

**Interim condensed consolidated financial statements (unaudited)
of Public Joint stock company ROSSETI and its subsidiaries
for the three and six months ended 30 June 2020**

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ООО «РСМ РУСЬ»

Россия, 119285, Москва,
Ул. Пудовкина, д. 4, эт. 3, ком. 15
Тел: +7 495 363 28 48
Факс: +7 495 981 41 21
Э-почта: mail@rsmrus.ru
www.rsmrus.ru

27.08.2020
№ РСМ-1510

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and the Board of Directors of “Rosseti”, Public Joint Stock Company

Introduction

In accordance with the decision of the Tender Committee (Minutes No ref. dated 30.03.2018), decision of the annual general meeting of shareholders of PJSC ROSSETI dated 01.06.2020 (Minutes No ref. dated 01.06.2020) on appointment of RSM RUS Ltd. as the PJSC ROSSETI auditor and pursuant to Contract for the statutory audit of the 2020 financial statements of PJSC ROSSETI No 201a017 dated 14.07.2020, we have reviewed the accompanying interim condensed consolidated statement of financial position of Rosseti, Public Joint Stock Company and its subsidiaries (hereinafter, the “Group”) as at 30 June 2020 and the related interim condensed consolidated statements of profit and loss and other comprehensive income for the three and six months then ended, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes.

Management of Rosseti, Public Joint Stock Company is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2020, and its financial performance for the three and six months then ended,

and its cash flows for the six months then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Management Board Chairperson

Audit Certificate № 05-000015 issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 15 November 2011r. №24. Permanent awarded.

ORZN in the Register of auditors and audit organizations – 21706004215

Manager responsible for the review

Audit Certificate № 05-000030 issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 30 November 2011 № 25. Permanent awarded.

ORZN in the Register of auditors and audit organizations – 21706004441

Audited entity:

"Rosseti", Public Joint Stock Company (abbreviated name - PJSC ROSSETI).

Location: 4 Belovezhskaya Street, Moscow, 121353, Russia;

Primary state registration number – 1087760000019

Auditor:

RSM RUS Ltd.

Location: 4 Pudovkin Street, Floor 3, Room 15, Moscow, 119285, Russia;

Tel: (495) 363-28-48; Fax: (495) 981-41-21;

Primary state registration number – 1027700257540.

RSM RUS Ltd. is a member of Self-regulatory organization of auditors Association "Sodruzhestvo" (membership certificate # 6938, ORNZ 11306030308), location: 21, Michurinsky Ave., bldg. 4, Moscow, 119192, Russia.



N.A. Dantser

N.N. Usanova

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
(in millions of Russian rubles unless otherwise stated)

	Notes	Three months ended 30 June (unaudited)		Six months ended 30 June (unaudited)	
		2020	2019	2020	2019
Revenue	8	219,848	234,526	482,313	500,052
Operating expenses	10	(198,415)	(198,728)	(411,723)	(413,970)
Accrual of allowance for expected credit losses		(1,665)	(5,527)	(3,856)	(10,019)
Net accrual of impairment of property, plant and equipment and right-of-use assets		(5,271)	–	(5,271)	–
Other income	9	3,623	5,600	7,839	18,678
Other expenses	9	(20)	(203)	(43)	(224)
Operating profit		18,100	35,668	69,259	94,517
Finance income	11	7,153	6,073	12,362	11,245
Finance costs	11	(8,339)	(8,067)	(16,814)	(16,634)
Total finance costs		(1,186)	(1,994)	(4,452)	(5,389)
Share of profit of associates and joint ventures (net of income tax)		35	32	96	64
Profit before income tax		16,949	33,706	64,903	89,192
Income tax expense	12	(4,177)	(6,530)	(14,290)	(21,248)
Profit for the period		12,772	27,176	50,613	67,944
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation difference		(313)	(128)	72	(213)
Total items that may be reclassified subsequently to profit or loss		(313)	(128)	72	(213)
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Changes in fair value of financial assets at fair value through other comprehensive income		(226)	6,665	(1,694)	5,257
Remeasurements of the defined benefit liability		(1,937)	(1,269)	(631)	(2,207)
Income tax	12	235	(661)	307	(383)
Total items that will not be reclassified subsequently to profit or loss		(1,928)	4,735	(2,018)	2,667
Other comprehensive (loss)/income for the period, net of income tax		(2,241)	4,607	(1,946)	2,454
Total comprehensive income for the period		10,531	31,783	48,667	70,398
Profit attributable to:					
Owners of the Company		10,392	20,483	36,325	48,645
Non-controlling interest		2,380	6,693	14,288	19,299
Total comprehensive income attributable to:					
Owners of the Company		8,781	24,355	34,847	50,873
Non-controlling interest		1,750	7,428	13,820	19,525
Earnings per share					
Basic and diluted earnings per share (in RUB)	21	0.05	0.10	0.18	0.24

These interim condensed consolidated financial statements (unaudited) were approved by management on 26 August 2020 and were signed on its behalf by:

Director General

P.A. Livinsky

Head of Accounting
and Financial Reporting – Chief Accountant

D.V. Nagovitsyn

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

Interim Condensed Consolidated Statement of Financial Position
(in millions of Russian rubles unless otherwise stated)

	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,134,796	2,119,648
Intangible assets	14	19,790	19,648
Right-of-use assets	15	40,889	36,669
Investments in associates and joint ventures		1,461	1,296
Trade and other receivables	17	73,630	76,882
Assets related to employee benefits plans		6,264	5,808
Other non-current financial assets	16	47,638	49,227
Deferred tax assets		10,782	12,245
Advances given and other non-current assets	18	6,982	6,664
Total non-current assets		2,342,232	2,328,087
Current assets			
Inventories		43,223	37,329
Other current financial assets	16	39,405	57,592
Income tax prepayments		4,480	2,266
Trade and other receivables	17	131,301	126,827
Cash and cash equivalents	19	145,867	79,013
Advances given and other current assets	18	21,585	18,152
Total current assets		385,861	321,179
Assets held for sale		313	313
Total assets		2,728,406	6,649,579
EQUITY AND LIABILITIES			
Equity			
Share capital	20	200,903	200,903
Share premium		213,098	213,098
Treasury shares		(109)	(109)
Reserves		15,997	17,517
Retained earnings		776,443	758,600
Total equity attributable to owners of the Company		1,206,332	1,190,009
Non-controlling interests		403,384	394,096
Total equity		1,609,716	1,584,105
Non-current liabilities			
Non-current borrowings	22	511,696	464,709
Non-current trade and other payables	23	25,097	23,797
Non-current advances received	25	45,549	42,280
Employee benefit liabilities		29,064	27,800
Deferred tax liabilities		95,198	91,878
Total non-current liabilities		706,604	650,464
Current liabilities			
Current borrowings and current portion of non-current borrowings	22	76,470	97,698
Trade and other payables	23	213,524	208,685
Taxes other than income tax	24	27,786	22,427
Advances received	25	68,943	58,992
Provisions	26	24,103	23,234
Current income tax liabilities		1,260	3,974
Total current liabilities		412,086	415,010
Total liabilities		1,118,690	1,065,474
Total equity and liabilities		2,728,406	2,649,579

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

Interim Condensed Consolidated Statement of Cash Flows
(in millions of Russian rubles unless otherwise stated)

	Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		50,613	67,944
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and right-of-use-assets, amortisation of intangible assets	10	68,732	63,319
Net accrual of impairment of property, plant and equipment and right-of-use assets		5,271	–
Finance costs	11	16,814	16,634
Finance income	11	(12,362)	(11,245)
Loss on disposal of property, plant and equipment	9	43	131
Share of profit of associates and joint ventures, net of income tax		(96)	(64)
Allowance for expected credit losses		3,856	10,019
Accrued provisions		3,415	4,161
Gain on compensation of losses in connection with retirement / liquidation of electric grid assets		(316)	(1,120)
Non-cash settlements under technological connection agreements		(345)	(390)
Gain on disposal of assets	9	–	(8,110)
Other non-cash transactions		(884)	(1,513)
Income tax expense	12	14,290	21,248
Total impact of adjustments		98,418	93,070
Change in assets related to employee benefit liabilities		(456)	288
Change in employee benefit liabilities		(260)	(979)
Change in non-current trade and other receivables		2,602	6,178
Change in non-current advances given and other non-current assets		(242)	(1,649)
Change in non-current trade and other payables		(545)	2,208
Change in non-current advances received		3,269	10,991
Cash flows from operating activities before changes in working capital and provisions		153,399	178,051

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

Interim Condensed Consolidated Statement of Cash Flows
(in millions of Russian rubles unless otherwise stated)

	Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<i>Changes in operating assets and liabilities:</i>			
Change in trade and other receivables		(4,851)	(18,039)
Change in advances given and other assets		(2,848)	1,784
Change in inventories		(5,255)	(4,322)
Change in trade and other payables		5,416	(12,596)
Change in advances received		9,950	(2,496)
Change in provisions		(2,554)	(1,827)
Cash flows from operating activities before income tax and interest paid		153,257	140,555
Income tax paid		(14,273)	(15,061)
Interest paid on lease agreements		(1,917)	(1,490)
Interest paid		(17,605)	(20,958)
Net cash flows from operating activities		119,462	103,046
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(82,593)	(81,544)
Proceeds from sale of property, plant and equipment and intangible assets		372	572
Acquisition of investments and placement of bank deposits		(31,463)	(58,201)
Disposal of investments and withdrawal of bank deposits		50,366	49,044
Interest received		3,899	4,525
Sale of financial investments		–	6,289
Acquisition of shares in subsidiary net of cash and cash equivalents		(564)	(2,528)
Dividends received		1,536	1,452
Net cash flows used in investing activities		(58,447)	(80,391)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		259,098	50,854
Repayment of loans and borrowings		(239,764)	(67,501)
Acquisition of non-controlling interests		(535)	(74)
Dividends paid to owners of the Company		(2,254)	–
Dividends paid to non-controlling interest		(8,893)	(1,152)
Repayment of lease liabilities		(1,813)	(1,472)
Net cash flows from/(used) in financing activities		5,839	(19,345)
Net increase in cash and cash equivalents		66,854	3,310
Cash and cash equivalents at the beginning of the period	19	79,013	84,056
Cash and cash equivalents at the end of the period	19	145,867	87,366

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

Interim Condensed Consolidated Statement of Changes in Equity
(in millions of Russian rubles unless otherwise stated)

	Attributable to owners of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance at 1 January 2020	200,903	213,098	(109)	17,517	758,600	1,190,009	394,096	1,584,105
Profit for the period	–	–	–	–	36,325	36,325	14,288	50,613
Other comprehensive income	–	–	–	(1,712)	–	(1,712)	(541)	(2,253)
Related income tax (Note 12)	–	–	–	234	–	234	73	307
Total comprehensive income for the period	–	–	–	(1,478)	36,325	34,847	13,820	48,667
Dividends (Note 20)	–	–	–	–	(17,934)	(17,934)	(4,633)	(22,567)
Change of non-controlling interest	–	–	–	(42)	(548)	(590)	101	(489)
Balance at 30 June 2020 (unaudited)	200,903	213,098	(109)	15,997	776,443	1,206,332	403,384	1,609,716

Interim Condensed Consolidated Statement of Changes in Equity
(in millions of Russian rubles unless otherwise stated)

	Attributable to owners of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance at 1 January 2019	200,903	213,098	(109)	15,322	687,356	1,116,570	377,957	1,494,527
Profit for the period	–	–	–	–	48,645	48,645	19,229	67,944
Transfer of provision for revaluation on the disposal of equity investments	–	–	–	(1,338)	1,338	–	–	–
Other comprehensive income	–	–	–	2,581	–	2,581	256	2,837
Related income tax (Note 12)	–	–	–	(353)	–	(353)	(30)	(383)
Total comprehensive income for the period	–	–	–	890	49,983	50,873	19 525	70 398
Dividends	–	–	–	–	(4,999)	(4,999)	(10,212)	(15,211)
Change of non-controlling interest	–	–	–	–	(196)	(196)	122	(74)
Balance at 30 June 2019 (unaudited)	200,903	213,098	(109)	16,212	732,144	1,162,248	387,392	1,549,640

1 Background

a) The Group and its operations

Public Joint stock company «ROSSETI» (PJSC «ROSSETI» or the "Company") and its subsidiaries (hereinafter - the "Group" or "Rosseti Group of Companies") are a natural monopoly operator of distribution and transmission grids in the Russian Federation, the largest backbone power grid company. By Decree of the President of the Russian Federation dated August 4, 2004 No. 1009 "On approval of the list of strategic enterprises and strategic joint-stock companies", the Company is included in the List of strategic enterprises and strategic joint-stock companies.

The primary activities of the Group are provision of services for transmission and distribution of electricity for power grids and provision of services for technological connection of consumers to the grids. The Group's power distribution companies sell electricity. The Group's principal subsidiaries are disclosed in Note 5 "Significant subsidiaries".

The ordinary and preference shares of the Company are traded on the Moscow Exchange. The Company's GDRs are traded on the London Stock Exchange.

Location of PJSC «ROSSETI» is 4 Belovezhskaya Street, Moscow, Russia, 121353.

b) The Group's business environment

The Group operates primarily in the Russian Federation and hence is exposed to risks related to the Russian economy and political market environments.

The economy of the Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system is continuing to evolve and is subject to varying interpretations, and changes, which can occur frequently. The ongoing political tension and international sanctions against certain Russian companies and individuals still adversely impact the Russian economy.

The pandemic of coronavirus (COVID-19) in 2020 has caused a financial and economic tension in the world markets, decrease in consumption expenditure and business activities. A drop in demand on oil, natural gas and crude products together with a higher supply of oil due to cancellation of OPEC+ oil production agreement have caused a fall in hydrocarbon world prices. The stock exchange, currency and commodity markets have shown a significant volatility since March 2020.

Many countries as well as the Russian Federation have imposed quarantine measures. Social distancing and isolation measures have resulted in discontinued operations in retail, transport, travel and tourism, foodservice and many other areas.

The impact of the pandemic on economics in countries individually and globally has had no historical analogies ever when governments took measures to save the economy. Various forecasts of changes in the macroeconomic indicators both in the short- and long-term horizon, the extent of impact of the pandemic on businesses including the estimation how long the crisis and recovery from it will last display different views.

The Group considers the influence of the events on the Group's operations as limited taking into consideration the following factors:

- systemic nature and position of the industry where the Group operates to ensure uninterrupted energy and power supply to users;
- state regulation of tariffs on the main operational activities which allows to make forecasts within the approved tariffs on the Group's services;
- the means and volume of use of the Group's production assets have not changed;
- absence of currency risk (the majority of the Group's revenues and expenditures as well as monetary assets and liabilities are denominated in RUB);

- absence of direct adverse effect on the main operational activities of the Group from the regulatory changes aimed at preventing the spread of COVID-19.

However the uncertainty about the future operating environment of the Group and of its counterparties remains; another risk is a possible long nature of the pandemic which duration and effect cannot be reliably estimated now.

The Group continues to monitor and assess the situation and take appropriate action such as:

- cooperate with the federal and regional authorities to prevent the spread of coronavirus and take all required measures to ensure safety, health protection of its employees and contractors;
- conduct events to ensure stable electricity supply, realize priority investment projects and financial stability of the Group;
- monitor forecasted and actual information about the pandemic impact on the economy of the Russian Federation and on the business activities of the Group's main counterparties;
- incorporate such forecasts and actual information together with estimation of its degree of reliability and representation into the assessment of the possible influence on the changing micro- and macroeconomic conditions on the Group's financial position and performance.

c) Relationships with the state

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

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

The State influences the Group's operations through its representation in the Board of Directors of the Company, regulation of tariffs in the electric power industry, approval and control over implementation of the investment program. The Group's counterparties (consumers of services, suppliers and contractors, etc.) include a significant number of state controlled entities.

2 Basis of preparation

a) Statement of compliance

These interim condensed consolidated financial statements for the three and six months ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant for understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (hereinafter – IFRS).

b) Use of professional judgements and estimates

The significant judgements regarding accounting policy of the Group and key sources of uncertainty in estimations applied by the management in preparation current interim condensed consolidated financial statements were the same as those applied to the audited consolidated financial statements for the period ended 31 December 2019.

c) Reclassification of comparative data

Some items in the comparative data for the previous period were reclassified to comply with the current reporting period presentation. All reclassifications are immaterial.

3 Significant accounting policies

The key significant accounting policies and measurement procedures applied by the Group are consistent with those as disclosed in the audited consolidated financial statements for the year ended 31 December 2019 except for the summary of standards and interpretations effective for annual periods beginning on 1 January 2020 and applicable to the Group.

Amendments to IFRS 3 Business Combination

These amendments revise the definition of a business with the aim to make its application less complicated. In addition, they introduce an optional “concentration test” that, if met, eliminates the need for further assessment. Under this concentration test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

Conceptual framework for financial reporting.

The revised Conceptual Framework for Financial Reporting contains a new Chapter on measurement, recommendations for reporting financial results, new definitions and recommendations (in particular – 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, Definition of Material

These amendments specify the definition of “material” and its application by including recommendations on the definition that were previously presented in other IFRSs and align the definition across the Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The application of these standards and interpretations did not have a material 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 of the input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy during the reporting period when the change has occurred.

The Group considers the point of time when transfers between and for certain levels are recognised when an event or change in circumstances occurs

5 Significant subsidiaries

	Country of incorporation	Ownership/voting, %	
		30 June 2020	31 December 2019
PJSC "FGC UES"	Russian Federation	80.14	80.14
PJSC "Rosseti Moscow Region"	Russian Federation	50.90	50.90
JSC "ROSSETI Tyumen"	Russian Federation	100.00	100.00
PJSC "Rosseti Lenenergo"	Russian Federation	68.10/69.17	68.10/69.17
PJSC "IDGC of Centre"	Russian Federation	50.23	50.23
JSC "IDGC of Urals"	Russian Federation	51.52	51.52
PJSC "IDGC of Centre and Volga region"	Russian Federation	50.40	50.40
PJSC "Rosseti Kuban"	Russian Federation	93.44	93.44
PJSC "Rosseti Siberia"	Russian Federation	57.84/55.59	57.84/55.59
PJSC "Rosseti Volga"	Russian Federation	67.97	67.97
PJSC "IDGC of North-West"	Russian Federation	55.38	55.38
PJSC "ROSSETI Northern Caucasus"	Russian Federation	98.77	98.77
JSC "Chechenenergo"	Russian Federation	73.65	73.65
PJSC "ROSSETI South"*	Russian Federation	84.12	84.12
PJSC "TDC"	Russian Federation	85.77/94.58	85.77/94.58
JSC "Yantarenergo"	Russian Federation	100.00	100.00
JSC "Karachaevo-Cherkesskenergo"	Russian Federation	100.00	100.00
JSC "Kalmenergosbyt"	Russian Federation	100.00	100.00
JSC "Kabbalkenergo"	Russian Federation	65.27	65.27
JSC "Tyvaenergosbyt"	Russian Federation	100.00	100.00
JSC "Sevkavkazenergo"	Russian Federation	55.94	55.94
PJSC "Dagestan Power Sales Company"	Russian Federation	51.00	51.00

*The share includes actually placed shares of the current issue

6 Acquisition of subsidiary

On 25 March 2020 the Group obtained control over Infrastructural Investments – 3 LLC by acquisition 100% share in Charter capital and legal claims for a shareholder loans from participants of Infrastructural Investments – 3 LLC:

- Transaction with RDIF Asset Management LLC: acquisition of 49% share in Charter capital at RUB 133 million and legal claims for a shareholder loan in the amount of RUB 481 million,
- Transaction with Thirty Seventh Investment Company LLC: acquisition of 51% share in Charter capital at RUB 139 million and legal claims for a shareholder loan paid in the amount of RUB 500 million.

The main activities of Infrastructure Investments-3 LLC are the implementation of measures to reduce electricity losses in the Group's subsidiaries which transfer electricity in certain territories, and the activity of leasing equipment.

7 Segment information

The Group has identified fourteen reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit offers electricity transmission services, including technological connection services, in a separate geographical region of the Russian Federation and is managed separately.

The "other" segment includes several operating segments such as electricity sales, rent services and repair services. Unallocated items are comprised mainly of assets and account balances related to the Company's headquarters.

The Management Board of the Company assesses the performance, assets and liabilities of operating segments based on internal management reporting, which is based on the information reported in RAS.

Performance of each reportable segment is measured based on EBITDA: earnings or loss before interest expense, income tax and depreciation and amortization and (starting from interim condensed consolidated financial statements for the three and six months ended 30 June 2020) net accrual/(reversal) of impairment losses of of property, plant and equipment and right-of-use-assets (in accordance with the Russian accounting and financial reporting standards). For the reconciliation purpose of EBITDA with consolidated profit for the period net accrual of impairment losses of property, plant and equipment and right-of-use assets is transferred from adjustment section to the second part.

Management believes that such EBITDA is the most relevant measurement for evaluating the results of the Group's operating segments.

The reconciliation of reportable segment measurements with similar items in these interim condensed consolidated financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

Information regarding reportable segments is included below.

a) Information about reportable segments

For the three months ended 30 June 2020:

	Rosseti Siberia and Tomskaya DC	ROSSETI Tyumen	IDGC of Urals	Rosseti Volga	ROSSETI South	Rosseti Kuban	ROSSETI Northern Caucasus	IDGC of Centre and Volga	IDGC of North-West	Rosseti Lenenergo	Yantar- energo	IDGC of Centre	Rosseti Moscow Region	FGC	Other	Total
Revenue from external customers	13,974	13,193	15,092	13,395	7,696	10,343	4,965	21,040	8,906	17,800	133	20,723	36,049	18,294	18,514	220,117
Inter-segment, revenue	9	31	1,393	104	620	6	1,015	62	861	41	1,240	79	14	36,063	10,688	52,226
Segment, revenue	13,983	13,224	16,485	13,499	8,316	10,349	5,980	21,102	9,767	17,841	1,373	20,802	36,063	54,357	29,202	272,343
Including																
<i>Electricity transmission</i>	12,981	13,129	16,285	13,316	7,961	10,141	2,832	20,666	9,522	16,494	1,301	20,160	33,421	53,767	4,026	236,002
<i>Technological connection services</i>	77	11	111	36	51	113	1,118	250	54	1,267	50	218	2,060	48	489	5,953
<i>Sales of electricity and capacity</i>	829	—	—	—	257	—	1,685	—	—	—	—	121	202	—	16,142	19,236
<i>Other revenue</i>	81	71	80	134	44	64	184	170	121	52	9	297	314	217	7,279	9,117
<i>Revenue from leases</i>	15	13	9	13	3	31	161	16	70	28	13	6	66	325	1,266	2,035
EBITDA	1,850	827	1,534	38	431	(319)	1,006	3,557	963	7,738	245	2,791	8,939	33,757	(2,291)	61,066

For the three months ended 30 June 2019:

	Rosseti Siberia and Tomskaya DC	ROSSETI Tyumen	IDGC Urals	Rosseti Volga	ROSSETI South	Rosseti Kuban	ROSSETI North Caucasus	IDGC Centre and Privolzhye	IDGC North- West	Rosseti Lenenergo	Yantar- energo	IDGC Centre	Rosseti Moscow Region	FGC UES	Other	Total
Revenue from external customers	14,444	15,264	23,076	14,612	8,423	11,167	2,805	21,758	9,479	18,667	156	21,302	36,215	19,160	19,230	235,758
Inter-segment revenue	6	16	1,627	8	185	3	1,267	94	865	76	1,153	143	26	37,113	9,831	52,413
Total segment revenue	14,450	15,280	24,703	14,620	8,608	11,170	4,072	21,852	10,344	18,743	1,309	21,445	36,241	56,273	29,061	288,171
Including																
<i>Electricity transmission</i>	13,278	13,967	14,565	14,494	8,274	10,894	3,325	21,431	9,893	17,032	1,220	20,752	34,264	55,308	3,002	241,699
<i>Technological connection services</i>	139	1,234	195	77	60	205	8	231	205	1,576	48	163	1,501	398	343	6,383
<i>Sales of electricity and capacity</i>	963	–	9,874	–	207	–	476	–	–	–	15	111	–	–	17,461	29,107
<i>Other revenue</i>	55	64	27	27	61	67	122	166	179	54	13	412	419	281	6,864	8,811
<i>Revenue from leases</i>	15	15	42	22	6	4	141	24	67	81	13	7	57	286	1,391	2,171
EBITDA	1,981	2,723	2,365	1,875	974	1,175	735	4,664	1,710	7,993	245	3,393	10,366	42,404	(909)	81,694

For the six months ended 30 June 2020:

	Rosseti Siberia and Tomskaya DC	ROSSETI Tyumen	IDGC Urals	Rosseti Volga	ROSSETI South	Rosseti Kuban	ROSSETI North Caucasus	IDGC Centre and Privolzhye	IDGC North- West	Rosseti Lenenergo	Yantar- energo	IDGC Centre	Rosseti Moscow Region	FGC UES	Other	Total
Revenue from external customers	32,006	29,433	33,804	29,604	16,594	23,018	8,319	46,919	19,841	39,375	258	45,392	78,057	37,871	42,882	483,373
Inter-segment revenue	20	34	3,388	104	1,331	35	2,658	67	1,933	79	2,807	348	17	73,223	21,276	107,320
Total segment revenue	32,026	29,467	37,192	29,708	17,925	23,053	10,977	46,986	21,774	39,454	3,065	45,740	78,074	111,094	64,158	590,693
Including																
<i>Electricity transmission</i>	29,665	29,266	36,796	29,456	17,222	22,631	6,772	46,142	21,226	37,441	2,936	44,262	73,452	109,942	9,286	516,495
<i>Technological connection services</i>	134	53	191	69	98	183	1,130	470	103	1,846	81	357	3,661	81	864	9,321
<i>Sales of electricity and capacity</i>	2,061	–	–	–	485	–	2,521	–	–	–	–	272	202	–	38,995	44,536
<i>Other revenue</i>	135	123	178	156	113	181	245	340	307	100	21	836	632	420	12,606	16,393
<i>Revenue from leases</i>	31	25	27	27	7	58	309	34	138	67	27	13	127	651	2,407	3,948
EBITDA	5,635	3,429	3,960	2,357	1,926	1,365	959	11,503	3,585	16,580	664	8,485	22,243	68,202	(5,464)	145,429

For the six months ended 30 June 2019:

	Rosseti Siberia and Tomskaya DC	ROSSETI Tyumen	IDGC Urals	Rosseti Volga	ROSSETI South	Rosseti Kuban	ROSSETI North Caucasus	IDGC Centre and Privolzhye	IDGC North- West	Rosseti Lenenergo	Yantar- energo	IDGC Centre	Rosseti Moscow Region	FGC UES	Other	Total
Revenue from external customers	32,140	30,458	50,256	31,261	17,789	22,978	5,904	47,265	20,716	39,709	279	46,353	78,043	38,476	40,337	501,964
Inter-segment revenue	14	49	3,627	8	301	4	2,650	116	1,889	91	2,591	196	43	74,518	19,321	105,418
Total segment revenue	32,154	30,507	53,883	31,269	18,090	22,982	8,554	47,381	22,605	39,800	2,870	46,549	78,086	112,994	59,658	607,382
Including																
<i>Electricity transmission</i>	29,573	29,107	31,379	31,057	17,466	22,615	7,019	46,690	21,905	37,307	2,725	45,079	74,528	111,582	6,273	514,305
<i>Technological connection services</i>	220	1,237	290	128	98	252	28	400	252	2,292	68	508	2,747	408	729	9,657
<i>Sales of electricity and capacity</i>	2,236	–	22,087	–	422	–	1,007	–	–	–	28	266	–	–	38,973	65,019
<i>Other revenue</i>	95	133	44	41	93	108	221	245	308	106	23	682	709	428	11,016	14,252
<i>Revenue from leases</i>	30	30	83	43	11	7	279	46	140	95	26	14	102	576	2,667	4,149
EBITDA	5,312	4,205	5,572	4,784	2,890	2,732	(1,473)	11,440	4,593	16,867	590	8,690	22,312	79,185	(2,149)	165,550

As at 30 June 2020:

	Rosseti Siberia and TDC	ROSSETI Tyumen	IDGC Urals	Rosseti Volga	ROSSETI South	Rosseti Kuban	ROSSETI North Caucasus	IDGC Centre and Privolzhye	IDGC North- West	Rosseti Lenenergo	Yantar- energo	IDGC Centre	Rosseti Moscow Region	FGC UES	Other	Total
Segment assets	88,882	160,840	78,786	66,151	52,241	76,988	36,457	121,961	54,743	245,489	28,355	123,569	357,874	1,552,559	119,796	3,164,691
<i>Including property, plant and equipment and construction- in-progress</i>	67,684	153,013	61,017	54,008	33,818	62,773	23,461	86,554	43,777	218,680	25,385	99,843	317,041	1,246,105	54,140	2,547,299

As at 31 December 2019:

	Rosseti Siberia and TDC	ROSSETI Tyumen	IDGC Urals	Rosseti Volga	ROSSETI South	Rosseti Kuban	ROSSETI North Caucasus	IDGC Centre and Privolzhye	IDGC North- West	Rosseti Lenenergo	Yantar- energo	IDGC Centre	Rosseti Moscow Region	FGC UES	Other	Total
Segment assets	87,700	161,695	77,190	65,830	44,263	76,232	33,512	118,272	54,461	226,796	27,856	124,263	351,834	1,532,324	157,491	3,139,719
<i>Including property, plant and equipment and construction- in-progress</i>	67,168	154,511	60,062	54,850	28,614	63,343	23,294	86,664	44,687	187,018	24,968	101,191	318,989	1,257,406	83,610	2,556,375

b) Reconciliation of reportable segment EBITDA is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
EBITDA of reportable segments	61,066	81,694	145,429	165,550
Adjustment for allowance for expected credit losses	893	(1,991)	3,204	(863)
Adjustment for impairment of advances given	(10)	1,136	76	1,863
Provisions	(199)	(396)	(256)	(516)
Adjustments for lease	2,016	1,906	4,034	2,668
Adjustment for disposal of property, plant and equipment	101	(202)	225	(640)
Discounting of financial instruments	1,342	579	2,007	1,727
Adjustment on assets related to employee benefits	76	(36)	456	(288)
Adjustment for write-off of other current and non-current assets	(242)	(4)	(351)	(101)
Recognition of retirement and other long-term employee benefit obligation	(402)	70	(633)	35
Reversal of re-measurement of financial assets measured at fair value through other comprehensive income (transfer of re-measurement to equity)	(65)	(7,242)	1,515	(5,930)
Gain on disposal of assets	–	–	–	8,110
Other adjustments	(946)	(2,023)	(2,641)	(3,339)
Unallocated items	(789)	(841)	(883)	(601)
	62,841	72,650	152,182	167,675
Depreciation of property, plant and equipment and right-of-use-assets, amortization of intangible assets	(34,171)	(31,657)	(68,732)	(63,319)
Net accrual of impairment of property, plant and equipment and right-of-use assets	(5,271)	–	(5,271)	–
Interest expenses on financial liabilities at amortised cost	(5,586)	(6,509)	(11,471)	(13,561)
Interest expenses on lease liabilities	(864)	(778)	(1,805)	(1,603)
Income tax expense	(4,177)	(6,530)	(14,290)	(21,248)
Consolidated profit for the period per consolidated statement of profit or loss and other comprehensive income	12,772	27,176	50,613	67,944

8 Revenue

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2019	2020
Electricity transmission	192,720	197,130	425,460	423,616
Sales of electricity and capacity	17,456	27,360	39,622	60,329
Technological connection services	5,908	6,380	9,267	9,525
Other revenue	3,091	2,985	6,601	5,240
	219,175	233,855	480,950	498,710
Revenue from leases	673	671	1,363	1,342
	219,848	234,526	482,313	500,052

Other revenue are mainly comprised of revenue from construction services, repair and maintenance services.

9 Other income and other expenses

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2019	2020
Income in the form of fines and penalties on commercial contracts	1,830	3,068	4,200	6,513
Gain on compensation of losses in connection with retirement / liquidation of electric grid assets	372	876	840	1,490
Gain on from identified non-contracted electricity consumption	196	905	575	1,371
Gain on disposal of assets	–	–	–	8,110
Income on insurance reimbursement	622	408	1,082	642
Other income	603	343	1,142	552
	3,623	5,600	7,839	18,678

On 26 December 2018, as a part of UNEG asset consolidation process the Group concluded the exchange contract with JSC “Far Eastern Energy Management Company” (government-controlled entity). The Group exchanges property, plant and equipment, accounts receivable, and cash to be paid by instalments up to 2024 in exchange for UNEG assets. The exchange was completed on 1 January 2019.

As at 1 January 2019 the Group has recognized disposal of property, plant and equipment with the carrying value of RUB 16,045 million, accounts receivable with the value of RUB 5,372 million, and at the same time recognised additions to property, plant and equipment at fair value of RUB 34,564 million, long-term accounts payable at fair value of RUB 2,713 million and short-term accounts payable at fair value of RUB 2,384 million at initial recognition. The Group also recognised VAT recoverable amounted to RUB 2,394 million. Fair value of long-term accounts payable has been determined using present value technique based on estimated future cash flows at the discount rate of 9.00%. Gain on disposal of assets in the amount of RUB 8,110 million is recognised under exchange agreement with JSC “Far Eastern Energy Management Company”.

Other expenses include expenses from the disposal of property, plant and equipment in the amount of RUB 20 million and RUB 43 million for the three and six months ended 30 June 2020 (for the three and six months ended 30 June 2019: RUB 203 million and RUB 224 million).

10 Operating expenses

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
Personnel costs	53,410	48,620	103,466	96,175
Depreciation of property, plant and equipment and right-of-use-assets, amortization of intangible assets	34,171	31,657	68,732	63,319
<i>Material expenses, including:</i>				
Electricity for compensation of losses	26,734	27,816	70,992	75,015
Electricity for sale	10,453	16,189	24,382	36,531
Purchased electricity and heat power for own needs	561	538	2,140	2,232
Other material costs	8,672	8,784	13,962	13,740
<i>Production work and services, including:</i>				
Electricity transmission services	36,591	36,228	78,162	77,448
Repair and maintenance services	4,088	4,899	6,432	6,637
Other works and industrial services	2,594	2,471	4,699	4,235
Taxes and levies other than income tax	6,708	6,758	13,567	13,636
Short term lease	408	836	616	2,095
Insurance	582	588	1,192	1,183
<i>Other third-party services, including:</i>				
Communication services	686	671	1,257	1,283
Security services	1,267	1,282	2,524	2,485
Consulting, legal and audit services	900	522	1,339	871
Software costs and servicing	846	653	1,391	1,055
Transportation services	616	588	1,227	1,224
Other services	2,132	3,268	3,956	5,154
Provisions	1,853	3,061	3,415	4,161
Other expenses	5,143	3,299	8,272	5,491
	198,415	198,728	411,723	413,970

11 Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Finance income				
Interest income on loans, bank deposits and accounts, and promissory notes	2,374	2,175	4,633	4,557
Depreciation of discount of financial assets	1,939	2,426	3,893	4,611
Dividends	1,540	1,453	1,540	1,453
Effect on initial discounting of financial liabilities	1,188	(278)	1,647	176
Interest income on assets related to employee benefits plans	–	–	405	30
Other finance income	112	297	244	418
	7,153	6,073	12,362	11,245
Finance costs				
Interest expenses on financial liabilities measured at amortized cost	5,586	6,509	11,471	13,561
Interest expenses on lease liabilities	864	778	1,805	1,603
Effect on initial discounting of financial assets	1,247	123	1,253	126
Interest expenses on long-term defined benefit liabilities	418	444	851	943
Other finance costs	224	213	1,434	401
	8,339	8,067	16,814	16,634

12 Income tax

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Current income tax				
Accrual of current tax	(4,252)	(3,955)	(9,398)	(8,193)
Tax adjustment for previous periods	180	117	180	99
Total	(4,072)	(3,838)	(9,218)	(8,094)
Deferred income tax	(105)	(2,692)	(5,072)	(13,154)
Total income tax expense	(4,177)	(6,530)	(14,290)	(21,248)

Income tax recognized in other comprehensive income

	Three months ended 30 June 2020			Three months ended 30 June 2019		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets measured at fair value through other comprehensive income	(226)	26	(200)	6,665	(925)	5,740
Foreign currency translation differences	(313)	–	(313)	(128)	–	(128)
Remeasurements of the defined benefit liability	(1,937)	209	(1,728)	(1,269)	264	(1,005)
	(2,476)	235	(2,241)	5,268	(661)	4,607

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets measured at fair value through other comprehensive income	(1,694)	217	(1,477)	5,257	(756)	4,501
Foreign currency translation differences	72	–	72	(213)	–	(213)
Remeasurements of the defined benefit liability	(631)	90	(541)	(2,207)	373	(1,834)
	(2,253)	307	(1,946)	2,837	(383)	2,454

As at 30 June 2020 and 30 June 2019, deferred income tax assets and liabilities are calculated (mainly) at the rate of 20%, which is expected to be applicable to the disposal of the related assets and liabilities. Deferred assets and liabilities arising from individual investments in equity instruments are calculated at the rate of 13%. Some of the companies of the Group use income tax benefit as reduced income tax rate provided in accordance with regional legislation.

Profit before income tax is reconciled to income tax expenses as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Profit before income tax	16,949	33,706	64,903	89,192
Theoretical income tax expense at the rate of 20%	(3,390)	(6,741)	(12,981)	(17,838)
Effect of income taxed at lower rates	(25)	537	193	604
Tax effect on not taxable or non-deductible for tax purposes items	(289)	537	(549)	(2,756)
Adjustments for prior periods	180	117	180	99
Change in unrecognized deferred tax assets	(653)	(980)	(1,133)	(1,357)
	(4,177)	(6,530)	(14,290)	(21,248)

13 Property, plant and equipment

	Land plots and buildings	Electricity trans- mission grids	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/Deemed cost</i>						
At 31 December 2018	277,715	1,370,819	1,171,120	343,767	361,270	3,524,691
Reclassification to right-of-use assets	(156)	(314)	(1,422)	(1,028)	–	(2,920)
At 1 January 2019	277,559	1,370,505	1,169,698	342,739	361,270	3,521,771
Reclassification between groups	29	(15)	338	(341)	(11)	–
Additions	1,322	30,551	8,004	2,115	74,969	116,961
Transfers	2,052	20,631	5,203	6,763	(34,649)	–
Disposals	(136)	(883)	(711)	(873)	(993)	(3,596)
At 30 June 2019	280,826	1,420,789	1,182,532	350,403	400,586	3,635,136
<i>Accumulated depreciation and impairment</i>						
At 31 December 2018	(93,884)	(623,028)	(549,067)	(216,481)	(58,357)	(1,540,817)
Reclassification to right-of-use assets	14	68	90	446	–	618
At 1 January 2019	(93,870)	(622,960)	(548,977)	(216,035)	(58,357)	(1,540,199)
Reclassification between groups	2	(270)	(637)	232	673	–
Depreciation charge	(4,613)	(21,724)	(21,097)	(11,845)	–	(59,279)
Disposals	57	573	843	817	233	2,523
At 30 June 2019	(98,424)	(644,381)	(569,868)	(226,831)	(57,451)	(1,596,955)
<i>Net book value</i>						
At 1 January 2019	183,689	747,545	620,721	126,704	302,913	1,981,572
At 30 June 2019	182,402	776,408	612,664	123,572	343,135	2,038,181

	Land plots and buildings	Electricity trans- mission grids	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/Deemed cost</i>						
At 1 January 2020	292,663	1,490,062	1,256,315	390,808	366,535	3,796,383
Reclassification between groups	(79)	(83)	141	21	–	–
Additions	24	237	164	2,299	82,084	84,808
Acquisition of subsidiaries (Note 6)	–	–	–	970	–	970
Transfers	1,772	32,698	13,977	6,017	(54,464)	–
Disposals	(146)	(293)	(520)	(1,053)	(1,152)	(3,164)
At 30 June 2020	294,234	1,522,621	1,270,077	399,062	393,003	3,878,997
<i>Accumulated depreciation and impairment</i>						
At 1 January 2020	(101,187)	(676,357)	(606,089)	(240,165)	(52,937)	(1,676,735)
Reclassification between groups	(41)	(1,777)	(387)	(99)	2,304	–
Depreciation charge	(4,784)	(23,236)	(22,300)	(13,608)	–	(63,928)
Disposals	58	177	468	982	48	1,733
Impairment	(1,078)	(1,601)	(1,732)	(298)	(562)	(5,271)
At 30 June 2020	(107,032)	(702,794)	(630,040)	(253,188)	(51,147)	(1,744,201)
<i>Net book value</i>						
At 1 January 2020	191,476	813,705	650,226	150,643	313,598	2,119,648
At 30 June 2020	187,202	819,827	640,037	145,874	341,856	2,134,796

Capitalized borrowing costs for the six months ended 30 June 2020 amounted to RUB 6,359 million (for the six months ended 30 June 2019: RUB 7,439 million) with capitalization rates of 4.39 – 7.82% (for the six months ended 30 June 2019: 5.58 – 10.20%).

The depreciation charge for the six months ended 30 June 2020 in the amount of RUB 209 million (for the six months ended 30 June 2019: RUB 54 million) has been capitalized to the cost of the capital construction objects.

14 Intangible assets

	Software	Licenses, certificates and patents	Other	Total
<i>Cost</i>				
At 1 January 2019	25,441	903	11,092	37,436
Reclassification between groups	91	14	(105)	–
Additions	813	348	337	1 498
Disposals	(144)	(19)	(290)	(453)
At 30 June 2019	26,201	1,246	11,034	38,481
<i>Accumulated amortization and impairment</i>				
At 1 January 2019	(13,676)	(142)	(4,473)	(18,291)
Reclassification between groups	(32)	(2)	34	–
Amortization charge	(1,516)	(67)	(469)	(2,052)
Disposals	148	19	35	202
At 30 June 2019	(15,076)	(192)	(4,873)	(20,141)
<i>Net book value</i>				
At 1 January 2019	11,765	761	6,619	19,145
At 30 June 2019	11,125	1,054	6,161	18,340
<i>Cost</i>				
At 1 January 2020	28,040	1,947	10,520	40,507
Reclassification between groups	106	5	(111)	–
Additions	1,599	206	421	2,226
Disposals	(222)	(36)	(95)	(353)
At 30 June 2020	29,523	2,122	10,735	42,380
<i>Accumulated amortization and impairment</i>				
At 1 January 2020	(15,810)	(531)	(4,518)	(20,859)
Reclassification between groups	5	(5)	–	–
Amortization charge	(1,454)	(76)	(467)	(1,997)
Disposals	223	35	8	266
At 30 June 2020	(17,036)	(577)	(4,977)	(22,590)
<i>Net book value</i>				
At 1 January 2020	12,230	1,416	6,002	19,648
At 30 June 2020	12,487	1,545	5,758	19,790

Capitalized borrowing costs for the six months ended 30 June 2020 amounted to RUB 5 million (for the six months ended 30 June 2019: RUB 14 million), with capitalization rates of 7.08 – 7.82% (for the six months ended 30 June 2019: 7.72 – 8.40%).

15 Right-of-use assets

	Land plots and buildings	Electricity transmission grids	Equipment for electricity transmission	Other	Total
<i>Cost</i>					
At 1 January 2019	24,282	3,855	4,817	1,713	34,667
Reclassification between groups	(40)	35	–	5	–
Additions	1,709	1,417	1,198	281	4,605
Change of lease agreement terms	(30)	4	(18)	(1)	(45)
Disposal or termination of lease agreements	(149)	(1)	(22)	(19)	(191)
At 30 June 2019	25,772	5,310	5,975	1,979	39,036
<i>Accumulated depreciation and impairment</i>					
At 1 January 2019	(51)	(280)	(289)	(459)	(1,079)
Depreciation charge	(1,113)	(357)	(493)	(87)	(2,050)
Change of lease agreement terms	37	3	4	–	44
Disposal or termination of lease agreements	(117)	–	–	2	(115)
At 30 June 2019	(1,244)	(634)	(778)	(544)	(3,200)
<i>Net book value</i>					
At 1 January 2019	24,231	3,575	4,528	1,254	33,588
At 30 June 2019	24,528	4,676	5,197	1,435	35,836

	Land plots and buildings	Electricity transmission grids	Equipment for electricity transmission	Other	Total
<i>Cost</i>					
At 1 January 2020	27,644	6,573	6,105	2,212	42,534
Reclassification between groups	(2)	5	(9)	6	–
Additions	3,206	3,344	1,157	619	8,326
Change of lease agreement terms	(487)	(227)	(143)	1	(856)
Disposal or termination of lease agreements	(379)	(6)	(711)	(2)	(1,098)
At 30 June 2020	29,982	9,689	6,399	2,836	48,906
<i>Accumulated depreciation and impairment</i>					
At 1 January 2020	(2,508)	(1,413)	(1,360)	(584)	(5,865)
Reclassification between groups	–	–	1	(1)	–
Depreciation charge	(1,577)	(726)	(556)	(164)	(3,023)
Change of lease agreement terms	345	61	39	1	446
Disposal or termination of lease agreements	227	19	178	1	425
At 30 June 2020	(3,513)	(2,059)	(1,698)	(747)	(8,017)
<i>Net book value</i>					
At 1 January 2020	25,136	5,160	4,745	1,628	36,669
At 30 June 2020	26,469	7,630	4,701	2,089	40,889

16 Other financial assets

	30 June 2020	31 December 2019
Non-current		
Financial assets measured at amortised cost	3,465	3,360
Financial assets measured at fair value through other comprehensive income	43,926	45,620
<i>Investments in quoted equity instruments</i>	43,811	45,507
<i>Investments in unquoted equity instruments</i>	115	113
Financial assets measured at fair value through profit or loss	247	247
	47,638	49,227
Current		
Financial assets measured at amortised cost	39,405	57,592
	39,405	57,592

Investments in quoted equity instruments include shares of PJSC “Inter RAO”. Fair value of these shares is based on published market quotations and amounted to RUB 43,468 million as of 30 June 2020 (as of 31 December 2019: RUB 45,190 million).

Financial assets measured at amortised cost at 30 June 2020 and 31 December 2019 are mainly represented by bank deposits with an original maturity of more than three months:

	Interest rate at 30 June 2020	Rating	Rating agency	30 June 2020	31 December 2019
JSC Russian Agricultural Bank*	6.50–6.65	BBB-	Fitch Ratings	15,521	15,228
Bank GPB (JSC)*	4.75–6.36	BBB-	Fitch Ratings	9,688	4,221
VTB Bank (PJSC)*	4.50–5.95	BBB-	Standart & Poor’s	8,605	37,936
Rosbank (PJSC)	6.03	BBB	Fitch Ratings	3,911	–
OJSC Bank Tavrichesky	0.51	–	–	3,264	3,131
Promsvyazbank (PJSC)	6.25	BB-	Standart & Poor’s	1,454	–
Russian Regional Development Bank*	4.70–5.65	Ba2	Moody’s	35	–
JSC Alfa-Bank	–	BB+	Standart & Poor’s	–	70
PJSC Sberbank*	–	BBB	Fitch Ratings	–	7
				42,478	60,593

* Government-related entities

17 Trade and other receivables

	30 June 2020	31 December 2019
Non-current trade and other accounts receivable		
Trade receivables	73,293	75,486
Allowance for expected credit losses on trade receivables	(1,263)	(555)
Other receivables	1,708	2,098
Allowance for expected credit losses on other receivables	(194)	(251)
Loans given	86	104
Total financial assets	73,630	76,882
Current trade and other accounts receivable		
Trade receivables	228,100	223,724
Allowance for expected credit losses on trade receivables	(107,721)	(109,619)
Other receivables	37,091	37,852
Allowance for expected credit losses on other receivables	(26,260)	(25,240)
Loans given	247	265
Allowance for expected credit loss on current loans given	(156)	(155)
Total financial assets	131,301	126,827

Long-term trade receivables mainly relate to the contracts of technological connection that imply deferred inflow of cash for the provided services (as at 30 June 2020: RUB 65,296 million, as at 31 December 2019: RUB 69,166 million) and to restructured balances receivable for electricity transmission services.

18 Advances given and other assets

	30 June 2020	31 December 2019
Non-current assets		
Advances given	7,342	7,461
Advances given impairment allowance	(7,142)	(7,219)
VAT on advances received	6,782	6,422
	6,982	6,664
Current assets		
Advances given	12,664	11,750
Advances given impairment allowance	(4,968)	(5,563)
VAT recoverable	3,745	2,227
VAT on advances received and VAT on advances given for purchase of property, plant and equipment	9,273	8,818
Prepaid taxes, other than income tax	871	920
	21,585	18,152

19 Cash and cash equivalents

	30 June 2020	31 December 2019
Cash at banks and in hand	77,206	34,436
Cash equivalents	68,661	44,577
	145,867	79,013

	Rating	Rating agency	30 June 2020	31 December 2019
VTB Bank (PJSC)*	BBB-	Standart & Poor's	41,342	3,130
Bank GPB (JSC)*	BBB-	Fitch Ratings	9,487	13,425
JSC AB ROSSIYA	A+ (RU)	ACRA	8,608	4,793
PJSC Sberbank*	BBB	Fitch Ratings	7,476	6,487
JSC «Alfa-Bank»	BB+	Standart & Poor's	4,955	1,339
PJSC RNCB*	A+ (RU)	ACRA	1,873	2,548
UFK*	–	–	1,413	1,581
Promsvyazbank (PJSC)	BB-	Standart & Poor's	709	92
Russian Regional Development Bank*	Ba2	Moody's	574	127
JSC Russian Agricultural Bank*	BBB-	Fitch Ratings	91	101
Other banks	–	–	602	745
Cash in hand			76	68
			77,206	34,436

*Government-related entities

Cash equivalents primarily consist of bank deposits placed with a number of banks for less than three months.

	Interest rate at 30 June 2020	Rating	Rating agency	30 June 2020	31 December 2019
VTB Bank (PJSC)*	4.15–5.63	BBB-	Standart & Poor's	28,790	1,176
Bank GPB (JSC)*	1.50–5.50	BBB-	Fitch Ratings	27,023	21,377
Russian Regional Development Bank*	4.17–5.06	Ba2	Moody's	10,705	6,182
JSC NCO NKTS*	4.60–4.63	BBB	Fitch Ratings	905	–
PJSC Sberbank*	2.32–5.30	BBB	Fitch Ratings	562	625
JSC Russian Agricultural Bank*	4.90–5.00	BBB-	Fitch Ratings	32	179
JSC AB ROSSIYA	4.25	A+ (RU)	ACRA	18	9
Promsvyazbank (PJSC)	–	BB-	Standart & Poor's	–	6
JSC «Alfa-Bank»	–	BB+	Standart & Poor's	–	11,761
FK Otkritie*	–	Ba2	Moody's	–	2,804
				68,035	44,119

*Government-related entities

20 Equity

a) Share capital

	Ordinary shares		Preference shares	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Par value	RUB 1	RUB 1	RUB 1	RUB 1
On issue at 1 January	198,827,865,141	198,827,865,141	2,075,149,384	2,075,149,384
On issue and fully paid at the end of the reporting period	198,827,865,141	198,827,865,141	2,075,149,384	2,075,149,384

b) Ordinary and preference 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 the legislation of the Russian Federation. Preference shares are recognized in equity. These shares are non-convertible, non-cumulative and non-redeemable.

Holders of preference shares are entitled to an annual dividend equal to 10% of net statutory profit divided by 25% of all shares. If the amount of dividends paid by the Company for each ordinary share in a given year exceeds the amount payable as a dividend on each preference share, the dividend rate payable on the latter must be increased to the amount of dividends on ordinary shares.

Preference shares carry the right to vote on all issues within the competence of General shareholders' meetings following the Annual Shareholders' Meeting at which a decision not to pay (or not to pay the full amount of) dividends on preference shares was taken. The right of preference shareholders to participate at General shareholders' meetings ceases from the date of the first full payment of dividends on such shares.

The preference shares also carry the right to vote on the amendments to the Company's Charter when limiting their rights, on reorganization and liquidation as well as on the delisting of preference shares.

The owners of both ordinary and preference shares have the preemptive right to purchase additional Company's shares placed through an open subscription, in an amount proportional to the number of this type of shares held.

In the case of liquidation of the Company, accrued but not paid dividends on preference shares and the liquidation value specified by the Charter for preference shares are paid. After that the assets are distributed among the shareholders - owners of ordinary and preference shares.

Preference shares are included in the calculation of the weighted average number of outstanding shares used in the calculation of basic and diluted earnings per share (Note 21 "Earnings per share").

c) Dividends

The basis for Company's profit distribution to shareholders is defined by the Russian legislation as net profit presented in statutory financial statements prepared in accordance with the Regulations on Accounting and Reporting of the Russian Federation.

On 1 June 2020 the annual General Shareholders Meeting of the Company made a decision on distributing dividends for 2019 on the preference and ordinary shares of PJSC "ROSSETI" of RUB 17,992 million (RUB 0.189304 per a preference share and RUB 0.0885155625 per an ordinary share). The total dividends for 2019 amounted to RUB 23,015 million taking into account paid interim dividends for the 1st quarter of 2019 in the amount of RUB 5,023 million in accordance with the decision of the annual General Shareholders Meeting taken on 27 June 2019.

d) Treasury shares

Information regarding treasury shares is presented below:

30 June 2020			31 December 2019		
Number of shares, mln.		Cost, mln. RUB	Number of shares, mln.		Cost, mln. RUB
Ordinary	Preference		Ordinary	Preference	
3	308	109	3	308	109

21 Earnings per share

Starting from Consolidated financial statements for the year ended 31 December 2019 the Group has revised the approach for calculating earnings per share by adopting number of shares attributable to holders of the Company's shares as denominator (previously – attributable to holders of ordinary shares of the Company). To calculate earnings per share, the Group divides earnings attributable to the owners of the Company by the weighted average number of ordinary and preference shares outstanding for the reporting period. The change in approach did not impact on the indicator “Earnings per share - basic and diluted (in Russian rubles)” for the three and six months ended 30 June 2019.

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
<i>In millions of shares</i>				
Issued ordinary and preference shares at the beginning of the period	200,903	200,903	200,903	200,903
Effect of treasury shares	(3)	(3)	(3)	(3)
Weighted average number of shares for the period ended 30 June	200,900	200,900	200,900	200,900
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Weighted average number of shares for the period ended 30 June (in millions of shares)	200,900	200,900	200,900	200,900
Profit for the period attributable to the owners of the Company	10,392	20,483	36,325	48,645
Earnings per share (in RUB) – basic and diluted	0.05	0.10	0.18	0.24

22 Borrowings

	<u>30 June 2020</u>	<u>31 December 2019</u>
Non-current liabilities		
Secured loans and borrowings	299	359
Unsecured loans and borrowings	194,354	213,537
Unsecured bonds	342,715	298,374
Lease liabilities	43,718	38,209
Less: current portion of long-term lease liabilities	(7,194)	(5,550)
Less: current portion of long-term loans and borrowings	(15,165)	(28,493)
Less: current portion of long-term bonds	(47,031)	(51,727)
	<u>511,696</u>	<u>464,709</u>
Current liabilities		
Unsecured loans and borrowings	6,884	11,635
Promissory notes	196	293
Current portion of long-term lease liabilities	7,194	5,550
Current portion of long-term loans and borrowings	15,165	28,493
Current portion of long-term bonds	47,031	51,727
	<u>76,470</u>	<u>97,698</u>
Including:		
Interests payable on loans and borrowings	196	226
Interests payable on bonds	3,653	3,815
	<u>3,849</u>	<u>4,041</u>

As at 30 June 2020 and 31 December 2019 long-term and short-term liabilities on loans, bonds, promissory notes amounted to RUB 544,448 million and RUB 524,198 million respectively (excluding long-term and short-term lease liabilities).

As at 30 June 2020 and 31 December 2019 long-term and short-term lease liabilities amounted to RUB 43,718 million and RUB 38,209 million respectively.

As at 30 June 2020 and 31 December 2019 all loans and borrowings balances are nominated in RUB.

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

	<u>Effective interest rates</u>	<u>Maturity</u>	<u>Nominal value</u>
Unsecured bank loans*	6.45–8.50%	2020–2023	113,883
Unsecured bank loans*	6.80–7.40%	2020–2023	22,948
Unsecured bank loans*	6.95–9.90%	2020–2023	19,414
Unsecured bank loans	6.30–7.00%	2020–2023	11,000
Unsecured bonds	6.50–6.50%	2025	10,000
Unsecured bonds	6.20%	2023	10,000
Unsecured bonds	6.15%	2023	10,000
Unsecured bonds	6.75%	2030–2035	10,000
Unsecured bonds	6.50%	2025–2035	10,000
Unsecured bank loans	6.50–9.00%	2020–2023	8,212
Unsecured bonds	5.65%	2023	8,000
Unsecured bank loans*	5.75–7.25%	2022–2023	5,000
Unsecured bonds	5.60%	2023	5,000
Unsecured bank loans*	7.00–7.40%	2020–2023	3,191
Unsecured bank loans*	Key rate of CB RF**+1.99%	2023	2,874
Unsecured bank loans*	6.45%	2023	2,000
Unsecured bank loans*	Key rate of CB RF+1.20%– Key rate of CB RF+2.80%	2020–2023	1,822
Unsecured bank loans	Key rate of CB RF+1.28%– Key rate of CB RF+1.64%	2020–2023	1,720
Unsecured bank loans	5.45–7.25%	2023	1,200
Unsecured bank loans*	Key rate of CB RF+1.48%	2023	1,000
Unsecured bank loans	Key rate of CB RF+1.40%	2020	670
Unsecured bank loans*	Key rate of CB RF +1.15%– Key rate of CB RF+1.39%	2022–2023	670
Unsecured bank loans	6.87%	2021	300
Unsecured bank loans	8.75%	2020–2021	100
Unsecured bank loans*	Key rate of CB RF+1.50%	2021	67
Unsecured bank loans*	Key rate of CB RF+2.48%	2023	30
Other unsecured loans	–	2020	9
			259,110

* Loans from government-related entities

** Key rate of the Central Bank of the Russian Federation

The Group repaid the following bonds, bank loans and promissory notes during the six months ended 30 June 2020:

	Nominal value
Loans from government-related entities	200,493
Bonds	19,594
Other loans and borrowings	19,579
Promissory notes	98
	239,764

As at 30 June 2020 the amount of free limit on open but unused credit lines of the Group was RUB 645,255 million (31 December 2019: RUB 646,450 million). The Group has an opportunity to attract additional financing within the corresponding limits, including execution of the short-term liabilities purposes.

23 Trade and other payables

	30 June 2020	31 December 2019
Non-current accounts payable		
Trade payables	20,496	16,349
Other payables	4,601	7,448
Total financial liabilities	25,097	23,797
Current accounts payable		
Trade payables	152,182	162,160
Other payables and accrued expenses	20,422	16,433
Payables to employees	23,720	24,303
Dividends payable	17,200	5,789
Total financial liabilities	213,524	208,685

As at 30 June 2020 and 31 December 2019 long-term trade accounts payable mainly relate to contracts with instalment plans for the purchase of property, plant and equipment in instalments.

24 Taxes other than income tax

	30 June 2020	31 December 2019
Value-added tax	15,432	9,799
Property tax	6,269	6,666
Social security contributions	4,273	4,326
Other taxes payable	1,812	1,636
	27,786	22,427

25 Advances received

Non-current	30 June 2020	31 December 2019
Advances from technological connection services to electricity grids	41,587	38,668
Other advances received	3,962	3,612
	45,549	42,280
Current		
Advances from technological connection services to electricity grids	56,845	50,026
Other advances received	12,098	8,966
	68,943	58,992

26 Provisions

	2020	2019
Balance at 1 January	23,234	10,901
Increase for the period	4 287	4,948
Decrease due to reversal	(864)	(756)
Provision used	(2,554)	(1,835)
Balance at 30 June	24,103	13,258

27 Financial risk and capital management

In the course of its ordinary business activities, the Group is exposed to various 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 measurement procedure are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

The Group management is taking operational measures to ensure sufficient cash (liquidity) from operational activities in order to finance primary investment projects and to serve the short-term and long-term borrowings due as at the reporting date. The management of the Group is carrying out activities aimed to optimize the debt capital structure, to ensure sufficient available credit limits, adequate liquidity such as balances in bank accounts and short-term financial investments, quality control of financial security (banking guarantees) when accepted.

a) Credit risk

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

	Carrying amount	
	30 June 2020	31 December 2019
Financial assets measured at fair value through profit or loss	247	247
Financial assets measured at fair value through other comprehensive income	43,926	45,620
Loans given (less allowance for expected credit losses)	177	214
Trade and other receivables (less allowance for expected credit losses)	204,754	203,495
Cash and cash equivalents	145,867	79,013
Bank deposits	42,478	60,593
Promissory notes	392	359
	437,841	389,541

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	30 June 2020	31 December 2019
North-West region	8,984	15,317
Central region	116,975	90,993
Ural and Volga region	32,806	32,089
South region	23,018	25,038
Siberian region	10,546	19,114
Other regions	80	6,485
	192,409	189,036

The aging of trade and other receivables is provided below:

	30 June 2020		31 December 2019	
	Gross	Allowance for expected credit losses	Gross	Allowance for expected credit losses
Not past due	152,499	(3,567)	167,534	(6,022)
Past due less than 3 months	27,402	(4,481)	26,401	(8,409)
Past due more than 3 months and less than 6 months	18,310	(7,561)	13,596	(6,546)
Past due more than 6 months and less than 1 year	24,093	(14,766)	20,636	(14,160)
Past due more than 1 year	117,888	(105,063)	110,993	(100,528)
	340,192	(135,438)	339,160	(135,665)

The movement of allowance for expected credit losses of trade and other receivables was as follows:

	2020	2019
Balance at 1 January	(135,665)	(121,324)
Increase for the period	(14,045)	(15,816)
Decrease due to reversal for the period	10,189	5,797
Allowance utilized	4,523	1,895
Reclassification for the period	(440)	—
Balance at 30 June	(135,438)	(129,448)

b) Liquidity risk

Information regarding the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting, is provided below. With respect to cash flows included in the maturity analysis it is not intended that it could occur significantly earlier, or at significantly different amounts:

30 June 2020	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Loans and borrowings	201,537	233,756	31,818	46,483	153,552	1,747	1	155
Bonds	342,715	574,504	64,689	38,251	88,120	32,328	19,654	331,462
Promissory notes	196	196	196	–	–	–	–	–
Lease liabilities	43,718	113,705	9,911	7,283	6,430	5,462	3,828	80,791
Trade and other payables	238,621	241,959	214,961	11,571	5,215	5,418	2,840	1,954
	826,787	1,164,120	321,575	103,588	253,317	44,955	26,323	414,362
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	225,531	279,124	54,587	104,139	118,466	1,726	2	204
Bonds	298,374	509,931	64,395	39,434	63,880	26,222	13,174	302,826
Promissory notes	293	293	293	–	–	–	–	–
Lease liabilities	38,209	107,754	7,732	6,344	5,171	4,599	4,268	79,640
Trade and other payables	232,482	232,687	207,240	14,880	2,498	2,991	3,159	1,919
	794,889	1,129,789	334,247	164,797	190,015	35,538	20,603	384,589

c) Fair values and carrying amounts

A comparison of the fair values and carrying amounts of the Group's financial instruments is presented below, with the exception of those financial instruments, the carrying value of which corresponds to their fair value:

Financial instruments	Note	30 June 2020		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets measured at amortised cost:						
Non-current bank deposits	16	3,264	8,081	—	—	8,081
Non-current trade receivables	17	73,544	75,740	—	—	75,740
Financial assets measured at fair value through profit or loss	16	247	247	—	—	247
Financial assets measured at fair value through other comprehensive income:						
Investments in an equity instruments	16	43,926	43,926	43,811	—	115
Financial liabilities measured at amortised cost:						
Borrowings	22	(544,448)	(547,612)	(98,563)	(308,208)	(140,841)
Non-current accounts payable	23	(25,097)	(25,220)	—	—	(25,220)
		(448,564)	(444,838)	(54,752)	(308,208)	(81,878)

Financial instruments	Note	31 December 2019		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets measured at amortised cost:						
Non-current bank deposits	16	3,131	7,055	–	–	7,055
Non-current trade receivables	17	76,778	76,772	–	–	76,772
Financial assets measured at fair value through profit or loss	16	247	247	–	–	247
Financial assets measured at fair value through other comprehensive income:						
Investments in an equity instruments	16	45,620	45,620	45,507	–	113
Financial liabilities measured at amortised cost:						
Borrowings	22	(524,198)	(526,705)	(86,214)	(299,323)	(141,168)
Non-current accounts payable	23	(23,797)	(23,404)	–	–	(23,404)
		(422,219)	(420,415)	(40,707)	(299,323)	(80,385)

The interest rate used for discounting expected future cash flows of long-term receivables for the purpose of determining the disclosed fair value at 30 June 2020 was 5.92 – 8.33% (31 December 2019: 4.95 – 9.63%).

The interest rate used for discounting expected future cash flows of non-current accounts payable for the purpose of determining the disclosed fair value at 30 June 2020 was 4.95 – 7.83% (31 December 2019: 5.38 – 8.84%).

The interest rate used for discounting expected future cash flows for non-current and current borrowed funds for the purpose of determining the disclosed fair value at 30 June 2020 was 6.58 – 7.26% (31 December 2019: 4.87 – 8.84%).

The reconciliation of the carrying amount of financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income at the beginning and end of the reporting period is provided in the table below:

	Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income	
	2020	2019	2020	2019
As at 1 January	247	431	45,620	37,922
Disposal	–	–	–	(2,166)
Change in fair value recognized in other comprehensive income	–	–	(1,694)	5,257
Change in fair value recognized in profit or loss	–	–	–	–
As at 30 June	247	431	43,926	41,013

28 Capital commitments

As at 30 June 2020, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 311,262 million including VAT (as at 31 December 2019: RUB 254,410 million including VAT).

29 Contingencies

a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and procedures of organisation of insurance protection. 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 the financial position of the Group in 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 regarding the operations and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant regional and federal authorities. Russian tax administration is gradually strengthening. In particular there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of decision to perform tax review. Under certain circumstances reviews may cover longer periods.

The Russian tax authorities are entitled to charge additional tax and penalty in accordance with procedures set forth by transfer pricing regulations (hereinafter - TPR) in case prices/return in controlled transactions differ from the those on the market. The list of controlled transactions comprises mainly transactions between related parties.

Starting from 1 January 2019 the control over transfer pricing for the major domestic Russian transactions has been cancelled. However exemption from the control over prices can be applied to certain domestic transactions only. At this, in case of additional tax charge, a correlative adjustment mechanism can be used to tax liabilities if certain legal requirements are met. Intercompany transactions that have been out of scope of TPR since 2019, however, can be subject to inspection from territorial tax authorities with regard to unjustified tax income and the TRP principles can be applied to determine the additional tax payable. The federal executive body responsible for control and supervision over taxes and charges can inspect prices/return in controlled transactions and, if disagreeing with the Group's prices applied in the transactions,

can charge additional tax unless the Group justifies the marketing nature of pricing in the transaction with documents on transfer pricing that are in compliance with the legal regulations.

Depending on the further practice of applying the property tax rules by the tax authorities and courts the classification of moveable and immovable property set by the Group could be argued. The Group's management does not exclude the risk of resources outflow and its impact can not be sufficiently estimated.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained.

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 interim condensed consolidated financial statements.

d) Environmental matters

The Group has been operating in the electric power industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to develop, the duties of the authorized state bodies to monitor its compliance are revised. Potential liabilities on environmental protection arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation can not be estimated. Management believes that there are no probable liabilities, which will have a significant adverse effect on the Group's financial position, results of operations or cash flows under the existing legislation.

30 Related party transactions

a) Control relationships

The Russian Federation holds the majority of the voting shares of the Company and is the ultimate controlling party of the Group.

b) Transactions with the 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 of PJSC "ROSSETI" and general directors (sole executive body) of subsidiaries engaged in transmission and distribution of electric power through electric grids.

The remuneration for the key management personnel consists of the salary stipulated by the employment contract, bonuses determined based on the results for the period, non-monetary benefits and other payments, as well as payments to members of the Board of Directors of PJSC "ROSSETI" for participation in meetings of the Board of Directors. Remuneration or compensation is not payable to members of the Board of Directors who are government employees.

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Short-term remuneration to employees	337	150	497	273
Change in post-employment benefits and other long-term benefits (including pension plans)	1	3	1	7
Total	338	153	498	280

As of 30 June 2020 the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the interim condensed consolidated statement of financial position includes liabilities related to the key management personnel for RUB 8 million (31 December 2019: RUB 7 million).

c) 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.

Revenue from government-related entities for the three and six months ended 30 June 2020 comprise 37% and 37% of total Group revenue (for the three and six months ended 30 June 2019: 36% and 36% respectively), including 39% and 39% of electricity transmission revenues (for the three and six months ended 30 June 2019: 39% and 39% respectively).

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three and six months ended 30 June 2020 comprise 38% and 39% of total electricity transmission costs (for the three and six months ended 30 June 2019: 37% and 37% respectively).

For the three and six months ended 30 June 2020 interest expenses on government-related banks loans amounted to RUB 3,920 million and RUB 6,755 million (for the three and six months ended 30 June 2019: RUB 3,970 million and RUB 7,858 million respectively).

As at 30 June 2020 cash and cash equivalents held in government-related banks amounted to RUB 62,965 million (as at 31 December 2019: RUB 27,566 million).

As at 30 June 2020 deposits with an original maturity of more than three months placed in government-related banks amounted to RUB 35,303 million (as at 31 December 2019: RUB 57,392 million).

Information of borrowings received from government-related banks is disclosed in Note 22 "Borrowings". Lease obligations (as part of borrowings) for government-related entities amounted to RUB 29,617 million as at 30 June 2020 (as at 31 December 2019: RUB 21,867 million).

31 Events after the reporting period

In July 2020 the Group issued uncertified interest bearing inconvertible bonds series 001P-3 of total RUB 5,000 million with a fixed rate of 5.55% with the offer date three years after and to mature in July 2025.

On 23 June 2020, the Group acquired 100% ownership in LLC BryanskElectro at RUB 320 million. On 7 August 2020 the title of ownership in the share capital of the acquired company was transferred to the Group as pursuant to the contractual terms – the date when correspondent entries were registered in the Unified State Register of Legal Entities. The main activities of the acquired company are electricity transmission within grids 0.4 and 6-10 kW and provision of services for technological connection to the power grids in Bryansk and Bryansk region.