

**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 nine months ended 30 September 2019  
(unaudited)**

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| Consolidated Interim Condensed Statement of profit or loss and other comprehensive income (unaudited) | 3           |
| Consolidated Interim Condensed Statement of financial position (unaudited)                            | 4           |
| Consolidated Interim Condensed Statement of cash flows (unaudited)                                    | 5           |
| Consolidated Interim Condensed Statement of changes in equity (unaudited)                             | 6           |
| Notes to the Consolidated Interim Condensed Financial Statements (unaudited)                          |             |
| 1 Background  | 7           |
| 2 Basis of preparation of consolidated financial statements   | 8           |
| 3 Significant accounting policies   | 11          |
| 4 Measurement of fair value   | 13          |
| 5 Significant subsidiaries  | 14          |
| 6 Information about segments  | 14          |
| 7 Revenue   | 21          |
| 8 Other income  | 21          |
| 9 Other expenses  | 21          |
| 10 Operating expenses   | 22          |
| 11 Finance income and costs   | 23          |
| 12 Income tax   | 23          |
| 13 Property, plant and equipment  | 25          |
| 14 Intangible assets  | 28          |
| 15 Right-of-use assets  | 30          |
| 16 Financial investments  | 30          |
| 17 Trade and other receivables  | 31          |
| 18 Advances given and other assets  | 31          |
| 19 Cash and cash equivalents  | 32          |
| 20 Equity   | 32          |
| 21 Earnings per share   | 33          |
| 22 Loans and borrowings   | 34          |
| 23 Trade and other payables   | 35          |
| 24 Advances from customers  | 35          |
| 25 Financial risk and capital management  | 36          |
| 26 Capital commitments  | 36          |
| 27 Contingencies  | 36          |
| 28 Related party transactions   | 37          |
| 29 Events after the reporting date  | 40          |

**PJSC "IDCG of Centre"**  
**Consolidated Interim Condensed Statement of profit or loss and other comprehensive income**  
**for three and nine months ended 30 September 2019 (unaudited)**  
*In thousands of Russian rubles, unless otherwise stated*

|  | Notes | For the three months ended<br>30 September |                  | For the nine months ended<br>30 September |                    |
|--|-------|--|------------------|---|--------------------|
|  |       | 2019                                       | 2018 (restated)  | 2019                                      | 2018 (restated)    |
| Revenue  | 7     | 22,119,784                                 | 21,673,950       | 68,690,061                                | 68,429,532         |
| Operating expenses   | 10    | (20,186,144)                               | (20,639,245)     | (63,647,540)                              | (62,730,163)       |
| Accrual of allowance for expected credit losses  |       | (732,219)                                  | (568,540)        | (563,509)                                 | (894,944)          |
| Other income   | 8     | 340,959                                    | 318,270          | 901,403                                   | 828,707            |
| Other expenses   | 9     | (3,086)                                    | (10,249)         | (6,159)                                   | (15,932)           |
| <b>Result from operating activities</b>  |       | <b>1,539,294</b>                           | <b>774,186</b>   | <b>5,374,256</b>                          | <b>5,617,200</b>   |
| Finance income   | 11    | 34,764                                     | 5,808            | 117,558                                   | 108,798            |
| Finance costs  | 11    | (904,025)                                  | (802,814)        | (2,745,830)                               | (2,573,497)        |
| <b>Total financial costs</b>   |       | <b>(869,261)</b>                           | <b>(797,006)</b> | <b>(2,628,272)</b>                        | <b>(2,464,699)</b> |
| <b>Profit/(loss) before income tax</b>   |       | <b>670,033</b>                             | <b>(22,820)</b>  | <b>2,745,984</b>                          | <b>3,152,501</b>   |
| Income tax expense   | 12    | (178,188)                                  | (135,765)        | (771,424)                                 | (1,029,213)        |
| <b>Profit/(loss) for the period</b>  |       | <b>491,845</b>                             | <b>(158,585)</b> | <b>1,974,560</b>                          | <b>2,123,288</b>   |
| <b>Other comprehensive income/(cost)</b>   |       |  |                  |   |                    |
| <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 |       | 1,926                                      | (15,422)         | 5,632                                     | 9,538              |
| Remeasurements of the defined benefit liability  |       | (124,175)                                  | 229,603          | (420,362)                                 | 287,376            |
| Income tax related to items that will never be reclassified subsequently to profit or loss                     | 12    | 10,826                                     | (18,822)         | 37,993                                    | (29,427)           |
| <b>Total items that will not be reclassified subsequently to profit or loss</b>                                |       | <b>(111,423)</b>                           | <b>195,359</b>   | <b>(376,737)</b>                          | <b>267,487</b>     |
| <b>Other comprehensive income/(cost) for the period, net of income tax</b>                                     |       | <b>(111,423)</b>                           | <b>195,359</b>   | <b>(376,737)</b>                          | <b>267,487</b>     |
| <b>Total comprehensive income/(cost) for the period</b>  |       | <b>380,422</b>                             | <b>36,774</b>    | <b>1,597,823</b>                          | <b>2,390,775</b>   |
| <b>Profit/(loss) attributable to:</b>  |       |  |                  |   |                    |
| Equity holders of the Company  |       | 475,033                                    | (169,046)        | 1,923,632                                 | 2,080,811          |
| Non-controlling interests  |       | 16,812                                     | 10,461           | 50,928                                    | 42,477             |
| <b>Total comprehensive income attributable to:</b>   |       |  |                  |   |                    |
| Equity holders of the Company  |       | 363,610                                    | 26,313           | 1,546,895                                 | 2,348,298          |
| Non-controlling interest   |       | 16,812                                     | 10,461           | 50,928                                    | 42,477             |
| <b>Earnings/(loss) per share</b>   |       |  |                  |   |                    |
| Basic and diluted earnings/(loss) per ordinary share (in RUB)  | 21    | 0.011                                      | (0.004)          | 0.046                                     | 0.049              |

These consolidated interim condensed financial statements were approved by management on 25.11.2019 and were signed on this behalf by:

General Director

I.V. Makovsky



Chief Accountant

I.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 September 2019 (unaudited)**  
*In thousand of Russian rubles, unless otherwise stated*

|   | <b>Notes</b> | <b>30 September 2019</b> | <b>31 December 2018</b> |
|---|--------------|--------------------------|-------------------------|
| <b>ASSETS</b>   |              |                          |                         |
| <b>Non-current assets</b>   |              |                          |                         |
| Property, plant and equipment                                     | 13           | 86,970,754               | 87,860,303              |
| Intangible assets   | 14           | 2,494,737                | 2,784,394               |
| Right-of-use assets   | 15           | 1,619,049                | -                       |
| Trade and other receivables                                       | 17           | 140,116                  | 575,449                 |
| Assets related to employee benefits plans                         |              | 530,995                  | 549,081                 |
| Financial investments   | 16           | 197,532                  | 191,900                 |
| Advances given and other non-current assets                       | 18           | 18,944                   | 9,813                   |
| <b>Total non-current assets</b>                                   |              | <b>91,972,127</b>        | <b>91,970,940</b>       |
| <b>Current assets</b>   |              |                          |                         |
| Inventories   |              | 2,722,559                | 2,735,443               |
| Income tax prepayments  |              | 308,283                  | 379,356                 |
| Trade and other receivables                                       | 17           | 13,455,957               | 11,682,657              |
| Cash and cash equivalents   | 19           | 529,449                  | 787,053                 |
| Advances given and other current assets                           | 18           | 647,782                  | 570,016                 |
| <b>Total current assets</b>                                       |              | <b>17,664,030</b>        | <b>16,154,525</b>       |
| <b>Total assets</b>   |              | <b>109,636,157</b>       | <b>108,125,465</b>      |
| <b>EQUITY AND LIABILITIES</b>                                     |              |                          |                         |
| <b>Equity</b>   |              |                          |                         |
| Share capital   | 20           | 4,221,794                | 4,221,794               |
| Reserves  |              | (576,022)                | (199,285)               |
| Retained earnings   |              | 41,633,321               | 40,580,643              |
| <b>Total equity attributable to equity holders of the Company</b> |              | <b>45,279,093</b>        | <b>44,603,152</b>       |
| Non-controlling interest  |              | 310,750                  | 259,822                 |
| <b>Total equity</b>   |              | <b>45,589,843</b>        | <b>44,862,974</b>       |
| <b>Non-current liabilities</b>                                    |              |                          |                         |
| Loans and borrowings  | 22           | 31,983,035               | 29,076,926              |
| Trade and other payables  | 23           | 76,291                   | 90,404                  |
| Advances from customers   | 24           | 530,111                  | 618,436                 |
| Employee benefits   |              | 2,388,087                | 1,950,777               |
| Deferred tax liabilities  |              | 4,973,922                | 5,129,281               |
| <b>Total non-current liabilities</b>                              |              | <b>39,951,446</b>        | <b>36,865,824</b>       |
| <b>Current liabilities</b>  |              |                          |                         |
| Loans and borrowings  | 22           | 11,068,937               | 11,312,750              |
| Trade and other payables  | 23           | 9,955,491                | 12,640,420              |
| Advances from customers   | 24           | 2,165,977                | 1,626,437               |
| Provisions  |              | 903,280                  | 812,931                 |
| Current income tax liabilities                                    |              | 1,183                    | 4,129                   |
| <b>Total current liabilities</b>                                  |              | <b>24,094,868</b>        | <b>26,396,667</b>       |
| <b>Total liabilities</b>  |              | <b>64,046,314</b>        | <b>63,262,491</b>       |
| <b>Total equity and liabilities</b>                               |              | <b>109,636,157</b>       | <b>108,125,465</b>      |

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 nine months ended 30 September 2019 (unaudited)**  
*In thousand of Russian rubles, unless otherwise stated*

|  |              | <b>For the nine months ended 30 September</b> |                        |
|--|--------------|---|------------------------|
|  | <b>Notes</b> | <b>2019</b>                                   | <b>2018 (restated)</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |   |                        |
| Profit before income tax   |              | <b>2,745,984</b>                              | <b>3,152,501</b>       |
| <i>Adjustments for:</i>  |              |   |                        |
| Depreciation and amortization of fixed assets, right-of-use assets and intangible assets     | 10,13,14,15  | 8,087,781                                     | 7,402,736              |
| Finance costs  | 11           | 2,745,830                                     | 2,573,497              |
| Finance income   | 11           | (117,558)                                     | (108,798)              |
| Gain/loss on disposal of property, plant and equipment                                       |              | (1,031)                                       | 10,339                 |
| Accrual of allowance for expected credit losses, net   | 10           | 563,509                                       | 894,944                |
| Bad debt write-off   |              | 27,675  | 2,131                  |
| Accrual of provisions  | 10           | 237,852                                       | 548,175                |
| Other non-cash transactions  |              | 43,276  | 54                     |
| <b>Total impact of adjustments</b>   |              | <b>11,587,334</b>                             | <b>11,323,078</b>      |
| Change in assets related to employee benefits plans  |              | 18,086  | 8,143                  |
| Change in employee benefit liabilities   |              | (101,590)                                     | (130,994)              |
| <b>Cash flows from operating activities before changes in working capital and provisions</b> |              | <b>14,249,814</b>                             | <b>14,352,728</b>      |
| <i>Changes in working capital and provisions:</i>  |              |   |                        |
| Change in trade and other receivables  |              | (1,951,261)                                   | 100,264                |
| Change in advances given and other assets  |              | (88,457)                                      | 123,572                |
| Change in inventories  |              | 14,691  | (672,049)              |
| Change in trade and other payables   |              | (2,479,840)                                   | (82,767)               |
| Change in advances from customers  |              | 451,215                                       | (297,241)              |
| Change in provisions   |              | (147,503)                                     | (189,450)              |
| <b>Cash flows from operating activities before income taxes and interest paid</b>            |              | <b>10,048,659</b>                             | <b>13,335,057</b>      |
| Income tax paid  |              | (841,703)                                     | (1,376,814)            |
| Interest on the lease liability paid   |              | (154,215)                                     | (576)                  |
| Interest paid  |              | (2,485,869)                                   | (2,420,751)            |
| <b>Net cash flows received from operating activities</b>                                     |              | <b>6,566,872</b>                              | <b>9,536,916</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |              |   |                        |
| Acquisition of property, plant and equipment and intangible assets                           |              | (6,816,008)                                   | (7,900,627)            |
| Proceeds from the sale of property, plant and equipment and intangible assets                |              | 7,084   | 7,690                  |
| Interest received  |              | 71,949  | 47,868                 |
| Dividends received   |              | 14,436  | 14,419                 |
| <b>Net cash flows used in investing activities</b>   |              | <b>(6,722,539)</b>                            | <b>(7,830,650)</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |              |   |                        |
| Proceeds from loans and borrowings   | 22           | 15,095,125                                    | 90,970,384             |
| Repayment of loans and borrowings  | 22           | (14,180,125)                                  | (92,953,545)           |
| Dividends paid   |              | (865,001)                                     | (867,981)              |
| Repayment of finance lease liabilities   |              | (151,936)                                     | (1,130)                |
| <b>Net cash flows used in financing activities</b>   |              | <b>(101,937)</b>                              | <b>(2,852,272)</b>     |
| <b>Net decrease in cash and cash equivalents</b>   |              | <b>(257,604)</b>                              | <b>(1,146,006)</b>     |
| <b>Cash and cash equivalents at the beginning of period</b>                                  |              | <b>787,053</b>                                | <b>1,362,307</b>       |
| <b>Cash and cash equivalents at the end of period</b>  | 19           | <b>529,449</b>                                | <b>216,301</b>         |

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 nine months ended 30 September 2019 (unaudited)**  
*In thousand of Russian rubles, unless otherwise stated*

|  | Attributable to equity holders of the Company |               |                   |                   | Total       | Non-controlling interest | Total equity |
|--|---|---------------|-------------------|-------------------|-------------|--------------------------|--------------|
|  | Notes   | Share capital | Reserves          | Retained earnings |             |                          |              |
| <b>Balance at 1 January 2019</b>                 |   | 4,221,794     | (199,285)         | 40,580,643        | 44,603,152  | 259,822                  | 44,862,974   |
| Profit for the period                            |   | -             | -                 | 1,923,632         | 1,923,632   | 50,928                   | 1,974,560    |
| Other comprehensive income                       |   | -             | (414,730)         | -                 | (414,730)   | -                        | (414,730)    |
| Related income tax                               |   | -             | 37,993            | -                 | 37,993      | -                        | 37,993       |
| <b>Total comprehensive income for the period</b> |   | -             | (376,737)         | 1,923,632         | 1,546,895   | 50,928                   | 1,597,823    |
| <b>Transactions with owners</b>                  |   |               |                   |                   |             |                          |              |
| Dividends  | 20  | -             | -                 | (876,162)         | (876,162)   | -                        | (876,162)    |
| Other  | 20  | -             | -                 | 5,208             | 5,208       | -                        | 5,208        |
| <b>Total contributions and payments</b>          |   | -             | -                 | (870,954)         | (870,954)   | -                        | (870,954)    |
| <b>Balance at 30 September 2019</b>              |   | 4,221,794     | (576,022)         | 41,633,321        | 45,279,093  | 310,750                  | 45,589,843   |
|  |   |               |                   |                   |             |                          |              |
|  | Attributable to equity holders of the Company |               |                   |                   | Total       | Non-controlling interest | Total equity |
| Notes  | Share capital                                 | Reserves      | Retained earnings |                   |             |                          |              |
| <b>Balance at 31 December 2017</b>               |   | 4,221,794     | (318,735)         | 40,060,231        | 43,963,290  | 199,225                  | 44,162,515   |
| Impact of recount                                | 2(d)  | -             | -                 | (1,543,353)       | (1,543,353) | -                        | (1,543,353)  |
| <b>Balance at 1 January 2018 (restated)</b>      |   | 4,221,794     | (318,735)         | 38,516,878        | 42,419,937  | 199,225                  | 42,619,162   |
| Profit for the period                            |   | -             | -                 | 2,080,811         | 2,080,811   | 42,477                   | 2,123,288    |
| Other comprehensive income                       |   | -             | 296,914           | -                 | 296,914     | -                        | 296,914      |
| Related income tax                               |   | -             | (29,427)          | -                 | (29,427)    | -                        | (29,427)     |
| <b>Total comprehensive income for the period</b> |   | -             | 267,487           | 2,080,811         | 2,348,298   | 42,477                   | 2,390,775    |
| <b>Transactions with owners</b>                  |   |               |                   |                   |             |                          |              |
| Dividends  | 20  | -             | -                 | (879,028)         | (879,028)   | -                        | (879,028)    |
| Other  | 20  | -             | -                 | 7,548             | 7,548       | -                        | 7,548        |
| <b>Total contributions and payments</b>          |   | -             | -                 | (871,480)         | (871,480)   | -                        | (871,480)    |
| <b>Balance at 30 September 2018 (restated)</b>   |   | 4,221,794     | (51,248)          | 39,726,209        | 43,896,755  | 241,702                  | 44,138,457   |

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 2nd Yamskaya St., 4, Moscow, 127018, Russia.

The Company's de facto address is 2nd Yamskaya St., 4, Moscow, 127018, 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 Centre and Volga region" (hereafter PJSC "IDGC of Centre 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 Centre 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 Centre and Volga region". The Company exercises the rights and carries out the duties of the sole Executive body of PJSC "IDGC of Centre 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 Centre and Volga region".

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

### **(b) Russian business environment**

The Group's operations are located in the Russian Federation.

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by the market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries, which resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is responding appropriately to support the sustainability of the Group's business in the current circumstances.

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

## **1 Background (continued)**

### **(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 September 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. As at 31 December 2018, 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 three and nine months ended 30 September 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting". These consolidated interim condensed financial statements should be read in conjunction with consolidated financial statements as at 31 December 2018 that have been prepared in accordance with International Financial Reporting Standards (IFRS).

### **(b) Use of estimates and professional judgments**

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.

The key estimates and judgments used by the Group in preparing the consolidated interim condensed financial statements are consistent with those described in the audited consolidated financial statements for the year ended 31 December 2018, with the exception of estimates and judgments used in connection with the entry into force of IFRS 16 Leases.

The management continuously reviews estimates and assumptions made based on experience and other factors that were used to determine the book value of assets and liabilities. Changes in estimates and assumptions are recognized in the period in which they were taken if the change affects only that period or are recognized in the period to which the change relates and in subsequent periods if the change affects both the given and for future periods.

### **(c) Change in presentation**

#### ***Reclassification of comparative date***

In the reporting period, the Group changed the presentation of certain amounts to provide more exact information in the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income. To ensure comparability, reclassifications were made to the previous reporting period:

## 2 Basis of preparation of consolidated financial statements (continued)

- long-term and short-term advances from customers (contract obligations) previously disclosed in the note "Trade and other payables" are presented separately in the consolidated statement of financial position;
- advances given and other non-financial assets previously disclosed in the note "Trade and other receivables" are separated into individual items "Advances given and other non-current assets", "Advances given and other current assets" in the consolidated statement of financial position;
- other income and other expenses previously disclosed in the note "Net other income" are separated into individual items in the consolidated statement of profit or loss and other comprehensive income;
- allowance for expected credit losses previously disclosed in the note "Operating expenses" are separated into individual item in the consolidated statement of profit or loss and other comprehensive income.

### (d) Retrospective restatement

From 1 January 2018, the Group has changed its accounting treatment for initial measurement of the gratuitously received items of property, plant and equipment and subject to recognition in the statement of financial position in accordance with the requirements of the industry and Federal regulations to ensure reliable and uninterrupted power supply and maintenance of power grid facilities in proper conditions.

Previously, the Group recognised such items of property, plant and equipment in the statement of financial position at deemed cost which was based on independent measurement of the fair value of such items and recognised as income in the consolidated statement of profit or loss and other comprehensive income. Based on the technical condition of the items, the Group has recognised similar items of property, plant and equipment in the amount of actual expenditure since 1 January 2018. The Group applied this change in the accounting policies retrospectively.

In the Consolidated Interim Condensed Financial Statements for the three and nine months, ended 30 September 2019, the Group also made a retrospective restatement of deferred tax in respect of allowance for impairment of accounts receivable and for the reserve established in court proceedings in connection with the recognition of permanent tax differences and recalculation of the amount of deferred tax.

The effect of the restatement on these Consolidated Interim Condensed Financial Statements, as well as the results of the retrospective restatement of indicators related to the previous reporting periods, is as follows:

### Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2018

| <b>For the nine months ended 30 September 2018</b>   | <b>As previously reported</b> | <b>Effect of change</b> | <b>As restated</b> |
|--|-------------------------------|-------------------------|--------------------|
| <b>Profit before income tax</b>  | <b>3,038,479</b>              | <b>114,022</b>          | <b>3,152,501</b>   |
| Depreciation and amortization  | 7,516,758                     | (114,022)               | 7,402,736          |
| <b>Cash flows from operating activities before changes in working capital and provisions</b> | <b>14,352,728</b>             | <b>-</b>                | <b>14,352,728</b>  |
| <b>Cash flows from operating activities before income taxes and interest paid</b>            | <b>13,335,057</b>             | <b>-</b>                | <b>13,335,057</b>  |

## 2 Basis of preparation of consolidated financial statements (continued)

### Consolidated Interim Condensed Statement of profit or loss and other comprehensive income for the three and nine months ended 30 September 2018

|   | As previously reported                       |   | Effect of change                             |   | As restated                                  |   |
|---|--|---|--|---|--|---|
|   | For the three months ended 30 September 2018 | For the nine months ended 30 September 2018 | For the three months ended 30 September 2018 | For the nine months ended 30 September 2018 | For the three months ended 30 September 2018 | For the nine months ended 30 September 2018 |
| Revenue   | 21,673,950                                   | 68,429,532                                  | -  | -   | 21,673,950                                   | 68,429,532                                  |
| Operating expenses  | (20,676,793)                                 | (62,844,185)                                | 37,548                                       | 114,022                                     | (20,639,245)                                 | (62,730,163)                                |
| Accrual of allowance for expected credit losses               | (568,540)                                    | (894,944)                                   | -  | -   | (568,540)                                    | (894,944)                                   |
| Other income  | 318,270                                      | 828,707                                     | -  | -   | 318,270                                      | 828,707                                     |
| Other expenses  | (10,249)                                     | (15,932)                                    | -  | -   | (10,249)                                     | (15,932)                                    |
| <b>Result from operating activities</b>                       | <b>736,638</b>                               | <b>5,503,178</b>                            | <b>37,548</b>                                | <b>114,022</b>                              | <b>774,186</b>                               | <b>5,617,200</b>                            |
| Finance income  | 5,808  | 108,798                                     | -  | -   | 5,808  | 108,798                                     |
| Finance costs   | (802,814)                                    | (2,573,497)                                 | -  | -   | (802,814)                                    | (2,573,497)                                 |
| <b>Total financial costs</b>                                  | <b>(797,006)</b>                             | <b>(2,464,699)</b>                          | <b>-</b>                                     | <b>-</b>                                    | <b>(797,006)</b>                             | <b>(2,464,699)</b>                          |
| <b>Profit/(loss) before income tax</b>                        | <b>(60,368)</b>                              | <b>3,038,479</b>                            | <b>37,548</b>                                | <b>114,022</b>                              | <b>(22,820)</b>                              | <b>3,152,501</b>                            |
| Income tax expense  | (63,872)                                     | (999,567)                                   | (71,893)                                     | (29,646)                                    | (135,765)                                    | (1,029,213)                                 |
| <b>Profit/(loss) for the period</b>                           | <b>(124,240)</b>                             | <b>2,038,912</b>                            | <b>(34,345)</b>                              | <b>84,376</b>                               | <b>(158,585)</b>                             | <b>2,123,288</b>                            |
| <b>Other comprehensive income/(cost) for the period</b>       | <b>71,119</b>                                | <b>2,306,399</b>                            | <b>(34,345)</b>                              | <b>84,376</b>                               | <b>36,774</b>                                | <b>2,390,775</b>                            |
| <b>Profit/(loss) attributable to:</b>                         |  |   |  |   |  |   |
| Equity holders of the Company                                 | (134,701)                                    | 1,996,435                                   | (34,345)                                     | 84,376                                      | (169,046)                                    | 2,080,811                                   |
| Non-controlling interests                                     | 10,461                                       | 42,477                                      | -  | -   | 10,461                                       | 42,477                                      |
| <b>Total comprehensive income/(cost) attributable to:</b>     |  |   |  |   |  |   |
| Equity holders of the Company                                 | 60,658                                       | 2,263,922                                   | (34,345)                                     | 84,376                                      | 26,313                                       | 2,348,298                                   |
| Non-controlling interests                                     | 10,461                                       | 42,477                                      | -  | -   | 10,461                                       | 42,477                                      |
| <b>Earnings/(loss) per share</b>                              |  |   |  |   |  |   |
| Basic and diluted earnings/(loss) per ordinary share (in RUB) | (0.003)                                      | 0.047                                       | (0.001)                                      | 0.002                                       | (0.004)                                      | 0.049                                       |

## 2 Basis of preparation of consolidated financial statements (continued)

### Consolidated Interim Condensed Statement of Financial Position as at 30 September 2018

| 30 September 2018                    | As previously<br>reported | Effect of change   | As restated        |
|--------------------------------------|---------------------------|--------------------|--------------------|
| Property, plant and equipment        | 86,477,481                | (973,335)          | 85,504,146         |
| <b>Total non-current assets</b>      | <b>90,567,051</b>         | <b>(973,335)</b>   | <b>89,593,716</b>  |
| <b>Total assets</b>                  | <b>104,770,056</b>        | <b>(973,335)</b>   | <b>103,796,721</b> |
| Retained earnings                    | 41,185,186                | (1,458,977)        | 39,726,209         |
| <b>Total equity</b>                  | <b>45,597,434</b>         | <b>(1,458,977)</b> | <b>44,138,457</b>  |
| Deferred tax liabilities             | 4,657,239                 | 485,642            | 5,142,881          |
| <b>Total non-current liabilities</b> | <b>41,566,164</b>         | <b>485,642</b>     | <b>42,051,806</b>  |
| <b>Total equity and liabilities</b>  | <b>104,770,056</b>        | <b>(973,335)</b>   | <b>103,796,721</b> |

## 3 Significant accounting policies

The key elements of the accounting policies and accounting methods used by the Group are consistent with described in the audited consolidated financial statements for the year ended 31 December 2018, except for the effect of the application of IFRS 16 Leases effective 1 January 2019, as described below.

### (a) IFRS 16 Leases

The new standard, issued in 2016, replaces the previous leases standard, IAS 17 Leases, and the related interpretations; IFRS 16 Leases eliminates the classification of leases as either operating leases or finance leases thus establishing a single lessee accounting model.

The contract as a whole or its individual components is a lease if the contract transfers the right to control the use of the identified asset for a certain period in exchange for compensation.

Right-of-use assets are initially measured at cost and depreciated to the earlier of the useful life of the right-of-use asset or the end date of lease term. The initial cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, lease payments made at or before the commencement of the lease, and initial direct costs. After recognition, the right-to-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. Rights-of-use assets are presented in the statement of financial position as a separate item.

Lease liability shall be measured initially at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortized cost with recognition of interest costs as the component of finance costs in the consolidated statement of profit or loss and other comprehensive income. Lease liabilities are presented in the statement of financial position under Loans and borrowings (long-term and short-term).

In respect of a separate lease agreement, it may be decided to qualify the contract as a lease for which the underlying asset is of low value. Lease payments under such a contract will be recognized on a straight-line basis over the lease term.

### 3 Significant accounting policies (continued)

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

In determining the lease term, the Group considers the following factors:

- whether the leased object is a specialized;
- location of the object;
- the presence of the Group and the lessor's practical ability to select an alternative contractor (for the selection of alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- the presence of significant improvements to the leased facilities.

The main objects of the Group's lease are power grid facilities (power transmission networks, power transmission equipment, etc.) and lands. The group also leases non-residential real estate and vehicles.

The group applied a modified retrospective approach, which implies a reflection of the cumulative effect of the initial application of the standard at the date of initial application as at January 1, 2019. The weighted average rate of additional borrowing, applied to lease liabilities recognized in the statement of financial position at the date of initial application was 9.74%.

The effect of the initial application of IFRS 16 Leases has had the following effects on the Group's assets and liabilities:

|                              | <b>As at 1 January 2019</b> |
|------------------------------|-----------------------------|
| <i>Assets</i>                |                             |
| Right-of-use assets          | 2,300,692                   |
| Trade and other receivables  | (35,349)                    |
| <i>Liabilities</i>           |                             |
| Long-term lease liabilities  | 2,058,189                   |
| Short-term lease liabilities | 223,620                     |
| Trade and other payables     | (16,466)                    |

Reconciliation between the contractual obligations under operating leases, disclosed in accordance with IFRS (IAS) 17 on 31 December 2018 and the lease obligation recognized in the statement of financial position on 1 January 2019 in accordance with IFRS (IFRS) 16 Leases is presented below.

|  | <b>As at 1 January 2019</b> |
|--|-----------------------------|
| Operating lease liabilities as at 31 December 2018 disclosed in the consolidated financial statements of the Group | 5,097,924                   |
| Exemption for the recognition of short-term leases   | (1,644)                     |
| Effect of discounting  | (2,820,540)                 |
| Finance lease liabilities recognized as at 31 December 2018  | 696                         |
| Other factors  | 6,069                       |
| <b>Lease liabilities recognized as at 1 January 2019</b>   | <b>2,282,505</b>            |

### **3 Significant accounting policies (continued)**

Except for the changes in accounting policies described in sections 2 (d) and 3 (a), the following amendments and explanations, effective 1 January 2019, have no effect on these consolidated interim condensed financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IFRS 3 Business Combinations;
- Amendments to IFRS11 Joint Arrangements;
- Amendments to IAS 12 Income Taxes – Tax consequences of payments for Financial Instruments classified as Equity;
- Amendments to IAS 23 Borrowing Costs;
- Amendments to IAS 28 Long-term interests in associates and joint ventures;
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement.

The following new standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2020 and have not been applied by the Group ahead of schedule:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 3 Business Combinations;
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In March 2018, the IASB issued a new version of the Conceptual framework for financial reporting. The new version is mandatory from the annual periods after 1 January, 2020.

The Group is currently analyzing the impact of the revised Conceptual framework and new standards and interpretations on the consolidated financial statements.

### **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 has occurred.

## 5 Significant subsidiaries

|                                       | Country of incorporation | 30 September 2019       | 31 December 2018        |
|---------------------------------------|--------------------------|-------------------------|-------------------------|
|                                       |                          | Ownership/voiting,<br>% | Ownership/voiting,<br>% |
| JSC “Sanatorium “Energetic”           | Russian Federation       | 100                     | 100                     |
| JSC “Yaroslavl Electric Grid Company” | Russian Federation       | 51                      | 51                      |

At the Subsidiary’s annual shareholders meeting JCS “Yaroslavl Electric Grid Company” held on 28 June 2019 the decision was made not to pay dividends on ordinary shares for the year 2018.

At the Subsidiary’s annual shareholders meeting JCS “Sanatorium “Energetic” held on 28 June 2019 the decision was made to distribute the Subsidiary’s profit for the year 2018 to dividends in the amount of RUB 128,6 thousand and to pay dividends for the year 2018 in the amount of RUB 0.00837474 per ordinary share in cash.

## 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. EBITDA is calculated as profit or loss before interest expenses, taxation and depreciation. 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.

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 Tambovenrgo, 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 September 2019:

|  | Belgorod<br>energo | Bryansk<br>energo | Voronezh<br>energo | Kostroma<br>energo | Kursk<br>energo  | Lipetsk<br>energo | Orel<br>energo   | Smolensk<br>energo | Tambov<br>energo | Tver<br>energo   | Yar<br>energo    | Others         | Total             |
|--|--------------------|-------------------|--------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|------------------|------------------|----------------|-------------------|
| Revenue from external customers          | 3,142,969          | 1,270,668         | 3,539,950          | 1,240,558          | 1,800,635        | 2,130,522         | 1,108,587        | 1,677,048          | 1,432,958        | 2,506,379        | 2,209,452        | 59,988         | 22,119,714        |
| Inter-segment revenue                    | —                  | —                 | —                  | —                  | —                | —                 | —                | —                  | —                | —                | 148              | 122,203        | 122,351           |
| <b>Segment revenue</b>                   | <b>3,142,969</b>   | <b>1,270,668</b>  | <b>3,539,950</b>   | <b>1,240,558</b>   | <b>1,800,635</b> | <b>2,130,522</b>  | <b>1,108,587</b> | <b>1,677,048</b>   | <b>1,432,958</b> | <b>2,506,379</b> | <b>2,209,600</b> | <b>182,191</b> | <b>22,242,065</b> |
| Including                                |                    |                   |                    |                    |                  |                   |                  |                    |                  |                  |                  |                |                   |
| <i>Electricity transmission</i>          | 3,005,532          | 1,245,449         | 3,342,708          | 1,218,835          | 1,709,518        | 2,063,810         | 1,093,024        | 1,649,301          | 1,410,953        | 2,378,174        | 2,148,202        | 120,448        | 21,385,954        |
| <i>Technological connection services</i> | 75,516             | 15,999            | 150,138            | 8,733              | 77,963           | 32,122            | 5,792            | 6,581              | 3,910            | 5,030            | 38,656           | 225            | 420,665           |
| <i>Sale of electricity and capacity</i>  | —                  | —                 | —                  | —                  | —                | —                 | —                | —                  | —                | 107,778          | —                | —              | 107,778           |
| <i>Other revenue</i>                     | 61,921             | 9,220             | 47,104             | 12,990             | 13,154           | 34,590            | 9,771            | 21,166             | 18,095           | 15,397           | 22,742           | 61,518         | 327,668           |
| <b>EBITDA</b>                            | <b>1,044,292</b>   | <b>133,253</b>    | <b>727,767</b>     | <b>134,194</b>     | <b>339,346</b>   | <b>446,063</b>    | <b>157,810</b>   | <b>241,996</b>     | <b>110,195</b>   | <b>698,206</b>   | <b>(95,034)</b>  | <b>69,754</b>  | <b>4,007,842</b>  |

**6 Information about segments (continued)**

For the three months ended 30 September 2018:

|  | Belgorod<br>energo | Bryansk<br>energo | Voronezh<br>energo | Kostroma<br>energo | Kursk<br>energo  | Lipetsk<br>energo | Orel<br>energo   | Smolensk<br>energo | Tambov<br>energo | Tver<br>energo   | Yar<br>energo    | Others         | Total             |
|--|--------------------|-------------------|--------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|------------------|------------------|----------------|-------------------|
| Revenue from external customers          | 3,364,612          | 1,153,435         | 3,262,714          | 1,208,195          | 1,734,030        | 2,054,103         | 1,072,058        | 1,684,973          | 1,390,359        | 2,497,515        | 2,118,897        | 133,399        | 21,674,290        |
| Inter-segment revenue                    | –                  | –                 | –                  | –                  | –                | –                 | –                | –                  | –                | –                | 428              | 107,709        | 108,137           |
| <b>Segment revenue</b>                   | <b>3,364,612</b>   | <b>1,153,435</b>  | <b>3,262,714</b>   | <b>1,208,195</b>   | <b>1,734,030</b> | <b>2,054,103</b>  | <b>1,072,058</b> | <b>1,684,973</b>   | <b>1,390,359</b> | <b>2,497,515</b> | <b>2,119,325</b> | <b>241,108</b> | <b>21,782,427</b> |
| Including                                |                    |                   |                    |                    |                  |                   |                  |                    |                  |                  |                  |                |                   |
| <i>Electricity transmission</i>          | 2,962,699          | 1,134,773         | 3,185,853          | 1,183,240          | 1,665,371        | 2,020,066         | 1,048,832        | 1,646,681          | 1,366,633        | 2,371,181        | 2,043,991        | 106,298        | 20,735,618        |
| <i>Technological connection services</i> | 249,844            | 960               | 20,032             | 13,409             | 55,465           | 6,179             | 12,232           | 14,234             | 9,716            | 7,416            | 44,604           | 103            | 434,194           |
| <i>Sale of electricity and capacity</i>  | –                  | –                 | –                  | –                  | –                | –                 | –                | –                  | –                | 103,384          | –                | –              | 103,384           |
| <i>Other revenue</i>                     | 152,069            | 17,702            | 56,829             | 11,546             | 13,194           | 27,858            | 10,994           | 24,058             | 14,010           | 15,534           | 30,730           | 134,707        | 509,231           |
| <b>EBITDA</b>                            | <b>852,777</b>     | <b>111,464</b>    | <b>561,566</b>     | <b>163,321</b>     | <b>256,797</b>   | <b>341,120</b>    | <b>111,490</b>   | <b>228,708</b>     | <b>243,780</b>   | <b>(260,394)</b> | <b>472,825</b>   | <b>47,438</b>  | <b>3,130,892</b>  |

## 6 Information about segments (continued)

For the nine months ended 30 September 2019:

|  | Belgorod<br>energy | Bryansk<br>energy | Voronezh<br>energy | Kostroma<br>energy | Kursk<br>energy  | Lipetsk<br>energy | Orel<br>energy   | Smolensk<br>energy | Tambov<br>energy | Tver<br>energy   | Yar<br>energy    | Others         | Total             |
|--|--------------------|-------------------|--------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|------------------|------------------|----------------|-------------------|
| Revenue from external customers          | 9,170,002          | 3,966,820         | 10,625,993         | 3,881,034          | 5,429,866        | 6,627,679         | 3,418,779        | 5,500,277          | 4,749,548        | 8,089,211        | 7,093,620        | 137,162        | 68,689,991        |
| Inter-segment revenue                    | —                  | —                 | —                  | —                  | —                | —                 | —                | —                  | —                | —                | 541              | 379,288        | 379,829           |
| <b>Segment revenue</b>                   | <b>9,170,002</b>   | <b>3,966,820</b>  | <b>10,625,993</b>  | <b>3,881,034</b>   | <b>5,429,866</b> | <b>6,627,679</b>  | <b>3,418,779</b> | <b>5,500,277</b>   | <b>4,749,548</b> | <b>8,089,211</b> | <b>7,094,161</b> | <b>516,450</b> | <b>69,069,820</b> |
| Including                                |                    |                   |                    |                    |                  |                   |                  |                    |                  |                  |                  |                |                   |
| <i>Electricity transmission</i>          | 8,831,865          | 3,896,735         | 10,318,416         | 3,815,058          | 5,269,964        | 6,443,160         | 3,371,749        | 5,410,972          | 4,423,632        | 7,637,317        | 6,925,729        | 373,421        | 66,718,018        |
| <i>Technological connection services</i> | 111,781            | 31,118            | 171,595            | 16,146             | 94,543           | 67,531            | 12,116           | 19,347             | 278,192          | 28,297           | 97,938           | 528            | 929,132           |
| <i>Sale of electricity and capacity</i>  | —                  | —                 | —                  | —                  | —                | —                 | —                | —                  | —                | 374,070          | —                | —              | 374,070           |
| <i>Other revenue</i>                     | 226,356            | 38,967            | 135,982            | 49,830             | 65,359           | 116,988           | 34,914           | 69,958             | 47,724           | 49,527           | 70,494           | 142,501        | 1,048,600         |
| <b>EBITDA</b>                            | <b>2,544,797</b>   | <b>645,077</b>    | <b>1,851,107</b>   | <b>690,268</b>     | <b>824,686</b>   | <b>882,225</b>    | <b>477,869</b>   | <b>976,142</b>     | <b>1,063,212</b> | <b>1,667,773</b> | <b>1,018,832</b> | <b>194,048</b> | <b>12,836,036</b> |

## 6 Information about segments (continued)

For the nine months ended 30 September 2018:

|  | Belgorod<br>energo | Bryansk<br>energo | Voronezh<br>energo | Kostroma<br>energo | Kursk<br>energo  | Lipetsk<br>energo | Orel<br>energo   | Smolensk<br>energo | Tambov<br>energo | Tver<br>energo   | Yar<br>energo    | Others         | Total             |
|--|--------------------|-------------------|--------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|------------------|------------------|----------------|-------------------|
| Revenue from external customers          | 9,755,065          | 3,752,324         | 10,292,295         | 3,847,329          | 5,415,665        | 6,569,857         | 3,339,844        | 5,573,716          | 4,401,546        | 8,056,976        | 7,209,970        | 215,285        | 68,429,872        |
| Inter-segment revenue                    | —                  | —                 | —                  | —                  | —                | —                 | —                | —                  | —                | —                | 1,434            | 337,932        | 339,366           |
| <b>Segment revenue</b>                   | <b>9,755,065</b>   | <b>3,752,324</b>  | <b>10,292,295</b>  | <b>3,847,329</b>   | <b>5,415,665</b> | <b>6,569,857</b>  | <b>3,339,844</b> | <b>5,573,716</b>   | <b>4,401,546</b> | <b>8,056,976</b> | <b>7,211,404</b> | <b>553,217</b> | <b>68,769,238</b> |
| Including                                |                    |                   |                    |                    |                  |                   |                  |                    |                  |                  |                  |                |                   |
| <i>Electricity transmission</i>          | 9,073,572          | 3,695,600         | 10,073,344         | 3,778,139          | 5,133,724        | 6,432,501         | 3,298,782        | 5,398,067          | 4,302,575        | 7,574,246        | 6,957,444        | 332,063        | 66,052,057        |
| <i>Technological connection services</i> | 369,597            | 23,346            | 90,328             | 32,911             | 248,104          | 51,307            | 13,617           | 94,152             | 59,689           | 59,475           | 172,729          | 550            | 1,215,805         |
| <i>Sale of electricity and capacity</i>  | —                  | —                 | —                  | —                  | —                | —                 | —                | —                  | —                | 381,773          | —                | —              | 381,773           |
| <i>Other revenue</i>                     | 311,896            | 33,378            | 126,623            | 36,279             | 33,837           | 86,049            | 27,445           | 81,497             | 39,282           | 41,482           | 81,231           | 220,604        | 1,119,603         |
| <b>EBITDA</b>                            | <b>2,504,165</b>   | <b>669,258</b>    | <b>1,979,385</b>   | <b>799,848</b>     | <b>935,941</b>   | <b>1,304,358</b>  | <b>434,445</b>   | <b>1,144,105</b>   | <b>966,887</b>   | <b>(110,061)</b> | <b>1,862,400</b> | <b>160,751</b> | <b>12,651,482</b> |

**6 Information about segments (continued)**

30 September 2019:

|  | Belgorod   | Bryansk   | Voronezh   | Kostroma  | Kursk     | Lipetsk    | Orel      | Smolensk  | Tambov    | Tver       | Yar        | Total       |
|--|------------|-----------|------------|-----------|-----------|------------|-----------|-----------|-----------|------------|------------|-------------|
|  | energo     | energo    | energo     | energo    | energo    | energo     | energo    | energo    | energo    | energo     | energo     |             |
| <b>Segments assets</b>   | 24,856,511 | 5,313,404 | 13,687,282 | 6,933,760 | 7,300,429 | 16,093,169 | 4,165,526 | 7,655,368 | 6,187,988 | 11,586,878 | 16,062,756 | 121,942,852 |
| Including property, plant and equipment and construction in progress | 23,000,345 | 4,614,446 | 11,351,297 | 5,959,238 | 5,950,385 | 13,630,046 | 3,572,146 | 6,550,341 | 4,288,950 | 9,071,690  | 11,136,798 | 99,823,869  |

31 December 2018:

|  | Belgorod   | Bryansk   | Voronezh   | Kostroma  | Kursk     | Lipetsk    | Orel      | Smolensk  | Tambov    | Tver       | Yar        | Total       |
|--|------------|-----------|------------|-----------|-----------|------------|-----------|-----------|-----------|------------|------------|-------------|
|  | energo     | energo    | energo     | energo    | energo    | energo     | energo    | energo    | energo    | energo     | energo     |             |
| <b>Segment assets</b>  | 25,625,951 | 5,508,794 | 13,607,776 | 7,029,696 | 7,646,412 | 16,737,565 | 4,185,379 | 7,870,331 | 6,325,171 | 11,141,294 | 15,221,820 | 123,158,300 |
| Including property, plant and equipment and construction in progress | 23,712,163 | 4,695,334 | 11,536,025 | 6,104,301 | 6,249,496 | 14,208,731 | 3,576,415 | 6,659,461 | 4,399,114 | 8,886,188  | 11,368,806 | 101,981,616 |

## 6 Information about segments (continued)

### (b) The reconciliation of reportable segments EBITDA:

|   | For the three months<br>ended 30 September |                    | For the nine months ended<br>30 September |                    |
|---|--|--------------------|---|--------------------|
|   | 2019                                       | 2018<br>(restated) | 2019                                      | 2018<br>(restated) |
| <b>EBITDA of reportable segments</b>  | <b>4,007,842</b>                           | <b>3,130,892</b>   | <b>12,836,036</b>                         | <b>12,651,482</b>  |
| Discounting receivables   | 26,790                                     | 3,996              | 38,226                                    | 12,806             |
| Adjustment for lease  | 106,187                                    | 457                | 315,372                                   | 1,489              |
| Recognition of pension and other long-term liabilities to employees                         | (943)                                      | 16,081             | (16,948)                                  | 4,268              |
| Adjustment on assets related to employee benefit liabilities                                | (13,623)                                   | (49,402)           | (18,086)                                  | (8,143)            |
| Re-measurement of investments (transfer of revaluation to equity)                           | (1,926)                                    | 15,422             | (5,632)                                   | (9,538)            |
| Adjustment of the value of property, plant and equipment                                    | 3,182                                      | 264                | 2,692                                     | (320)              |
| Other adjustments   | 103,511                                    | 99,627             | 290,991                                   | 336,911            |
| <b>EBITDA</b>   | <b>4,231,020</b>                           | <b>3,217,337</b>   | <b>13,442,651</b>                         | <b>12,988,955</b>  |
| Depreciation and amortization   | (2,702,768)                                | (2,482,272)        | (8,087,781)                               | (7,402,736)        |
| Interest expenses on financial liabilities  | (807,852)                                  | (757,733)          | (2,454,671)                               | (2,433,142)        |
| Interest expenses on lease liabilities  | (50,367)                                   | (152)              | (154,215)                                 | (576)              |
| Income tax expense  | (178,188)                                  | (135,765)          | (771,424)                                 | (1,029,213)        |
| <b>Profit for the period per statement of profit or loss and other comprehensive income</b> | <b>491,845</b>                             | <b>(158,585)</b>   | <b>1,974,560</b>                          | <b>2,123,288</b>   |

## 7 Revenue

|                                   | For the three months ended<br>30 September |                   | For the nine months ended<br>30 September |                   |
|-----------------------------------|--|-------------------|---|-------------------|
|                                   | 2019                                       | 2018              | 2019                                      | 2018              |
| Electricity transmission          | 21,265,506                                 | 20,629,320        | 66,344,597                                | 65,719,994        |
| Technological connection services | 420,665                                    | 434,194           | 929,118                                   | 1,215,805         |
| Sale of electricity and capacity  | 107,778                                    | 103,384           | 374,070                                   | 381,773           |
| Other revenue                     | 325,835                                    | 507,052           | 1,042,276                                 | 1,111,960         |
|                                   | <b>22,119,784</b>                          | <b>21,673,950</b> | <b>68,690,061</b>                         | <b>68,429,532</b> |

Other revenues are comprised of repair and maintenance services, rental income and other.

Other revenue includes also revenue from performing the functions of the sole Executive body of PJSC "IDGC of Centre and Volga region" for the three and nine months ended 30 September 2019 in the amount of RUB 27,927 thousand and RUB 83,362 thousand (for the three and nine months ended 30 September 2018 in the amount of RUB 109,036 thousand and RUB 164,053 thousand).

## 8 Other income

|   | For the three months ended<br>30 September |                | For the nine months ended<br>30 September |                |
|---|--|----------------|---|----------------|
|   | 2019                                       | 2018           | 2019                                      | 2018           |
| Income from identified non-contracted electricity consumption     | 36,299                                     | 37,273         | 94,465                                    | 81,740         |
| Income in the form of fines and penalties on commercial contracts | 180,729                                    | 169,457        | 454,937                                   | 509,940        |
| Accounts payable write-off  | 6,711                                      | 9,932          | 67,604                                    | 26,596         |
| Other income  | 117,220                                    | 101,608        | 284,397                                   | 210,431        |
|   | <b>340,959</b>                             | <b>318,270</b> | <b>901,403</b>                            | <b>828,707</b> |

## 9 Other expenses

|   | For the three months ended<br>30 September |                 | For the nine months ended<br>30 September |                 |
|---|--|-----------------|---|-----------------|
|   | 2019                                       | 2018            | 2019                                      | 2018            |
| Loss on disposal of property, plant and equipment | (3,086)                                    | (10,249)        | (6,159)                                   | (15,932)        |
|   | <b>(3,086)</b>                             | <b>(10,249)</b> | <b>(6,159)</b>                            | <b>(15,932)</b> |

## 10 Operating expenses

|   | For the three months ended<br>30 September |                    | For the nine months ended<br>30 September |                    |
|---|--|--------------------|---|--------------------|
|   | 2019                                       | 2018<br>(restated) | 2019                                      | 2018<br>(restated) |
| Personnel costs   | 4,541,478                                  | 4,735,141          | 14,039,593                                | 14,189,729         |
| Depreciation and amortization   | 2,702,768                                  | 2,482,272          | 8,087,781                                 | 7,402,736          |
| <i>Material expenses, including:</i>  |  |                    |   |                    |
| Electricity for compensation of losses  | 2,947,594                                  | 2,597,827          | 10,741,602                                | 10,126,751         |
| Electricity for sale  | 92,048                                     | 88,071             | 322,967                                   | 335,746            |
| Purchased electricity and heat power for own needs  | 29,865                                     | 28,010             | 266,085                                   | 266,251            |
| Other material costs  | 972,040                                    | 1,139,243          | 2,348,253                                 | 2,407,241          |
| <i>Production work and services, including:</i>   |  |                    |   |                    |
| Electricity transmission services   | 7,431,517                                  | 7,395,094          | 22,784,296                                | 22,567,612         |
| Repair and maintenance services   | 191,386                                    | 194,815            | 424,291                                   | 412,382            |
| Other works and industrial services   | 192,214                                    | 191,508            | 450,093                                   | 410,475            |
| Taxes and levies other than income tax  | 523,727                                    | 475,388            | 1,577,921                                 | 1,427,102          |
| Short-term rent/Rent  | 399  | 113,494            | 1,893                                     | 346,200            |
| Insurance   | 34,776                                     | 36,953             | 106,245                                   | 108,741            |
| <i>Other third-party services, including:</i>   |  |                    |   |                    |
| Communication services  | 71,452                                     | 69,633             | 211,076                                   | 204,517            |
| Security services   | 76,107                                     | 77,568             | 227,955                                   | 228,095            |
| Consulting, legal and audit services  | 19,860                                     | 5,985              | 31,711                                    | 18,638             |
| Software costs and services   | 80,135                                     | 77,795             | 224,317                                   | 238,810            |
| Transportation services   | 8,452                                      | 7,331              | 22,570                                    | 16,573             |
| Other services  | 219,133                                    | 185,936            | 647,993                                   | 591,869            |
| Provisions  | 129,335                                    | 329,237            | 237,852                                   | 548,175            |
| Debt settlement for electricity transmission, electricity for sale, purchased electricity to compensate for losses and non-contracted consumption | (159,210)                                  | 166,956            | 369,803                                   | 311,349            |
| Other expenses  | 81,068                                     | 240,988            | 523,243                                   | 571,171            |
|   | <b>20,186,144</b>                          | <b>20,639,245</b>  | <b>63,647,540</b>                         | <b>62,730,163</b>  |

## 11 Finance income and costs

|   | For the three months ended<br>30 September |                  | For the nine months ended<br>30 September |                    |
|---|--|------------------|---|--------------------|
|   | 2019                                       | 2018             | 2019                                      | 2018               |
| <b>Finance income</b>   |  |                  |   |                    |
| Interest income on bank deposits and balances on bank accounts        | 7,971                                      | 1,804            | 71,895                                    | 47,868             |
| Dividends receivable  | 3  | 8                | 7,437                                     | 7,420              |
| Other finance income  | 26,790                                     | 3,996            | 38,226                                    | 53,510             |
|   | <b>34,764</b>                              | <b>5,808</b>     | <b>117,558</b>                            | <b>108,798</b>     |
| <b>Finance costs</b>  |  |                  |   |                    |
| Interest expenses on financial liabilities measured at amortized cost | (807,852)                                  | (757,733)        | (2,454,671)                               | (2,433,142)        |
| Interest expenses on lease liabilities                                | (50,367)                                   | (152)            | (154,215)                                 | (576)              |
| Interest expenses on long-term employee benefit liabilities           | (37,453)                                   | (39,553)         | (118,538)                                 | (126,726)          |
| Other finance costs   | (8,353)                                    | (5,376)          | (18,406)                                  | (13,053)           |
|   | <b>(904,025)</b>                           | <b>(802,814)</b> | <b>(2,745,830)</b>                        | <b>(2,573,497)</b> |

## 12 Income tax

|  | For the three months ended<br>30 September |                         | For the nine months ended<br>30 September |                         |
|--|--|-------------------------|---|-------------------------|
|  | 2019                                       | 2018 года<br>(restated) | 2019                                      | 2018 года<br>(restated) |
| <b>Current income tax</b>                      |  |                         |   |                         |
| Accrual of current tax                         | (304,649)                                  | (232,439)               | (975,928)                                 | (1,147,657)             |
| Adjustment of the tax for the previous periods | -  | 59,040                  | 87,138                                    | 95,817                  |
| <b>Total</b>                                   | <b>(304,649)</b>                           | <b>(173,399)</b>        | <b>(888,790)</b>                          | <b>(1,051,840)</b>      |
| Deferred income tax                            | 126,461                                    | 37,634                  | 117,366                                   | 22,627                  |
| <b>Income tax expense</b>                      | <b>(178,188)</b>                           | <b>(135,765)</b>        | <b>(771,424)</b>                          | <b>(1,029,213)</b>      |

The profit tax rate officially established by Russian legislation in 2019 and 2018 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.

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

## 12 Income tax (continued)

|  | For the three months ended 30 September |                    | For the nine months ended 30 September |                         |
|--|---|--------------------|--|-------------------------|
|  | 2019                                    | 2018<br>(restated) | 2019                                   | 2018 года<br>(restated) |
| Profit before income tax   | 670,033                                 | (22,820)           | 2,745,984                              | 3,152,501               |
| Income tax calculated at the applicable tax rate                     | (134,007)                               | 4,564              | (549,197)                              | (630,500)               |
| Tax effect of items not deductible/not taxable for taxation purposes | (44,181)                                | (199,369)          | (309,365)                              | (494,530)               |
| Adjustments for prior years  | -                                       | 59,040             | 87,138                                 | 95,817                  |
|  | <b>(178,188)</b>                        | <b>(135,765)</b>   | <b>(771,424)</b>                       | <b>(1,029,213)</b>      |

Income tax recognized in other comprehensive income:

|   | For the three months ended<br>30 September 2019 |               |                  | For the three months ended<br>30 September 2018 |                 |                |
|---|---|---------------|------------------|---|-----------------|----------------|
|   | Before tax                                      | Tax           | Net of tax       | Before tax                                      | Tax             | Net of tax     |
| Financial assets at fair value through other comprehensive income | 1,926   | (385)         | 1,541            | (15,422)  | 3,084           | (12,338)       |
| Remeasurements of the defined benefit liability                   | (124,175)                                       | 11,211        | (112,964)        | 229,603   | (21,906)        | 207,697        |
|   | <b>(122,249)</b>                                | <b>10,826</b> | <b>(111,423)</b> | <b>214,181</b>                                  | <b>(18,822)</b> | <b>195,359</b> |

|   | For the nine months ended<br>30 September 2019 |               |                  | For the nine months ended<br>30 September 2018 |                 |                |
|---|--|---------------|------------------|--|-----------------|----------------|
|   | Before tax                                     | Tax           | Net of tax       | Before tax                                     | Tax             | Net of tax     |
| Financial assets at fair value through other comprehensive income | 5,632  | (1,126)       | 4,506            | 9,538  | (1,908)         | 7,630          |
| Remeasurements of the defined benefit liability                   | (420,362)                                      | 39,119        | (381,243)        | 287,376  | (27,519)        | 259,857        |
|   | <b>(414,730)</b>                               | <b>37,993</b> | <b>(376,737)</b> | <b>296,914</b>                                 | <b>(29,427)</b> | <b>267,487</b> |

### 13 Property, plant and equipment

|   | Land and buildings  | Electricity transmission networks | Equipment for electricity transmission | Other               | Construction in progress | Total               |
|---|---------------------|-----------------------------------|--|---------------------|--------------------------|---------------------|
| <i>Cost/deemed cost</i>   |                     |                                   |  |                     |                          |                     |
| <b>At 1 January 2018</b>  | 36,484,045          | 64,105,627                        | 37,287,887                             | 20,421,418          | 3,890,860                | 162,189,837         |
| Reclassification between groups   | 246                 | 63                                | (309)                                  | -                   | -                        | -                   |
| Additions   | 8                   | 6,744                             | 380                                    | 1,807               | 7,940,913                | 7,949,852           |
| Transfer  | 1,019,317           | 2,811,219                         | 1,449,075                              | 1,393,960           | (6,673,571)              | -                   |
| Disposals   | (5,279)             | (11,924)                          | (13,869)                               | (96,243)            | (4,869)                  | (132,184)           |
| <b>At 30 September 2018</b>   | <b>37,498,337</b>   | <b>66,911,729</b>                 | <b>38,723,164</b>                      | <b>21,720,942</b>   | <b>5,153,333</b>         | <b>170,007,505</b>  |
| <i>Accumulated depreciation and impairment</i>                            |                     |                                   |  |                     |                          |                     |
| <b>At 1 January 2018</b>  | (14,430,538)        | (32,799,642)                      | (16,324,832)                           | (13,803,169)        | (197,724)                | (77,555,905)        |
| Reclassification between groups   | (70)                | (1)                               | 71                                     | -                   | -                        | -                   |
| Transfer to property, plant and equipment (transfer of impairment losses) | (16,674)            | (15,603)                          | (75,536)                               | (6,218)             | 114,031                  | -                   |
| Depreciation charge (restated)  | (1,165,402)         | (3,000,320)                       | (1,540,704)                            | (1,354,505)         | -                        | (7,060,931)         |
| Disposals   | 3,823               | 7,289                             | 9,056                                  | 93,230              | 79                       | 113,477             |
| <b>At 30 September 2018 (restated)</b>                                    | <b>(15,608,861)</b> | <b>(35,808,277)</b>               | <b>(17,931,945)</b>                    | <b>(15,070,662)</b> | <b>(83,614)</b>          | <b>(84,503,359)</b> |
| <i>Net book value</i>   |                     |                                   |  |                     |                          |                     |
| <b>At 1 January 2018</b>  | 22,053,507          | 31,305,985                        | 20,963,055                             | 6,618,249           | 3,693,136                | 84,633,932          |
| <b>At 30 September 2018 (restated)</b>                                    | 21,889,476          | 31,103,452                        | 20,791,219                             | 6,650,280           | 5,069,719                | 85,504,146          |

### 13 Property, plant and equipment (continued)

|   | Land and buildings  | Electricity transmission networks | Equipment for electricity transmission | Other               | Construction progress | Total               |
|---|---------------------|-----------------------------------|--|---------------------|-----------------------|---------------------|
| <i>Cost/deemed cost</i>   |                     |                                   |  |                     |                       |                     |
| <b>At 1 January 2019</b>  | <b>38,274,038</b>   | <b>68,988,195</b>                 | <b>39,527,879</b>                      | <b>24,088,027</b>   | <b>3,867,435</b>      | <b>174,745,574</b>  |
| Reclassification between groups   | (456)               | 366                               | (1,665)                                | 1,755               | -                     | -                   |
| Additions   | -                   | 4,031                             | 82                                     | -                   | 6,603,318             | 6,607,431           |
| Transfer  | 780,096             | 3,028,983                         | 858,695                                | 894,128             | (5,561,902)           | -                   |
| Disposals   | (867)               | (7,749)                           | (12,512)                               | (180,072)           | -                     | (201,200)           |
| <b>At 30 September 2019</b>   | <b>39,052,811</b>   | <b>72,013,826</b>                 | <b>40,372,479</b>                      | <b>24,803,838</b>   | <b>4,908,851</b>      | <b>181,151,805</b>  |
| <i>Accumulated depreciation and impairment</i>                            |                     |                                   |  |                     |                       |                     |
| <b>At 1 January 2019</b>  | <b>(16,001,193)</b> | <b>(36,857,256)</b>               | <b>(18,475,981)</b>                    | <b>(15,462,222)</b> | <b>(88,619)</b>       | <b>(86,885,271)</b> |
| Reclassification between groups   | -                   | 21                                | (22)                                   | 1                   | -                     | -                   |
| Transfer to property, plant and equipment (transfer of impairment losses) | (718)               | (2,716)                           | (867)                                  | (2,237)             | 6,538                 | -                   |
| Depreciation charge   | (1,214,019)         | (3,149,873)                       | (1,610,531)                            | (1,515,021)         | -                     | (7,489,444)         |
| Disposals   | 608                 | 6,059                             | 8,624                                  | 178,150             | 223                   | 193,664             |
| <b>At 30 September 2019</b>   | <b>(17,215,322)</b> | <b>(40,003,765)</b>               | <b>(20,078,777)</b>                    | <b>(16,801,329)</b> | <b>(81,858)</b>       | <b>(94,181,051)</b> |
| <i>Net book value</i>   |                     |                                   |  |                     |                       |                     |
| <b>At 1 January 2019</b>  | <b>22,272,845</b>   | <b>32,130,939</b>                 | <b>21,051,898</b>                      | <b>8,625,805</b>    | <b>3,778,816</b>      | <b>87,860,303</b>   |
| <b>At 30 September 2019</b>   | <b>21,837,489</b>   | <b>32,010,061</b>                 | <b>20,293,702</b>                      | <b>8,002,509</b>    | <b>4,826,993</b>      | <b>86,970,754</b>   |

### **13 Property, plant and equipment (continued)**

The Company performed an impairment test of the non-current assets as at 31 December 2018. For this purposes, cash flows were analyzed and the calculated replacement cost was compared to the carrying amount of non-current assets at the reporting date. An impairment loss on "Lipetskenergo" in the amount of RUB 218,107 thousand was recognized as a result of testing as at 31 December 2018 and reversal of previously recognized impairment loss on "Belgorodenergo" in the amount of RUB 121,221 thousand. As at 30 September 2019, the company's management did not identify any additional impairment of non-current assets, and no impairment test was conducted. The amount of impairment of non-current assets as at 30 September 2019 has not changed compared to the previously recognized amount.

Capitalized borrowing costs amounted to RUB 99,827 thousand with a capitalization rate 7.69 – 8.50% for the nine months ended 30 September 2019 (for nine months ended 30 September 2018: RUB 127,520 thousand with a capitalization rate 8.07 – 9.42%).

Depreciation charge has been capitalized to the cost of capital construction objects in the amount of RUB 16,874 thousand for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: RUB 31,979 thousand).

## 14 Intangible assets

|  | Software         | R&D           | Other intangible<br>assets | Total              |
|--|------------------|---------------|----------------------------|--------------------|
| <i>Initial costs</i>                           |                  |               |                            |                    |
| <b>At 1 January 2018</b>                       | <b>1,703,552</b> | <b>21,255</b> | <b>1,271,281</b>           | <b>2,996,088</b>   |
| Reclassification between groups                | -                | (11,690)      | 11,690                     | -                  |
| Additions                                      | 678,408          | 15,628        | 2,815                      | 696,851            |
| Disposals                                      | (64,931)         | (1,804)       | -                          | (66,735)           |
| <b>At 30 September 2018</b>                    | <b>2,317,029</b> | <b>23,389</b> | <b>1,285,786</b>           | <b>3,626,204</b>   |
| <i>Accumulated amortization and impairment</i> |                  |               |                            |                    |
| <b>At 1 January 2018</b>                       | <b>(447,525)</b> | -             | <b>(168,393)</b>           | <b>(615,918)</b>   |
| Amortization charge                            | (319,207)        | -             | (54,577)                   | (373,784)          |
| Disposals                                      | 64,931           | -             | -                          | 64,931             |
| <b>At 30 September 2018</b>                    | <b>(701,801)</b> | -             | <b>(222,970)</b>           | <b>(924,771)</b>   |
| <i>Net book value</i>                          |                  |               |                            |                    |
| <b>At 1 January 2018</b>                       | <b>1,256,027</b> | <b>21,255</b> | <b>1,102,888</b>           | <b>2,380,170</b>   |
| <b>At 30 September 2018</b>                    | <b>1,615,228</b> | <b>23,389</b> | <b>1,062,816</b>           | <b>2,701,433</b>   |
| <i>Initial costs</i>                           |                  |               |                            |                    |
| <b>At 1 January 2019</b>                       | <b>2,336,066</b> | <b>35,516</b> | <b>1,310,223</b>           | <b>3,681,805</b>   |
| Additions                                      | 104,825          | 8             | 1,021                      | 105,854            |
| Disposals                                      | (30,273)         | (501)         | (3)                        | (30,777)           |
| <b>At 30 September 2019</b>                    | <b>2,410,618</b> | <b>35,023</b> | <b>1,311,241</b>           | <b>3,756,882</b>   |
| <i>Accumulated amortization and impairment</i> |                  |               |                            |                    |
| <b>At 1 January 2019</b>                       | <b>(655,729)</b> | -             | <b>(241,682)</b>           | <b>(897,411)</b>   |
| Amortization charge                            | (335,867)        | -             | (59,140)                   | (395,007)          |
| Disposals                                      | 30,273           | -             | -                          | 30,273             |
| <b>At 30 September 2019</b>                    | <b>(961,323)</b> | -             | <b>(300,822)</b>           | <b>(1,262,145)</b> |
| <i>Net book value</i>                          |                  |               |                            |                    |
| <b>At 1 January 2019</b>                       | <b>1,680,337</b> | <b>35,516</b> | <b>1,068,541</b>           | <b>2,784,394</b>   |
| <b>At 30 September 2019</b>                    | <b>1,449,295</b> | <b>35,023</b> | <b>1,010,419</b>           | <b>2,494,737</b>   |

#### **14 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 nine months ended 30 September 2019 is RUB 395,007 thousand (for the nine months ended 30 September 2018: RUB 373,784 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 September 2019 is RUB 892,056 thousand (as at 31 December 2018: RUB 933,203 thousand). Amortization for the objects of the Concession Agreement is RUB 41,147 thousand for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: RUB 41,147 thousand).

## 15 Right-of-use assets

|  | Land and<br>buildings | Electricity<br>transmission<br>networks | Equipment for<br>electricity<br>transmission | Other          | Total            |
|--|-----------------------|---|--|----------------|------------------|
| <i>Initial cost</i>                                |                       |   |  |                |                  |
| <b>At 1 January 2019</b>                           | <b>2,071,525</b>      | <b>121,286</b>                          | <b>81,312</b>                                | <b>26,569</b>  | <b>2,300,692</b> |
| Additions  | 118,190               | 18,470                                  | 4,097  | 23             | 140,780          |
| Changes in lease terms                             | (499,788)             | 1,945                                   | (5,684)                                      | (181)          | (503,708)        |
| Disposal or termination of<br>lease agreements     | (86,891)              | (400)                                   | (816)  | (14,703)       | (102,810)        |
| <b>At 30 September 2019</b>                        | <b>1,603,036</b>      | <b>141,301</b>                          | <b>78,909</b>                                | <b>11,708</b>  | <b>1,834,954</b> |
| <i>Accumulated depreciation<br/>and impairment</i> |                       |   |  |                |                  |
| <b>At 1 January 2019</b>                           | -                     | -                                       | -  | -              | -                |
| Depreciation charge                                | (187,252)             | (19,601)                                | (11,337)                                     | (2,014)        | (220,204)        |
| Changes in lease terms                             | 1,526                 | 94                                      | 1,095  | 135            | 2,850            |
| Disposal or termination of<br>lease agreements     | 1,148                 | 21                                      | 35   | 245            | 1,449            |
| <b>At 30 September 2019</b>                        | <b>(184,578)</b>      | <b>(19,486)</b>                         | <b>(10,207)</b>                              | <b>(1,634)</b> | <b>(215,905)</b> |
| <i>Net book value</i>                              |                       |   |  |                |                  |
| <b>At 1 January 2019</b>                           | <b>2,071,525</b>      | <b>121,286</b>                          | <b>81,312</b>                                | <b>26,569</b>  | <b>2,300,692</b> |
| <b>At 30 September 2019</b>                        | <b>1,418,458</b>      | <b>121,815</b>                          | <b>68,702</b>                                | <b>10,074</b>  | <b>1,619,049</b> |

## 16 Financial investments

|   | 30 September 2019 | 31 December 2018 |
|---|-------------------|------------------|
| <b>Non-current</b>  |                   |                  |
| Financial assets at fair value through other comprehensive income | 197,532           | 191,900          |
|   | <b>197 532</b>    | <b>191,900</b>   |

Finance assets at fair value through other comprehensive income as at 30 September 2019 and as at 31 December 2018 include shares of PJSC "Unipro", PJSC "IDGC of Centre and Volga region", PJSC "FGC UES". Fair value of these investments is RUB 197,532 thousand and RUB 191,900 thousand respectively.

For the nine months ended 30 September 2019 the increase in fair value in the total amount of RUB 5,632 thousand is reflected in other comprehensive income (for the nine months ended 30 September 2018 the increase: RUB 9,538 thousand).

## 17 Trade and other receivables

|   | <u>30 September 2019</u> | <u>31 December 2018</u> |
|---|--------------------------|-------------------------|
| <b>Non-current trade and other account receivables</b>    |                          |                         |
| Trade receivables   | 48,019                   | 417,928                 |
| Other receivables   | 92,097                   | 157,521                 |
|   | <u>140,116</u>           | <u>575,449</u>          |
| <b>Current trade and other account receivables</b>        |                          |                         |
| Trade receivables   | 24,249,592               | 22,752,087              |
| Allowance for expected credit losses on trade receivables | (11,262,807)             | (11,549,586)            |
| Other receivables   | 1,849,832                | 1,454,604               |
| Allowance for expected credit losses on other receivables | (1,380,660)              | (974,448)               |
|   | <u>13,455,957</u>        | <u>11,682,657</u>       |

Balances with related parties are disclosed in Note 28.

## 18 Advances given and other assets

|   | <u>30 September 2019</u> | <u>31 December 2018</u> |
|---|--------------------------|-------------------------|
| <b>Non-current</b>  |                          |                         |
| Advances given  | 18,944                   | 9,813                   |
|   | <u>18,944</u>            | <u>9,813</u>            |
| <b>Current</b>  |                          |                         |
| Advances given  | 165,923                  | 176,447                 |
| Advances given impairment allowance   | (16,364)                 | (15,165)                |
| VAT recoverable   | 29,029                   | 9,950                   |
| VAT on advances to customers and clients and advances given for the purchase of property, plant and equipment | 444,809                  | 373,413                 |
| Prepaid taxes, other than income tax and VAT  | 24,385                   | 25,371                  |
|   | <u>647,782</u>           | <u>570,016</u>          |

## 19 Cash and cash equivalents

|  |               | <b>30 September 2019</b>     | <b>31 December 2018</b> |
|--|---------------|------------------------------|-------------------------|
| Cash in bank accounts and cash on hand |               | 529,449                      | 787,053                 |
|  |               | <b>529 449</b>               | <b>787,053</b>          |
|  |               | <b>30 September<br/>2019</b> | <b>31 December 2018</b> |
|  | <b>Rating</b> | <b>Rating agency</b>         |                         |
| PJSC “Sberbank of Russia”*             | Baa3          | Moody’s                      | 198,716                 |
| JSC “Bank GPB”*                        | Ba1           | Moody’s                      | 270,277                 |
| PJSC “VTB bank”*                       | Baa3          | Moody’s                      | 40,346                  |
| JSC “Alfa-Bank”                        | Ba1           | Moody’s                      | 16                      |
| JSC “AB Rossia”                        | ruAA          | Expert RA                    | 14                      |
| PJSC “Promsvyazbank”                   | Ba3           | Moody’s                      | 5                       |
| PJSC “Rosbank”                         | Baa3          | Moody’s                      | 19,903                  |
| PJSC “Sovcombank”                      | Ba2           | Moody’s                      | 1                       |
| Cash on hand                           |               | 171                          | 172                     |
| * State-controlled banks               |               | <b>529,449</b>               | <b>787,053</b>          |

All balance of cash are denominated in rubles as at 30 September 2019 and as at 31 December 2018.

## 20 Equity

|  | <b>Ordinary shares</b>   |                         |
|--|--------------------------|-------------------------|
|  | <b>30 September 2019</b> | <b>31 December 2018</b> |
| 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 31 May 2018 dividends for 2017 were declared in the amount of RUB 879,028 thousand. The amount of dividends was RUB 0.0208212 per one ordinary share.

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.

In nine months 2019, the Company recovered unclaimed dividends for 2015 in the amount of RUB 5,208 thousand (in nine months 2018: RUB 7,548 thousand – recovered unclaimed dividends for 2014).

## 21 Earnings per share

The calculation of basic earnings per share for the three and nine months ended 30 September 2019 was based on the earnings attributable to ordinary shareholders for the three and nine months 2019 in the amount of RUB 475,033 thousand and RUB 1,923,632 thousand (for the three and nine months 2018: RUB (169,046) thousand and RUB 2,080,811 thousand), and a weighted average number of ordinary shares outstanding of 42,218 million for the three and nine months 2019 (for the three and nine months 2018: 42,218 million).

The Company has no dilutive financial instruments.

|  | <b>For the three months ended<br/>30 September</b> |                | <b>For the nine months ended<br/>30 September</b> |               |
|--|--|----------------|---|---------------|
|  | <b>2019</b>  | <b>2018</b>    | <b>2019</b>                                       | <b>2018</b>   |
| <i>In millions of shares</i>   |  |                |   |               |
| <b>Ordinary shares at 1 January</b>  | 42,218   | 42,218         | 42,218  | 42,218        |
| <b>Weighted average number of shares for the period ended 30 September</b>                                     | <b>42,218</b>                                      | <b>42,218</b>  | <b>42,218</b>                                     | <b>42,218</b> |
|  |  |                |   |               |
|  | <b>For the three months ended<br/>30 September</b> |                | <b>For the nine months ended<br/>30 September</b> |               |
|  | <b>2019</b>  | <b>2018</b>    | <b>2019</b>                                       | <b>2018</b>   |
| Weighted average number of ordinary shares outstanding, for the period ended 30 September (millions of shares) | 42,218   | 42,218         | 42,218  | 42,218        |
| Earnings/(loss) for the period attributable to holders of ordinary shares                                      | 475,033  | (169,046)      | 1,923,632   | 2,080,811     |
| <b>Earnings/(loss) per ordinary share (in RUB) – basic and diluted</b>   | <b>0.011</b>                                       | <b>(0.004)</b> | <b>0.046</b>                                      | <b>0.049</b>  |

## 22 Loans and borrowings

|   | <u>30 September 2019</u> | <u>31 December 2018</u>  |
|---|--------------------------|--------------------------|
| <b>Non-current liabilities</b>                          |                          |                          |
| Unsecured loans and borrowings                          | 25,500,000               | 25,098,458               |
| Unsecured bonds   | 10,365,654               | 15,290,522               |
| Lease liabilities                                       | 1,671,481                | 696                      |
| Less: current portion of lease liabilities              | (181,923)                | (696)                    |
| Less: current portion of long-term loans and borrowings | -                        | (1,013,458)              |
| Less: current portion of long-term bonds                | (5,372,177)              | (10,298,596)             |
|   | <u><b>31,983,035</b></u> | <u><b>29,076,926</b></u> |
| <b>Current liabilities</b>                              |                          |                          |
| Unsecured loans and borrowings                          | 5,514,837                | -                        |
| Current portion of lease liabilities                    | 181,923                  | 696                      |
| Current portion of long-term loans and borrowings       | -                        | 1,013,458                |
| Current portion of long-term bonds                      | 5,372,177                | 10,298,596               |
|   | <u><b>11,068,937</b></u> | <u><b>11,312,750</b></u> |
| <b>Including:</b>                                       |                          |                          |
| Debts on interest payable on loans and borrowings       | 14,837                   | 13,458                   |
| Debts on interest payable on bonds                      | 376,000                  | 308,750                  |
|   | <u><b>390,837</b></u>    | <u><b>322,208</b></u>    |

All balances of loans and borrowings are denominated in rubles as at 30 September 2019 and 31 December 2018.

For the nine months ended 30 September 2019 the Group has attracted the following significant loans, borrowings and bonds:

|                                  | <u>Nominal interest<br/>rate</u> | <u>Year of maturity</u> | <u>Nominal value</u>     |
|----------------------------------|----------------------------------|-------------------------|--------------------------|
| Unsecured loans and borrowings * | 8,15% – 10,00%                   | 2019 – 2021             | 14,650,643               |
| Unsecured loans and borrowings   | 9,21% – 9,21%                    | 2019 – 2019             | 444,482                  |
|                                  |                                  |                         | <u><b>15,095,125</b></u> |

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

For the nine months ended 30 September 2019 the Group repaid the following significant loans, borrowings and bonds:

|   | <u>Nominal value</u>     |
|---|--------------------------|
| Loans and borrowings received from companies related to the state | 8,735,643                |
| Unsecured bonds   | 5,000,000                |
| Others  | 444,482                  |
|   | <u><b>14,180,125</b></u> |

## 23 Trade and other payables

|                                     | <u>30 September 2019</u> | <u>31 December 2018</u> |
|-------------------------------------|--------------------------|-------------------------|
| <b>Non-current liabilities</b>      |                          |                         |
| Trade payables                      | 8,021                    | 8,729                   |
| Other payables                      | 68,270                   | 81,675                  |
| <b>Total financial liabilities</b>  | <b>76,291</b>            | <b>90,404</b>           |
| <b>Current liabilities</b>          |                          |                         |
| Trade payables                      | 5,717,902                | 6,035,790               |
| Other payables and accrued expenses | 137,267                  | 3,054,427               |
| Payables to employees               | 1,403,400                | 1,463,903               |
| Dividends payable                   | 49,107                   | 43,154                  |
| <b>Total financial liabilities</b>  | <b>7,307,676</b>         | <b>10,597,274</b>       |
| <b>Taxes payable</b>                |                          |                         |
| Value-added tax                     | 1,644,548                | 1,017,695               |
| Property tax                        | 492,269                  | 441,310                 |
| Social security contributions       | 356,170                  | 433,439                 |
| Other taxes payables                | 154,828                  | 150,702                 |
|                                     | <b>2,647,815</b>         | <b>2,043,146</b>        |
|                                     | <b>9,955,491</b>         | <b>12,640,420</b>       |

## 24 Advances from customers

Advances from customers as at 30 September 2019 and 31 December 2018 are reflected, including VAT.

|   | <u>30 September 2019</u> | <u>31 December 2018</u> |
|---|--------------------------|-------------------------|
| Advances for services of technological connection to electric grids | 454,140                  | 541,567                 |
| Advances from customers   | 75,971                   | 76,869                  |
| <b>Total non-current advances from customers</b>                    | <b>530,111</b>           | <b>618,436</b>          |
| Advances for services of technological connection to electric grids | 1,307,486                | 1,190,731               |
| Advances from customers   | 858,491                  | 435,706                 |
| <b>Total current advances from customers</b>                        | <b>2,165,977</b>         | <b>1,626,437</b>        |

## 25 Financial risk and capital management

The Group's financial risk and capital management objectives and policies made in measuring fair values are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

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

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:

|   | <b>Financial assets at fair value through other comprehensive income</b> |
|---|--|
| <b>At 1 January 2019</b>                                      | <b>191,900</b>   |
| Change in fair value recognized in other comprehensive income | 5,632  |
| <b>At 30 September 2019</b>                                   | <b>197,532</b>   |

As at 30 September 2019 amount of free limit on open but unused credit lines of the Group amounted to RUB 52,017,000 thousand (as at 31 December 2018: RUB 27,930,000 thousand). The group is able to attract additional funding within the relevant limits, including ensuring the fulfillment of its short-term obligations.

## 26 Capital commitments

As at 30 September 2019, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 13,158,266 thousand inclusive of VAT (as at 31 December 2018: RUB 9,286,190 thousand inclusive of VAT).

## 27 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 allows for different interpretations with respect to the group's operations and activities. Accordingly, the relevant regional or Federal authorities can successfully challenge the management's interpretation of tax legislation and its formal documentation. Tax administration in Russia is gradually increasing. In particular, increases the risk of review of tax aspects of transactions with no apparent economic sense or with contractors who violate the tax laws. Tax audits may cover three calendar years prior to the year of the tax audit decision. Under certain conditions, earlier periods may also be subject to verification.

## **27 Contingencies (continued)**

New transfer pricing legislation came into force since 1 January 2012, which significantly changed the rules for transfer pricing, bringing them closer to the principles of the organization for economic cooperation and development (OECD), but also to create additional uncertainty in connection with practical application of tax legislation in individual cases.

The practice of applying new rules on transfer pricing by tax authorities and laws is absent, since tax inspections for compliance with new rule of transfer pricing have recently begun. However, it is expected that transactions that are governed by transfer pricing rules will be subject to detailed verification, which could potentially have an impact on these consolidated interim condensed financial statements.

As a further development of the practice application of the taxation rules on property, tax authorities and courts can be challenged by the criterion of attributing a property to movable or immovable things used by the Group. The management of the Group cannot predict the outcome and the amount of possible costs to address potential tax risks.

As at 30 September 2019, management believes that the relevant provisions of the legislation have been interpreted correctly and the group's position in terms of compliance with tax, currency and customs 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.

## **28 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 September 2019 and 31 December 2018 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".

## 28 Related party transactions (continued)

### (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 September |                | For the nine months ended 30 September |                | 30 September    | 31 December    |
|  | 2019                                    | 2018           | 2019                                   | 2018           | 2019            | 2018           |
| <b>Revenue, net other income, finance income</b>           |   |                |  |                |                 |                |
| <b>Parent company</b>                                      |   |                |  |                |                 |                |
| Net other income   | 195                                     | 195            | 585                                    | 585            | -               | -              |
| <b>Entities under common control of the parent company</b> |   |                |  |                |                 |                |
| Other revenue  | 41,956                                  | 212,265        | 237,738                                | 289,914        | 370,738         | 173,221        |
| Dividends receivable                                       | 3                                       | -              | 438                                    | 420            | -               | -              |
|  | <b>42,154</b>                           | <b>212,460</b> | <b>238,761</b>                         | <b>290,919</b> | <b>370,738</b>  | <b>173,221</b> |

|   | Amount of the transaction               |                  |  |                   | Carrying amount  |                  |
|---|---|------------------|--|-------------------|------------------|------------------|
|   | For the three months ended 30 September |                  | For the nine months ended 30 September |                   | 30 September     | 31 December      |
|   | 2019                                    | 2018             | 2019                                   | 2018              | 2019             | 2018             |
| <b>Operating expenses, finance costs</b>  |   |                  |  |                   |                  |                  |
| <b>Parent company</b>   |   |                  |  |                   |                  |                  |
| Expenses for services related to the organization of the functioning and development of the EEC | 64,969                                  | 63,985           | 178,543                                | 178,543           | 48,875           | 46,899           |
| Technical supervision services  | 10,562                                  | 10,562           | 31,687                                 | 31,687            | -                | -                |
| Other expenses  | 3,417                                   | 3,311            | 10,253                                 | 9,935             | -                | -                |
| Interest expenses on financial liabilities recorded at amortized cost                           | 214,900                                 | 263,400          | 733,050                                | 1,023,200         | 209,400          | 255,050          |
| <b>Entities under common control of the parent company</b>                                      |   |                  |  |                   |                  |                  |
| Electricity transmission services   | 4,306,808                               | 4,338,755        | 12,988,953                             | 12,945,221        | 892,751          | 879,046          |
| Repair and maintenance services   | -                                       | -                | -                                      | -                 | 121,240          | -                |
| Other expenses  | 28,791                                  | 77,691           | 49,326                                 | 112,963           | 48,017           | 257,653          |
|   | <b>4,629,447</b>                        | <b>4,757,704</b> | <b>13,991,812</b>                      | <b>14,301,549</b> | <b>1,320,283</b> | <b>1,438,648</b> |

## 28 Related party transactions (continued)

|  | Carrying amount   |                   |
|--|-------------------|-------------------|
|  | 30 September 2019 | 31 December 2018  |
| <b>Parent company</b>                                      |                   |                   |
| Loans and borrowings                                       | 5,205,577         | 10,219,596        |
| <b>Entities under common control of the parent company</b> |                   |                   |
| Advances given   | 85,477            | 67,498            |
| Advances received  | 495,457           | 202,669           |
|  | <b>5,786,511</b>  | <b>10,489,763</b> |

As at 30 September 2019 and 31 December 2018, there is no debt to the parent company for the dividend payments.

### (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 represent the current period expenses for key management personnel reflected in employee benefits.

|                     | For the three months ended<br>30 September |                | For the nine months ended<br>30 September |                |
|---------------------|--|----------------|---|----------------|
|                     | 2019                                       | 2018           | 2019                                      | 2018           |
| Short-term benefits | 31,516                                     | 286,934        | 127,753                                   | 385,932        |
|                     | <b>31,516</b>                              | <b>286,934</b> | <b>127,753</b>                            | <b>385,932</b> |

As at 30 September 2019, 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 18,378 thousand (31 December 2018: RUB 13,867 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 nine months ended 30 September 2019 constitute 41% and 40% (for the three and nine months ended 30 September 2018: 41% and 40%) of total Group revenues, including 42% and 42% (for the three and nine months ended 30 September 2018: 43% and 42%) of electricity transmission revenues.

## **28 Related party transactions (continued)**

Electricity transmission services costs (including compensation of technological losses) for state-controlled entities for the three and nine months ended 30 September 2019 constitute 62% and 62% (for the three and nine months ended 30 September 2018: 62% and 65%) of total electricity transmission services costs.

Interest expenses for government-related entities account for 63% and 59% of the total interest expenses for the three and nine months ended 30 September 2019 (for the three and nine months ended 30 September 2018: 53% and 48%).

As at 30 September 2019, the balance of cash and cash equivalents held with state-controlled banks is RUB 509,339 thousand (as at 31 December 2018: RUB 756,026 thousand).

Loans and borrowings received from state-controlled banks are disclosed in Note 22.

## **29 Events after the reporting date**

In accordance with the Protocol on the results of the tender held on 05 November, 2019, the company's subsidiaries JSC "Sanatorium "Energetic" and JSC "Yaroslavl Electric Grid Company" were recognized as the winner of the tender for the purchase of shares of JSC "Voronezh Gorelektroset". Information about the contest is available on the official website of the Russian Federation [www.torgi.gov.ru](http://www.torgi.gov.ru). As a result of the competition, a purchase agreement of JSC "Voronezh Gorelektroset" shares was concluded.

Other events after the reporting date, which should be reflected in the consolidated interim condensed financial statements for the reporting period, have not been identified.