

# 1. Independent Auditor's Report



## Independent Auditor's Report

To the shareholders and Board of Directors of Unipro Public Joint Stock Company:

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### Our opinion

In our opinion, the attached financial statements accurately reflect in all material aspects the financial situation of Unipro Public Joint Stock Company (hereinafter referred to as the "Company") as of 31 December 2019, along with its profit and loss and cash flows for the year ended as of the said date in accordance with the accounting rules applicable in the Russian Federation.

Subject of the audit:

We audited the Company's financial statements including:

- balance sheet as of 31 December 2019;
- P&L statement for the year ended as of the said date;
- statement of changes in equity for the year ended as of the said date;
- cash flow statement for the year ended as of the said date;
- notes to the balance sheet and P&L statement, including the main provisions of the accounting policy.

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### Basis for the opinion

We conducted the audit in accordance with the International Standards on Auditing ("ISA").

Our responsibility under the above standards is further described in the section *Auditor's Responsibility for the Audit of the Financial Statements* hereof.

We believe that we acquired sufficient and appropriate audit evidence to express our opinion.

### Independence

We are independent from the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements of the Code of Professional Ethics for Auditors and Rules for Auditors' and Audit Organisations' Independence applicable to this audit of financial statements in the Russian Federation. And we discharged all the other ethical obligations in accordance with these requirements and IESBA Code.

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## Our Audit Methodology

### Short Overview

#### Materiality

- Materiality at the level of the Company's financial statements in general makes 1,159 million Russian rubles (mln RUB), which is 5% of the profit before tax

#### Key Issues of the Audit

- Valuation of the provision for doubtful debts
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When planning the audit, we determined materiality and assessed the risks of material misstatement of the financial statements. In particular, we analysed in which areas the management had made subjective judgement, e.g. in relation to significant estimated values, which included application of assumptions and consideration of future events with which uncertainty was connected due to their nature. As in all our audits, we also considered the risk of internal control system circumvention by the management, including but not limited to assessing the presence of signs of the management's biased approach creating the risk of material misstatement due to fraud.

The audit scope was determined so that we could perform works sufficient to express our opinion on the financial statements in general with due regard to the Company structure, accounting processes and controls used by the Company, and the specifics of the Company's industry sector.

#### Materiality

The scope of our audit was determined under the influence of materiality. The audit is intended to deliver reasonable assurance that the financial statements do not contain any material misstatements.

Misstatements may be caused either by fraud or error. They are deemed material if it is reasonable to assume that, taken individually or collectively, they may affect the users' economic decisions that are based on the financial statements.

Using our professional judgment, we set certain quantitative threshold values for materiality, including materiality at the level of the Company's financial statements in general as depicted in the table below. We used these values and qualitative factors to determine the scope of our audit, as well as the nature, dates and scope of the audit procedures, and assessed the impact of misstatements (taken individually and collectively), if any, on the financial statements in general.



<b>Materiality at the level of the Company's financial statements in general</b>	RUB 1.159 mln
<b>The way it was determined</b>	5% of the profit before tax
<b>Justification of the base indicator to determine the materiality level</b>	We chose to use profit before tax as the base indicator to determine the materiality level as we believe that it is this base indicator that the users most commonly consider when evaluating the Company's performance and it represents a generally accepted base indicator. We set materiality at the level of 5%, which falls within the range of acceptable quantitative thresholds of materiality applicable to the profit-making companies of the sector.

#### Key issues of the audit

The key issues of the audit are the issues that according to our professional judgment were most significant for our audit of financial statements for the current period. These issues were considered in the context of our audit of the financial statements in general and when developing our opinion on these financial statements, and we shall not express our opinion regarding these issues separately.

Key issue of the audit	Which audit procedures were performed to address the key issue of the audit
<p><b>Valuation of the provision for doubtful debts</b></p> <p>See Clause 2.6 "Accounts Receivable and Payable" and Clause 3.9 "Accounts Receivable" of the Notes to the balance sheet and P&amp;L statement</p> <p>As of 31 December 2019, the amount of Company's short-term accounts receivable, including advances paid, was RUB 6,978,190 thousand (RUB 13,804,522 thousand net of the provision for doubtful debts amounting to RUB 6,826,332 thousand).</p> <p>Therefore, in the structure of the Company's accounts receivable the debt assessed by the Company as doubtful takes up a significant portion (as of 31 December</p>	<p>Our audit procedures in respect of the management's assessment of the provision for doubtful debts included the following:</p> <ul style="list-style-type: none"> <li>verifying the analysis of probabilities of repaying the debt performed by Company's management with regard to the evaluation of creditworthiness of counterparties, the availability of information about the option of paying in instalments, subsequent payment after the reporting date, availability of collateral for</li> </ul>



#### Key issue of the audit

2019, the provision covered 49% of the short-term accounts receivable). The Company's management creates the provision for doubtful debts based on the evaluation of worsening of creditworthiness of certain purchasers, their individual special aspects, dynamics of payments, subsequent payment after the reporting date, as well as the analysis of projected future cash inflows based on the circumstances in place on the reporting date. The degree of accuracy of management's estimates will be confirmed or refuted by future developments that are basically uncertain.

We have given special care to assessing the provision for doubtful debts since the assessment process is complicated, implies the use of material judgments by management, and the amount of such provision is considerable.

#### Which audit procedures were performed to address the key issue of the audit

payment, its quality and other factors considered by management;

- analysis of the accounts receivable turnover whose deliverables were used, among others, to confirm the analysis of probabilities of debt repayment performed by Company's management;
- sample testing of the overdue but uncovered accounts receivable to assess the conclusions drawn by management in respect of the lack of need to accrue the provision for doubtful debts subject to the prospects and deadlines of repaying such indebtedness;
- sample testing of documents underlying the assessment by management of probabilities of debt repayment, such as payment orders confirming debt repayment in 2020; and
- obtaining and analysing written statements of management regarding the assessment of the provision for doubtful debts performed.

In addition, we have assessed the adequacy of information in Note 3.9 to the balance sheet and P&L statement.

The current estimates of Company's management in respect of the provision for doubtful debts in preparing the financial statements for the year ended on 31 December 2019 may be subject to changes caused by future developments that are basically uncertain.

Having performed the above procedures, we have not identified any facts evidencing the need to introduce material adjustments to the provision for doubtful debts in the attached financial statements.



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#### Other information

The management is responsible for the other information. Such other information contains Unipro Public Joint Stock Company Annual Report for 2019, Issuer's Quarterly Report for 1Q 2020 (but does not include the financial statements and our auditor's report thereon), which are expected to be presented to us after the date hereof.

Our opinion on the financial statements shall not cover the other information, and we shall not provide an opinion expressing any kind of certainty with respect to this information.

In connection with our audit of the financial statements, our duty is to get acquainted with the information mentioned above as soon as we receive it and to analyse whether there are material discrepancies between the other information and the financial statements or our knowledge acquired in the course of the audit and whether the other information contains other probable material misstatements.

If upon reviewing Unipro Public Joint Stock Company Annual Report for 2019 or the Issuer's Quarterly Report for 1Q 2020, we conclude that they contain a material misstatement, we must report this to the persons in charge of corporate management.

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#### Responsibility of the Management and of the Persons in Charge of Corporate Management for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting rules applicable in the Russian Federation, and for such internal controls as the management deems necessary to ensure preparation of financial statements that are free from material misstatements, whether due to fraud or error.

When preparing the financial statements, the management shall assess the Company's ability to continue as a going concern, disclose the going-concern information in appropriate instances, and prepare financial statements based on the going-concern assumption unless the management either intends to liquidate the Company or go out of business, or has no realistic alternative but to do so.

Persons in charge of corporate governance are responsible for overseeing the preparation of the accounting statements of the Company.



#### Auditor's responsibility for the audit of financial statements

Our objective is to obtain a reasonable assurance of the fact that the financial statements do not contain material misstatements, whether due to fraud or error, as well as to release an auditor's report containing our opinion. A reasonable assurance is a high level of assurance, which, however, does not guarantee that the audit conducted in accordance with the ISA will always reveal instances of material misstatements, if any. Misstatements may be due either to fraud or error and are deemed material if it is reasonable to assume that, taken individually or collectively, they may affect the users' economic decisions that are based on the financial statements.

When conducting an audit in accordance with the ISA, we apply professional judgment and maintain professional scepticism throughout the entire duration of the audit. Furthermore, we:

- Identify and assess the risks of material misstatement of financial statements either due to fraud or error; Develop and carry out audit procedures to respond to these risks; Acquire audit evidence that is sufficient and appropriate to express our opinion. The risk of failure to reveal material misstatement due to fraud is higher than the risk of failure to reveal material misstatement due to error, as fraud may include conspiracy, falsification, wilful omission, misrepresentation, or actions to circumvent the internal control system;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not
- to express an opinion on the performance of the Company's internal control system;
- Evaluate the appropriateness of the applicable accounting policy, validity of the estimates made by the management, and relevant information disclosure;
- Conclude on the legitimacy of the management's going-concern assumption and use the acquired audit evidence to draw a conclusion on whether there is considerable uncertainty caused by certain events and circumstances that may put the Company's ability to continue as a going concern in question. If we conclude that there is considerable uncertainty, we shall ensure that our auditor's report draws attention to due disclosure in the financial statements or — in case of failure to duly disclose the information — modify our opinion. Our opinions are based on the audit evidence received prior to the date of the auditor's report. Meanwhile, future events and circumstances may make the Company unable to continue as a going concern;
- Assess the overall presentation of the financial statements, their structure and content, including disclosure, and whether the financial statements reflect the transactions and events in their basis so as to ensure their accurate presentation.
- We engage in information exchange with the persons in charge of corporate management notifying them, without limitation, of the expected scope and dates of the audit, as well as of any material problems identified during the audit, including any major flaws in the internal control system revealed during the audit.



We equally provide the persons in charge of corporate management with a statement certifying our compliance with all the ethical requirements regarding independence and notified these persons of any other relations and issues that may validly be deemed to affect the auditor's independence, and in appropriate instances — of the relevant precautions.

We select the issues of highest significance for the audit of financial the statements for the current period, and therefore, constitute the key issues of the audit from among the issues that we reported to the persons in charge of corporate management. We describe these issues in our auditor's report, except when public disclosure of information on such issues is prohibited by a relevant law or regulation or when in exceptional instances we come to the opinion that information concerning a certain issue shall not be disclosed in our report since it may reasonably be expected that the negative consequences of such disclosure will surpass the public benefit thereof.

Manager of the engagement that was used to issue this Independent Auditor's Report — Albina Faritovna Kamalova

18 March 2020

Moscow, Russian Federation

[signature]

[seal: AUDIT JOINT STOCK COMPANY \* OGRN 1027700148431 \* PricewaterhouseCoopers]

A. F. Kamalova, Engagement Manager (Qualification Certificate No. 01-001621), PricewaterhouseCoopers Audit Joint Stock Company

Audited entity:

Unipro Public Joint Stock Company

Entry made in the Unified State Register of Legal Entities on 4 March 2005, state registration number 1058602056985 assigned

Taxpayer Identification Number: 8602067092

Building 34, 23 Energostroiteley Street, 628406 Surgut, Khanty-Mansi Autonomous Area — Yugra, Tyumen Region, Russian Federation

Independent auditor:

PricewaterhouseCoopers Audit Joint Stock Company

Registered by State Institution Moscow Registration Chamber on 28 February 1992 under No. 008.890

Entry made in the Unified State Register of Legal Entities on 22 August 2002, state registration number 1027700148431 assigned

Taxpayer Identification Number: 7705051102

Member of Self-Regulatory Organization of Auditors Sodruzhestvo Association

Primary registration number of the entry in the register of auditors and audit companies: 12006020338