

**Consolidated interim condensed financial statements of
Public Joint Stock Company ROSSETI and its subsidiaries
prepared in accordance with IAS 34 “Interim financial reporting”
for the three months ended 31 March 2020
(unaudited)**

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

	Notes	Three months ended 31 March 2020	Three months ended 31 March 2019
Revenue	8	262,465	265,526
Operating expenses	10	(213,308)	(215,242)
Accrual of allowance for expected credit losses		(2,191)	(4,492)
Other income	9	4,216	13,079
Other expenses	9	(23)	(22)
Operating profit		51,159	58,849
Finance income	11	5,209	5,172
Finance costs	11	(8,475)	(8,567)
Total finance costs		(3,266)	(3,395)
Share of profit of associates and joint ventures (net of income tax)		61	32
Profit before income tax		47,954	55,486
Income tax expense	12	(10,113)	(14,718)
Profit for the period		37,841	40,768
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference		385	(85)
Total items that may be reclassified subsequently to profit or loss		385	(85)
<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		(1,468)	(1,408)
Remeasurements of the defined benefit liability		1,306	(938)
Income tax	12	72	278
Total items that will not be reclassified subsequently to profit or loss		(90)	(2,068)
Other comprehensive income/(loss) for the period, net of income tax		295	(2,153)
Total comprehensive income for the period		38,136	38,615
Profit attributable to:			
Owners of the Company		25,933	28,162
Non-controlling interest		11,908	12,606
Total comprehensive income attributable to:			
Owners of the Company		26,066	26,518
Non-controlling interest		12,070	12,097
Earnings per share			
Basic and diluted earnings per share (in RUB)	21	0.13	0.14

These consolidated interim condensed financial statements were approved by management on 1 June 2020 and were signed on its behalf by:

Director General

P.A. Livinsky



Director for accounting
and reporting – Chief Accountant

D.V. Nagovitsyn

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statement

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

	Notes	31 March 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,121,425	2,119,648
Intangible assets	14	19,556	19,648
Right-of-use assets	15	41,869	36,669
Investments in associates and joint ventures		1,741	1,296
Trade and other receivables	17	76,177	76,882
Assets related to employee benefits plans		6,188	5,808
Other non-current financial assets	16	47,792	49,227
Deferred tax assets		12,768	12,245
Advances given and other non-current assets	18	6,972	6,664
Total non-current assets		2,334,488	2,328,087
Current assets			
Inventories		42,087	37,329
Other current financial assets	16	45,862	57,592
Income tax prepayments		4,344	2,266
Trade and other receivables	17	136,463	126,827
Cash and cash equivalents	19	124,788	79,013
Advances given and other current assets	18	19,235	18,152
Total current assets		372,779	321,179
Assets held for sale		313	313
Total assets		2,707,580	6,649,579
EQUITY AND LIABILITIES			
Equity			
Share capital	20	200,903	200,903
Share premium		213,098	213,098
Treasury shares		(109)	(109)
Other reserves		17,607	17,517
Retained earnings		783,635	758,600
Total equity attributable to owners of the Company		1,215,134	1,190,009
Non-controlling interests		406,572	394,096
Total equity		1,621,706	1,584,105
Non-current liabilities			
Non-current borrowings	22	502,820	464,709
Non-current trade and other payables	23	25,364	23,797
Non-current advances received	25	44,400	42,280
Employee benefit liabilities		26,725	27,800
Deferred tax liabilities		97,305	91,878
Total non-current liabilities		696,614	650,464
Current liabilities			
Current borrowings and current portion of non-current borrowings	22	68,342	97,698
Trade and other payables	23	195,724	208,685
Taxes other than income tax	24	36,251	22,427
Advances received	25	64,519	58,992
Provisions		23,218	23,234
Current income tax liabilities		1,206	3,974
Total current liabilities		389,260	415,010
Total liabilities		1,085,874	1,065,474
Total equity and liabilities		2,707,580	2,649,579

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

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

	Notes	Three months ended 31 March 2020	Three months ended 31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		37,841	40,768
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and right-of-use-assets, amortisation of intangible assets	10	34,561	31,662
Finance costs	11	8,475	8,567
Finance income	11	(5,209)	(5,172)
Loss on disposal of property, plant and equipment	9	23	22
Share of profit of associates and joint ventures, net of income tax		(61)	(32)
Allowance for expected credit losses		2,191	4,492
Accrued provisions		1,562	1,100
Gain on compensation of losses in connection with retirement / liquidation of electric grid assets		(205)	(510)
Non-cash settlements of technological connection agreements		(183)	(122)
Gain on disposal of assets	9	–	(8,110)
Other non-cash transactions		(459)	(175)
Income tax expense	12	10,113	14,718
Total impact of adjustments		50,808	46,440
Change in assets related to employee benefit liabilities		(380)	252
Change in employee benefit liabilities		(245)	(466)
Change in non-current trade and other receivables		1,097	1,147
Change in non-current advances given and other non-current assets		(222)	(525)
Change in non-current trade and other payables		2,323	3,031
Change in non-current advances received		2,120	988
Cash flows from operating activities before changes in working capital and provisions		93,342	91,635

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

	Notes	Three months ended 31 March 2020	Three months ended 31 March 2019
<i>Changes in operating assets and liabilities:</i>			
Change in trade and other receivables		(9,940)	(19,135)
Change in advances given and other assets		(1,063)	557
Change in inventories		(4,705)	(4,976)
Change in trade and other payables		16,090	216
Change in advances received		5,531	(711)
Change in provisions		(1,583)	(750)
Cash flows from operating activities before income tax and interest paid		97,672	66,836
Income tax paid		(9,995)	(10,533)
Interest paid on lease agreements		(932)	(644)
Interest paid		(9,059)	(10,767)
Net cash flows from operating activities		77,686	44,892
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(41,292)	(34,333)
Proceeds from sale of property, plant and equipment and intangible assets		384	512
Acquisition of investments and placement of bank deposits		(30,046)	(28,833)
Disposal of investments and withdrawal of bank deposits		41,920	30,398
Interest received		2,208	2,304
Sale of financial investments		–	2,795
Acquisition of shares in subsidiary net of cash and cash equivalents		(564)	–
Dividends received		7	–
Net cash flows used in investing activities		(27,383)	(27,157)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		134,269	14,714
Repayment of loans and borrowings		(132,310)	(30,565)
Acquisition of non-controlling interests		(535)	(74)
Dividends paid to non-controlling interest		(5,109)	(4)
Repayment of lease liabilities		(843)	(651)
Net cash flows used in financing activities		(4,528)	(16,580)
Net increase in cash and cash equivalents		45,775	1,155
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	124,788	85,211

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

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

	Attributable to equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance at 31 December 2019	200,903	213,098	(109)	17,517	758,600	1,190,009	394,096	1,584,105
Profit for the period	–	–	–	–	25,933	25,933	11,908	37,841
Other comprehensive income	–	–	–	56	–	56	167	223
Related income tax (Note 12)	–	–	–	77	–	77	(5)	72
Total comprehensive income for the period	–	–	–	133	25,933	26,066	12,070	38,136
Change of non-controlling interest	–	–	–	(43)	(898)	(941)	406	(535)
Balance at 31 March 2020	200,903	213,098	(109)	17 607	783,635	1,215,134	406,572	1,621,706

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

	Attributable to equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance at 31 December 2018	200,903	213,098	(109)	15,322	687,786	1,117,000	377,962	1,494,962
Changes in accounting policy	–	–	–	–	(430)	(430)	(5)	(435)
Balance at 1 January 2019 (restated)	200,903	213,098	(109)	15,322	687,356	1,116,570	377,957	1,494,527
Profit for the period	–	–	–	–	28,162	28,162	12,606	40,768
Other comprehensive income	–	–	–	(1,854)	–	(1,854)	(577)	(2,431)
Related income tax (Note 12)	–	–	–	210	–	210	68	278
Total comprehensive income for the period	–	–	–	(1,644)	28,162	26,518	12 097	38,615
Change of non-controlling interest	–	–	–	–	244	244	(318)	(74)
Balance at 31 March 2019	200,903	213,098	(109)	13,678	715,762	1,143,332	389,736	1,533,068

1 Background

a) The Group and its operations

Public Joint Stock Company «ROSSETI» (PJSC «ROSSETI» or the "Company") and its subsidiaries (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 economic and political markets environment.

The economy of 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 affect the Russian economy.

The new coronavirus COVID-19 in 2020 has caused a financial and economic tension in the world markets. The stock exchange, currency and commodity markets have shown a significant volatility including a drop in oil prices and depreciation of the Russian Rouble against the US dollar and Euro since March 2020. Many countries as well as the Russian Federation have imposed quarantine measures that have had a significant influence on the level and scale of the business activities within the market. Both the pandemic itself and the measures to mitigate its consequences are having an impact on businesses in various industries. Neither the scale nor the duration of the events is certain and their quantity effects can hardly be reasonably measured so far.

The management of the Group has been in close cooperation with the federal and regional authorities so as to contain an outbreak of the coronavirus. The Group management is analysing possible effects of the changing macro- and microeconomic environment on the Group's financial position and performance. Taking into consideration the systemically importance nature of the industry and state regulation of tariffs on principal operating activities of the Group, independence from foreign suppliers of equipment and services, and absence of currency risk exposure (majority of income and expenses of the Group and its monetary assets and liabilities are denominated in the Russian Rouble) the impact of these events on the Group's operations is limited. The Group management is taking all necessary measures to secure safety, health protection of its staff and contractors together with actions to ensure stable electricity supply, realization of primary investment projects and the Group's financial stability.

c) Relations 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 Government's economic, social and other policies could have a significant impact on the Group's operations.

As at 31 March 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 Consolidated interim condensed Financial Statements for the three months ended 31 March 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 Consolidated interim condensed 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 preparation of consolidated interim condensed financial statements in conformity with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Consolidated interim condensed Financial Statements significant professional judgements and key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the period ended 31 December 2019.

The management constantly reviews assumptions and estimates based on previous experience and other factors that affect the application of accounting policies and the reported amounts of assets and liabilities. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by these changes.

c) Reclassification of comparative data

Some items in the comparative financial statements were reclassified to comply with the current 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 consolidated interim condensed 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, %	
		31 March 2020	31 December 2019
PJSC "FGC UES"	Russian Federation	80.14	80.14
PJSC "MOESK"	Russian Federation	50.90	50.90
JSC "ROSSETI Tyumen"	Russian Federation	100.00	100.00
PJSC "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 "Kubanenergo"	Russian Federation	93.44	93.44
PJSC "IDGC of Siberia"	Russian Federation	57.84/55.59	57.84/55.59
PJSC "IDGC of 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 earnings or loss before interest expense, income tax and depreciation and amortization (EBITDA). Management believes that 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 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 31 March 2020:

	IDGC of Siberia and Tomskaya DC	ROSSETI Tyumen	IDGC of Urals	IDGC of Volga	ROSSETI South	Kuban- energo	ROSSETI Northern Caucasus	IDGC of Centre and Volga	IDGC of North-West	Len- energo	Yantar- energo	IDGC of Centre	MOESK	FGC	Other	Total
Revenue from external customers	18,032	16,240	18,712	16,209	8,898	12,675	3,354	25,879	10,935	21,575	125	24,669	42,008	19,577	24,368	263,256
Inter-segment, revenue	11	3	1,995	—	711	29	1,643	5	1,072	38	1,567	269	3	37,160	10,588	55,094
Segment, revenue	18,043	16,243	20,707	16,209	9,609	12,704	4,997	25,884	12,007	21,613	1,692	24,938	42,011	56,737	34,956	318,350
Including																
<i>Electricity transmission</i>	16,684	16,137	20,511	16,140	9,261	12,490	3,940	25,476	11,704	20,947	1,635	24,102	40,031	56,175	5,260	280,493
<i>Technological connection services</i>	57	42	80	33	47	70	12	220	49	579	31	139	1,601	33	375	3,368
<i>Sales of electricity and capacity</i>	1,232	—	—	—	228	—	836	—	—	—	—	151	—	—	22,853	25,300
<i>Other revenue</i>	17	52	98	22	69	117	61	170	186	48	12	539	318	203	5,327	7,239
<i>Revenue from leases</i>	53	12	18	14	4	27	148	18	68	39	14	7	61	326	1,141	1,950
EBITDA	3,785	2,602	2,426	2,319	1,495	1,684	(47)	7,946	2,622	8,842	419	5,694	13,304	34,445	(3,173)	84,363

For the three months ended 31 March 2019:

	IDGC Siberia and TDC	ROSSETI Tyumen	IDGC Urals	IDGC Volga	ROSSETI South	Kuban- energo	ROSSETI North Caucasus	IDGC Centre and Privolzhye	IDGC North- West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Revenue from external customers	17,696	15,194	27,180	16,649	9,366	11,811	3,099	25,507	11,237	21,042	123	25,051	41,828	19,316	21,107	266,206
Inter-segment revenue	8	33	2,000	—	116	1	1,383	22	1,024	15	1,438	53	17	37,405	9,490	53,005
Total segment revenue	17,704	15,227	29,180	16,649	9,482	11,812	4,482	25,529	12,261	21,057	1,561	25,104	41,845	56,721	30,597	319,211
Including																
<i>Electricity transmission</i>	16,295	15,140	16,814	16,563	9,192	11,721	3,694	25,259	12,012	20,275	1,505	24,327	40,264	56,274	3,271	272,606
<i>Technological connection services</i>	81	3	95	51	38	47	20	169	47	716	20	345	1,246	10	386	3,274
<i>Sales of electricity and capacity</i>	1,273	—	12,213	—	215	—	531	—	—	—	13	155	—	—	21,512	35,912
<i>Other revenue</i>	40	69	17	14	32	41	99	79	129	52	10	270	290	147	4,152	5,441
<i>Revenue from leases</i>	15	15	41	21	5	3	138	22	73	14	13	7	45	290	1,276	1,978
EBITDA	3,331	1,482	3,207	2,909	1,916	1,557	(2,208)	6,776	2,883	8,874	345	5,297	11,946	36,781	(1,240)	83,856

As at 31 March 2020:

	IDGC Siberia and TDC	ROSSETI Tyumen	IDGC Urals	IDGC Volga	ROSSETI South	Kuban- energo	ROSSETI North Caucasus	IDGC Centre and Privolzhye	IDGC North- West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	88,180	162,995	78,468	66,982	45,386	76,750	34,758	122,752	55,245	226,983	27,654	124,185	357,451	1,534,337	156,092	3,158,218
<i>Including property, plant and equipment and construction- in-progress</i>	66,927	153,615	60,702	54,234	28,358	62,854	23,174	86,281	44,271	189,513	24,866	99,920	317,039	1,248,879	83,487	2,544,120

As at 31 December 2019:

	IDGC Siberia and TDC	ROSSETI Tyumen	IDGC Urals	IDGC Volga	ROSSETI South	Kuban- energo	ROSSETI North Caucasus	IDGC Centre and Privolzhye	IDGC North- West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	85,002	156,340	74,043	64,487	46,399	76,944	37,104	112,934	56,314	220,284	26,704	122,152	345,726	1,478,772	142,716	3,045,921
<i>Including property, plant and equipment and construction- in-progress</i>	63,263	147,808	53,543	50,849	27,806	62,296	22,464	81,184	44,619	175,199	23,034	99,774	309,333	1,204,389	74,797	2,440,358

b) Reconciliation of reportable segment EBITDA is presented below:

	Three months ended 31 March 2020	Three months ended 31 March 2019
EBITDA of reportable segments	84,363	83,856
Adjustment for allowance for expected credit losses	2,311	1,128
Adjustment for impairment of advances given	86	727
Gain on disposal of assets	–	8,110
Provisions	(57)	(120)
Adjustments for lease	2,018	762
Adjustment for disposal of property, plant and equipment	124	(438)
Discounting of financial instruments	665	1,148
Adjustment on assets related to employee benefits	380	(252)
Recognition of retirement and other long-term employee benefit obligation	(231)	(35)
Adjustment for write-off of the other current and non-current assets	(109)	(97)
Re-measurement of financial assets measured at fair value through other comprehensive income (transfer of re -measurement to equity)	1,580	1,312
Other adjustments	(1,695)	(1,316)
Unallocated items	(94)	240
	89,341	95,025
Depreciation of property, plant and equipment and right-of-use-assets, amortization of intangible assets	(34,561)	(31,662)
Interest expenses on financial liabilities at amortised cost	(5,885)	(7,052)
Interest expenses on lease liabilities	(941)	(825)
Income tax expense	(10,113)	(14,718)
Profit for the period per consolidated statement of profit or loss and other comprehensive income	37,841	40,768

8 Revenue

	Three months ended 31 March 2020	Three months ended 31 March 2019
Electricity transmission	232,740	226,486
Sales of electricity and capacity	22,166	32,969
Technological connection services	3,359	3,145
Other revenue	3,510	2,255
	261,775	264,855
Revenue from leases	690	671
	262,465	265,526

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

9 Other income and other expenses

	Three months ended 31 March 2020	Three months ended 31 March 2019
Income in the form of fines and penalties on commercial contracts	2,370	3,445
Gain on compensation of losses in connection with retirement / liquidation of electric grid assets	468	614
Income on insurance reimbursement	460	234
Gain on from identified non-contracted electricity consumption	379	466
Gain on disposal of assets	–	8,110
Other income	539	210
	4,216	13,079

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 23 million for the three months ended 31 March 2020 (for the three months ended 31 March 2019: RUB 22 million).

10 Operating expenses

	Three months ended 31 March 2020	Three months ended 31 March 2019
Personnel costs	50,056	47,555
Depreciation of property, plant and equipment and right-of-use-assets, amortization of intangible assets	34,561	31,662
<i>Material expenses, including:</i>		
Electricity for compensation of losses	44,258	47,199
Electricity for sale	13,929	20,342
Purchased electricity and heat power for own needs	1,579	1,694
Other material costs	5,290	4,956
<i>Production work and services, including:</i>		
Electricity transmission services	41,571	41,220
Repair and maintenance services	2,344	1,738
Other works and industrial services	2,105	1,764
Taxes and levies other than income tax	6,859	6,878
Short term lease/lease	790	1,259
Insurance	610	595
<i>Other third-party services, including:</i>		
Communication services	571	612
Security services	1,257	1,203
Consulting, legal and audit services	439	349
Software costs and servicing	545	402
Transportation services	611	636
Other services	1,824	1,886
Provisions	1,562	1,100
Other expenses	2,547	2,192
	213,308	215,242

11 Finance income and costs

	Three months ended 31 March 2020	Three months ended 31 March 2019
Finance income		
Interest income on loans, bank deposits and accounts, and promissory notes	2,259	2,382
Depreciation of discount of financial assets	1,954	2,185
Effect on initial discounting of financial liabilities	459	454
Interest income on assets related to employee benefits plans	405	30
Other finance income	132	121
	5,209	5,172
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	5,885	7,052
Interest expenses on lease liabilities	941	825
Interest expenses on long-term defined benefit liabilities	433	499
Other finance costs	1,216	191
	8,475	8,567

12 Income tax

	Three months ended 31 March 2020	Three months ended 31 March 2019
Current income tax		
Accrual of current tax	(5,146)	(4,238)
Adjustment for previous periods tax	–	(18)
Total	(5,146)	(4,256)
Deferred income tax	(4,967)	(10,462)
Total income tax expense	(10,113)	(14,718)

Income tax recognized in other comprehensive income

	Three months ended 31 March 2020			Three months ended 31 March 2019		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets measured at fair value through other comprehensive income	(1,468)	191	(1,277)	(1,408)	169	(1,239)
Foreign currency translation differences	384	–	384	(85)	–	(85)
Remeasurements of the defined benefit liability	1,306	(119)	1,187	(938)	109	(829)
	222	72	294	(2,431)	278	(2,153)

As at 31 March 2020 and 31 March 2019, deferred income tax assets and liabilities are calculated (primarily) 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 for financial reporting purposes is reconciled to income tax expenses as follows:

	Three month ended 31 March 2020	Three months ended 31 March 2019
Profit before income tax	47,954	55,486
Theoretical income tax expense at the rate of 20%	(9,591)	(11,097)
Effect of income taxed at lower rates	218	67
Tax effect on not taxable or non-deductible for tax purposes items	(260)	(3,294)
Adjustments for prior years	–	(18)
Change in unrecognized deferred tax assets	(480)	(376)
	(10,113)	(14,718)

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	72	(62)	327	(337)	–	–
Additions	690	28,358	4,346	4,509	25,529	63,432
Transfers	422	4,944	2,455	2,105	(9,926)	–
Disposals	(48)	(696)	(417)	(310)	(401)	(1,872)
At 31 March 2019	278,695	1,403,049	1,176,409	348,706	376,472	3,583,331
<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	9	11	(332)	271	41	–
Depreciation charge	(2,323)	(10,871)	(10,526)	(5,925)	–	(29,645)
Disposals	21	490	401	260	26	1,198
At 31 March 2019	(96,163)	(633,330)	(559,434)	(221,429)	(58,290)	(1,568,646)
<i>Net book value</i>						
At 1 January 2019	183,689	747,545	620,721	126,704	302,913	1,981,572
At 31 March 2019	182,532	769,719	616,975	127,277	318,182	2,014,685

	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	(44)	33	4	7	–	–
Additions	13	132	113	1,262	32,035	33,555
Acquisition of subsidiaries (Note 6)	–	–	–	970	–	970
Transfers	414	10,974	3,797	2,111	(17,296)	–
Disposals	(92)	(170)	(368)	(796)	(466)	(1,892)
At 31 March 2020	292,954	1,501,031	1,259,861	394,362	380,808	3,829,016
<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	(5)	(190)	(72)	(3)	270	–
Depreciation charge	(2,382)	(11,665)	(11,190)	(6,921)	–	(32,158)
Disposals	47	137	338	754	26	1 302
At 31 March 2020	(103,527)	(688,075)	(617,013)	(246,335)	(52,641)	(1,707,591)
<i>Net book value</i>						
At 1 January 2020	191,476	813,705	650,226	150,643	313,598	2,119,648
At 31 March 2020	189,427	812,956	642,848	148,027	328,167	2,121,425

Capitalized borrowing costs for the three months ended 31 March 2020 amounted to RUB 3,167 million (for the three months ended 31 March 2019: RUB 3,416 million), with capitalization rates of 4.48 – 8.04% (for the three months ended 31 March 2019: 5.29 – 10.14%).

The depreciation charge for the three months ended 31 March 2020 in the amount of RUB 99 million (for the three months ended 31 March 2019: RUB 34 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	82	14	(96)	–
Additions	338	289	39	666
Disposals	(82)	(17)	(70)	(169)
At 31 March 2019	25,779	1,189	10,965	37,933
<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	(729)	(40)	(239)	(1,008)
Disposals	82	18	12	112
At 31 March 2019	(14,355)	(166)	(4,666)	(19,187)
<i>Net book value</i>				
At 1 January 2019	11,765	761	6,619	19,145
At 31 March 2019	11,424	1,023	6,299	18,746
<i>Cost</i>				
At 1 January 2020	28,040	1,947	10,520	40,507
Reclassification between groups	80	10	(90)	–
Additions	728	110	98	936
Disposals	(80)	(36)	(24)	(140)
At 31 March 2020	28,768	2,031	10,504	41,303
<i>Accumulated amortization and impairment</i>				
At 1 January 2020	(15,810)	(531)	(4,518)	(20,859)
Reclassification between groups	8	(8)	–	–
Amortization charge	(734)	(40)	(230)	(1,004)
Disposals	80	36	–	116
At 31 March 2020	(16,456)	(543)	(4,748)	(21,747)
<i>Net book value</i>				
At 1 January 2020	12,230	1,416	6,002	19,648
At 31 March 2020	12,312	1,488	5,756	19,556

Capitalized borrowing costs for the three months ended 31 March 2020 amounted to RUB 2 million (for the three months ended 31 March 2019: RUB 6 million), with capitalization rates of 7.26 – 7.85% (for the three months ended 31 March 2019: 7.68 – 8.28%).

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
Additions	510	1,231	810	179	2,730
Change of lease agreement terms	(122)	15	–	–	(107)
Disposal or termination of lease agreements	(96)	(190)	–	–	(286)
At 31 March 2019	24,574	4,911	5,627	1,892	37,004
<i>Accumulated depreciation and impairment</i>					
At 1 January 2019	(51)	(280)	(289)	(459)	(1,079)
Depreciation charge	(544)	(173)	(269)	(58)	(1,044)
Disposal or termination of lease agreements	(28)	–	–	–	(28)
At 31 March 2019	(623)	(453)	(558)	(517)	(2,151)
<i>Net book value</i>					
At 1 January 2019	24,231	3,575	4,528	1,254	33,588
At 31 March 2019	23,951	4,458	5,069	1,375	34,853
<i>Cost</i>					
At 1 January 2020	27,644	6,573	6,105	2,212	42,534
Additions	2,554	3,259	1,112	604	7,529
Change of lease agreement terms	(160)	(220)	(139)	–	(519)
Disposal or termination of lease agreements	(142)	(2)	(692)	(3)	(839)
At 31 March 2020	29,896	9,610	6,386	2,813	48,705
<i>Accumulated depreciation and impairment</i>					
At 1 January 2020	(2,508)	(1,413)	(1,360)	(584)	(5,865)
Depreciation charge	(777)	(358)	(284)	(80)	(1,499)
Change of lease agreement terms	146	53	34	–	233
Disposal or termination of lease agreements	122	12	160	1	295
At 31 March 2020	(3,017)	(1,706)	(1,450)	(663)	(6,836)
<i>Net book value</i>					
At 1 January 2020	25,136	5,160	4,745	1,628	36,669
At 31 March 2020	26,879	7,904	4,936	2,150	41,869

16 Other financial assets

	<u>31 March 2020</u>	<u>31 December 2019</u>
Non-current		
Financial assets measured at amortised cost	3,393	3,360
Financial assets measured at fair value through other comprehensive income	44,152	45,620
<i>Investments in quoted equity instruments</i>	44,039	45,507
<i>Investments in unquoted equity instruments</i>	113	113
Financial assets measured at fair value through profit or loss	247	247
	<u>47,792</u>	<u>49,227</u>
Current		
Financial assets measured at amortised cost	45,862	57,592
	<u>45,862</u>	<u>57,592</u>

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 43,741 million as of 31 March 2020 (as of 31 December 2019: RUB 45,190 million).

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

	Interest rate at 31 March 2020	Rating	Rating agency	31 March 2020	31 December 2019
Bank GPB (JSC)*	5.65% – 6.36%	BB+	Standart & Poor’s	16,747	4,221
JSC Russian Agricultural Bank*	6.50% – 7.20%	BBB-	Fitch Ratings	15,477	15,228
VTB Bank (PJSC)*	5.50% – 6.20%	BBB-	Standart & Poor’s	8,076	37,936
Rosbank (PJSC)	6.03%	BBB	Fitch Ratings	3,854	–
OJSC Bank Tavrishesky	0.51%	–	–	3,197	3,131
Promsvyazbank (PJSC)	6.25%	BB-	Standart & Poor’s	1,432	–
JSC Alfa-Bank	5.85%	BB+	Standart & Poor’s	71	70
Russian Regional Development Bank*	5.61% – 5.65%	Ba2	Moody’s	33	–
PJSC Sberbank*	–	BBB	Fitch Ratings	–	7
				<u>48,887</u>	<u>60,593</u>

* Government-related entities

17 Trade and other receivables

	<u>31 March 2020</u>	<u>31 December 2019</u>
Non-current trade and other accounts receivable		
Trade receivables	74,600	75,486
Allowance for expected credit losses on trade receivables	(167)	(555)
Other receivables	1,897	2,098
Allowance for expected credit losses on other receivables	(247)	(251)
Loans given	94	104
Total financial assets	<u>76,177</u>	<u>76,882</u>
Current trade and other accounts receivable		
Trade receivables	234,350	223,724
Allowance for expected credit losses on trade receivables	(110,110)	(109,619)
Other receivables	37,269	37,852
Allowance for expected credit losses on other receivables	(25,147)	(25,240)
Loans given	256	265
Allowance for expected credit loss on current loans given	(155)	(155)
Total financial assets	<u>136,463</u>	<u>126,827</u>

Long-term trade receivables mainly relate to the contracts of technological connection that imply deferred inflow of cash for the provided services (as at 31 March 2020: RUB 70,658 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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Non-current assets		
Advances given	7,355	7,461
Advances given impairment allowance	(7,132)	(7,219)
VAT on advances received	6,749	6,422
	<u>6,972</u>	<u>6,664</u>
Current assets		
Advances given	12,490	11,750
Advances given impairment allowance	(5,536)	(5,563)
VAT recoverable	1,934	2,227
VAT on advances received and VAT on advances given for purchase of property, plant and equipment	9,585	8,818
Prepaid taxes, other than income tax	762	920
	<u>19,235</u>	<u>18,152</u>

19 Cash and cash equivalents

	31 March 2020	31 December 2019
Cash at banks and in hand	50,590	34,436
Cash equivalents	74,198	44,577
	124,788	79,013

	Rating	Rating agency	31 March 2020	31 December 2019
Bank GPB (JSC)*	BB+	Standart & Poor's	27,174	13,425
PJSC Sberbank*	BBB	Fitch Ratings	11,235	6,487
JSC «Alfa-Bank»	BB+	Standart & Poor's	5,751	1,339
PJSC RNCB*	A+ (RU)	ACRA	1,916	2,548
UFK*	–	–	1,450	1,581
Promsvyazbank (PJSC)	BB-	Standart & Poor's	1,065	92
VTB Bank (PJSC)*	BBB-	Standart & Poor's	770	3,130
JSC AB ROSSIYA	A+ (RU)	ACRA	471	4,793
Russian Regional Development Bank*	Ba2	Moody's	101	127
JSC Russian Agricultural Bank*	BBB-	Fitch Ratings	56	101
Other banks	–	–	530	745
Cash in hand			71	68
			50,590	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 31 March 2020	Rating	Rating agency	31 March 2020	31 December 2019
Bank GPB (JSC)*	4.90% – 6.6%	BB+	Standart & Poor's	29,080	21,377
VTB Bank (PJSC)*	4.70% – 5.90%	BBB-	Standart & Poor's	27,765	1,176
Promsvyazbank (PJSC)	2.00% – 5.91%	BB-	Standart & Poor's	11,908	6
UniCredit Bank	6.00%	BBB-	Standart & Poor's	3,005	–
PJSC Sberbank*	3.50% – 5.40%	BBB	Fitch Ratings	1,118	625
JSC «Alfa-Bank»	5.80% – 5.95%	BB+	Standart & Poor's	621	11,761
JSC Russian Agricultural Bank*	4.55% – 5.70%	BBB-	Fitch Ratings	125	179
FK Otkritie*	5.60% – 5.70%	Ba2	Moody's	64	2,804
JSC AB ROSSIYA	5.50%	A+ (RU)	AKPA	30	9
Russian Regional Development Bank*	–	Ba2	Moody's	–	6,182
				73,716	44,119

*Government-related entities

20 Equity

a) Share capital

	Ordinary shares		Preference shares	
	31 March 2020	31 December 2019	31 March 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 vote 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, but this right is limited according to the amendments of the Company's Charter, which includes reorganization and liquidation as well as 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.

d) Treasury shares

Information regarding treasury shares is presented below:

31 March 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 to calculating earnings per share by adopting for the purposes of determining the denominator the number of shares attributable to holders of the Company's shares (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 months ended 31 March 2019.

<i>In millions of shares</i>	Three months ended 31 March 2020	Three months ended 31 March 2019
Issued ordinary and preference shares at 1 January	200,903	200,903
Effect of own shares held	(3)	(3)
Weighted average number of shares for the period ended 31 March	200,900	200,900
	Three months ended 31 March 2020	Three months ended 31 March 2019 (restated)
Weighted average number of shares for the period ended 31 March (in millions of shares)	200,900	200,900
Profit for the period attributable to the owners of the Company	25,933	28,162
Earnings per share (in RUB) – basic and diluted	0.13	0.14

22 Borrowings

	<u>31 March 2020</u>	<u>31 December 2019</u>
Non-current liabilities		
Secured loans and borrowings	359	359
Unsecured loans and borrowings	205,910	213,537
Unsecured bonds	309,562	298,374
Lease liabilities	44,111	38,209
Less: current portion of long-term lease liabilities	(7,334)	(5,550)
Less: current portion of long-term loans and borrowings	(17,908)	(28,493)
Less: current portion of long-term bonds	(31,880)	(51,727)
	<u>502,820</u>	<u>464,709</u>
Current liabilities		
Unsecured loans and borrowings	10,965	11,635
Promissory notes	255	293
Current portion of long-term lease liabilities	7,334	5,550
Current portion of long-term loans and borrowings	17,908	28,493
Current portion of long-term bonds	31,880	51,727
	<u>68,342</u>	<u>97,698</u>
Including:		
Interests payable on loans and borrowings	338	226
Interests payable on bonds	3,499	3,815
	<u>3,837</u>	<u>4,041</u>

As at 31 March 2020 and 31 December 2019 long-term and short-term liabilities on loans, bonds, promissory notes amounted to RUB 527,051 and RUB 524,198 million respectively (excluding long-term and short-term lease liabilities).

As at 31 March 2020 and 31 December 2019 long-term and short-term lease liabilities amounted to RUB 44,111 and RUB 38,209 million respectively.

As at 31 March 2020 and 31 December 2019 loans and borrowings are nominated in roubles.

The Group raised the following loans and borrowings during the three months ended 31 March 2020:

	<u>Effective interest rates</u>	<u>Maturity</u>	<u>Nominal value</u>
Unsecured bank loans*	6.50 – 8.20%	2020 – 2023	47,564
Unsecured bank loans*	6.80 – 7.40%	2020 – 2023	22,948
Unsecured bank loans*	6.99 – 9.23%	2020 – 2023	15,087
Unsecured bonds	6.15%	2023	10,000
Unsecured bonds	6.75%	2030 – 2035	10,000
Unsecured bank loans	7.00%	2023	8,000
Unsecured bonds	6.20%	2023	5,000
Unsecured bonds	6.20%	2023	5,000
Unsecured bank loans	6.90 – 9.25%	2020 – 2023	4,979
Unsecured bank loans*	7.00 – 7.40%	2020 – 2023	2,988
Unsecured bank loans	6.95 – 7.25%	2023	1,200
Unsecured bank loans*	Key rate of CB RF**+1.20% – Key rate of CB RF +2.80%	2020 – 2023	658
Unsecured bank loans	Key rate of CB RF +1.40%	2020	360
Unsecured bank loans	Key rate of CB RF +1.40%	2020	230
Unsecured bank loans*	Key rate of CB RF +1.15%	2023	186
Unsecured bank loans*	Key rate of CB RF +1.50%	2020	67
Other unsecured loans	–	2020	2
			134,269

* 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 three months ended 31 March 2020:

	<u>Nominal value</u>
Loans from government-related entities	93,991
Bonds	19,593
Other loans and borrowings	18,687
Promissory notes	39
	132,310

As at 31 March 2020 the amount of free limit on open but unused credit lines of the Group was RUB 641,983 million (31 December 2019: RUB 646,450 million). The Group has opportunity to attract additional financing within the corresponding limits, including for the purpose of execution of the short-term liabilities.

23 Trade and other payables

	31 March 2019	31 December 2019
Non-current accounts payable		
Trade payables	16,266	16,349
Other payables	9,098	7,448
Total financial liabilities	25,364	23,797
Current accounts payable		
Trade payables	152,557	162,160
Other payables and accrued expenses	16,194	16,433
Payables to employees	26,254	24,303
Dividends payable	719	5,789
Total financial liabilities	195,724	208,685

As at 31 March 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

	31 March 2020	31 December 2019
Value-added tax	22,684	9,799
Property tax	7,613	6,666
Social security contributions	4,086	4,326
Other taxes payable	1,868	1,636
	36,251	22,427

25 Advances received

	31 March 2020	31 December 2019
Non-current		
Advances from technological connection services to electricity grids	40,616	38,668
Other advances received	3,784	3,612
	44,400	42,280
Current		
Advances from technological connection services to electricity grids	52,805	50,026
Other advances received	11,714	8,966
	64,519	58,992

26 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.

As at reporting date the carrying amount of financial assets reflects the maximum credit risk of the Group.

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	31 March 2020		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets measured at amortised cost:						
Non-current bank deposits	16	3,197	6,603	–	–	6,603
Non-current trade receivables	17	76,083	75,381	–	–	75,381
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	44,152	44,152	44,039	–	113
Financial liabilities measured at amortised cost:						
Borrowings	22	(527,051)	(525,952)	(85,572)	(299,410)	(140,970)
Non-current accounts payable	23	(25,364)	(24,593)	–	–	(24,593)
		<u>(428,736)</u>	<u>(424,162)</u>	<u>(41,533)</u>	<u>(299,410)</u>	<u>(83,219)</u>

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 31 March 2020 was 4.88 – 9.17% (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 31 March 2020 was 5.48 – 8.53% (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 31 March 2020 was 7.38 – 8.53% (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
At 1 January 2020	247	45,620
Change in fair value recognized in other comprehensive income	–	(1,468)
At 31 March 2020	247	44,152

27 Capital commitments

As at 31 March 2020, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 289,238 million including VAT (as at 31 December 2019: RUB 254,410 million including VAT).

28 Contingencies

a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and 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 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 incompliant 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.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to Organisation for Economic Co-operation and Development (OECD) guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, as tax audits for compliance with the new transfer pricing rules have recently begun.

However, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.

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 consolidated financial statements.

d) Environmental matters

The Group has been operating in the electric transmission 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 reviewed. Potential liabilities arising as a result of a

change in interpretation of existing regulations, civil litigation or changes in legislation cannot be estimated under the 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.

29 Related party transactions

a) Control relationships

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

b) Transactions with the key management personnel

In order to prepare these 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 31 March 2020	Three months ended 31 March 2019
Short-term remuneration to employees	160	123
Change in post-employment benefits and other long-term benefits (including pension plans)	(0.20)	4
Total	160	127

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

c) Transactions with state-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 months ended 31 March 2020 comprise 37% of total Group revenue (for the three months ended 31 March 2019: 36%), including 39% of electricity transmission revenues (for the three months ended 31 March 2019: 39%).

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three months ended 31 March 2020 comprise 39% of total electricity transmission costs (for the three months ended 31 March 2019: 38%).

For the three months ended 31 March 2020 interest expenses on government-related banks loans amounted to RUB 2,835 million (for the three months ended 31 March 2019: RUB 3,888 million).

As at 31 March 2020 cash and cash equivalents held in government-related banks amounted to RUB 43,792 million (as at 31 December 2019: RUB 27,566 million).

As at 31 March 2020 deposits with an original maturity of more than three months placed in state-related banks amounted to RUB 41,764 million (as at 31 December 2019: RUB 57,392 million).

Information of borrowings received from state-related banks is disclosed in Note 22 “Borrowings”. Lease obligations (as part of borrowings) for government-related entities amounted to RUB 29,659 million as at 31 March 2020 (as at 31 December 2019: RUB 21,867 million).

30 Events after the reporting period

In April 2020 the Group issued:

- uncertified interest-bearing non - convertible bonds series BO-001P-02 at the total amount of RUB 10,000 million at a fixed interest rate of 6.50% and maturity in April 2025,
- uncertified interest-bearing non - convertible bonds 001P-05R at the total amount of RUB 10,000 million at a fixed interest rate 6.50% with offer date in April 2025 and maturity in April 2035.

On 30 April 2020 the Board of Directors of the Company recommended the annual General Shareholders Meeting of the Company to make 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.

The annual General Shareholders Meeting of the Company was held in the form of absentee voting on 1 June 2020. The decision to distribute interim dividends for the first three months of 2019 in the amount of RUB 5,023 million was made by the annual General Shareholders Meeting on 27 June 2019.