

**Public Joint Stock Company "Interregional
Distribution Grid Company of North-West"**

**Interim Condensed Consolidated Financial Statements (unaudited)
For the three and nine months ended 30 September 2020**

Interim condensed consolidated financial statements (unaudited)

Interim condensed consolidated statement of profit or loss and other comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of cash flows	5
Interim condensed consolidated statement of changes in equity	6

Notes to the interim condensed consolidated financial statements (unaudited)

1	Background	7
2	Basis of preparation of consolidated financial statements	8
3	Significant accounting policies	9
4	Measurement of fair values	9
5	Significant subsidiaries	10
6	Information about segments	10
7	Revenue	14
8	Other income	14
9	Other expenses	15
10	Operating expenses	15
11	Finance income and costs	15
12	Income tax	16
13	Property, plant and equipment	17
14	Intangible assets	18
15	Right-of-use assets	19
16	Other non-current financial assets	19
17	Trade and other receivables	20
18	Advances given and other assets	20
19	Cash and cash equivalents	21
20	Share capital	21
21	Earnings per share	22
22	Loans and borrowings	22
23	Trade and other payables	23
24	Taxes, other than income tax	23
25	Advances received	23
26	Estimated liabilities	24
27	Financial risk and capital management	24
28	Capital commitments	28
29	Contingencies	28
30	Related party transactions	29

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 September (unaudited)		Nine months ended 30 September (unaudited)	
		2020	2019	2020	2019
Revenue	7	10,849,362	10,659,741	34,653,374	35,346,200
Operating expenses	10	(10,826,829)	(11,016,602)	(33,613,362)	(33,332,176)
Expected credit losses		(83,211)	(177,074)	(173,607)	(451,415)
Other income	8	133,196	140,394	407,432	358,577
Other expenses	9	1,353	(2,463)	(14,299)	(9,888)
Results from operating activities		73,871	(396,004)	1,259,538	1,911,298
Finance income	11	21,053	49,402	92,637	90,366
Finance costs	11	(268,273)	(307,779)	(844,867)	(1,019,126)
Total finance costs		(247,220)	(258,377)	(752,230)	(928,760)
Profit/(loss) before tax		(173,349)	(654,381)	507,308	982,538
Income tax expense	12	(31,667)	116,142	(207,483)	(232,641)
Profit/(loss) for the period		(205,016)	(538,239)	299,825	749,897
Other comprehensive income/(loss)					
<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		(1,933)	1,172	(1,801)	4,083
Remeasurement of the defined benefit liability		16,137	(45,020)	–	(196,293)
Income tax	12	(2,841)	8,769	360	38,442
Other comprehensive loss for the period, net of income tax		11,363	(35,079)	(1,441)	(153,768)
Total comprehensive income/(loss) for the period		(193,653)	(573,318)	298,384	596,129
Profit/(loss) attributable to:					
Owners of the Company		(205,012)	(538,235)	299,840	749,909
Non-controlling interest		(4)	(4)	(15)	(12)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(193,649)	(573,314)	298,399	596,141
Non-controlling interest		(4)	(4)	(15)	(12)
Earnings/(loss) per share					
Basic earnings/(loss) per ordinary share (in RUB)	21	(0.0021)	(0.0056)	0.0031	0.0078

These Interim condensed consolidated financial statements were approved by management on 20 November 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

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

	Notes	30 September 2020 (unaudited)	31 December 2019 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	39,255,849	40,037,317
Intangible assets	14	284,477	266,945
Right-of-use assets	15	1,014,411	613,705
Trade and other receivables	17	143,544	140,121
Assets related to employee benefit plans		378,464	314,159
Other non-current financial assets	16	583,245	551,544
Deferred tax assets		13,046	18,533
Advances issued and other non-current assets	18	37,495	71,540
Total non-current assets		41,710,531	42,013,864
Current assets			
Inventories		1,213,660	965,749
Income tax prepayments		192,518	44,438
Trade and other receivables	17	5,669,320	5,360,864
Advances issued and other current assets	18	857,658	706,810
Cash and cash equivalents	19	801,584	232,088
Total current assets		8,734,740	7,309,949
Total assets		50,445,271	49,323,813
EQUITY AND LIABILITIES			
Equity			
Share capital	20	9,578,592	9,578,592
Reserve related to business combination	20	10,457,284	10,457,284
Other reserves		(93,263)	(91,822)
Retained earnings / (accumulated loss)		46,539	(132,938)
Total equity attributable to owners of the Company		19,989,152	19,811,116
Non-controlling interest		221	236
Total equity		19,989,373	19,811,352
Non-current liabilities			
Loans and borrowings	22	13,737,387	12,803,516
Trade and other payables	23	290,685	291,552
Advances received	25	198,127	350,546
Employee benefit liabilities		1,005,818	983,386
Deferred tax liabilities		923,285	730,285
Total non-current liabilities		16,155,302	15,159,285
Current liabilities			
Loans and borrowings and short-term portion of long-term loans and borrowings	22	3,661,474	2,491,915
Trade and other payables	23	4,688,597	5,546,021
Taxes, other than income tax	24	1,088,354	1,344,441
Advances received	25	3,714,288	3,610,619
Provisions		1,147,815	998,058
Current income tax liabilities		68	362,122
Total current liabilities		14,300,596	14,353,176
Total liabilities		30,455,898	29,512,461
Total equity and liabilities		50,445,271	49,323,813

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

	Notes	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		299,825	749,897
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	10	3,590,754	3,434,211
Finance costs	11	844,867	1,019,126
Finance income	11	(92,637)	(90,366)
Loss/(gain) on disposal of property, plant and equipment		1,496	(17,900)
Expected credit losses		173,607	451,415
Accounts receivable write-off		7,000	21,316
Accounts payable write-off		(2,850)	(846)
Accrual of estimated liabilities		173,299	161,568
Other non-cash transactions		(3,271)	(4,485)
Income tax expense	12	207,483	232,641
Total effect of adjustments		5,199,573	5,956,577
Change in assets related to employee benefit plans		(40,187)	(62,667)
Change in employee benefit liabilities		(21,670)	(338,175)
Change in long-term trade and other receivables		(3,423)	(143,255)
Change in long-term advances issued and other non-current assets		34,045	(203,933)
Change in long-term trade and other payables		(867)	30,239
Change in long-term advances received		(152,419)	1,346,918
Cash flows from operating activities before changes in working capital and provisions		5,015,052	6,585,704
<i>Changes in working capital</i>			
Change in trade and other receivables		(446,719)	946,111
Change in advances issued and other assets		(150,847)	366,539
Change in inventories		(249,397)	(286,921)
Change in trade and other payables		(748,288)	(1,222,322)
Change in advances received		103,669	(1,480,503)
Change (use) of estimated liabilities		(22,056)	(164,726)
Other		-	1,845
Cash flows from operating activities before income tax and interest paid		3,501,414	4,745,727
Income tax paid		(518,633)	(183,678)
Interest paid under lease agreements		(64,804)	(112,595)
Interest paid		(778,709)	(891,768)
Net cash from operating activities		2,139,268	3,557,686
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(2,828,253)	(3,242,632)
Proceeds from the sale of property, plant and equipment and intangible assets		3,867	22,054
Interest received		26,530	32,054
Dividends received		1,185	750
Net cash used in investing activities		(2,796,671)	(3,187,774)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	22	28,721,417	16,553,183
Repayment of loans and borrowings	22	(27,048,620)	(16,506,294)
Dividends paid		(309,056)	(379,528)
Repayment of lease liabilities		(136,842)	(1,495)
Net cash from / (used in) financing activities		1,226,899	(334,134)
Net increase in cash and cash equivalents		569,496	35,778
Cash and cash equivalents at the year beginning		232,088	151,123
Cash and cash equivalents at the year end	19	801,584	186,901

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

	Equity attributable to owners of the Company						Total equity
	Share capital	Reserve related to business combination	Other reserves	Retained earnings / accumulated loss	Total	Non-controlling interest	
Balance at 1 January 2019	9,578,592	10,457,284	(45,186)	(645,455)	19,345,235	253	19,345,488
Profit/(loss) for the period	–	–	–	749,909	749,909	(12)	749,897
Other comprehensive loss	–	–	(192,210)	–	(192,210)	–	(192,210)
Income tax related to other comprehensive loss	–	–	38,442	–	38,442	–	38,442
Total comprehensive income/(loss) for the period	–	–	(153,768)	749,909	596,141	(12)	596,129
Dividends to shareholders (Note 20)	–	–	–	(381,707)	(381,707)	–	(381,707)
Balance at 30 September 2019 (unaudited)	9,578,592	10,457,284	(198,954)	(277,253)	19,559,669	241	19,559,910
Balance at 1 January 2020	9,578,592	10,457,284	(91,822)	(132,938)	19,811,116	236	19,811,352
Profit/(loss) for the period	–	–	–	299,840	299,840	(15)	299,825
Other comprehensive loss	–	–	(1,801)	–	(1,801)	–	(1,801)
Income tax related to other comprehensive loss	–	–	360	–	360	–	360
Total comprehensive income/(loss) for the period	–	–	(1,441)	299,840	298,399	(15)	298,384
Dividends to shareholders (Note 20)	–	–	–	(120,363)	(120,363)	–	(120,363)
Balance at 30 September 2020 (unaudited)	9,578,592	10,457,284	(93,263)	46,539	19,989,152	221	19,989,373

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) *The Economic environment in which the Group operates*

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.

However, uncertainty remains about the future business conditions of the Group and its counterparties. It is currently difficult to assess the impact of the pandemic in the medium and long term, in the event of new waves of coronavirus infection and stricter measures aimed at containing it.

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:

- 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 and implement priority investment projects;
- Monitor forecast and actual information on the impact of the pandemic on the Russian economy, the Group's operations and the Group's main counterparties;
- Adapt the Group's activities to new market opportunities, take measures to neutralize the possible negative impact of the pandemic, and ensure the Group's financial stability.

(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 September 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 nine months ended 30 September 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

Subject to the disclosure in the note "The Economic environment in which the Group operates", 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.

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

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

	Country of incorporation	30 September 2020 Ownership/voting shares, %	31 December 2019 Ownership/voting shares, %
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. On May 20, 2020, the interim liquidation balance sheet was approved by the decision of the extraordinary General meeting of shareholders of OJSC Lesnaya Skazka. The liquidation process is expected to be completed no earlier than Q3 2021. 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 September 2020:

	Electricity Transmission						Energy Retail		Unallocated items	Total	
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov energosbyt			Other
Revenue from external customers	1,277,719	1,865,669	1,656,537	1,536,652	1,491,103	923,834	239,888	1,883,745	1,985	–	10,877,132
Inter-segment revenue	–	–	–	–	–	–	821,927	156,494	84,733	–	1 063 154
Segment revenue	1,277,719	1,865,669	1,656,537	1,536,652	1,491,103	923,834	1,061,815	2,040,239	86,718	–	11,940,286
Including											
<i>Electricity transmission</i>	1,184,043	1,453,669	1,601,713	1,529,444	1,443,113	894,702	998,129	–	–	–	9,104,813
<i>Connection services</i>	23,726	398,318	14,103	849	34,918	22,010	51,033	–	–	–	544,957
<i>Resale of electricity</i>	–	–	–	–	–	–	–	2,040,071	–	–	2,040,071
<i>Other revenue</i>	66,259	7,635	2,466	4,040	8,102	5,407	6,454	168	78,188	–	178,719
<i>Rental income</i>	3,691	6,047	38,255	2,319	4,970	1,715	6,199	–	8,530	–	71,726
EBITDA	86,605	610,845	160,165	(49,859)	113,080	(34,705)	151,200	112,318	(4,692)	2,341	1,147,298

For the three months ended 30 September 2019:

	Electricity Transmission						Energy Retail		Unallocated items	Total	
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov energosbyt			Other
Revenue from external customers	1,340,649	1,558,692	1,602,981	1,588,256	1,579,161	1,137,790	199,153	1,743,504	6,507	–	10,756,693
Inter-segment revenue	–	–	4	–	–	–	815,717	153,713	94,021	–	1,063,455
Segment revenue	1,340,649	1,558,692	1,602,985	1,588,256	1,579,161	1,137,790	1,014,870	1,897,217	100,528	–	11,820,148
Including											
<i>Electricity transmission</i>	1,138,286	1,535,599	1,554,253	1,582,579	1,557,167	1,119,183	997,718	–	–	–	9,484,785
<i>Connection services</i>	125,809	6,468	6,574	518	9,784	10,483	7,631	–	–	–	167,267
<i>Resale of electricity</i>	–	–	–	–	–	–	–	1,896,908	–	–	1,896,908
<i>Other revenue</i>	73,012	13,451	4,331	3,624	7,456	6,361	3,878	309	100,408	–	212,830
<i>Rental income</i>	3,542	3,174	37,827	1,535	4,754	1,763	5,643	–	120	–	58,358
EBITDA	(182,343)	122,777	105,653	(70,477)	63,004	(2,136)	53,820	44,318	(564)	2,523	136,575

For the nine months ended 30 September 2020:

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

	Electricity Transmission							Energy Retail		Unallocated items	Total
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov energosbyt	Other		
Revenue from external customers	4,064,252	5,298,950	5,233,512	5,315,831	5,281,606	3,043,061	650,441	5,850,424	8,180	–	34,746,257
Inter-segment revenue	–	–	–	–	–	–	2,699,902	481,458	274,213	–	3,455,573
Segment revenue	4,064,252	5,298,950	5,233,512	5,315,831	5,281,606	3,043,061	3 350 343	6,331,882	282,393	–	38,201,830
Including											
<i>Electricity transmission</i>	3,754,931	4,810,421	5,089,019	5,286,420	5,176,639	2,992,471	3,220,421	–	–	–	30,330,322
<i>Connection services</i>	40,354	405,362	23,897	3,469	54,611	24,490	95,376	–	–	–	647,559
<i>Resale of electricity</i>	–	–	–	–	–	–	–	6,330,517	–	–	6,330,517
<i>Other revenue</i>	258,076	68,561	6,147	20,103	36,026	20,642	16,875	1,365	255,763	–	683,558
<i>Rental income</i>	10,891	14,606	114,449	5,839	14,330	5,458	17,671	–	26,630	–	209,874
EBITDA	431,268	1,357,701	759,218	294,916	1,086,261	123,189	564,917	194,369	(12,057)	7,090	4,806,872

For the nine months ended 30 September 2019:

	Electricity Transmission							Energy Retail		Unallocated items	Total
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Pskov energosbyt	Other		
Revenue from external customers	4,250,495	5,258,683	5,292,163	5,666,952	5,146,355	3,479,805	664,219	5,672,647	11,833	–	35,443,152
Inter-segment revenue	–	–	30	–	–	3	2,669,034	495,689	266,397	–	3,431,153
Segment revenue	4,250,495	5,258,683	5,292,193	5,666,952	5,146,355	3,479,808	3,333,253	6,168,336	278,230	–	38,874,305
Including											
<i>Electricity transmission</i>	3,856,034	5,161,996	5,143,426	5,485,814	5,076,810	3,432,585	3,233,097	–	–	–	31,389,762
<i>Connection services</i>	145,505	15,622	25,926	163,641	31,414	14,685	22,693	–	–	–	419,486
<i>Resale of electricity</i>	–	–	–	–	–	–	–	6,167,496	–	–	6,167,496
<i>Other revenue</i>	238,081	48,900	9,354	13,023	23,380	27,232	60,530	840	277,842	–	699,182
<i>Rental income</i>	10,875	32,165	113,487	4,474	14,751	5,306	16,933	–	388	–	198,379
EBITDA	408,777	1,215,918	923,513	517,171	772,665	406,345	434,052	115,410	793	7,809	4,802,453

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

As at 30 September 2020:

	Electricity Transmission								Energy Retail	Other	Unallocated items	Total
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Vologda branch	Pskov energosbyt			
Segment assets	5,795,640	9,859,120	4,747,380	5,710,299	13,219,586	6,850,178	5,189,086	8,363	1,149,158	150,529	3,491,827	56,171,166
<i>Including property, plant and equipment and construction in progress</i>	<i>4,290,721</i>	<i>8,709,691</i>	<i>3,607,058</i>	<i>4,430,879</i>	<i>11,906,509</i>	<i>6,126,547</i>	<i>4,591,927</i>	<i>–</i>	<i>6,832</i>	<i>38,337</i>	<i>18,023</i>	<i>43,726,524</i>

As at 31 December 2019:

	Electricity Transmission								Energy Retail	Other	Unallocated items	Total
	Arkhangelsk branch	Vologda branch	Karelian branch	Murmansk branch	Komi Republic branch	Novgorod branch	Pskov branch	Vologda branch	Pskov energosbyt			
Segment assets	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>	<i>4,344,473</i>	<i>8,930,845</i>	<i>3,712,153</i>	<i>4,522,915</i>	<i>12,277,604</i>	<i>6,257,492</i>	<i>4,616,555</i>	<i>–</i>	<i>7,235</i>	<i>18,050</i>	<i>25,112</i>	<i>44,712,434</i>

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

(ii) Reconciliation of reportable segment EBITDA

Reconciliation of reportable segment EBITDA is presented below:

	<u>Three months ended 30 September</u> <u>2020</u>	<u>2019</u>	<u>Nine months ended 30 September</u> <u>2020</u>	<u>2019</u>
EBITDA of reportable segments	1,147,298	136,575	4,806,872	4,802,453
Discounting of financial instruments	1,603	26,491	5,283	(3,391)
Adjustment for expected credit loss	80,760	272,745	97,699	65,800
Adjustment for lease	67,730	36,187	216,688	109,355
Recognition of pension and other long-term employee benefit obligation	(8,521)	281,141	(22,432)	218,633
Adjustment for assets related to employee benefits	60,998	91,782	64,306	62,667
Adjustment for available-for-sale financial assets	1,933	(1,172)	1,801	(4,083)
Adjustment for value of property, plant and equipment	(296)	5,636	5,675	13,450
Revenue for which the recognition criteria for IFRS 15 have not been met	(27,782)		(92,883)	
Other adjustments	(46,994)	(82,080)	(186,201)	20,814
EBITDA	1,276,729	767,305	4,896,808	5,285,698
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(1,196,131)	(1,153,171)	(3,590,754)	(3,434,211)
Interest expenses on financial liabilities at amortized cost	(233,020)	(285,277)	(732,195)	(824,727)
Interest expenses on lease liabilities	(20,927)	16,762	(66,551)	(44,222)
Income tax expense	(31,667)	116,142	(207,483)	(232,641)
Profit for the period per interim condensed consolidated statement of profit or loss and other comprehensive income	(205,016)	(538,239)	299,825	749,897

7 Revenue

	<u>Three months ended 30 September</u> <u>2020</u>	<u>2019</u>	<u>Nine months ended 30 September</u> <u>2020</u>	<u>2019</u>
Electricity transmission	8,256,625	8,573,826	27,542,488	28,628,890
Sales of electricity and capacity	1,883,577	1,743,195	5,849,059	5,671,807
Technological connection services	544,957	167,267	647,559	419,486
Other revenue	93,764	118,445	408,211	431,732
	10,778,923	10,602,733	34,447,317	35,151,915
Rental income	70,439	57,008	206,057	194,285
	10,849,362	10,659,741	34,653,374	35,346,200

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

8 Other income

	<u>Three months ended 30 September</u> <u>2020</u>	<u>2019</u>	<u>Nine months ended 30 September</u> <u>2020</u>	<u>2019</u>
Income from identified non-contracted electricity consumption	3,870	6,925	16,046	19,470
Income in the form of fines and penalties on commercial contracts	104,832	113,560	342,587	300,752
Insurance reimbursement, net	11,154	1,200	22,744	2,753
Accounts payable write-off	2,415	259	2,850	846
Gain from property, plant and equipment and inventories received free of charge	1,077	1,778	3,271	4,485
Gain on disposal of property, plant and equipment	–	11,449	–	17,900
Other income	9,848	5,223	19,934	12,371
	133,196	140,394	407,432	358,577

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

9 Other expenses

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Loss on disposal of property, plant and equipment	(1,451)	–	1,496	–
Other expenses	98	2,463	12 803	9,888
	(1,353)	2,463	14,299	9,888

10 Operating expenses

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Personnel costs	2,989,737	2,968,274	9,574,356	9,571,170
Depreciation and amortization	1,196,131	1,153,171	3,590,754	3,434,211
<i>Material expenses, including:</i>				
Electricity for compensation of losses	896,023	982,086	3,034,342	3,116,869
Electricity for sale	1,046,320	997,080	3,270,458	3,232,733
Purchased electricity and heat power for own needs	20,933	22,737	179,293	179,391
Other material costs	752,847	745,258	1,914,938	1,819,029
<i>Production work and services, including:</i>				
Electricity transmission services	3,054,982	2,916,093	9,563,745	9,152,494
Repair and maintenance services	166,112	299,474	376,934	625,129
Other production works and services	69,158	66,352	166,290	159,605
Taxes and charges other than income tax	103,999	104,172	314,142	314,834
Rent	16,482	12,682	37,361	25,168
Insurance	14,448	14,872	43,228	44,889
<i>Other third-party services, including:</i>				
Communication services	31,459	33,178	91,747	101,372
Security services	70,842	69,589	214,582	217,659
Consulting, legal and audit services	73,653	45,879	157,352	121,564
Software costs and servicing	13,599	14,971	39,726	46,278
Transportation services	36,763	30,820	104,354	102,089
Other services	182,779	173,643	483,556	443,252
Provisions	(31,523)	198,244	171,813	158,361
Other expenses	122,085	168,027	284,391	466,079
	10,826,829	11,016,602	33,613,362	33,332,176

11 Finance income and costs

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Finance income				
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	8,031	12,103	26,530	32,054
Unwind of discount on financial assets measured at amortised cost	11,448	10,359	33,502	30,318
Dividends receivable	–	44	1,185	750
Interest income on assets related to employee benefits	–	24,522	24,118	24,522
Effect from initial discounting of financial liabilities	–	2,374	2,405	2,722
Amortization of discount on financial assets	1,574	12,103	4,897	32,054
	21,053	49,402	92,637	90,366
Finance costs				
Interest expenses on financial liabilities measured at amortized cost	233,020	(285,277)	732,195	(824,727)
Interest expenses on lease liabilities	20,927	16,762	66,551	(44,222)
Interest expenses on long-term employee benefit obligation	14,355	(38,862)	44,102	(119,542)
Effect from initial discounting of financial assets	22	(235)	114	(30,468)
Amortization of discount on financial liabilities	(51)	(167)	1,905	(167)
	268,273	(307,779)	844,867	(1,019,126)

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

12 Income tax

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Current income tax				
Current tax	(24,121)	(129,300)	17,383	107,527
Adjustment of tax for previous periods	(8,968)	151	(8,748)	244
Total	(33,089)	(129,149)	8,635	107,771
Deferred income tax	64,756	13,007	198,848	124,870
Income tax expense	31,667	(116,142)	207,483	232,641

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 September		Nine months ended 30 September	
	2020	2019	2020	2019
Profit/(loss) before tax	(173,349)	(654,381)	507,308	982,538
Income tax at the applicable tax rate	(34,670)	(130,876)	101,462	196,508
Tax effect on not taxable or non-deductible for tax purposes items	70,483	14,584	109,947	35,890
Adjustments for prior years	(4,146)	150	(3,926)	243
	31,667	(116,142)	207,483	232,641

Income tax recognized in other comprehensive income:

	Three months ended 30 September 2020			Nine months ended 30 September 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	(1,933)	387	(1,546)	(1,801)	360	(1,441)
Remeasurements of the defined benefit liability	16,137	(3,228)	12,909	–	–	–
	14,204	(2,841)	11,363	(1,801)	360	(1,441)

	Three months ended 30 September 2019			Nine months ended 30 September 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	1,171	(235)	936	4,083	(817)	3,266
Remeasurements of the defined benefit liability	(45,020)	9,004	(36,016)	(196,293)	39,259	(157,034)
	(43,849)	8,769	(35,080)	(192,210)	(38,442)	(153,768)

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

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	(7,234)	(2,813)	(517)	10,564	–	–
Additions	–	–	–	–	2,709,226	2,709,226
Transfer	138,934	1,045,539	604,320	303,140	(2,091,933)	–
Disposals	(1,586)	(7,002)	(3,374)	(17,508)	(13,889)	(43,359)
At 30 September 2019	8,586,419	38,246,554	21,354,460	10,615,958	4,373,967	83,177,358
<i>Accumulated depreciation and impairment</i>						
At 31 December 2018	(3,514,199)	(20,910,040)	(9,326,267)	(6,294,532)	(48,150)	(40,093,188)
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	(2,393)	2,179	514	(300)	–	–
Transfer of impairment losses upon commissioning assets into operation	(46)	(283)	(194)	(51)	574	–
Depreciation charge	(264,928)	(1,433,268)	(874,384)	(664,818)	–	(3,237,398)
Disposals	1,128	5,904	2,342	17,282	166	26,822
At 30 September 2019	(3,780,438)	(22,335,508)	(10,197,989)	(6,934,134)	(47,410)	(43,295,479)
<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 September 2019	4,805,981	15,911,046	11,156,471	3,681,824	4,326,557	39,881,879
<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	2,099	1,913	1,332	(5,344)	–	–
Additions	–	–	–	–	2,567,617	2,567,617
Transfer	135,951	1,477,339	388,532	243,069	(2,244,891)	–
Disposals	(2,462)	(3,663)	(3,390)	(41,094)	(44,311)	(94,920)
At 30 September 2020	8,871,313	41,113,895	22,332,062	11,435,488	3,512,298	87,265,056
<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	(596)	667	(307)	236	–	–
Transfer of impairment losses upon commissioning assets into operation	(19)	(5,673)	(351)	(629)	6,672	–
Depreciation charge	(271,661)	(1,435,363)	(891,237)	(705,949)	–	(3,304,210)
Disposals	1,120	3,021	2,523	39,170	4,211	50,045
At 30 September 2020	(4,203,885)	(24,442,420)	(11,503,975)	(7,791,319)	(67,608)	(48,009,207)
<i>Net book value</i>						
At 1 January 2020	4,809,377	16,633,234	11,330,985	4,114,710	3,155,392	40,037,317
At 30 September 2020	4,667,428	16,671,475	10,828,087	3,644,169	3,444,690	39,255,849

As at 30 September 2020, construction in progress includes advance payments for property, plant and equipment of RUB 24,033 thousand (30 September 2019: RUB 25,716 thousand) and materials for the fixed assets construction of RUB 894,746 thousand (30 September 2019: RUB 1,189,904 thousand).

Capitalized interest for the nine months ended 30 September 2020 amounted to RUB 40,473 thousand (for the nine months ended 30 September 2019: RUB 60,570 thousand), with capitalization rate of 5.88%–7.92% (for the nine months ended 30 September 2019: 7.08% –8.04%).

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

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

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	58,886	505	24,872	84,263
Disposals	(44,058)	(3,389)	–	(47,447)
At 30 September 2019	420,491	28,718	124,195	573,404
<i>Accumulated amortization and impairment</i>				
At 1 January 2019	(242,222)	(23,632)	(2,334)	(268,188)
Amortization charge	(89,233)	(5,191)	(3,136)	(97,559)
Disposals	43,375	3,381	–	46,756
At 30 September 2019	(288,080)	(25,442)	(5,470)	(318,991)
	<i>Net book value</i>			
At 1 January 2019	163,441	7,970	96,989	268,400
At 30 September 2019	132,411	3,276	118,725	254,412
<i>Initial cost</i>				
At 1 January 2020	402,881	17,369	114,054	534,304
Reclassification between groups	276	228	(504)	–
Additions	98,104	1,853	26,813	126,770
Disposals	(97,626)	(14,223)	(6,385)	(118,234)
At 30 September 2020	403,635	5,227	133,978	542,840
<i>Accumulated amortization and impairment</i>				
At 1 January 2020	(246,097)	(14,747)	(6,514)	(267,358)
Reclassification between groups	(146)	–	146	–
Amortization charge	(97,120)	(2,672)	(8,578)	(108,370)
Disposals	95,934	14,205	7,226	117,365
At 30 September 2020	(247,429)	(3,214)	(7,720)	(258,363)
	<i>Net book value</i>			
At 1 January 2020	156,784	2,622	107,540	266,946
At 30 September 2020	156,206	2,013	126,258	284,477

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

15 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Total
Initial cost					
At 1 January 2019	647,210	40,031	12,490	32,248	731,979
Additions	8,860	45,070	1,612	1,814	57,356
Changes in lease terms	(32,450)	(444)	(8,298)	319	(40,873)
Disposal or termination of lease	(20,845)	(36)	(214)	–	(21,095)
At 30 September 2019	602,775	84,621	5,590	34,381	727,367
Accumulated amortization					
At 1 January 2019	–	–	–	(8,285)	(8,285)
Amortization charge	(80,639)	(11,939)	(1,666)	(5,018)	(99,262)
Disposal or termination of lease	658	–	11	–	669
At 30 September 2019	(79,981)	(11,939)	(1,655)	(13,303)	(106,878)
Net book value					
At 1 January 2019	647,210	40,031	12,490	23,963	723,694
At 30 September 2019	522,794	72,682	3,935	21,078	620,489
Initial cost					
At 1 January 2020	620,282	85,491	13,340	33,550	752,663
Additions	68,885	464,442	4,863	97,579	635,769
Change the terms of lease	(43,378)	667	1,035	–	(41,676)
Disposal or termination of lease	(12,109)	(249)	(5,142)	(1,325)	(18,825)
At 30 September 2020	633,680	550,351	14,096	129,804	1,327,931
Accumulated amortization					
At 1 January 2020	(105,668)	(15,775)	(2,235)	(15,280)	(138,958)
Amortization charge	(80,325)	(80,176)	(2,096)	(19,560)	(182,157)
Change the terms of lease	2,291	20	12	187	2,510
Disposal or termination of lease	2,829	236	1,603	417	5,085
At 30 September 2020	(180,873)	(95,695)	(2,716)	(34,236)	(313,520)
Net book value					
At 1 January 2020	514,614	69,716	11,105	18,270	613,705
At 30 September 2020	452,807	454,656	11,380	95,568	1,014,411

16 Other non-current financial assets

	30 September 2020	31 December 2019
Non-current		
Financial assets at fair value through other comprehensive income		
<i>investments in quoted equity instruments</i>	12,806	14,607
<i>investments in unquoted equity instruments</i>	1,180	1,180
Financial assets at amortized cost	569,259	535,757
	583,245	551,544

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 13,986 thousand as at 30 September 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).

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

For the nine months ended 30 September 2020 the decrease in the fair value of investments at fair value through other comprehensive income of RUB 1,801 thousand was recognized in other comprehensive income (for the nine months ended 30 September 2019: the increase in the fair value RUB 4,083 thousand).

As at 30 September 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 September 2020 the amount of this deferred tax asset was RUB 302,148 thousand (as at 31 December 2019: RUB 308,849 thousand).

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

	<u>Interest rate</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Bank	0.51%	569,259	535,757

17 Trade and other receivables

	<u>30 September 2020</u>	<u>31 December 2019</u>
Non-current trade and other accounts receivable		
Trade receivables	1,880	3,305
Other receivables	141,664	136,816
	143,544	140,121
Current trade and other accounts receivable		
Trade receivables	10,901,328	12,631,340
Allowance for expected credit loss on trade receivables	(5,757,389)	(7,701,505)
Other receivables	1,236,009	1,120,943
Allowance for expected credit loss on other receivables	(710,628)	(689,914)
	5,669,320	5,360,864

Balances with related parties are disclosed in Note 30.

18 Advances given and other assets

	<u>30 September 2020</u>	<u>31 December 2019</u>
Non-current		
Advances issued	5,289	8,389
VAT on advances from customers and clients	32,206	63,151
	37,495	71,540
Current		
Advances issued	236,880	138,311
Allowance for expected credit losses on advances given	(17,510)	(17,510)
VAT recoverable	21,009	6,968
VAT on advances from customers VAT on advances issued for acquisition of fixed assets	594,501	556,079
Prepaid taxes, other than income tax	22,778	22,962
	857,658	706,810

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

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

19 Cash and cash equivalents

			<u>30 September 2020</u>	<u>31 December 2019</u>
Cash at bank and in hand			801,584	232,088
			801,584	232,088

	<u>Rating</u>	<u>Rating agency</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Bank 1	A+(RU)	ACRA	197,576	367
Bank 2	–	–	–	18,568
Bank 3	–	–	–	896
Bank 4*	–	–	895	34,181
Bank 5*	AA+(RU)	ACRA	99,542	7,721
Bank 6*	ruAAA	Expert RA	763	168,959
Банк 7*	AAA(RU)	ACRA	502,157	–
Cash in hand			651	1,396
			801,584	232,088

* Government-related banks.

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

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

20 Share capital

(a) Share capital

	<u>Ordinary shares</u>	
	<u>30 September 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
On issue at end of period, fully paid	95,785,923,138	95,785,923,138

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

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

21 Earnings per share

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

The Company has no dilutive financial instruments.

	Three months ended 30 September 2020	2019	Nine months ended 30 September 2020	2019
Ordinary shares at 1 January	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
Weighted average number of shares for the period ended 30 September	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
	Three months ended 30 September 2020	2019	Nine months ended 30 September 2020	2019
Weighted average number of ordinary shares outstanding, for the period ended 30 September (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	(205,012)	(538,235)	299,840	749,909
Basic earnings/(loss) per ordinary share (in RUB)	(0.0021)	(0.0056)	0.0031	0.0078

22 Loans and borrowings

	30 September 2020	31 December 2019
Non-current liabilities		
Unsecured loans and borrowings	15,900,000	12,360,000
Lease liabilities	1,096,140	657,514
Less: current portion of long-term lease liabilities	(258,753)	(213,998)
Less: current portion of long-term loans and borrowings	(3,000,000)	-
	13,737,387	12,803,516
Current liabilities		
Unsecured loans and borrowings	402,721	2,277,917
Current portion of long-term lease liabilities	258,753	213,998
Current portion of long-term loans and borrowings	3,000,000	-
	3,661,474	2,491,915
Including:		
Interests payable on loans and borrowings	15,809	23,801
	15,809	23,801

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

The Group raised the following bank loans during the nine months ended 30 September 2020:

	Year of maturity	Effective interest rate	Amount
Unsecured bank loans	2022 – 2023	5.8% - 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%	2,300,000
Unsecured bank loans*	2020 – 2022	6.25% - 8.75%	2,596,912
Unsecured bank loans*	2020	7%	400,000
Unsecured bank loans*	2021	6.4% - 6.87%	300,000
Unsecured bank loans	2020 – 2022	5.9% - 7.5%	11,961,505
Unsecured bank loans	2021 – 2022	Key rate of the Central Bank of the Russian Federation + 1.24% - Key rate of the Central Bank of the Russian Federation + 1.6%	5,800,000
Unsecured bank loans	2020	Key rate of the Central Bank of the Russian Federation + 1.4%	963,000
			28,721,417

* Loans and borrowings received from state-related companies.

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

The Group repaid the following significant bank facilities during the nine months ended 30 September 2020 (including prematurely for RUB 26,538,121 thousand):

	<u>Amount</u>
Loans and borrowings received from state-related companies	22,915,620
Other loans and borrowings	4,133,000
	<u>27,048,620</u>

As at 30 September 2020, the available limit on the Group's open but unused credit lines amounted to RUB 23,854,554 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 September 2020</u>	<u>31 December 2019</u>
Non-current accounts payable		
Trade payables	7,654	–
Other payables	283,031	291,552
Total financial liabilities	<u>290,685</u>	<u>291,552</u>
Current accounts payable		
Trade payables	3,243,332	3,406,005
Other payables and accrued expenses	276,878	371,574
Dividends payable	9,863	198,556
Total financial liabilities	<u>3,530,073</u>	<u>3,976,135</u>
Payables to employees	1,158,524	1,569,886
	<u>4,688,597</u>	<u>5,546,021</u>

24 Taxes, other than income tax

	<u>30 September 2020</u>	<u>31 December 2019</u>
Value-added tax	676,251	917,591
Property tax	93,965	92,383
Social security contributions	231,155	231,603
Other taxes payable	86,983	102,864
	<u>1,088,354</u>	<u>1,344,441</u>

25 Advances received

	<u>30 September 2020</u>	<u>31 December 2019</u>
Non-current		
Advances for connection services	161,493	285,533
Other advances received	36,634	65,013
Total non-current advances from customers	<u>198,127</u>	<u>350,546</u>
Current		
Advances for connection services	3,019,664	2,969,948
Other advances received	694,624	640,671
Total current advances from customers	<u>3,714,288</u>	<u>3,610,619</u>

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

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

26 Estimated liabilities

	<u>2020</u>	<u>2019</u>
Balance at 1 January	998,058	698,268
Accrual (increase) for the period	244,206	213,153
Recovery (decrease) for the period	(72,393)	(54,792)
Use of estimated liabilities	(22,056)	(164,726)
Balance at 30 September	<u>1,147,815</u>	<u>691,903</u>

The estimated liabilities were accrued for pending legal cases brought against the Group for ordinary activities, including at 30 September 2020:

- RUB 314,333 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	
	<u>30 September 2020</u>	<u>31 December 2019</u>
Financial assets at fair value through other comprehensive income	13,986	15,787
Trade and other receivables (less allowance for expected credit loss)	5,812,864	5,500,985
Cash and cash equivalents	801,584	232,088
Financial assets at amortized cost	569,259	535,757
	<u>7,197,693</u>	<u>6,284,617</u>

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

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

	30 September 2020		31 December 2019	
	Gross	Allowance for expected credit loss	Gross	Allowance for expected credit loss
Buyers of electricity sales services	2,496,553	(1,508,635)	2,734,504	(1,824,065)
Buyers of electricity transmission services	8,026,102	(4,214,736)	9,500,112	(5,844,823)
Buyers of services for sale of heat energy	5,303	(5,054)	6,365	(5,938)
Buyers of technological connection services	114,818	(23,025)	162,226	(18,417)
Other buyers	260,432	(5,939)	231,438	(8,262)
	10,903,208	(5,757,389)	12,634,645	(7,701,505)

The aging of trade and other receivables is provided below:

	30 September 2020		31 December 2019	
	Gross	Allowance for expected credit loss	Gross	Allowance for expected credit loss
Not past due	3,193,374	(12,327)	3,803,170	(361)
Past due less than 3 months	1,443,049	(131)	1,391,918	(190,003)
Past due more than 3 months and less than 6 months	622,151	(8,377)	472,235	(159,077)
Past due more than 6 months and less than 1 year	854,454	(445,604)	633,823	(549,189)
Past due more than 1 year	6,167,853	(6,001,578)	7,591,258	(7,492,789)
	12 280 881	(6,468,017)	13,892,404	(8,391,419)

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

	2020	2019
At 1 January	(8,391,419)	(8,468,251)
Increase in provision for the period	(310,200)	(766,306)
Amounts of trade and other receivables written off against provision	2,097,009	422,155
Reversal of provision for the period	136,593	314,891
Balance at 30 September	(6,468,017)	(8,497,511)

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

(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 September 2020	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Loans and borrowings	16,302,721	17,992,674	4,273,210	8,984,666	4,734,798	–	–	–
Lease liabilities	1,096,140	1,831,205	303,108	227,362	209,245	187,440	85,428	818,622
Trade and other payables	4,979,282	5,071,761	4,688,597	336,753	10,682	1,715	1,715	32,299
	22,378,143	24,895,640	9,264,915	9,548,781	4,954,725	189,155	87,143	850,921
31 December 2019	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
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	–	–	–	–
	21,133,004	23,544,312	8,933,185	9,197,687	4,379,225	70,094	43,137	920,984

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

(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 September 2020		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets at amortized cost						
Long-term bank deposits	16	569,259	1,014,198	–	–	1,014,198
Long-term accounts receivable	17	143,544	128,818	–	–	128,818
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	16	13,986	13,986	12,806	–	1,180
Financial liabilities measured at amortised cost						
Current and non-current loans and borrowings	22	(16,302,721)	(16,275,788)	–	–	(16,275,788)
Non-current accounts payable	23	(290,685)	(284,772)	–	–	(284,772)
		(15,866,617)	(15,403,558)	12,806	–	(15,416,364)

Financial instruments	Note	31 December 2019		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets at amortized cost						
Long-term bank deposits	16	535,757	1,144,751	–	–	1,144,751
Long-term accounts receivable	17	140,121	138,158	–	–	138,158
Financial assets at fair value through other comprehensive income						
Investments in equity instruments	16	15,787	15,787	14,607	–	1,180
Financial liabilities measured at amortised cost						
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)
		(14,237,804)	(13,301,908)	14,607	–	(13,316,515)

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 September 2020 was 5.74% (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 September 2020 was 4.56%-5.74% (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 September 2020 was 6.70%-7.04% (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 September 2020 was 5.86% (as at 31 December 2019: 8.28%).

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

Notes to the interim condensed consolidated financial statements
(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):

	Financial assets measured at fair value through other comprehensive income
As at 1 January 2020	15,787
Change in fair value recognized through other comprehensive income	(1,801)
As at 30 September 2020	13,986

28 Capital commitments

As at 30 September 2020 the Group has outstanding commitments under contracts for the purchase and construction of property plant and equipment items for RUB 4,225,567 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.

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

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. As at 30 September 2020 and 31 December 2019 the Company's parent 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 September		Nine months ended 30 September		30 September 2020	31 December 2019
	2020	2019	2020	2019		
Revenue, Net other income, Finance income						
The parent company						
Other revenue	308	308	923	923	–	–
Entities under common control of the parent company						
Sales of electricity	–	22	–	120	–	–
Other revenue	38	2,417	54,503	37,834	151,435	116,134
Other operating income	195	–	584	27,239	32,395	32,396
	542	2,747	56,011	66,116	183,830	148,530

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

	Amount of transaction				Carrying amount	
	Three months ended		Nine months ended		30 September 2020	31 December 2019
	30 September 2020	2019	30 September 2020	2019		
Operating expenses, Finance costs						
The parent company						
Consulting legal and audit services	33,599	33,745	93,359	93,155	23,951	23,470
Other production works and services	7,103	7,103	21,310	21,310	–	–
Entities under common control of the parent company						
Electricity for sale	–	1,299	–	4,282	–	–
Electricity transmission services	1,734,350	1,868,986	5,261,579	5,588,968	554,567	574,633
Technological connection services	–	–	1,792	15	–	8
Repair and maintenance services	1,699	–	2,014	652	–	–
Rent	97	105	469	472	356	351
Estimated liabilities	(63,288)	22,069	(63,288)	23,315	70,138	133,415
Other expenses	22,587	19,860	30,309	37,355	37,908	29,295
	1,736,147	1,953,167	5,347,543	5,769,524	686,921	761,172

	30 September 2020	31 December 2019
Entities under common control of the parent company		
Advances issued	15,860	15,462
Advances received	2,258	2,334
	18,118	17,796

As at 30 September 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		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
Short-term remuneration for employees	40,087	218,166	84,069	276,627
Post employment benefits and other long-term benefits	1,679	482	5,000	1,446
	41,766	218,648	89,069	278,073

As at 30 September 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 85 thousand (31 December 2019: RUB 79 thousand).

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

(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 nine months ended 30 September 2020 constitute 22.50% and 21.64% (for the three and nine months ended 30 September 2019: 17.84% and 19.60%) of total Group revenues including 19.36% and 17.94% (for the three and nine months ended 30 September 2019: 14.72% and 16.07%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three and nine months ended 30 September 2020 constitute 62.75% and 64.24% (for the three and nine months ended 30 September 2019: 73.01% and 69.87%) of total electricity transmission costs.

Interest accrued on loans and borrowings from state-related banks for the three and nine months ended 30 September 2020 amounted to 61.24% and 70.07% (for the three and nine months ended 30 September 2019: 83.67% and 80.92%) of total interest accrued.

As at 30 September 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 September 2020, lease obligations for state-related companies (as part of loans and borrowings) amounted to RUB 735,548 thousand (as at 31 December 2019: RUB 181,176 thousand).