

PJSC «IDGC of Centre»

**Consolidated Interim Condensed Financial Statements prepared in
accordance with IAS 34 “Interim Financial Reporting” as at and for the
three and six months ended 30 June 2020
(unaudited)**

Contents	Page
Report on Review of Interim Financial Information	3
Consolidated Interim Condensed Statement of profit or loss and other comprehensive income	5
Consolidated Interim Condensed Statement of financial position	6
Consolidated Interim Condensed Statement of cash flows	7
Consolidated Interim Condensed Statement of changes in equity	8
Notes to the Consolidated Interim Condensed Financial Statements	
1 Background	9
2 Basis of preparation of consolidated financial statements	11
3 Significant accounting policies	11
4 Measurement of fair value	12
5 Significant subsidiaries	13
6 Information about segments	13
7 Revenue	21
8 Other income and other expenses	21
9 Operating expenses	22
10 Finance income and costs	23
11 Income tax	23
12 Property, plant and equipment	25
13 Intangible assets	27
14 Right-of-use assets	29
15 Other financial assets	30
16 Trade and other receivables	31
17 Advances given and other assets	31
18 Cash and cash equivalents	32
19 Equity	33
20 Earnings per share	33
21 Borrowed funds	34
22 Trade and other payables	35
23 Tax liabilities other than income tax	35
24 Advances from customers	35
25 Provisions	36
26 Financial risk and capital management	36
27 Capital commitments	40
28 Contingencies	40
29 Related party transactions	42
30 Events after the reporting date	44

Report on Review of Interim Financial Information

To the shareholders and Board of Directors
of Public Joint Stock Company
“Interregional Distribution Grid Company of Centre”

Introduction

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

Scope of review

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

Conclusion

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



T.L. Okolotina
Partner
Ernst & Young LLC

21 August 2020

Details of the entity

Name: Public Joint Stock Company "Interregional Distribution Grid Company of Centre"
Record made in the State Register of Legal Entities on 17 December 2004, State Registration Number 1046900099498.
Address: Russia 119017, Moscow, Malaya Ordynka st., 15.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

PJSC "IDCG of Centre"
Consolidated Interim Condensed Statement of profit or loss and other comprehensive income
for three and six months ended 30 June 2020

In thousands of Russian rubles, unless otherwise stated

	Notes	For the three months ended		For the six months ended	
		30 June (unaudited)		30 June (unaudited)	
		2020	2019	2020	2019
Revenue	7	21,146,727	21,460,263	46,440,362	46,570,277
Operating expenses	9	(20,997,486)	(21,014,044)	(43,266,509)	(43,461,396)
Reversal/(accrual) of allowance for expected credit losses		(8,038)	288,886	2,275	168,710
Other income	8	289,818	227,330	566,615	560,444
Other expenses	8	(5,590)	(1,942)	(10,429)	(3,073)
Result from operating activities		425,431	960,493	3,732,314	3,834,962
Finance income	10	50,068	42,042	131,746	82,794
Finance costs	10	(831,584)	(906,661)	(1,707,908)	(1,841,805)
Total financial costs		(781,516)	(864,619)	(1,576,162)	(1,759,011)
Profit/(loss) before income tax		(356,085)	95,874	2,156,152	2,075,951
Income tax expense	11	(13,293)	(102,015)	(348,123)	(593,236)
Profit/(loss) for the period		(369,378)	(6,141)	1,808,029	1,482,715
Other comprehensive income/(cost)					
<i>Items that will never be reclassified subsequently to profit or loss</i>					
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income		18,761	4,390	200	3,706
Remeasurements of the defined benefit liability		(259,307)	(198,465)	(117,947)	(296,187)
Income tax related to items that will never be reclassified subsequently to profit or loss	11	24,134	17,729	10,911	27,167
Total items that will not be reclassified subsequently to profit or loss		(216,412)	(176,346)	(106,836)	(265,314)
Other comprehensive income/(cost) for the period, net of income tax		(216,412)	(176,346)	(106,836)	(265,314)
Total comprehensive income/(cost) for the period		(585,790)	(182,487)	1,701,193	1,217,401
Profit/(loss) attributable to:					
Equity holders of the Company		(406,881)	(20,988)	1,732,655	1,448,599
Non-controlling interests		37,503	14,847	75,374	34,116
Total comprehensive income/(cost) attributable to:					
Equity holders of the Company		(623,293)	(197,334)	1,625,819	1,183,285
Non-controlling interest		37,503	14,847	75,374	34,116
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per ordinary share (in RUB)	20	(0.010)	(0.001)	0.041	0.034

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

General Director



I.V. Makovsky

Chief Accountant


L.A. Sklyarova

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

PJSC "IDGC of Centre"
Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2020
In thousand of Russian rubles, unless otherwise stated

	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	93,747,788	94,313,194
Intangible assets	13	2,388,510	2,476,115
Right-of-use assets	14	2,828,749	2,808,335
Trade and other receivables	16	103,857	128,138
Assets related to employee benefits plans		552,858	514,585
Other non-current financial assets	15	207,457	207,257
Advances given and other non-current assets	17	2,979	2,801
Total non-current assets		99,832,198	100,450,425
Current assets			
Inventories		3,406,737	2,682,124
Income tax prepayments		536,973	19,807
Trade and other receivables	16	13,328,387	12,971,865
Cash and cash equivalents	18	2,016,862	1,517,108
Advances given and other current assets	17	1,174,946	755,090
Total current assets		20,463,905	17,945,994
Total assets		120,296,103	118,396,419
EQUITY AND LIABILITIES			
Equity			
Share capital	19	4,221,794	4,221,794
Reserves		(1,170,584)	(1,063,748)
Retained earnings		43,691,925	41,944,315
Total equity attributable to equity holders of the Company		46,743,135	45,102,361
Non-controlling interest		1,060,169	984,795
Total equity		47,803,304	46,087,156
Non-current liabilities			
Long-term borrowed funds	21	33,813,055	39,323,975
Long-term trade and other payables	22	81,817	98,121
Long-term advances from customers	24	869,831	731,546
Employee benefits		3,182,743	2,996,844
Deferred tax liabilities		4,241,536	4,537,916
Total non-current liabilities		42,188,982	47,688,402
Current liabilities			
Short-term borrowed funds and current part of long-term borrowed funds	21	12,625,497	7,168,941
Trade and other payables	22	10,518,447	10,086,163
Tax debts other than income tax	23	2,456,315	2,757,508
Advances from customers	24	2,454,064	2,136,468
Provisions	25	2,243,963	2,251,523
Current income tax liabilities		5,531	220,258
Total current liabilities		30,303,817	24,620,861
Total liabilities		72,492,799	72,309,263
Total equity and liabilities		120,296,103	118,396,419

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

PJSC "IDGC of Centre"
Consolidated Interim Condensed Statements of Cash Flows
for the six months ended 30 June 2020
In thousand of Russian rubles, unless otherwise stated

For the six months ended 30 June		
(unaudited)		
Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2,156,152	2,075,951
<i>Adjustments for:</i>		
Depreciation and amortization of fixed assets, right-of-use assets and intangible assets	9,12, 13,14 5,720,066	5,385,013
Finance costs	10 1,707,908	1,841,805
Finance income	10 (131,746)	(82,794)
Loss on disposal of property, plant and equipment	7,002	1,448
Reversal of allowance for expected credit losses	(2,275)	(168,710)
Bad debt write-off	3,276	4,392
Accrual of provisions	9 34,073	108,517
Other non-cash transactions	69,918	(12,003)
Total impact of adjustments	7,408,222	7,077,668
Change in assets related to employee benefits plans	(38,273)	4,463
Change in employee benefit liabilities	(23,287)	(65,080)
Change in long-term trade and other receivables	28,285	408,181
Change in long-term advances given and other non-current assets	869	(7,771)
Change in long-term trade and other payables	(18,843)	(13,026)
Change in long-term advances received	138,285	30,739
Cash flows from operating activities before changes in working capital and provisions	9,651,410	9,511,125
<i>Changes in working capital and provisions:</i>		
Change in trade and other receivables	(371,909)	(728,350)
Change in advances given and other assets	(420,268)	(17,864)
Change in inventories	(725,223)	(360,540)
Change in trade and other payables	760,021	(2,158,737)
Change in advances received	317,596	117,007
Change in provisions	(41,633)	(103,875)
Cash flows from operating activities before income taxes and interest paid	9,169,994	6,258,766
Income tax paid	(1,383,437)	(768,532)
Interest on the lease liability paid	(155,410)	(103,848)
Interest paid	(1,517,549)	(1,710,928)
Net cash flows received from operating activities	6,113,598	3,675,458
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(4,657,526)	(4,631,376)
Proceeds from the sale of property, plant and equipment and intangible assets	3,900	1,657
Interest received	79,384	64,002
Dividends received	7,214	6,999
Net cash flows used in investing activities	(4,567,028)	(4,558,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowed funds	21 35,450,493	6,218,468
Repayment of borrowed funds	21 (35,611,586)	(5,124,776)
Dividends paid to equity holders of the Company	20 (425,506)	(440,104)
Dividends paid to shareholders of non-controlling interests	20 (410,505)	(389,120)
Repayment of lease liabilities	(49,712)	(75,852)
Net cash flows (used)/received in financing activities	(1,046,816)	188,616
Net increase/(decrease) in cash and cash equivalents	499,754	(694,644)
Cash and cash equivalents at the beginning of period	1,517,108	787,053
Cash and cash equivalents at the end of period	18 2,016,862	92,409

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

*PJSC “IDGC of Centre”
Consolidated Interim Condensed Statement of Changes in Equity
for the six months ended 30 June 2020
In thousand of Russian rubles, unless otherwise stated*

	Attributable to equity holders of the Company				Non-controlling interest	Total equity	
	Notes	Share capital	Reserves	Retained earnings			Total
Balance at 1 January 2020		4,221,794	(1,063,748)	41,944,315	45,102,361	984,795	46,087,156
Profit for the period		-	-	1,732,655	1,732,655	75,374	1,808,029
Other comprehensive expenses		-	(117,747)	-	(117,747)	-	(117,747)
Related income tax		-	10,911	-	10,911	-	10,911
Total comprehensive income/(expenses) for the period		-	(106,836)	1,732,655	1,625,819	75,374	1,701,193
Transactions with owners							
Other	19	-	-	14,955	14,955	-	14,955
Total contributions and payments		-	-	14,955	14,955	-	14,955
Balance at 30 June 2020 (unaudited)		4,221,794	(1,170,584)	43,691,925	46,743,135	1,060,169	47,803,304

	Attributable to equity holders of the Company				Non-controlling interest	Total equity	
	Notes	Share capital	Reserves	Retained earnings			Total
Balance at 1 January 2019		4,221,794	(199,285)	40,580,643	44,603,152	259,822	44,862,974
Profit for the period		-	-	1,448,599	1,448,599	34,116	1,482,715
Other comprehensive expenses		-	(292,481)	-	(292,481)	-	(292,481)
Related income tax		-	27,167	-	27,167	-	27,167
Total comprehensive income/(expenses) for the period		-	(265,314)	1,448,599	1,183,285	34,116	1,217,401
Transactions with owners							
Dividends	19	-	-	(876,162)	(876,162)	-	(876,162)
Other	19	-	-	5,208	5,208	-	5,208
Total contributions and payments		-	-	(870,954)	(870,954)	-	(870,954)
Balance at 30 June 2019 (unaudited)		4,221,794	(464,599)	41,158,288	44,915,483	293,938	45,209,421

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

1 Background

(a) The Group and its operation

The primary activities of Public Joint-Stock Company "Interregional Distribution Grid Company of Centre" (hereinafter referred to as the PJSC "IDCG of Centre" or the "Company") and its subsidiaries (hereinafter together referred to as the "Group") are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation.

The parent company is PJSC "Rosseti".

PJSC "IDGC of Centre" and its subsidiaries comprise Russian public and joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 17 December 2004 based on Resolution no. 154p of 9 December 2004 and pursuant to the Board of Directors' decision (board of directors' meeting minutes no. 178 of 1 October 2004) and Management Board decision (Management Board meeting minute no. 1102 of 15 November 2004) of Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereinafter - "RAO UES"). From 07 July 2015, OJSC "IDGC of Centre" is renamed as PJSC "IDGC of Centre" based on the Decision of the Annual General Meeting of Shareholders of OJSC "IDGC of Centre" dated 25 June 2015 (minutes No. 01/15 of 26 June 2015), in order to bring it in line with the legal requirements.

The Company's registered office is Malaya Ordynka St., 15, Moscow, 119017, Russia.

The Company's de facto address is Malaya Ordynka St., 15, Moscow, 119017, Russia.

In September 2017, the Company took over the functions of the sole Executive body of Public joint stock company "Interregional distribution grid company of Center and Volga region" (hereafter PJSC "IDGC of Center and Volga region") pursuant to the Board of Directors' decision (Board of directors' meeting Minutes no. 22/17 of 07 September 2017). Between PJSC "IDGC of Centre" and JSC "IDGC of Center and Volga region" concluded agreement no. 7700/00313/17 of 11 September 2017 for a period of three years. In accordance with the agreement, PJSC "IDGC of Centre" is the management company for PJSC "IDGC of Center and Volga region". The Company exercises the rights and carries out the duties of the sole Executive body of PJSC "IDGC of Center and Volga region" to the extent and with those limitations which are determined by the legislation of the Russian Federation, the Articles of Association, the internal documents, the decisions of the General meeting of shareholders and/or the Board of Directors of PJSC "IDGC of Center and Volga region".

The Group consists of PJSC "IDGC of Centre" and its subsidiaries, presented in Note 5.

(b) Russian business environment

The Group operates in the Russian Federation and is therefore exposed to risks related to the state of the economy and financial markets of the Russian Federation.

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

The coronavirus pandemic (COVID-19) in 2020 caused financial and economic tensions on world markets, reduced consumer spending and business activity. Since March 2020, there has been significant volatility in the stock, currency and commodity markets.

Many countries, including the Russian Federation, have introduced quarantine measures. Social distancing and isolation measures have led to the termination of companies' activities in retail, transport, travel and tourism, catering and many other areas.

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

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

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

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

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

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

(c) Relation with state

The Russian Government, through the Federal Agency for the Management of State Property, is the ultimate controlling party of the Company.

As at 30 June 2020, the share of the Russian Federation in the authorized capital of the parent company of PJSC "Rosseti" was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares. As at 31 December 2019, the share of the Russian Federation in the authorized capital of the parent company of PJSC "Rosseti" was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares.

PJSC "Rosseti", in its turn, owns 50.23% of the Company's shares. The Russian Government directly affects the Group's operations through tariffs regulations. In accordance with the Russian legislation, the Group's tariffs are regulated by executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs. The number of consumers of the Group's services includes a large number of enterprises under state control.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

These consolidated interim condensed financial statements for the three months ended 30 June 2020 have been prepared in accordance with IAS 34 interim financial reporting. Selected notes are included to explain events and transactions that are material to an understanding of changes in the Group's financial position and operations since the date of the last annual consolidated financial statements. These consolidated interim condensed financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International financial reporting standards ("IFRS").

(b) Basis of measurement

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

(c) Change in presentation

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

3 Significant accounting policies

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

Amendments to IFRS 3 "Determination of business".

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

3 Significant accounting policies (continued)

Conceptual framework for financial reporting.

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

Amendments to IAS 1 and IAS 8 "Determination of materiality".

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

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

4 Measurement of fair value

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

5 Significant subsidiaries

	<u>Country of incorporation</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
		<u>Ownership/voiting, %</u>	<u>Ownership/voiting, %</u>
JSC “Sanatorium “Energetic”	Russian Federation	100	100
JSC “Yaroslavl Electric Grid Company”	Russian Federation	51	51
JSC «Voronezh city electric grids»	Russian Federation	100	100
JSC «Tula city electric grids»	Russian Federation	69.9992	69.9992

At the Subsidiary’s annual shareholders meeting JCS “Yaroslavl Electric Grid Company” held on 26 June 2020 the decision was made not to pay dividends on ordinary shares for the year 2019.

At the Subsidiary’s annual shareholders meeting JCS “Sanatorium “Energetic” held on 29 May 2020 the decision was made not to pay dividends on ordinary shares for the year 2019.

No annual General meetings of shareholders were held in the first half of 2020 for JSC «Voronezh city electric grids» and JSC «Tula city electric grids» on the issue of payment of dividends.

6 Information about segments

The Management Board of PJSC “IDGC of Centre” is the supreme body that makes decisions on operating activities.

The primary activities of the Group are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation. From 2016, the division of the Company Tverenergo performs the electricity guarantee supplier function in the territory of Tver Region.

The internal management system is based on segments (branches formed on a territorial basis) related to transmission and distribution of electricity, technological connection to electric grids and electricity sales to the end user in a number of regions of the Russian Federation.

Revenue indicators and EBITDA are used to reflect the performance of each reportable segment, since they are included in internal management reporting prepared on the basis of the Russian accounting standards reporting data and are regularly analyzed and evaluated by the Management Board.

To reflect the results of each reporting segment, EBITDA is used: profit or loss before interest expense, taxation, depreciation, and (starting from the consolidated interim condensed financial statements for the three and six months ended 30 June 2020) - before net accrual/recovery of impairment losses on property, plant and equipment and right-of-use assets (taking into account current accounting and reporting standards in the Russian Federation). For presenting a reconciliation of EBITDA to consolidated profit/loss for the period, the net accrual of loss/recovery of previously accrued impairment losses on property, plant and equipment and right-of-use assets has been moved from the adjustments section to the section below. The Management Board believes that these indicators are most relevant when assessing the performance of certain segments in relation to other segments and other companies that operate in these industries. No additional impairment of assets was recognized for the three and six months of 2019 compared to the results obtained in testing for impairment as at 31 December 2018. No restatement of comparative information was required in these consolidated interim condensed financial statements.

6 Information about segments (continued)

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

- Branch Belgorodenergo, branch Bryanskenergo, branch Voronezhenergo, branch Kostromaenergo, branch Kurskenergo, branch Lipetskenergo, branch Orelenergo, branch Smolenskenergo, branch Tambovenergo, branch Tverenergo, branch Yarenergo
- Others

The category of "Others" include operations of subsidiaries and the head office branch. None of them meets any of the quantitative thresholds for determining reportable segments.

Segment indicators are based on management information, which is prepared on the basis of the Russian accounting standards financial statements and may differ those presented in the financial statements prepared in accordance with IFRS. The reconciliation of the indicators in the evaluation to the Management Board and similar indicators in these consolidated interim condensed financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

6 Information about segments (continued)

(a) Information about reportable segments

For the three months ended 30 June 2020:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Revenue from external customers	2,951,411	1,179,236	3,271,941	1,173,413	1,628,284	1,992,672	1,057,777	1,620,790	1,368,351	2,424,353	2,087,389	391,110	21,146,727
Inter-segment revenue											202	517,208	517,410
Segment revenue	2,951,411	1,179,236	3,271,941	1,173,413	1,628,284	1,992,672	1,057,777	1,620,790	1,368,351	2,424,353	2,087,591	908,318	21,664,137
Including													
<i>Electricity transmission</i>	2,858,604	1,156,270	3,206,397	1,143,355	1,598,194	1,946,379	1,032,646	1,564,122	1,351,894	2,290,137	2,011,913	822,811	20,982,722
<i>Technological connection services</i>	21,132	11,727	40,253	10,312	11,571	30,004	6,800	26,430	1,895	2,063	56,009	12,793	230,989
<i>Sale of electricity and capacity</i>	-	-	-	-	-	-	-	-	-	120,263	-	-	120,263
<i>Other revenue</i>	71,675	11,239	25,291	19,746	18,519	16,289	18,331	30,238	14,562	11,890	19,669	72,714	330,163
EBITDA	744,967	95,584	397,958	293,314	145,447	389,758	88,940	180,696	121,668	166,182	284,612	240,778	3,149,904

6 Information about segments (continued)

For the three months ended 30 June 2019:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Revenue from external customers	2,835,741	1,254,996	3,266,909	1,218,467	1,736,818	2,154,888	1,071,779	1,696,437	1,431,507	2,546,998	2,202,345	43,378	21,460,263
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	163	117,285	117,448
Segment revenue	2,835,741	1,254,996	3,266,909	1,218,467	1,736,818	2,154,888	1,071,779	1,696,437	1,431,507	2,546,998	2,202,508	160,663	21,577,711
Including													
Electricity transmission	2,725,597	1,222,314	3,204,366	1,190,426	1,697,071	2,068,796	1,052,092	1,658,452	1,393,533	2,392,046	2,147,895	114,998	20,867,586
Technological connection services	28,201	11,955	5,105	4,199	4,554	31,013	2,400	8,527	18,368	21,481	27,592	233	163,628
Sale of electricity and capacity	-	-	-	-	-	-	-	-	-	111,412	-	-	111,412
Other revenue	81,943	20,727	57,438	23,842	35,193	55,079	17,287	29,458	19,606	22,059	27,021	45,432	435,085
EBITDA	659,717	172,665	437,498	211,747	232,960	182,173	113,945	210,590	280,142	495,641	402,330	56,173	3,455,581

6 Information about segments (continued)

For the six months ended 30 June 2020:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Revenue from external customers	6,348,729	2,581,359	7,195,222	2,532,770	3,536,990	4,376,033	2,303,924	3,569,385	2,927,764	5,338,627	4,714,863	1,014,696	46,440,362
Inter-segment revenue											423	1,078,263	1,078,686
Segment revenue	6,348,729	2,581,359	7,195,222	2,532,770	3,536,990	4,376,033	2,303,924	3,569,385	2,927,764	5,338,627	4,715,286	2,092,959	47,519,048
Including													
Electricity transmission	6,129,215	2,538,285	7,076,227	2,482,567	3,494,651	4,291,941	2,257,965	3,480,744	2,875,478	5,034,039	4,600,842	1,715,127	45,977,081
Technological connection services	66,873	20,388	46,422	15,102	14,075	30,804	20,831	39,244	25,301	7,887	70,450	17,654	375,031
Sale of electricity and capacity										271,614			271,614
Other revenue	152,641	22,686	72,573	35,101	28,264	53,288	25,128	49,397	26,985	25,087	43,994	360,178	895,322
EBITDA	1,818,149	375,064	1,197,813	661,902	477,876	892,517	346,742	649,244	456,850	676,542	812,259	794,214	9,159,172

6 Information about segments (continued)

For the six months ended 30 June 2019:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Revenue from external customers	6,027,033	2,696,152	7,086,043	2,640,476	3,629,231	4,497,157	2,310,192	3,823,229	3,316,590	5,582,832	4,884,168	77,174	46,570,277
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	393	257,085	257,478
Segment revenue	6,027,033	2,696,152	7,086,043	2,640,476	3,629,231	4,497,157	2,310,192	3,823,229	3,316,590	5,582,832	4,884,561	334,259	46,827,755
Including													
Electricity transmission	5,826,333	2,651,286	6,975,708	2,596,223	3,560,446	4,379,350	2,278,725	3,761,671	3,012,679	5,259,143	4,777,527	252,973	45,332,064
Technological connection services	36,265	15,119	21,457	7,413	16,580	35,409	6,324	12,766	274,282	23,267	59,282	303	508,467
Sale of electricity and capacity	-	-	-	-	-	-	-	-	-	266,292	-	-	266,292
Other revenue	164,435	29,747	88,878	36,840	52,205	82,398	25,143	48,792	29,629	34,130	47,752	80,983	720,932
EBITDA	1,500,505	511,824	1,123,340	556,074	485,340	436,162	320,059	734,146	953,017	969,567	1,113,866	124,294	8,828,194

6 Information about segments (continued)

30 June 2020:

	Belgorod energo	Bryask energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Segments assets	24,523,244	5,431,260	15,032,295	7,047,349	7,460,733	15,070,551	4,155,414	7,510,041	6,239,768	11,111,339	15,783,769	14,783,902	134,149,665
Including property, plant and equipment and construction in progress	22,797,777	4,745,265	12,665,418	6,145,722	6,087,459	12,782,796	3,582,159	6,534,943	4,330,104	9,218,695	10,838,675	6,829,410	106,558,423

31 December 2019:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Segment assets	25,230,341	5,446,087	14,138,311	7,247,050	7,725,949	15,434,327	4,161,343	7,790,287	6,273,876	11,966,661	15,707,876	13,536,051	134,658,159
Including property, plant and equipment and construction in progress	23,391,084	4,660,102	12,086,463	6,249,228	6,317,727	13,197,807	3,588,821	6,596,461	4,403,244	9,409,869	11,184,254	6,821,935	107,906,995

6 Information about segments (continued)

(b) The reconciliation of reportable segments EBITDA:

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
EBITDA of reportable segments	3,149,904	3,455,581	9,159,172	8,828,194
Discounting receivables	3,150	5,096	6,434	11,436
Adjustment for lease	118,124	103,217	231,565	209,185
Recognition of pension and other long-term liabilities to employees	(30,488)	(16,102)	(67,952)	(16,005)
Adjustment on assets related to employee benefit liabilities	(3,321)	2,012	38,273	(4,463)
Re-measurement of investments (transfer of revaluation to equity)	(18,761)	(4,390)	(200)	(3,706)
Adjustment of the value of property, plant and equipment	(7,203)	(660)	(7,381)	(490)
Other adjustments	61,851	104,197	127,011	187,480
EBITDA	3,273,256	3,648,951	9,486,922	9,211,631
Depreciation and amortization	(2,844,258)	(2,690,999)	(5,720,066)	(5,385,013)
Interest expenses on financial liabilities	(703,735)	(811,614)	(1,452,281)	(1,646,819)
Interest expenses on lease liabilities	(81,348)	(50,464)	(158,423)	(103,848)
Income tax expense	(13,293)	(102,015)	(348,123)	(593,236)
Profit for the period per statement of profit or loss and other comprehensive income	(369,378)	(6,141)	1,808,029	1,482,715

7 Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Electricity transmission	20,468,968	20,752,588	44,904,418	45,079,091
Technological connection services	230,960	163,628	375,002	508,453
Sale of electricity and capacity	120,263	111,412	271,614	266,292
Other revenue	319,846	425,821	875,674	702,611
	21,140,037	21,453,449	46,426,708	46,556,447
Lease revenue	6,690	6,814	13,654	13,830
	21,146,727	21,460,263	46,440,362	46,570,277

Other revenue includes mainly revenue from construction services, repair and maintenance services.

Other revenue includes also revenue from performing the functions of the sole Executive body of PJSC "IDGC of Center and Volga region" for the three and six months ended 30 June 2020 in the amount of RUB 27,927 thousand and RUB 289,530 thousand (for the three and six months ended 30 June 2019 in the amount of RUB 27,926 thousand and RUB 55,435 thousand).

8 Other income and other expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Income from identified non-contracted electricity consumption	39,060	33,302	112,975	58,166
Income in the form of fines and penalties on commercial contracts	199,754	48,983	350,549	274,208
Accounts payable write-off	5,344	51,767	14,259	60,893
Other income	45,660	93,278	88,832	167,177
	289,818	227,330	566,615	560,444

Other expenses include loss on disposal of property, plant and equipment for three and six months ended 30 June 2020 in the amount of RUB 5,590 thousand and RUB 10,429 thousand (for three and six months ended 30 June 2019: RUB 1,942 thousand and RUB 3,073 thousand).

9 Operating expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Personnel costs	5,527,054	4,794,633	10,603,522	9,498,115
Depreciation and amortization	2,844,258	2,690,999	5,720,066	5,385,013
<i>Material expenses, including:</i>				
Electricity for compensation of losses	3,005,503	2,773,859	7,687,628	7,794,008
Electricity for sale	108,515	96,900	239,084	230,919
Purchased electricity and heat power for own needs	55,286	49,836	225,308	236,220
Other material costs	855,019	940,793	1,300,900	1,376,213
<i>Production work and services, including:</i>				
Electricity transmission services	6,910,812	7,403,886	14,427,433	15,352,779
Repair and maintenance services	138,144	164,271	227,473	232,905
Other works and industrial services	306,798	220,605	503,387	257,879
Taxes and levies other than income tax	549,025	526,405	1,087,054	1,054,194
Short-term rent	290	443	1,680	1,494
Insurance	32,798	35,635	65,979	71,469
<i>Other third-party services, including:</i>				
Communication services	95,675	72,953	156,514	139,624
Security services	76,164	76,809	149,598	151,848
Consulting, legal and audit services	7,245	6,455	12,133	11,851
Software costs and services	66,917	72,614	135,545	144,182
Transportation services	8,877	7,300	17,057	14,118
Other services	200,991	248,219	372,042	428,860
Provisions	53,631	53,066	34,073	108,517
Debt settlement for electricity transmission, electricity for sale, purchased electricity to compensate for losses and non-contracted consumption	23,283	529,013	23,283	529,013
Other expenses	131,201	249,350	276,750	442,175
	20,997,486	21,014,044	43,266,509	43,461,396

10 Finance income and costs

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Finance income				
Interest income on bank deposits and balances on bank accounts	39,758	29,512	79,561	63,924
Interest income on assets related to employee defined benefits plans	-	-	38,591	-
Dividends receivable	7,160	7,434	7,160	7,434
Other finance income	3,150	5,096	6,434	11,436
	50,068	42,042	131,746	82,794
Finance costs				
Interest expenses on financial liabilities measured at amortized cost	(703,735)	(811,614)	(1,452,281)	(1,646,819)
Interest expenses on lease liabilities	(81,348)	(50,464)	(158,423)	(103,848)
Interest expenses on long-term employee benefit liabilities	(44,787)	(39,792)	(91,239)	(81,085)
Other finance costs	(1,714)	(4,791)	(5,965)	(10,053)
	(831,584)	(906,661)	(1,707,908)	(1,841,805)

11 Income tax

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Current income tax				
Accrual of current tax	(130,401)	(165,769)	(698,759)	(671,279)
Adjustment of the tax for the previous periods	42,553	63,322	45,555	87,138
Total	(87,848)	(102,447)	(653,204)	(584,141)
Deferred income tax	74,555	432	305,081	(9,095)
Income tax expense	(13,293)	(102,015)	(348,123)	(593,236)

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

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

11 Income tax (continued)

The profit before taxation is correlated to income tax expenses as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Profit before income tax	(356,085)	95,874	2,156,152	2,075,951
Income tax calculated at the applicable tax rate	71,217	(19,175)	(431,230)	(415,190)
Tax effect of items not deductible/not taxable for taxation purposes	(127,063)	(146,162)	37,552	(265,184)
Adjustments for prior years	42,553	63,322	45,555	87,138
	(13,293)	(102,015)	(348,123)	(593,236)

Income tax recognized in other comprehensive income:

	For the three months ended 30 June 2020			For the three months ended 30 June 2019		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets at fair value through other comprehensive income	18,761	(3,752)	15,009	4,390	(878)	3,512
Remeasurements of the defined benefit liability	(259,307)	27,886	(231,421)	(198,465)	18,607	(179,858)
	(240,546)	24,134	(216,412)	(194,075)	17,729	(176,346)

	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets at fair value through other comprehensive income	200	(40)	160	3,706	(741)	2,965
Remeasurements of the defined benefit liability	(117,947)	10,951	(106,996)	(296,187)	27,908	(268,279)
	(117,747)	10,911	(106,836)	(292,481)	27,167	(265,314)

12 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/deemed cost</i>						
At 1 January 2019	38,274,038	68,988,195	39,527,879	24,088,027	3,867,435	174,745,574
Reclassification between groups	(456)	366	(1,665)	1,755	-	-
Additions	-	4,031	82	2,532	3,816,319	3,822,964
Transfer	436,724	1,943,443	487,321	471,733	(3,339,221)	-
Disposals	(459)	(4,695)	(6,237)	(66,988)	-	(78,379)
At 30 June 2019	38,709,847	70,931,340	40,007,380	24,497,059	4,344,533	178,490,159
<i>Accumulated depreciation and impairment</i>						
At 1 January 2019	(16,001,193)	(36,857,256)	(18,475,981)	(15,462,222)	(88,619)	(86,885,271)
Reclassification between groups	(1)	20	(20)	1	-	-
Transfer to property, plant and equipment (transfer of impairment losses)	(630)	(1,762)	(782)	(2,237)	5,411	-
Depreciation charge	(805,897)	(2,100,750)	(1,074,330)	(1,007,519)	-	(4,988,496)
Disposals	379	3,764	4,444	63,038	85	71,710
At 30 June 2019	(16,807,342)	(38,955,984)	(19,546,669)	(16,408,939)	(83,123)	(91,802,057)
<i>Net book value</i>						
At 1 January 2019	22,272,845	32,130,939	21,051,898	8,625,805	3,778,816	87,860,303
At 30 June 2019	21,902,505	31,975,356	20,460,711	8,088,120	4,261,410	86,688,102

12 Property, plant and equipment (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
<i>Cost/deemed cost</i>						
At 1 January 2020	43,164,667	74,204,917	41,871,830	26,945,227	3,845,209	190,031,850
Additions	-	2,822	52	-	4,805,329	4,808,203
Transfer	377,968	1,454,717	731,623	346,848	(2,911,156)	-
Disposals	(6,244)	(9,533)	(14,924)	(61,671)	(947)	(93,319)
At 30 June 2020	43,536,391	75,652,923	42,588,581	27,230,404	5,738,435	194,746,734
<i>Accumulated depreciation and impairment</i>						
At 1 January 2020	(16,566,258)	(41,572,555)	(20,177,966)	(17,321,047)	(80,830)	(95,718,656)
Transfer to property, plant and equipment (transfer of impairment losses)	(1,490)	(9,389)	(4,224)	(13,251)	28,354	-
Depreciation charge	(944,876)	(2,186,457)	(1,157,962)	(1,070,604)	-	(5,359,899)
Disposals	3,374	7,919	7,273	60,648	395	79,609
At 30 June 2020	(17,509,250)	(43,760,482)	(21,332,879)	(18,344,254)	(52,081)	(100,998,946)
<i>Net book value</i>						
At 1 January 2020	26,598,409	32,632,362	21,693,864	9,624,180	3,764,379	94,313,194
At 30 June 2020	26,027,141	31,892,441	21,255,702	8,886,150	5,686,354	93,747,788

12 Property, plant and equipment (continued)

Capitalized borrowing costs amounted to RUB 75,318 thousand with a capitalization rate 6.52 - 7.44% for the six months ended 30 June 2020 (for six months ended 30 June 2019: RUB 57,086 thousand with a capitalization rate 7.69 – 8.50%).

Depreciation charge has been capitalized to the cost of capital construction objects in the amount of RUB 14,314 thousand for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RUB 9,233 thousand).

As at 30 June 2020 the subsidiary of JSC «Tula city electric grids» has as collateral fixed assets in the amount of RUB 38,173 thousand under a loan agreement with PJSC VTB Bank (at 31 December 2019: RUB 38,173 thousand).

13 Intangible assets

	Software	R&D	Other intangible assets	Total
<i>Initial costs</i>				
At 1 January 2019	2,336,066	35,516	1,310,223	3,681,805
Additions	63,585	8	1,020	64,613
Disposals	(22,777)	(502)	-	(23,279)
At 30 June 2019	2,376,874	35,022	1,311,243	3,723,139
<i>Accumulated amortization and impairment</i>				
At 1 January 2019	(655,729)	-	(241,682)	(897,411)
Amortization charge	(220,317)	-	(39,416)	(259,733)
Disposals	22,777	-	-	22,777
At 30 June 2019	(853,269)	-	(281,098)	(1,134,367)
<i>Net book value</i>				
At 1 January 2019	1,680,337	35,516	1,068,541	2,784,394
At 30 June 2019	1,523,605	35,022	1,030,145	2,588,772
<i>Initial costs</i>				
At 1 January 2020	2,263,075	84,135	1,311,317	3,658,527
Additions	154,170	8,950	-	163,120
Disposals	-	-	(12)	(12)
At 30 June 2020	2,417,245	93,085	1,311,305	3,821,635
<i>Accumulated amortization and impairment</i>				
At 1 January 2020	(861,945)	-	(320,467)	(1,182,412)
Amortization charge	(217,879)	-	(32,834)	(250,713)
At 30 June 2020	(1,079,824)	-	(353,301)	(1,433,125)
<i>Net book value</i>				
At 1 January 2020	1,401,130	84,135	990,850	2,476,115
At 30 June 2020	1,337,421	93,085	958,004	2,388,510

13 Intangible assets (continued)

Amortization of intangible assets included in operating expenses in consolidated interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 is RUB 250,713 thousand (for the six months ended 30 June 2019: RUB 259,733 thousand).

Other intangible assets include objects of intellectual property, R&D results and objects of Service Concession Arrangement

Into the structure of intangible assets in the subgroup "other intangible assets", the Group include a right to charge fee from users of services on electricity transmission in accordance with "Service Concession Arrangement concerning the financing, establishment and operation of facilities for the transmission and distribution of electric energy on the territory of the Tambov region". This agreement provides for the construction by a Group of objects for the purposes of transmission and distribution of electricity in the Tambov region and the provision of transmission services, electricity distribution and connection services with the use of objects of the Service Concession Arrangement. Ownership of the constructed objects belongs to the Tambov region, and the Group receives the right of possession and use of objects for the Group activities. The Service Concession Arrangement is concluded in 2015 for 20 years. The Concession Agreement may be amended or terminated by agreement of the parties in the manner and in the cases provided by law, by the expiration of the term, as well as on the basis of a court decision. The objects of the Concession Agreement shall be included in the planning document for the privatization of property for the period corresponding to the expiration of the Concession Agreement. At the same time, the Group has a preferential right to purchase these objects.

During the Concession Agreement, the Administration of the Tambov Region may grant subsidies to the Group, both in respect of payment of remuneration for construction, and in respect of compensation for lost revenue from electricity transmission.

The net book value of the objects of the Concession Agreement as at 30 June 2020 is RUB 850,909 thousand. (as at 31 December 2019: RUB 878,340 thousand). Amortization for the objects of the Concession Agreement is RUB 27,431 thousand for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RUB 27,431 thousand).

14 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2019	2,071,525	121,286	81,312	29,453	2,303,576
Additions	68,152	18,418	3,908	23	90,501
Changes in lease terms	(47,222)	1,945	1,288	(181)	(44,170)
Disposal or termination of lease agreements	(82,106)	(400)	(711)	(17,395)	(100,612)
At 30 June 2019	2,010,349	141,249	85,797	11,900	2,249,295
<i>Accumulated depreciation and impairment</i>					
At 1 January 2019	-	-	-	-	-
Depreciation charge	(123,511)	(13,063)	(7,643)	(1,800)	(146,017)
Changes in lease terms	10,748	94	71	135	11,048
Disposal or termination of lease agreements	1,088	21	33	594	1,736
At 30 June 2019	(111,675)	(12,948)	(7,539)	(1,071)	(133,233)
<i>Net book value</i>					
At 1 January 2019	2,071,525	121,286	81,312	29,453	2,303,576
At 30 June 2019	1,898,674	128,301	78,258	10,829	2,116,062

The value of right-off-use assets in the initial cost as at 01 January 2019 includes a number of objects received under financial lease (leasing) agreements. As at 31 December 2018 the residual value of such facilities amounted to RUB 2,884 thousand.

14 Right-of-use assets (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2020	2,755,804	141,151	78,446	11,980	2,987,381
Additions	17,950	55,176	84,968	-	158,094
Change in lease terms	(96,789)	(2,425)	(2,184)	(42)	(101,440)
Disposal or termination of lease agreements	(11,571)	(861)	-	(908)	(13,340)
At 30 June 2020	2,665,394	193,041	161,230	11,030	3,030,695
<i>Accumulated depreciation and impairment</i>					
At 1 January 2020	(136,951)	(26,082)	(13,720)	(2,293)	(179,046)
Depreciation charge	(92,272)	(18,657)	(11,475)	(1,364)	(123,768)
Change in lease terms	92,688	3,406	2,881	49	99,024
Disposal or termination of lease agreements	1,723	19	-	102	1,844
At 30 June 2020	(134,812)	(41,314)	(22,314)	(3,506)	(201,946)
<i>Net book value</i>					
At 1 January 2020	2,618,853	115,069	64,726	9,687	2,808,335
At 30 June 2020	2,530,582	151,727	138,916	7,524	2,828,749

15 Other financial assets

	30 June 2020	31 December 2019
Non-current		
Financial assets at fair value through other comprehensive income	207,457	207,257
	207,457	207,257

Finance assets at fair value through other comprehensive income as at 30 June 2020 and as at 31 December 2019 include shares of PJSC “Unipro”, PJSC “IDGC of Center and Volga region”, PJSC “FGC UES”. Fair value of these investments is RUB 207,457 thousand and RUB 207,257 thousand respectively.

For the six months ended 30 June 2020 the increase in fair value in the total amount of RUB 200 thousand is reflected in other comprehensive income (for the six months ended 30 June 2019 the increase: RUB 3,706 thousand).

16 Trade and other receivables

	<u>30 June 2020</u>	<u>31 December 2019</u>
Non-current trade and other account receivables		
Trade receivables	10,179	31,937
Other receivables	93,678	96,201
	103,857	128,138
Current trade and other account receivables		
Trade receivables	23,186,735	23,301,335
Allowance for expected credit losses on trade receivables	(10,661,008)	(10,854,477)
Other receivables	2,392,086	2,135,540
Allowance for expected credit losses on other receivables	(1,589,426)	(1,610,533)
	13,328,387	12,971,865

Balances with related parties are disclosed in Note 29.

17 Advances given and other assets

	<u>30 June 2020</u>	<u>31 December 2019</u>
Non-current		
Advances given	2,979	2,801
	2,979	2,801
Current		
Advances given	543,426	229,081
Advances given impairment allowance	(15,602)	(16,266)
VAT recoverable	30,179	18,364
VAT on advances to customers and clients and advances given for the purchase of property, plant and equipment	577,158	488,307
Prepaid taxes, other than income tax and VAT	39,785	35,604
	1,174,946	755,090

Balance with related parties is disclosed in Note 29.

18 Cash and cash equivalents

	30 June 2020	31 December 2019
Cash in bank accounts and cash on hand	1,613,162	1,146,108
Cash equivalents	403,700	371,000
	2,016,862	1,517,108

	Rating	Rating agency	30 June 2020	31 December 2019
PJSC “Sberbank of Russia”*	Baa3	Moody’s	214,400	223,623
JSC “Bank GPB”*	Ba1	Moody’s	116,309	47,406
PJSC “VTB bank”*	Baa3	Moody’s	48,626	87,120
JSC “Alfa-Bank”	Ba1	Moody’s	23,528	12,138
JSC “AB Russia”	ruAA	Expert RA	1,129,362	736,145
PJSC “Promsvyazbank”	Ba3	Moody’s	4,053	4,060
PJSC “Rosbank”	Baa3	Moody’s	76,618	35,108
PJSC “Sovcombank”	Ba2	Moody’s	-	1
Cash on hand			266	507
			1,613,162	1,146,108

Cash equivalents include short-term investments in bank deposits and bonds.

Deposits:

	Interest rate 30 June 2020	Rating	Rating agency	30 June 2020	31 December 2019
PJSC “Russian Agricultural Bank”*	4,90 – 5,00%	Ba1	Moody’s	32,000	77,000
JSC “AB Russia”	4,25%	ruAA	Expert RA	11,700	-
				43,700	77,000

Note:

	Interest rate 30 June 2020	Rating	Rating agency	30 June 2020	31 December 2019
JSC “AB Russia”	4,10 – 5,25%	ruAA	Expert RA	360,000	294,000
				360,000	294,000

* *Banks associated with the state*

All balance of cash and cash equivalents are denominated in rubles as at 30 June 2020 and 31 December 2019.

As at 30 June 2020 the balance on the current account with JSC “AB Russia” in the amount of RUB 1,129,000 thousand represents cash in the form of a non-reducible balance at 4.30% per annum (as at 31 December 2019: JSC “AB Russia” in the amount of RUB 696,000 thousand represents cash in the form of a non-reducible balance at 6% per annum).

19 Equity

	Ordinary shares	
	30 June 2020	31 December 2019
Par value (in RUB)	0.10	0.10
On issue at 1 January, units	42,217,941,468	42,217,941,468
On issue at the end of the period, fully paid, units	42,217,941,468	42,217,941,468

(a) Dividends

In accordance with the Russian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

At the annual general meeting of shareholders held on 30 May 2019 dividends for 2018 were declared in the amount of RUB 876,162 thousand. The amount of dividends was RUB 0.0207533 per one ordinary share.

At the extraordinary general meeting of shareholders held on 30 December 2019 dividends for the first 9 months of fiscal year 2019 were declared in the amount of 847,099 thousand and on the payment of dividends for the first 9 months of 2019 in the amount of 0.0200649 rubles per ordinary share of the Company in cash.

In six months 2020, the Company recovered unclaimed dividends for 2016 in the amount of RUB 14,955 thousand (in six months 2019: RUB 5,208 thousand – recovered unclaimed dividends for 2015).

For the six months ended 30 June 2020, the Company paid dividends to non-controlling interests in the amount of RUB 410,505 thousand and RUB 425,506 thousand to the equity holders of the Company (for the six months ended 30 June 2019 – RUB 389,120 thousand and RUB 440,104 thousand, respectively).

20 Earnings per share

The calculation of basic earnings per share for the three and six months ended 30 June 2020 was based on the earnings/(loss) attributable to ordinary shareholders for the three and six months 2020 in the amount of RUB (406,881) thousand and RUB 1,732,655 thousand (for the three and six months 2019: of RUB (20,988) thousand and RUB 1,448,599 thousand), and a weighted average number of ordinary shares outstanding of 42,218 million for the three and six months 2020 (for the three and six months 2019: 42,218 million).

The Company has no dilutive financial instruments.

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
<i>In millions of shares</i>				
Ordinary shares at 1 January	42,218	42,218	42,218	42,218
Weighted average number of shares for the period ended 30 June	42,218	42,218	42,218	42,218
	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Weighted average number of ordinary shares outstanding, for the period ended 30 June (millions of shares)	42,218	42,218	42,218	42,218
Earnings/(loss) for the period attributable to holders of ordinary shares	(406,881)	(20,988)	1,732,655	1,448,599
Earnings/(loss) per ordinary share (in RUB) – basic and diluted	(0.010)	(0.001)	0.041	0.034

21 Borrowed funds

	<u>30 June 2020</u>	<u>31 December 2019</u>
Non-current liabilities		
Secured loans and borrowings	298,887	358,681
Unsecured loans and borrowings	28,047,017	26,533,899
Unsecured bonds	15,118,481	10,107,840
Lease liabilities	2,974,167	2,880,604
		(119,611)
Less: current portion of long-term loans and borrowings	(7,132,702)	(119,350)
Less: current portion of long-term bonds	(5,135,687)	(318,088)
Less: current portion of long-term lease liabilities	(357,108)	
	<u>33,813,055</u>	<u>39,323,975</u>
Current liabilities		
Unsecured loans and borrowings	-	89,712
Current portion of long-term loans and borrowings	7,132,702	6,641,791
Current portion of long-term bonds	5,135,687	119,350
Current portion of long-term lease liabilities	357,108	318,088
	<u>12,625,497</u>	<u>7,168,941</u>
Including:		
Debts on interest payable on loans and borrowings	13,167	22,317
Debts on interest payable on bonds	138,550	119,350
	<u>151,717</u>	<u>141,667</u>

All balances of loans and borrowings are denominated in rubles as at 30 June 2020 and 31 December 2019.
For the six months ended 30 June 2020 the Group issued bonds and attracted the following bank loans:

	<u>Year of maturity</u>	<u>Nominal interest rate</u>	<u>Nominal value</u>
Unsecured loans and borrowings			
Unsecured loans*	2023 - 2023	7.10%	5,500,000
Unsecured loans*	2020 - 2023	6.95% - 8.50%	24,362,167
Unsecured loans*	2023 - 2023	KR CB RF +1.20%	600,000
Unsecured bond loan	2023 - 2023	5.60%	5,000,000
			<u>35,462,167</u>

* *Loans and borrowings received from companies related to the state*

For the six months ended 30 June 2020 the Group repaid the following significant Bank loans:

	<u>Nominal value</u>
Loans and borrowings received from companies related to the state	35,611,586
	<u>35,611,586</u>

22 Trade and other payables

	<u>30 June 2020</u>	<u>31 December 2019</u>
Non-current liabilities		
Trade payables	31,567	37,443
Other payables	50,250	60,678
	81,817	98,121
Current liabilities		
Trade payables	7,446,534	6,411,572
Other payables and accrued expenses	1,161,177	1,123,807
Payables to employees	1,865,810	1,654,892
Dividends payable	44,926	895,892
	10,518,447	10,086,163

Balance with related parties is disclosed in Note 29.

23 Tax liabilities other than income tax

	<u>30 June 2020</u>	<u>31 December 2019</u>
Value-added tax	1,318,618	1,605,638
Property tax	504,532	499,284
Social security contributions	461,536	484,007
Other taxes payable	171,629	168,579
	2,456,315	2,757,508

24 Advances from customers

Advances from customers as at 30 June 2020 and 31 December 2019 are reflected, including VAT.

	<u>30 June 2020</u>	<u>31 December 2019</u>
Non-current advances from customers		
Advances for services of technological connection to electric grids	728,184	567,128
Advances from customers	141,647	164,418
	869,831	731,546
Current advances from customers		
Advances for services of technological connection to electric grids	1,397,786	1,218,768
Advances from customers	1,056,278	917,700
	2,454,064	2,136,468

Balance with related parties is disclosed in Note 29.

25 Provisions

	30 June 2020	30 June 2019
Balance on 1 January	2,251,523	812,931
Increase over the period	66,645	178,516
The reduction caused by the reversal of provisions	(32,571)	(69,999)
Use of provisions	(41,634)	(103,875)
Balance on 30 June	2,243,963	817,573

Provisions relate mainly to legal proceedings and claims against the Group on ordinary activities.

In the course of its operations, the Group is a party to legal proceedings. For unfinished legal proceedings, where the Group acts as a defendant with a low probability of resolution in favor of the Group, an allowance reserve for legal proceedings has been established. The estimated timeframe for the fulfillment of estimated obligations for unfinished litigation is less than 12 months. The Group did not reflect in the financial statements the reserves for the appraisal liabilities at the reporting date for claims, the likelihood of their resolution being assessed, considering the positive judicial practice in favor of the Group as high. The amount of such claims amounted to RUB 1,458,266 thousand as at 30 June 2020 (as at 31 December 2019: RUB 1,098,700 thousand).

26 Financial risk and capital management

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

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

(a) Level of credit risk

The carrying amount of financial assets reflects the Group's maximum exposure to credit risk. At the balance sheet date the maximum level of credit risk was:

	Carrying amount	
	30 June 2020	31 December 2019
Financial assets at fair value through other comprehensive income	207,457	207,257
Trade and other receivables (net of allowance for expected credit losses)	13,432,244	13,100,003
Cash and cash equivalents	2,016,862	1,517,108
	15,656,563	14,824,368

26 Financial risk and capital management (continued)

At the balance sheet date the maximum level of credit risk in respect of trade receivables (excluding other receivables) by customer groups was as follows:

	Gross	Allowance for expected credit losses	Gross	Allowance for expected credit losses
	30 June 2020	30 June 2020	31 December 2019	31 December 2019
Buyers of electricity sales services	1,370,525	(1,138,498)	1,403,704	(1,218,042)
Buyers of electricity transmission services	20,893,737	(9,286,060)	20,914,465	(9,355,098)
Buyers of technological connection to networks	152,511	(76,480)	186,277	(79,341)
Other buyers	780,141	(159,970)	828,826	(201,996)
	23,196,914	(10,661,008)	23,333,272	(10,854,477)

The carrying amount of trade receivables attributable to the ten largest debtors of the Group was RUB 10,394,006 thousand as at 30 June 2020 (as at 31 December 2019: RUB 9,624,664 thousand).

(b) Allowance for expected credit losses of trade and other receivables

The aging of trade and other receivables is provided below:

	Gross	Allowance for expected credit losses	Gross	Allowance for expected credit losses
	30 June 2020	30 June 2020	31 December 2019	31 December 2019
Not past due	6,772,958	(214,301)	8,536,983	(315,291)
Past due less than 3 months	2,541,505	(32,568)	1,768,629	(70,687)
Past due more than 3 months and less than 6 months	933,009	(103,807)	886,638	(138,759)
Past due more than 6 months and less than 1 year	1,380,046	(220,897)	1,082,391	(459,751)
Past due more than 1 year	14,055,160	(11,678,861)	13,290,372	(11,480,522)
	25,682,678	(12,250,434)	25,565,013	(12,465,010)

26 Financial risk and capital management (continued)

The movement in the allowance for expected credit losses was as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Balance at 1 January	12,465,010	12,524,034
Increase for the period	130,933	278,925
Amounts of trade and other receivables written off using the allowance for impairment accrued earlier	212,301	159,858
Reversal of allowance for impairment for the period	133,208	447,635
Balance at 30 June	12,250,434	12,195,466

(c) Liquidity risk

The amount of free limit on open but unused credit lines of the Group was RUB 59,982,101 thousand at 30 June 2020 (31 December 2019: RUB 48,983,101 thousand). The Group has opportunity to attract additional financing within the corresponding limits, including for the purpose of execution of the short-term obligations.

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

26 Financial risk and capital management (continued)

30 June 2020	Carrying amount	Contractual cash flows	12 months or less	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Non-derivative financial liabilities								
Loans and borrowings	28,345,904	31,832,026	8,714,120	7,432,227	15,685,679	-	-	-
Bonds	15,118,481	17,038,100	5,967,300	620,800	10,450,000	-	-	-
Lease liabilities	2,974,167	7,176,812	498,154	457,477	438,521	382,799	315,610	5,084,251
Trade and other payables	10,600,264	10,613,786	10,519,542	3,433	15,090	68,344	2,289	5,088
	57,038,816	66,660,724	25,699,116	8,513,937	26,589,290	451,143	317,899	5,089,339
31 December 2019	Carrying amount	Contractual cash flows	12 months or less	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Non-derivative financial liabilities								
Loans and borrowings	33,504,472	37,188,481	9,125,166	23,355,535	4,707,780	-	-	-
Bonds	10,107,840	11,544,550	688,100	5,514,850	5,341,600	-	-	-
Lease liabilities	2,880,604	7,161,371	500,758	464,910	454,487	436,392	329,668	4,975,156
Trade and other payables	10,184,284	10,221,884	10,108,797	4,578	17,068	4,578	81,593	5,270
	56,677,200	66,116,286	20,422,821	29,339,873	10,520,935	440,970	411,261	4,980,426

26 Financial risk and capital management (continued)

(d) Fair value and carrying amount

The Group's management believes that the fair value of financial assets and financial liabilities approximates their carrying value.

As at the reporting date, the carrying amount of financial assets reflects the group's maximum credit risk.

Reconciliation of the carrying amount of financial assets at fair value through other comprehensive income at the beginning and end of the reporting period is presented in the table below:

	Financial assets at fair value through other comprehensive income
At 1 January 2020	207,257
Change in fair value recognized in other comprehensive income	200
At 30 June 2020	207,457

27 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 12,551,996 thousand inclusive of VAT (as at 31 December 2019: RUB 11,423,253 thousand inclusive of VAT).

28 Contingencies

(a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage in case of damage or loss assets. However, there are risks of negative impact on the operations and the financial position of the Group in the case of damage caused to third parties, and 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 and customs legislation is subject to varying interpretations regarding the operations and activities of the Group. Accordingly, management's interpretation of tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually increasing. In particular, the risk of checking the tax aspect of transactions without obvious economic sense or with counterparties that violate tax laws is increasing. Tax audits may cover the three calendar years preceding the year of the decision on the tax audit. Under certain conditions, earlier periods may also be subject to verification.

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

28 Contingencies (continued)

Starting from January 1, 2019, control over transfer pricing for a significant part of domestic transactions has been lifted. However, the exemption from price control may not apply to all transactions made in the domestic market. However, in the case of additional charges, the mechanism of counter-adjustment of tax liabilities can be used if certain legal requirements are met. Intra-group transactions that have fallen out of the control of the TP since 2019 may nevertheless be checked by the territorial tax authorities for obtaining an unjustified tax benefit, and TP methods may be used to determine the amount of additional charges. The Federal Executive authority authorized to control and supervise taxes and fees may verify prices/profitability in controlled transactions and, if it does not agree with the prices applied by the Group in these transactions, add additional tax liabilities if the Group is unable to justify the market nature of pricing in these transactions by providing transfer pricing documentation that meets legal requirements. As the practice of applying property tax rules continues to develop, the group's criteria for classifying property as movable or immovable property may be challenged by tax authorities and courts. The Group's management does not exclude the risk of outflow of resources, and the impact of such developments cannot be estimated with a sufficient degree of reliability.

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

As at 30 June 2020 management believes that the relevant provisions of the law are interpreted correctly, and the position of the Group in terms of compliance with tax legislation can be justified and protected.

(c) Litigations

The Group is a party to a number of litigations (both as a plaintiff and as respondent) arising in the ordinary course of business. In the opinion of Management, there are currently no outstanding claims or other claims that could have a material impact on the Group's results of operations or financial position and would not be recognized or disclosed in the consolidated interim condensed financial statements.

(d) Environmental matters

The Group has operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation continues to evolve, responsibilities of authorized Government bodies to oversee are being reconsidered. Potential environmental liabilities arise from changes in interpretations of existing legislation, lawsuits or changes in legislation can be assessed. In the opinion of management under the existing control system and under current legislation, there are no probable liabilities that could have a material adverse effect on the financial position, results of operations or cash flows of the Group.

29 Related party transactions

(a) Control relationships

Related parties are shareholders, affiliates and entities under common ownership and control of the Group, members of the Board of Directors and key management personnel of the Company. The Company’s parent as at 30 June 2020 and 31 December 2019 was PJSC “Russian Grids”. The final controlling party is the state represented by the Federal Property Management Agency, which owns a controlling stake in PJSC “Russian Grids”.

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

Transactions with parent company, its subsidiaries and associates include operations with PJSC “Russian Grids”, its subsidiaries and associates:

	Amount of the transaction				Carrying amount	
	For the three months ended 30 June		For the six months ended 30 June		30 June 2020	31 December 2019
	2020	2019	2020	2019		
Revenue, other income						
Parent company						
Other income	195	195	390	390	-	-
Entities under common control of the parent company						
Electricity transmission revenue	309,057	-	642,464	-	157,824	-
Other revenue	79,035	143,257	349,204	195,782	419,616	547,451
Dividends receivable	162	435	162	435	162	215
	388,449	143,887	992,220	196,607	577,602	547,666

	Amount of the transaction				Carrying amount	
	For the three months ended 30 June		For the six months ended 30 June		30 June 2020	31 December 2019
	2020	2019	2020	2019		
Operating expenses, finance costs						
Parent company						
Expenses for services related to the organization of the functioning and development of the EEC	58,427	57,710	114,282	113,574	41,024	47,546
Technical supervision services	10,562	10,563	21,124	21,125	-	-
Other expenses	3,417	3,418	6,835	6,836	-	-
Interest expenses on financial liabilities recorded at amortized cost	-	260,500	-	518,150	-	-
Dividends	-	-	-	-	-	425,506
Entities under common control of the parent company						
Electricity transmission services	4,083,377	4,325,892	8,310,227	8,682,145	1,048,062	881,160
Other expenses	7,559	10,685	20,886	20,535	200,265	396,374
Other	-	-	-	-	903,000	903,000
	4,163,342	4,668,768	8,473,354	9,362,365	2,192,351	2,653,586

29 Related party transactions (continued)

	Carrying amount	
	30 June 2020	31 December 2019
Entities under common control of the parent company		
Advances given	69,166	78,898
Advances received	569,588	567,243
	638,754	646,141

As at 30 June 2020 there is no debt to the parent company for the dividend payments (as at 31 December 2019: RUB 425,506 thousand).

(c) Transaction with key management personnel

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

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

The amounts of remuneration to key management personnel disclosed in the table below represent the current period expenses for key management personnel reflected in employee benefits.

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Short-term benefits	114,796	56,084	179,668	96,237
Severance payment	3,050	-	5,568	-
	117,846	56,084	185,236	96,237

As at 30 June 2020, the carrying amount of liabilities under defined benefit programs recorded in the consolidated interim condensed statement of financial position includes liabilities to key management personnel in the amount of RUB 8,165 thousand (31 December 2019: RUB 7,546 thousand).

(d) Transaction with government-related entities

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

Revenues from state-controlled entities for the three and six months ended 30 June 2020 constitute 48% and 49% (for the three and six months ended 30 June 2019: 41% and 41%) of total Group revenues, including 49% and 49% (for the three and six months ended 30 June 2019: 42% and 43%) of electricity transmission revenues.

Electricity transmission services costs (including compensation of technological losses) for state-controlled entities for the three and six months ended 30 June 2020 constitute 64% and 63% (for the three and six months ended 30 June 2019: 63% and 61%) of total electricity transmission services costs.

Interest expenses for government-related entities account for 74% and 75% of the total interest expenses for the three and six months ended 30 June 2020 (for the three and six months ended 30 June 2019: 56% and 57%).

29 Related party transactions (continued)

As at 30 June 2020, the balance of cash and cash equivalents held with state-controlled banks is RUB 411,335 thousand (as at 31 December 2019: RUB 435,149 thousand).

As at 30 June 2020 lease obligations for state-related companies amounted to RUB 625,399 thousand (as at 31 December 2019: RUB 176,821 thousand)

Loans and borrowings received from state-controlled banks are disclosed in Note 21.

30 Events after the reporting date

Subsidiaries of the Company JSC "Sanatorium Energetik" and JSC "Yaroslavl electric grid company" 23 June 2020 signed a contract for the purchase 100% of shares in the authorized capital of LLC "Bryanskelectro". In accordance with the terms of the agreement, the ownership of shares in the authorized capital of LLC Bryanskelectro at the Company's subsidiaries occurs from the moment of making the relevant entries in the Unified state register of legal entities – 07 August 2020.

There were no other events after the reporting date that should have been reflected in the consolidated interim condensed financial statements for the reporting period.