations to employees		(36,781)	(22,717)
Change in long-term trade and other receivables		(224,768)	(5,176)
Change in long-term advances to issued and other non-current assets		(47,966)	44,914
Change in long-term trade and other payables		(77,177)	51,814
Change in long-term advances received		293,965	(139,376)
Monetary flows from operations before changes to current capital and reserves		2,537,038	4,949,796
<i>Changes in operating assets and liabilities:</i>			
Change to trade and other receivables		(238,055)	305,847
Change in advances paid and other assets		30,057	(69,353)
Change to inventories		(461,836)	(608,842)
Change to trade and other payables		860,187	(596,365)
Change in advances received		1,280	114,560
Change to reserves		(2,170)	(11,809)
Cash flows from operations before payment of profit tax and interest		2,726,501	4,083,834
Profit tax paid		(177,186)	(554,209)
Interest paid under lease agreements		(60,006)	(77,321)
Interest paid		(213,169)	(129,263)
Net cash from operating activities		2,276,140	3,323,041
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of fixed assets and intangible assets		(3,255,400)	(2,056,324)
Proceeds from sale of fixed assets and intangible assets		29,417	32,580
Interest received		30,731	74,053
Dividends received		1	6
Net cash used in investing activities		(3,195,251)	(1,949,685)
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Raising of loans		5,151,103	-
Repayment of loans		(3,000,000)	-
Dividends paid		(1,200,590)	(2,334,301)
Lease liabilities		(169,209)	(122,873)
Net cash received/(used) from financial activities		781,304	(2,457,174)
Net decrease in cash and cash equivalents		(137,807)	(1,083,818)
Cash and cash equivalents as of reporting period start		970,860	1,951,998
Cash and cash equivalents as of reporting period end	17	833,053	868,180

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

IDGC of Volga, PJSC
*Interim condensed consolidated statement of changes in equity
for three and six months ended on June 30, 2020 (unaudited)
(in thousands of Russian rubles unless specified otherwise)*

	Authorized capital	Reserves	Retained profit	Total capital
Balance as of December 31, 2019	18,830,796	(1,156,116)	21,228,754	38,903,434
Loss for the period	–	–	(272,385)	(272,385)
Other total expense	–	(73,830)	–	(73,830)
Profit tax in respect to other comprehensive expense (Notice 11)	–	8,456	–	8,456
Total cumulative expense for the period	–	(65,374)	(272,385)	(337,759)
Dividends to shareholders (Note 18)	–	–	(201,041)	(201,041)
Writing off of uncalled debt on previously announced dividends	–	–	9,308	9,308
Balance as of June 30, 2020 (unaudited data)	18,830,796	(1,221,490)	20,764,636	38,373,942

	Authorized capital	Reserves	Retained profit	Total capital
Balance as of December 31, 2018	18,830,796	(885,180)	20,813,096	38,758,712
Profit for period	–	–	1,620,584	1,620,584
Other total expense	–	(179,664)	–	(179,664)
Profit tax in respect to other comprehensive expense (Notice 11)	–	13,908	–	13,908
Total comprehensive (expense) / income for the period	–	(165,756)	1,620,584	1,454,828
Dividends to the shareholders	–	–	(2,483,070)	(2,483,070)
Balance as of June 30, 2019 (unaudited data)	18,830,796	(1,050,936)	19,950,610	37,730,470

1 General Data

a) Group and its business

Interregional Distribution Grid Company of Volga, Public Joint-Stock Company (hereinafter referred to as IDGC of Volga, Public Joint-Stock Company, or “Company”) and its subsidiaries (hereinafter jointly referred to as “Group”) include joint-stock companies established and registered in accordance with the Civil Code of the Russian Federation. The Company was registered on June 29, 2007 on the basis of the resolution of the sole founder (Regulation of Russian Joint-Stock Company United Energy Systems of Russia, OJSC (hereinafter referred to as RAO UES) No. 191r dated June 22, 2007) within implementation of the Resolution of the Board of Directors of RAO UES on Participation in IDGC (Minutes No. 250 dated April 27, 2007).

The Annual General Meeting of Shareholders of IDGC of Volga, PJSC made a decision (Minutes No. 17/2020 dated May 29, 2020) to amend the Company's Charter related to the name change of “Interregional Distribution Grid Company of Volga, Public Joint-Stock Company” to “Rosseti Volga, Public Joint-Stock Company”. Changes to the Company's Charter were registered by the Interdistrict Inspectorate of the Federal Tax Service No. 19 for the Saratov Region on August 4, 2020.

The main activity of the Group is the provision of services for the transmission and distribution of electricity, the provision of services for technological connection of consumers to power grids.

Legal and actual address of the Company: 410031, Russian Federation, Saratov, 42/44 Pervomayskaya Street.

The ultimate parent company is Rosseti, Public Joint-Stock Company.

b) Economic environment where the Group does it business

The Group operates in the Russian Federation; and therefore, is exposed to risks associated with the state of the economy and financial markets of the Russian Federation.

The economy of the Russian Federation shows some typical features inherent in developing 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, as well as the possibility of different interpretations. Continued political tensions, as well as international sanctions against some Russian companies and citizens, continue to have a negative impact on the Russian economy.

The coronavirus (COVID-19) pandemic in 2020 has caused financial and economic tensions in global markets, a decline in consumer spending and business activity. Reduced demand for oil, natural gas and petroleum products, together 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 global hydrocarbon prices. Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets.

Quarantine measures have been introduced by many countries, including the Russian Federation. Social distancing and isolation measures have led to the shutdown of businesses in retail, transportation, travel and tourism, catering, and more.

The impact of the pandemic on economic development at the level of individual countries and the global economy, in general, has no historical analogs with other periods when governments adopted packages of measures to rescue the economy. Forecasts of changes in macroeconomic parameters in the short and long term, the scale 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, vary significantly.

The Group estimates the impact of the above events on the Group's operations as limited, taking into account the following assumptions:

- the backbone nature and position in the industry in which the Group operates, ensuring uninterrupted transmission of electricity to consumers and connecting power;
- the government regulation of tariffs for core operating activities, which allows forecasting within the approved tariffs for the Group's services;
- the absence in the current period of changes in the methods and volumes of use of the Group's production assets;
- the absence of currency risk (most of the Group's income and expenses, as well as monetary assets and liabilities are denominated in Russian rubles);
- no direct negative impact on the main operational activities of the Group of legislative (regulatory) changes aimed at limiting the spread of COVID-19.

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

The Group continues monitoring and assessing the development of the situation and respond accordingly, namely:

- work in contact with authorities at the federal and regional levels to curb the spread of the coronavirus and take all necessary measures to ensure the safety, protection of the life and health of its employees and contractors;
- take measures to ensure reliable power supply, implementation of priority investment projects and financial stability of the Group;
- track forecast and actual information on the impact of the pandemic on the economy of the Russian Federation, on the activities of the Group's main counterparties;
- incorporate such forward-looking and factual information into its assessment of the possible impact of changing micro- and macroeconomic conditions on the financial position and results of operations of the Group.

c) Relations with the government

The Government of the Russian Federation, represented by the Federal Agency for State Property Management, is the ultimate controlling party of the parent company Rosseti, PJSC. The policy of the Government of the Russian Federation in the economic, social and other fields can have a significant impact on the Group's activities.

As of June 30, 2020, the share of the Russian Federation in the authorized capital of the parent company Rosseti, Public Joint-Stock Company was 88.04%, including 88.89% in ordinary voting shares and 7.01% in preferred shares (as of December 31, 2019 – 88.04%, including 88.89% in ordinary voting shares, 7.01% in preferred shares).

The government influences the Group's activities through representation on the Board of Directors of the parent company Rosseti, Public Joint-Stock Company, regulation of tariffs in the electric power industry, approval and control over the implementation of the investment program. The Group's counterparties (service consumers, suppliers and contractors, etc.) include a significant number of state-related enterprises.

2 Principles of Consolidated Financial Statements Preparation

a) Statement of Compliance with IFRS

The present consolidated interim condensed financial statements for three and six months ended on June 30, 2020, was prepared in accordance with IFRS (IAS) 34 “*Intermediate financial statements*”. Separate selected notes are included in its composition in order to explain events and transactions that are material for understanding changes in the financial position of the Group and its activities from the date of the last annual consolidated financial statements. The present consolidated interim condensed financial statements shall be considered jointly with the consolidated financial statements for the year ended on December 31, 2019, which was prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as “IFRS”).

b) Use of educated estimates and assumptions

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

(c) The reclassification of the comparative data

Some amounts in the comparative information for the previous period have been reclassified to ensure their comparability with the presentation of data in the current reporting period. All reclassifications are insignificant.

3 Main principles of accounting policy

The main elements of accounting policies and calculation methods used by the Group correspond to those described in the audited consolidated financial statements for the year ended on December 31, 2019, except for the following summary of standards and interpretations, mandatory for annual periods beginning on or after January 1, 2020 and applicable to the Group's operations.

Amendments to IFRS 3 “Business Combinations”

These amendments modify the definition of a business in order to simplify its application in practice. In addition, an optional “Asset Concentration Test” is introduced, during which further analysis to determine the presence of a business can be omitted. When applying the asset concentration test, if almost the entire fair value of the acquired assets 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 conceptual framework for financial reporting contains a new chapter on valuation, recommendations for reporting financial results, improved definitions and recommendations (in particular, determination of liabilities), and clarifications on specific issues, such as the role of management, prudence and estimation uncertainty in preparing financial statements reporting.

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 the recommendations on definition that were previously presented in other IFRS standards and ensure consistency in determining materiality in all IFRS standards. Information is considered material if it is reasonably expected that its omission, distortion, or difficulty in understanding it may affect decisions made by key users of general financial statements based on such financial statements that present financial information about a particular reporting entity.

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

4 Fair Value Evaluation

Certain provisions of the Group’s accounting policy and some disclosures require evaluation of fair value of both financial and non-financial assets and liabilities.

When evaluating fair value of an asset or a liability, the Group applies, as far as practicable, the observed market data. Fair value estimates are related to different levels of fair value hierarchy depending on source data used within the relevant evaluation methods:

- Level 1: quoted (uncorrected) prices for identical assets and liabilities at active markets.
- Level 2: source data, apart from quoted prices applied for estimates of Level 1, which are observed either directly (i.e. such as prices) or indirectly (i.e. defined on the basis of prices).
- Level 3: source data for assets and liabilities, which are not based on observed market data (unobserved source data).

If source data used for evaluation of asset fair value, may be referred to different levels of fair value hierarchy, fair value evaluation as a whole relates to that level of hierarchy, which the source data of lowest level comply with, being substantial for the entire evaluation.

The Group discloses transfers between levels of the fair value hierarchy in the reporting period during which the change has occurred.

The point in time at which transfers to certain levels and for transfers from certain levels are recognized by the Group is the date on which the event or change in circumstances caused the transfer.

5 Main Subsidiaries

	Country of registration	Property/ voting shares, %	
		June 30, 2020	December 31, 2019
Chuvash motor transport company, JSC	Russian Federation	99.99	99.99
Solnechniy Sanatorium-Preventorium, JSC	Russian Federation	99.99	99.99
Sotsialnaya sfera-M, Joint-Stock Company	Russian Federation	100	100
Energoservice of Volga, Joint-Stock Company	Russian Federation	100	100

6 Information by Segments

The Management Board of IDGC of Volga, Public Joint-Stock Company, is the supreme authority making decisions on operations.

Primary business of the Group is provision of services of power transmission and distribution, technological connection to electric grids in some regions of the Russian Federation.

The internal management reporting system is based on segments (branches formed according to the territorial principle), which are related to power transmission and distribution, technological connection to electric grids in some regions of the Russian Federation.

To reflect business results of each reporting segments, revenue, EBITDA indicators are used, since they are included into the internal management reporting prepared on the basis of RAS reporting and are regularly analyzed and evaluated by the Management Board. EBITDA is used to reflect the performance of each reportable segment: profit or loss before interest expense, tax, depreciation, and (starting with the consolidated interim condensed financial statements for the three and six months ended June 30, 2020) – net accrual (recovery) of loss from impairment of fixed assets and right-of-use assets (taking into account the current accounting and reporting standards in the Russian Federation).

For the purpose of presenting a reconciliation of EBITDA with consolidated profit for the period (consolidated loss for the period), the net accrual of loss (reversal) of impairment losses from property, plant and equipment and right-of-use assets has been carried over from the adjustments section to the second section. Management believes that EBITDA calculated in this way is the best indicator for assessing the performance of the Group's operating segments.

In accordance with IFRS 8 requirements based on data on revenue of segments, EBITDA and total amount of assets, provided to the Management Board, the following reporting segments were identified:

- Power transmission segments: Republic of Mordovia, Republic of Chuvashia, Orenburg Region, Penza Region, Samara Region, Saratov Region, Ulyanovsk Region
- Other segments

Undistributed indicators include general indicators of the Company's executive apparatus, which is not an operating segment in accordance with requirements of IFRS 8. Indicators of segments are based on management information prepared on the basis of RAS reporting data, and may differ from similar ones presented in the financial statements prepared in accordance with IFRS. Reconciliation of the estimates presented to the Management Board and similar indicators in these consolidated interim condensed financial statements include those reclassifications and adjustments that are necessary for the presentation of financial statements in accordance with IFRS.

(a) Information on reporting segments

For three months ended on June 30, 2020:

	Saratov DG	Orenburgenergo	Samara DG	Penzaenergo	Ulyanovsk DG	Chuvashenergo	Mordovenergo	Other	Total
Revenue from external buyers	3,146,411	3,007,816	3,067,550	1,579,824	1,313,300	733,654	649,512	11,014	13,509,081
Revenue from sales between segments	–	–	–	–	–	–	3	52,597	52,600
Segment revenue	3,146,411	3,007,816	3,067,550	1,579,824	1,313,300	733,654	649,515	63,611	13,561,681
Including									
<i>Transfer of electricity</i>	3,066,774	2,974,601	3,053,613	1,565,823	1,298,075	720,649	636,912	–	13,316,447
<i>Technological grid connection</i>	11,395	5,946	7,094	3,193	1,206	1,592	4,900	–	35,326
<i>Other revenue</i>	64,698	15,822	4,077	8,442	12,038	8,343	6,349	54,759	174,528
<i>Lease revenue</i>	3,544	11,447	2,766	2,366	1,981	3,070	1,354	8,852	35,380
EBITDA	(61,479)	155,352	357,845	(199,886)	(65,368)	(136,522)	(7,195)	(10,961)	31,786

For the three months ended June 30, 2019:

	Saratov DG	Orenburgenergo	Samara DG	Penzaenergo	Ulyanovsk DG	Chuvashenergo	Mordovenergo	Other	Total
Revenue from external buyers	3,389,705	3,278,943	3,141,723	1,772,624	1,424,828	935,554	675,901	21,996	14,641,274
Revenue from sales between segments	–	–	–	–	–	–	3	30,994	30,997
Segment revenue	3,389,705	3,278,943	3,141,723	1,772,624	1,424,828	935,554	675,904	52,990	14,672,271
Including									
<i>Transfer of electricity</i>	3,368,320	3,241,488	3,132,206	1,756,674	1,420,147	921,766	653,626	–	14,494,227
<i>Technological grid connection</i>	8,770	17,754	5,185	12,407	2,780	10,472	20,393	–	77,761
<i>Other revenue</i>	9,787	11,006	1,577	1,496	141	539	883	44,668	70,097
<i>Lease revenue</i>	2,828	8,695	2,755	2,047	1,760	2,777	1,002	8,322	30,186
EBITDA	404,784	538,021	590,132	81,901	102,772	113,310	50,157	(3,494)	1,877,583

For six months ended on June 30, 2020:

	Saratov DG	Orenburgenergo	Samara DG	Penzaenergo	Ulyanovsk DG	Chuvashenergo	Mordovenergo	Other	Total
Revenue from external buyers	6,828,967	6,510,210	6,768,104	3,532,182	2,910,613	1,723,497	1,434,310	21,855	29,729,738
Revenue from sales between segments	–	–	–	–	–	–	5	88,333	88,338
Segment revenue	6,828,967	6,510,210	6,768,104	3,532,182	2,910,613	1,723,497	1,434,315	110,188	29,818,076
Including									
<i>Transfer of electricity</i>	6,735,254	6,453,262	6,746,599	3,512,332	2,890,397	1,703,632	1,415,020	–	29,456,496
<i>Technological grid connection</i>	20,329	12,693	10,726	6,153	3,947	4,779	9,894	–	68,521
<i>Other revenue</i>	66,745	26,281	5,248	9,253	12,267	8,916	7,035	92,848	228,593
<i>Lease revenue</i>	6,639	17,974	5,531	4,444	4,002	6,170	2,366	17,340	64,466
EBITDA	501,329	649,654	1,084,976	(35,759)	51,448	15,573	98,726	(19,515)	2,346,432

For the six months ended June 30, 2019:

	Saratov DG	Orenburgenergo	Samara DG	Penzaenergo	Ulyanovsk DG	Chuvashenergo	Mordovenergo	Other	Total
Revenue from external buyers	7,248,736	6,919,523	6,637,185	3,851,308	3,091,830	2,047,321	1,472,367	35,254	31,303,524
Revenue from sales between segments	–	–	–	–	–	–	5	65,360	65,365
Segment revenue	7,248,736	6,919,523	6,637,185	3,851,308	3,091,830	2,047,321	1,472,372	100,614	31,368,889
Including									
<i>Transfer of electricity</i>	7,212,189	6,852,486	6,618,622	3,816,361	3,084,017	2,025,948	1,447,246	–	31,056,869
<i>Technological grid connection</i>	19,044	29,597	10,114	28,899	4,114	14,862	21,762	–	128,392
<i>Other revenue</i>	12,163	20,085	2,939	2,218	221	867	1,572	84,284	124,349
<i>Lease revenue</i>	5,340	17,355	5,510	3,830	3,478	5,644	1,792	16,330	59,279
EBITDA	1,127,556	1,243,474	1,211,118	371,460	334,778	322,602	181,149	(7,573)	4,784,564

June 30, 2020:

	Saratov DG	Orenburgenergo	Samara DG	Penzaenergo	Ulyanovsk DG	Chuvashenergo	Mordovenergo	Other	Total
Assets of segments	16,002,327	12,090,049	16,640,733	6,388,493	4,972,707	6,149,555	3,907,447	241,100	66,392,411
Including									
Fixed assets and construction in progress	14,034,938	10,498,142	14,255,893	4,703,251	3,761,203	3,604,798	3,149,704	85,897	54,093,826

December 31, 2019:

	Saratov DG	Orenburgenergo	Samara DG	Penzaenergo	Ulyanovsk DG	Chuvashenergo	Mordovenergo	Other	Total
Assets of segments	16,094,768	12,137,720	16,640,739	5,904,359	5,094,572	6,057,108	3,900,753	236,040	66,066,059
Including									
Fixed assets and construction in progress	14,488,183	10,526,872	14,438,263	4,807,921	3,746,065	3,611,164	3,231,103	93,268	54,942,839

(6) Reconciliation of EBITDA indicators of reporting segments is provided below:

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
EBITDA of reporting segments	31,786	1,877,583	2,346,432	4,784,564
Discounting financial instruments	108	331	304	433
Adjustments to the reserve for expected credit losses and devaluation of issued advances	(39,876)	(322,410)	(39,876)	(322,410)
Lease adjustment	118,813	107,193	242,698	213,997
Recognition of pension and other long-term liabilities to employees	(33,248)	(36,202)	28,111	(38,681)
Adjustment on assets related to liabilities for remunerations to employees	6,277	(758)	(23,005)	(2,209)
Reversing allocations of the financial assets fair value through other comprehensive income (carrying forward of revaluation to equity)	(18)	(21)	(8)	(30)
Adjustment of fixed and	29,353	36,814	64,134	67,291
Other adjustments	(11,133)	(26,942)	(19,790)	(31,130)
EBITDA	102,062	1,635,588	2,599,000	4,671,825
Depreciation of fixed assets, right-of-use assets and intangible assets	(1,308,609)	(1,202,267)	(2,612,534)	(2,421,037)
Interest income on financial liabilities accounted for at depreciated cost	(94,149)	(43,414)	(185,523)	(92,602)
Interest expense on lease liabilities	(29,462)	(17,177)	(60,468)	(77,321)
Profit tax expense	234,235	(83,402)	(12,860)	(460,281)
Consolidated profit/loss for the period in the consolidated statement of profit or loss and other comprehensive income	(1,095,923)	289,328	(272,385)	1,620,584

7 Revenue

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
Transfer of electricity	13,316,447	14,494,226	29,456,496	31,056,868
Technological grid connection	35,327	77,761	68,521	128,392
Other revenue	142,921	46,899	175,550	74,295
	13,494,695	14,618,886	29,700,567	31,259,555
Lease revenue	14,385	22,390	29,171	43,969
	13,509,080	14,641,276	29,729,738	31,303,524

Other revenue primarily includes revenue from the provision of repair and maintenance services, construction and other services.

8 Other income

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
Income from detected consumption of power without execution of agreements	611	2,322	2,772	3,211
Income in the form of fines and penalties under economic contracts	25,263	72,929	80,312	222,497
Insurance compensation	4,954	7,075	5,835	12,875
Amortization of accounts payable	808	2,392	1,097	6,009
Other income	(4,526)	14	2,980	4,663
	27,110	84,732	92,996	249,255

9 Operating costs

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
Expenses for remunerations to employees	3,855,227	3,310,079	7,364,130	6,739,823
Depreciation of fixed assets, right-of-use assets and intangible assets	1,308,609	1,202,267	2,612,534	2,421,037
<i>Material costs, including</i>				
Power to compensate technological losses	1,633,876	1,637,069	4,165,005	4,482,026
Purchased electric and thermal energy for auxiliaries	87,981	81,274	302,768	315,844
Other material costs	665,935	658,260	944,142	941,126
<i>Works and services of a productive nature, including</i>				
Power transmission services	6,306,217	6,205,631	12,884,555	12,539,372
Repair and maintenance services	138,001	118,783	179,094	161,124
Other works and services of a productive nature	21,002	15,595	36,215	32,114
Taxes and fees, apart from profit tax	219,048	210,960	450,047	419,202
Short-term lease	8,709	1,189	11,747	3,667
Insurance	17,937	19,477	35,975	38,754
<i>Other services of third-party companies, including:</i>				
Communication services	45,473	41,291	89,060	82,537
Security	68,257	67,977	136,134	135,121
Consulting, legal and auditor services	988	1,529	30,729	5,768
Software and support expenses	59,699	94,463	132,897	153,215
Transportation services	1,635	2,060	2,094	3,037
Other services	139,789	184,658	306,706	354,507
Reserves	562	63,109	7,582	77,211
Other expenses	124,830	72,686	128,911	118,413
	14,703,775	13,988,357	29,820,325	29,023,898

10 Financial income and expenses

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
Financial income				
Interest income on loans granted, bank deposits, bills of exchange and balances at bank accounts	17,699	44,715	30,731	74,053
Interest on restructured receivables	47,254	21,786	94,917	48,252
Dividends receivable	–	2	1	7
Interest income on assets related to liabilities for remunerations to employees	–	–	32,977	4,172
Depreciation of discount on financial assets	214	580	413	891
	65,167	67,083	159,039	127,375

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
Financial expenses				
Interest income on financial liabilities accounted for at depreciated cost	(94,149)	(43,414)	(185,523)	(92,602)
Interest expense on lease liabilities	(29,462)	(17,177)	(60,468)	(77,321)
Interest income on long-term liabilities for remuneration to employees	(26,683)	(32,390)	(54,681)	(65,816)
Effect from initial discounting of financial assets	(107)	(249)	(109)	(458)
	(150,401)	(93,230)	(300,781)	(236,197)

11 Profit tax

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
Current profit tax				
Accrual of current tax	–	(178,468)	–	(461,742)
Historical tax adjustment	(300)	3,738	(5,040)	7,688
Total Current profit tax	(300)	(174,730)	(5,040)	(454,054)
Deferred income tax	234,535	91,328	(7,820)	(6,227)
Total income / (expense) for income tax	234,235	(83,402)	(12,860)	(460,281)

Profit tax recognized in other comprehensive income:

	For three months ended on June 30, 2020			For six months ended on June 30, 2020		
	Before tax	Profit tax	Net of tax	Before tax	Profit tax	Net of tax
Financial assets evaluated at fair value through other comprehensive income	18	(4)	14	8	(2)	6
Revaluation of defined benefit pension plan	(157,019)	15,390	(141,629)	(73,838)	8,458	(65,380)
	(157,001)	15,386	(141,615)	(73,830)	8,456	(65,374)

	For three months ended on June 30, 2019			For six months ended on June 30, 2019		
	Before tax	Profit tax	Net of tax	Before tax	Profit tax	Net of tax
Financial assets evaluated at fair value through other comprehensive income	21	(4)	17	30	(6)	24
Revaluation of defined benefit pension plan	(120,752)	9,361	(111,391)	(179,694)	13,914	(165,780)
	(120,731)	9,357	(111,374)	(179,664)	13,908	(165,756)

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

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

The pre-tax profit (loss) is related to the income tax expense as follows:

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
Profit (loss) before tax	(1,330,158)	372,730	(259,525)	2,080,865
Theoretical income tax expense at a rate of 20%	(266,032)	74,546	(51,905)	416,173
The tax effect of items that are tax-free or non-deductible for tax purposes	31,497	12,594	59,725	51,796
Previous years adjustments	300	(3,738)	5,040	(7,688)
	(234,235)	83,402	12,860	460,281

12 Fixed assets

	Land plots and buildings	Power transmission lines	Electric power transmission equipment	Other	Construction in progress	Total
<i>Initial / deemed cost</i>						
As of January 1, 2019	17,896,591	29,413,811	20,004,534	16,471,516	1,348,823	85,135,275
Reclassification between groups	(39,394)	39,049	(214)	559	–	–
Proceeds	90	2,161	851	35,933	1,720,836	1,759,871
Commissioning	11,518	665,833	213,873	41,106	(932,330)	–
Retirements	(2,059)	(471)	(1,966)	(17,421)	(23,919)	(45,836)

IDGC of Volga, PJSC
Notes to the interim condensed consolidated financial statements
for three and six months ended on June 30, 2020 (unaudited)
(in thousands of Russian rubles unless specified otherwise)

	Land plots and buildings	Power transmission lines	Electric power transmission equipment	Other	Construction in progress	Total
As of June 30, 2019	17,866,746	30,120,383	20,217,078	16,531,693	2,113,410	86,849,310
<i>Accumulated depreciation and impairment</i>						
As of January 1, 2019	(7,712,613)	(16,832,462)	(8,235,599)	(11,285,935)	–	(44,066,609)
Reclassification between groups	4,390	(4,203)	368	(555)	–	–
Accumulated depreciation	(433,037)	(640,670)	(550,412)	(563,375)	–	(2,187,494)
Retirements	1,724	328	515	17,348	–	19,915
As of June 30, 2019	(8,139,536)	(17,477,007)	(8,785,128)	(11,832,517)	–	(46,234,188)
<i>Residual value</i>						
As of January 1, 2019	10,183,978	12,581,349	11,768,935	5,185,581	1,348,823	41,068,666
As of June 30, 2019	9,727,210	12,643,376	11,431,950	4,699,176	2,113,410	40,615,122
<i>Initial / deemed cost</i>						
As of January 1, 2020	11,766,612	32,061,833	29,458,246	19,283,142	1,421,630	93,991,463
Reclassification between groups	(8,582)	3,028	5,666	(112)	–	–
Proceeds	135	6,746	6,317	6,059	2,066,786	2,086,043
Commissioning	6,888	819,012	227,190	392,055	(1,445,145)	–
Retirements	(2,220)	(4,440)	(3,430)	(29,165)	(13,299)	(52,554)
As of June 30, 2020	11,762,833	32,886,179	29,693,989	19,651,979	2,029,972	96,024,952
<i>Accumulated depreciation and impairment</i>						
As of January 1, 2020	(4,570,239)	(17,767,489)	(13,095,360)	(12,924,170)	–	(48,357,258)
Reclassification between groups	886	(341)	(524)	(21)	–	–
Accumulated depreciation	(271,300)	(696,919)	(769,937)	(608,232)	–	(2,346,388)
Retirements	994	2,986	1,840	29,083	–	34,903
As of June 30, 2020	(4,839,659)	(18,461,763)	(13,863,981)	(13,503,340)	–	(50,668,743)
<i>Residual value</i>						
As of January 1, 2020	7,196,373	14,294,344	16,362,886	6,358,972	1,421,630	45,634,205
As of June 30, 2020	6,923,174	14,424,416	15,830,008	6,148,639	2,029,972	45,356,209

For six months ended on June 30, 2020, interest capitalized was 27,825 thousand rubles (for six months ended on June 30, 2019: 36,186 thousand rubles), capitalization rate 7.24% (for six months ended on June 30, 2019: 7.73%).

13 Intangible assets

	<u>Software</u>	<u>R&D</u>	<u>Other</u>	<u>Total</u>
<i>Original value</i>				
As of January 1, 2019	407,245	63,718	45,776	516,739
Proceeds	11,605	13,082	–	24,687
Retirements	(10,523)	–	–	(10,523)
As of June 30, 2019	408,327	76,800	45,776	530,903
<i>Accumulated depreciation and impairment</i>				
As of January 1, 2019	(225,912)	(15,029)	(25,041)	(265,982)
Accumulated depreciation	(59,077)	(7,009)	(1,642)	(67,728)
Retirements	10,523	–	–	10,523
As of June 30, 2019	(274,466)	(22,038)	(26,683)	(323,187)
<i>Residual value</i>				
As of January 1, 2019	181,333	48,689	20,735	250,757
As of June 30, 2019	133,861	54,762	19,093	207,716
	<u>Software</u>	<u>R&D</u>	<u>Other</u>	<u>Total</u>
<i>Original value</i>				
As of January 1, 2020	403,958	88,904	45,776	538,638
Proceeds	52,001	428	–	52,429
Retirements	(32,462)	–	–	(32,462)
As of June 30, 2020	423,497	89,332	45,776	558,605
<i>Accumulated depreciation and impairment</i>				
As of January 1, 2020	(247,979)	(27,885)	(28,164)	(304,028)
Accumulated depreciation	(61,102)	(10,370)	(1,576)	(73,048)
Retirements	32,462	–	–	32,462
As of June 30, 2020	(276,619)	(38,255)	(29,740)	(344,614)
<i>Residual value</i>				
As of January 1, 2020	(155,979)	61,019	17,612	234,610
As of June 30, 2020	146,878	51,077	16,036	213,991

For six months ended on June 30, 2020, interest capitalized was 428 thousand rubles (for six months ended on June 30, 2019: 423 thousand rubles), capitalization rate 7.24% (for six months ended on June 30, 2019: 7.73%).

Other intangible assets include patents for useful models, received as part of research.

14 Right-of-use asset

	Land and buildings	Power transmission lines	Electric power transmission equipment	Other	Total
<i>Original value</i>					
As of January 1, 2019	869,917	573,773	243,805	11,009	1,698,504
Reclassification between groups	(40,692)	35,479	32	5,181	–
Proceeds	6,035	–	147,211	8,611	161,857
Change in lease terms	21,125	2,601	–	(946)	22,780
Lease agreement retirement or termination	(2,525)	–	–	–	(2,525)
As of June 30, 2019	853,860	611,853	391,048	23,855	1,880,616
<i>Accumulated depreciation and impairment</i>					
As of January 1, 2019	–	–	–	–	–
Accumulated depreciation	(61,969)	(63,222)	(39,175)	(2,520)	(166,886)
Change in lease terms	861	1,788	–	108	2,757
Lease agreement retirement or termination	66	–	–	–	66
As of June 30, 2019	(61,042)	(61,434)	(39,175)	(2,412)	(164,063)
<i>Residual value</i>					
As of January 1, 2019	869,917	573,773	243,805	11,009	1,698,504
As of June 30, 2019	792,818	550,419	351,873	21,443	1,716,553
	Land and buildings	Power transmission lines	Electric power transmission equipment	Other	Total
<i>Original value</i>					
As of January 1, 2020	881,040	775,620	471,339	27,067	2,155,066
Reclassification between groups	(2,114)	5,289	(1,800)	(1,375)	–
Proceeds	7,846	–	–	–	7,846
Change in lease terms	2,021	–	–	(185)	1,836
Lease agreement retirement or termination	(1,038)	(288)	–	(26)	(1,352)
As of June 30, 2020	887,755	780,621	469,539	25,481	2,163,396
<i>Accumulated depreciation and impairment</i>					
As of January 1, 2020	(112,541)	(36,652)	(36,230)	(3,218)	(188,641)
Accumulated depreciation	(64,910)	(78,931)	(46,530)	(2,727)	(193,098)
Change in lease terms	612	–	–	185	797
Lease agreement retirement or termination	719	113	–	13	845
As of June 30, 2020	(176,120)	(115,470)	(82,760)	(5,747)	(380,097)
<i>Residual value</i>					
As of January 1, 2020	768,499	738,968	435,109	23,849	1,966,425
As of June 30, 2020	711,635	665,151	386,779	19,734	1,783,299

15 Trade and other receivables

	June 30, 2020	December 31, 2019
Trade and other receivables		
long-term receivables		
Trade receivables	706,066	786,160
Other receivables	689,257	384,395
	1,395,323	1,170,555
Trade and other short-term receivables		
Trade receivables	7,100,206	6,506,262
Provision for expected credit loss on trade receivables	(1,075,650)	(963,612)
Other receivables	212,033	506,005
Provision for expected credit loss on other receivables	(103,843)	(99,577)
	6,132,746	5,949,078

Long-term trade receivables include restructured receivables for electricity transmission services in the total amount of 702,858 thousand rubles as of June 30, 2020 (December 31, 2019: 782,427 thousand rubles.) The terms of the agreements provide for the repayment of receivables in 6.50 and the application of an interest rate of 6.50% per annum.

Information on balances with related parties is disclosed in Note 28.

16 Advances paid and other assets

	June 30, 2020	December 31, 2019
Non-current		
Advances paid	5,203	6,180
VAT on advance payments received	106,944	58,001
	112,147	64,181
Current		
Advances paid	158,627	198,481
Provision for impairment of advances paid	(14,971)	(18,012)
VAT recoverable	6,612	2,081
VAT on advances received and VAT on advances issued for the acquisition of fixed assets	53,114	47,795
Prepayments for taxes other than profit tax	7,992	11,094
	211,374	241,439

Information on balances with related parties is disclosed in Note 28.

17 Cash and cash equivalents

	June 30, 2020	December 31, 2019
Cash at bank and in hand	793,103	930,770
Cash equivalents	39,950	40,090
	833,053	970,860

	Rating	Rating agency	June 30, 2020	December 31, 2019
Sberbank*	AAA(RU)	AKPA	251,285	137,024
Gazprombank*	AA+(RU)	AKPA	7	18
AB Russia	A+(RU)	AKPA	505,737	793,522
VTB Bank*	ruAAA	Expert RA	36,008	13
Cash in hand			66	193
			793,103	930,770

* Related to the government.

Cash equivalents include short-term contributions to bank deposits:

	Interest rate on June 30, 2020	Rating	Rating agency	June 30, 2020	December 31, 2019
Gazprombank*	4.05-5.04	AA+(RU)	AKPA	39,950	40,090
				39,950	40,090

* Related to the government.

As of June 30, 2020 and December 31, 2019 all cash and equivalents balances are nominated in rubles.

18 Authorized capital

a) Authorized capital

	Ordinary shares	
	June 30, 2020	December 31, 2019
Nominal value of one share (rubles)	0.1	0.1
Outstanding as of January 1 (pieces)	188,307,958,733	188,307,958,733
Outstanding as of the end of the year and fully paid, pieces	188,307,958,733	188,307,958,733

b) Ordinary shares

Holders of ordinary shares have the right to vote on all issues on the agenda at the General Meetings of Shareholders of the Company, to receive dividends in the manner specified by the legislation of the Russian Federation and the Charter of the company, as well as other rights provided for by the Charter and legislation of the Russian Federation.

c) Dividends

The basis for distributing the Company's profits among shareholders in accordance with the legislation of the Russian Federation is the net profit according to the financial statements prepared in accordance with the accounting and reporting standards of the Russian Federation.

At an extraordinary meeting of shareholders held on December 31, 2019, dividends were announced based on the results of 9 months of 2019 in the amount of 0.0053946 rubles per ordinary share in cash. The total amount of dividends amounted to 1,015,846 thousand rubles. Paid out on January 31, 2020.

At the annual meeting of shareholders held on May 29, 2020, dividends for 2019 were declared in the amount of RUB 0.00106762 per ordinary share in cash. The total amount of dividends amounted to 201,041 thousand rubles.

For six months ended on 30 June 2020, dividends paid were RUB 1,200,590 thousand (for six months ended on June 30, 2019 – RUB 2,334,301 thousand).

19 Profit/(loss) per share

Earnings per share calculation for three and six months ended on June 30, 2020 and June 30, 2019, based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. The Company has no dilutive financial instruments.

	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
<i>In thousands of shares</i>				
Ordinary shares as of January 1	188,307,959	188,307,959	188,307,959	188,307,959
Weighted average quantity of shares for the period ended on June 30	188,307,959	188,307,959	188,307,959	188,307,959
	For three months ended on June 30		For six months ended on June 30	
	2020	2019	2020	2019
Weighted average number of shares outstanding for the reporting period ended on June 30 (in thousands of pieces)	188,307,959	188,307,959	188,307,959	188,307,959
Profit / (loss) for the period attributable to the owners of the Company	(1,095,923)	289,328	(272,385)	1,620,584
Profit / (loss) per share – basic and diluted (in Russian rubles)	(0.0058)	0.0015	(0.0014)	0.0086

20 Borrowed funds

	June 30, 2020	December 31, 2019
Long-term liabilities		
Unsecured loans and credits	5,621,693	4,040,590
Lease liability	1,494,673	1,678,807
	7,116,366	5,719,397
Short-term liabilities		
Unsecured loans and credits	581,968	11,361
Lease liability	393,406	362,530
	975,374	373,891
Including:		
Debt on interest due on loans and credits	11,968	11,361
	11,968	11,361

As of June 30, 2020 and December 31, 2019, all balances of loans and credits are nominated in rubles.

During six months ended on June 30, 2020, the Group obtained the following bank loans:

	Effective interest rates	Maturity	Nominal value
Unsecured Bank Loans*	7.1–7.37	2020–2023	5,151,103
			5,151,103

* Loans and credits received from companies related to the government

During six months ended on June 30, 2020, the Group repaid the following bank loans:

	Nominal value
Loans and credits received from organizations related to the government	3,000,000
	3,000,000

As of June 30, 2020, the amount of the available limit for open, but unused credit lines of the Group was 11,376,376 thousand rubles (13,959,503 thousand rubles as of December 31, 2019). The Group has the opportunity to attract additional financing within the relevant limits, including to ensure the fulfillment of its short-term obligations.

21 Trade and other payables

	June 30, 2020	December 31, 2019
Long-term debt		
Trade payables	–	42,197
Other payables	183,609	218,589
	183,609	260,786
Short-term debt		
Trade payables	3,348,335	4,901,413
Other payables and charged expenses	663,125	81,990
Payroll debts	1,110,770	937,728
Dividends payable	54,351	1,062,034
	5,176,581	6,983,165
	5,360,190	7,243,951

22 Tax debts other than profit tax

	June 30, 2020	December 31, 2019
VAT	771,962	270,618
Property tax	205,691	246,185
Social security contributions	295,877	260,121
Other taxes payable	111,517	114,402
	1,385,047	891,326

23 Advances received

	June 30, 2020	December 31, 2019
Long-term		
Advances for grid connection services	606,911	308,090
Other advances received	45,153	50,009
	652,064	358,099
Short-term		
Advances for grid connection services	369,376	387,860
Other advances received	110,971	91,207
	480,347	479,067

24 Reserves

	<u>2020</u>	<u>2019</u>
Balance as of January 1,	(44,783)	(26,113)
Increase over the period	(41,213)	(50,632)
Decrease due to reserve recovery	33,565	15,901
Use of reserves	2,170	16,061
Balance as of June 30	(50,261)	(44,783)

Provisions mainly relate to legal claims and claims brought against the Group for ordinary activities.

25 Management of financial risks and capital

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.

Objectives and policies of the Group in respect to management of financial risks and capital, and procedure for determination of fair value comply with those disclosed in the consolidated financial statements for the year ended on December 31, 2019.

The management of the Group takes operational measures to ensure a sufficient amount of 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 optimizing the structure of borrowed capital, ensuring the availability of available credit limits, liquidity cushion in the form of balances on bank accounts and short-term financial investments, and quality control of accepted financial collateral (bank guarantees).

a) Credit risk

The carrying amount of financial assets reflects the maximum credit risk exposure of the Group. As of the reporting date, the maximum level of credit risk amounted to:

	<u>Book value</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Financial assets evaluated at fair value through other comprehensive income	145	137
Trade and other receivables (net of allowance for expected credit losses)	7,528,069	7,119,633
Cash and cash equivalents	833,053	970,860
	<u>8,361,267</u>	<u>8,090,630</u>

As of the reporting date, the maximum level of credit risk in terms of trade receivables by groups of customers amounted to:

	June 30, 2020		December 31, 2019	
	Total nominal value	Provision for expected credit loss	Total nominal value	Provision for expected credit loss
Electricity buyers	49,084	(49,084)	49,554	(49,554)
Electricity transmission services buyers	7,393,539	(960,166)	7,001,052	(846,319)
Heat energy buyers	50,538	(50,454)	51,504	(50,509)
Buyers of services for technological connection to power grids	21,532	(13,346)	26,427	(9,952)
Other customers	291,579	(2,600)	163,885	(7,278)
	7,806,272	(1,075,650)	7,292,422	(963,612)

The distribution of trade and other receivables by statute of limitations is presented below:

	June 30, 2020		December 31, 2019	
	Total nominal value	Provision for expected credit loss	Total nominal value	Provision for expected credit loss
Undue debts	5,239,053	(24,948)	5,964,230	(49,080)
Less than 3 months overdue	1,454,020	(121,167)	481,621	(85,784)
Overdue for more than 3 months and less than 6 months	238,451	(44,079)	207,462	(13,636)
Overdue by more than 6 months and less than a year	380,516	(106,589)	323,690	(50,548)
Overdue for more than a year	1,395,522	(882,710)	1,205,819	(864,141)
	8,707,562	(1,179,493)	8,182,822	(1,063,189)

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

	2020	2019
Balance as of January 1,	(1,063,189)	(893,339)
Increase in reserve for the period	(225,348)	(583,091)
Recovery of reserve amounts for the period	105,156	394,651
Amounts of trade and other receivables deducted from previously accrued reserve	3,888	18,590
Balance as of June 30	(1,179,493)	(1,063,189)

b) Liquidity risk

Below is information on the contractual maturities of financial liabilities, taking into account expected interest payments and excluding the impact of offsets. For cash flows included in the maturity analysis, it is not anticipated that they may arise much earlier in time or in significantly different amounts:

June 30, 2020	Book value	Contract cash flows	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Loans and credits	6,203,661	7,203,887	1,028,161	1,365,760	4,809,966	–	–	–
Lease liability	1,888,079	3,292,028	533,420	474,566	406,101	344,954	161,996	1,370,991
Trade and other payables	5,360,190	5,354,488	5,175,455	140,256	38,777	–	–	–
	13,451,930	15,850,403	6,737,036	1,980,582	5,254,844	344,954	161,996	1,370,991
December 31, 2019	Book value	Contract cash flows	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Loans and credits	4,051,951	4,770,372	310,365	1,808,526	2,651,481	–	–	–
Lease obligations	2,041,337	3,520,147	514,328	490,005	440,492	386,248	294,705	1,394,369
Trade and other payables	7,240,578	7,233,900	6,978,633	180,078	44,352	30,837	–	–
	13,333,866	15,524,419	7,803,326	2,478,609	3,136,325	417,085	294,705	1,394,369

c) Fair and book value

The following is a comparison of the fair and book values of the Group's financial instruments, with the exception of those financial instruments, the carrying value of which corresponds to their fair value:

Financial instruments	Note	June 30, 2020		Fair value hierarchy level		
		Book value	Fair value	1	2	3
Financial assets measured at depreciable amount						
Long-term receivables	16	1,395,323	1,395,323	–	–	1,395,323
Financial assets evaluated at fair value through other comprehensive income						
Equity instruments investments	13	145	145	145	–	–
Financial liabilities measured at amortized cost						
Loans and credits	21	(6,203,661)	(6,214,423)	–	(6,214,423)	–
Long-term payables	22	(183,609)	(183,609)	–	–	(183,609)
		(4,991,802)	(5,002,564)	145	(6,214,423)	1,211,714
December 31, 2019						
Financial instruments	Note	Book value	Fair value	Fair value hierarchy level		
				1	2	3
Financial assets measured at depreciable amount						
Long-term receivables	16	1,170,555	1,170,555	–	–	1,170,555
Financial assets evaluated at fair value through other comprehensive income						
Equity instruments investments	13	137	137	137	–	–
Financial liabilities measured at amortized cost						
Loans and credits	21	(4,051,951)	(3,977,207)	–	(3,977,207)	–
Long-term payables	22	(260,786)	(260,786)	–	–	(260,786)
		(3,142,045)	(3,067,301)	137	(3,977,207)	909,769

The interest rate used to discount expected future cash flows for long-term receivables for the purpose of determining the disclosed fair value as of June 30, 2020 was 6.25–12.57% (as of December 31, 2019: 8.70%–12.57%).

The interest rate used to discount the estimated future cash flows of long-term payables for the purpose of determining the disclosed fair value as of June 30, 2020 was 8.97% (December 31, 2019: 8.97%).

Interest rate used to discount expected future cash flows, for short-term and long-term borrowed funds for the purposes of identification of disclosed fair value as of June 30, 2020 amounted to 7.13% (as of December 31, 2019: 8.26%).

Six months ended on June 30, 2020 and six months ended on June 30, 2019, there were no transfers between levels of the fair value hierarchy.

Reconciliation of book value of financial assets evaluated at fair value through profit or loss and financial assets evaluated at fair value through other comprehensive income at the beginning and end of the reporting period is provided in the table below:

	Financial assets evaluated at fair value through other comprehensive income	
	2020	2019
As of January 1	137	104
Change of fair value recognized within other comprehensive income	8	30
As of June 30	145	134

26 Contract liabilities of capital nature

Sum of capital liabilities of the Group under agreements for purchase and construction of fixed assets, amounts to 5,229,386 thousand rubles, VAT included, as of June 30, 2020 (as of December 31, 2019: 2,945,405 thousand rubles, VAT included).

27 Contingent liabilities

(a) Insurance

The Group has common requirements in respect to volumes of insurance coverage, reliability of insurance companies and procedure of insurance protection organization. The Group insures assets, third-party liability and other insured risks. Main production assets of the Group have insurance coverage, including coverage for damage or loss of fixed assets. Nevertheless, there are risks of negative influence at operations and financial status of the Group, if damage is done to third parties, and also as a result of loss or damage of assets, insurance protection of which is absent, or is not provided in full.

(b) Contingent tax liabilities

Russian tax legislation is subject to varying interpretations regarding the operations and activities of the Group. 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 increasing. In particular, the risk of checking the tax aspect of transactions without obvious economic sense or with counterparties that violate tax laws is increasing. Tax audits may cover the three calendar years preceding the year the tax audit decision was made. Under certain conditions, earlier periods may also be subject to verification.

The Russian tax authorities have the right to charge additional tax liabilities and penalties based on the rules established by the transfer pricing legislation if the price / profitability in controlled transactions differs from the market level. The list of controlled transactions mainly includes transactions concluded between related parties.

Starting from January 1, 2019, transfer pricing controls have been removed for a significant portion of domestic Russian transactions. However, the exemption from price controls may not apply to all transactions in the domestic market. At the same time, in the case of additional charges, the mechanism of counter-adjustment of tax liabilities can be used subject to certain legal requirements. Intra-group transactions that have gotten out of the control of TP in 2019 can nevertheless be checked by territorial tax authorities for unjustified tax benefits, and TP methods can be used to determine the amount of additional charges. The federal executive body authorized to control and supervise taxes and fees may check prices / profitability in controlled transactions and, in case of disagreement with the prices applied by the Group in these transactions, add additional tax liabilities if the Group is unable to substantiate the market nature pricing in these transactions, by providing transfer pricing documentation that meets the legal requirements.

As the practice of applying tax rules on property taxes continues to develop, tax authorities and courts may challenge the criteria for classifying property as movable or immovable property applied by the Group. The management of the Group does not exclude the risk of outflow of resources, and the impact of such a development of events cannot be estimated with a sufficient degree of reliability.

The Group disputes the results of the on-site tax audit for 2013–2015 in court in the amount of 129,124 thousand rubles, the trial is scheduled for September 23, 2020. The Group has accounted for the results of this audit (fines, penalties, arrears) when preparing the 2018 financial statements. The Group estimates that the total amount of the contingent liability does not exceed 0.4% of the Group's assets.

According to the management, the relevant provisions of the law were interpreted by him correctly, and the position of the Group in terms of tax compliance can be justified and protected.

(c) Legal proceedings

The Group participates in several legal proceedings (both as a plaintiff and a defendant), arising in process of regular business operations.

In opinion of the management, currently there are no unsettled claims or other actions that could have significantly influenced business results or financial position of the Group and wouldn't be recognized or disclosed in the consolidated interim condensed financial statements.

(d) Environmental obligations

The Group has been doing business in the field of power engineering in the Russian Federation for many years. The environmental legislation in the Russian Federation continues to evolve, obligations of authorized state bodies supervising compliance with it are being revised. Potential environmental liabilities arising in connection with amended interpretations of existing legislation, legal actions or changes to the legislation may not be assessed. In opinion of the management, under the existing system of control and current legislation, there are no probable liabilities that may have substantial negative impact at financial position, results of operations or cash flows of the Group.

28 Related parties transactions

(a) Control relations

Related parties are shareholders, affiliates and organizations under common ownership and control of the Group, members of the Board of Directors and key management personnel of the Company. As of June 30, 2020 and December 31, 2019, control over the Company belonged to Rosseti, Public Joint-Stock Company. The end controlling party is the government represented by the Federal Agency for Property Management, which owns the controlling interest of Rosseti, Public Joint-Stock Company.

(b) Transactions with parent company, its subsidiaries and affiliates

Transactions with the parent company, its subsidiaries and dependent companies include transactions with Rosseti, Public Joint-Stock Company, its subsidiaries and dependent companies:

	Amount of transaction				Book value	
	For three months ended on June 30		For six months ended on June 30		June 30, 2020	December 31, 2019
	2020	2019	2020	2019		
Revenue, other income, finance income						
Parent company						
Other revenue	271	271	543	543	–	–
Enterprises under common control of parent company						
Other revenue	103,652	7,033	103,799	7,164	261,472	122,464
	103,923	7,304	104,342	7,707	261,472	122,464

	Amount of transaction				Book value	
	For three months ended on June 30,		For six months ended on June 30,		June 30, 2020	December 31, 2019
	2020	2019	2020	2019		
Operating expenses, financial expenses						
Parent company						
Consulting, legal and auditor services	(39,278)	(41,057)	(76,926)	(76,477)	(26,011)	(30,146)
Other works and services of a productive nature	(7,579)	(5,346)	(15,157)	(15,157)	–	–
Enterprises under common control of parent company						
Power transmission services	(3,319,186)	(3,396,140)	(6,671,982)	(6,708,261)	(1,342,646)	(1,341,542)
Services of technological connection to electric grids	(2,833)	(624)	(5,016)	(624)	–	–
Software and support expenses	(27,258)	–	(27,258)	–	–	–
Reserves	–	(50,350)	–	(50,350)	–	–
Provisions for expected credit losses	–	(4,696)	–	(4,696)	–	–
Other expenses	(49,566)	(52,769)	(103,498)	(87,577)	(447,838)	(474,847)
	(3,445,700)	(3,550,982)	(6,899,837)	(6,943,142)	(1,816,495)	(1,846,535)

	Book value	
	June 30, 2020	December 31, 2019
Enterprises under common control of parent company		
Advances paid	9,514	11,138
Advances received	(32)	(32)
	9,482	11,106

As of June 30, 2020, there are no dividends payable to the parent company (as of December 31, 2019: 690,461 thousand rubles.)

(c) Transactions with key management personnel

For the purpose of preparing these consolidated financial statements, members of the Board of Directors and the Management Board are assigned to key management personnel.

Amounts of remuneration to key management personnel, disclosed in the table, are expenses of the current period for the key management personnel reflected within expenses for remunerations to employees.

	For three months ended on June 30,		For six months ended on June 30,	
	2020	2019	2020	2019
Short-term remunerations to employees	25,931	33,912	62,513	76,938
	25,931	33,912	62,513	76,938

As of June 30, 2020, the current cost of liabilities on plans with established payments, reflected in the consolidated statement of financial position, includes liabilities in respect to the key management personnel in the amount of 10,902 thousand rubles (as of December 31, 2019: 10,085 thousand rubles).

d) Transactions with companies related to government

In process of its business the Group performs many transactions with companies related to the government. These transactions are carried out in accordance with regulated tariffs or in accordance with market prices.

Revenue from companies related to the government is 19% and 18% of the total revenue of the Group for three and six months ended on June 30, 2020 (for three and six months ended on June 30, 2019: 19% and 19%), including 19% and 18% of revenue for power transmission (for three and six months ended June 30, 2019: 19% and 19%).

Expenses for power transmission (including compensation of technological losses) for companies related to the government are 10% and 10% of the total power transmission expenses for three and six months ended on June 30, 2020 (for three and six months ended on June 30, 2019: 10% and 10%).

Interest accrued on loans from government-related banks for the three and six months ended June 30, 2020 amounted to 100% of the total accrued interest (for three and six months ended on June 30, 2019: 100%).

As of June 30, 2020, the balance of cash and cash equivalents in banks related to the government amounted to 287,300 thousand rubles (as of December 31, 2019: 137,055 thousand rubles).

Information on loans and credits received from banks related to the government is disclosed in Note 20. Lease liabilities for government-related companies (within borrowed funds) amounted to 1,078,996 thousand rubles as of June 30, 2020 (as of December 31, 2019: 1,183,183 thousand rubles).

29 Events after the reporting date

As of the date of approval of the interim condensed consolidated financial statements, the Company repaid early borrowed funds in the amount of 5,191,693 thousand rubles and additionally attracted borrowed funds at a lower rate in the amount of 5,661,000 thousand rubles.