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PJSC MOSENERGO

IFRS Condensed Interim Consolidated Financial Statements (Unaudited)

30 June 2019

Moscow | 2019



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Report on Review of Condensed Interim Consolidated Financial Statements

To the Shareholders of PJSC Mosenergo

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of PJSC Mosenergo and its subsidiaries as at 30 June 2019 and the related condensed interim consolidated statement of comprehensive income for the three and six months ended 30 June 2019, the condensed interim consolidated statements of cash flows and changes in equity for the six months ended 30 June 2019 and notes to the condensed interim consolidated financial statements.

Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

President of FBK LLC



S.M. Shapiguzov
(by virtue of the Charter,
audit qualification certificate 01-001230)

Engagement partner

P.V. Sungurova
(audit qualification certificate 01-001300)

Date of the Report on Review

9 August 2019

Audited entity

Name:

Public Joint Stock Company Mosenergo (PJSC Mosenergo).

Address of the legal entity within its location:

101/3 Vernadskogo Pr., Moscow, 119526, Russian Federation.

Official registration:

State Registration Certificate No. 012.473, issued by Moscow Registration Chamber on 06 April 1993. The registration entry was made in the Unified State Register of Legal Entities on 11 October 2002 under principal state registration number 1027700302420.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

44/1, 2AB, Myasnitskaya St., Moscow, 101990, Russian Federation.

Official registration:

State Registration Certificate No. 484.583 issued by Moscow Registration Chamber on 15 November 1993. The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under principal state registration number 1027700058286.

Membership in self-regulatory organization of auditors:

Member of Self-regulatory organization of auditors Association "Sodruzhestvo". Principal number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

PJSC MOSENERGO
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF 30 JUNE 2019
(in millions of Russian Rubles)

	Notes	30 June 2019	31 December 2018
Assets			
Current assets			
Cash and cash equivalents	5	32 579	16 220
Short-term financial assets	6	13 300	10 400
Trade and other receivables	7	34 954	40 514
Inventories	8	14 596	13 815
Profit tax receivable		236	239
Other current assets	9	2 677	2 682
		<u>98 342</u>	<u>83 870</u>
Assets held for sale		47	43
Total current assets		98 389	83 913
Non-current assets			
Property, plant and equipment	10	213 403	209 691
Investment property		1 529	1 548
Goodwill		187	187
Other intangible assets		489	509
Long-term financial assets	6	1 490	1 490
Trade and other receivables	7	16 024	15 806
Advances for assets under construction		3 053	4 064
Other non-current assets	9	9 687	10 951
		<u>245 862</u>	<u>244 246</u>
Total non-current assets		245 862	244 246
Total assets		344 251	328 159
Equity and liabilities			
Current liabilities			
Short-term borrowings	11	1 167	1 295
Trade and other payables	12	17 679	10 223
Profit tax payable		29	82
Other taxes payable		1 899	2 535
Provisions	13	3 745	3 576
		<u>24 519</u>	<u>17 711</u>
Total current liabilities		24 519	17 711
Non-current liabilities			
Long-term borrowings	11	2 771	3 886
Deferred tax liabilities	14	28 948	28 951
Employee benefits		295	298
Trade and other payables	12	6 279	286
		<u>38 293</u>	<u>33 421</u>
Total non-current liabilities		38 293	33 421
Total liabilities		62 812	51 132
Equity			
Share capital	15	166 124	166 124
Treasury shares	15	(871)	(871)
Share premium	15	49 213	49 213
Revaluation reserve	15	104 264	104 276
Accumulated loss and other reserves		(37 291)	(41 715)
		<u>281 439</u>	<u>277 027</u>
Total equity		281 439	277 027
Total equity and liabilities		344 251	328 159

A.A. Butko
 Managing director
 «09» August 2019

E.Y. Novenkova
 Chief Accountant
 «09» August 2019

The accompanying notes on the pages 9 to 31 are an integral part of these condensed interim consolidated financial statements.

PJSC MOSENERGO
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019
(in millions of Russian Rubles)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
Revenue	16	36 763	35 471	103 855	107 668
Operating expenses	17	(35 249)	(32 337)	(89 686)	(88 491)
Impairment gain (loss) on financial assets		40	(126)	(130)	(625)
Operating profit		1 554	3 008	14 039	18 552
Share of loss of associates		-	(115)	(224)	(133)
Profit before finance income (expense) and profit tax		1 554	2 893	13 815	18 419
Finance income	18	1 218	1 254	2 602	2 423
Finance expense	18	(207)	(939)	(409)	(1 689)
Profit before profit tax		2 565	3 208	16 008	19 153
Profit tax expense	14	(497)	(718)	(3 278)	(3 921)
Profit for the period		2 068	2 490	12 730	15 232
Comprehensive income for the period		2 068	2 490	12 730	15 232
Profit attributable to:					
Owners of PJSC Mosenergo		2 068	2 490	12 730	15 232
Comprehensive income attributable to:					
Owners of PJSC Mosenergo		2 068	2 490	12 730	15 232
Basic and diluted earnings per share for profit attributable to the owners of PJSC Mosenergo (in Russian Rubles)					
	19	0,05	0,06	0,32	0,38

A.A. Butko
 Managing director

«09» August 2019

E.Y. Novenkova
 Chief Accountant

«09» August 2019

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PJSC MOSENERGO
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019
(in millions of Russian Rubles)

	Notes	Six months ended 30 June	
		2019	2018
Cash flow from operating activities			
Profit before finance income (expense) and profit tax		13 815	18 419
Adjustments to profit before profit tax for			
Depreciation and amortisation	17	7 719	7 443
Share of loss of associates		224	133
Impairment loss on financial assets		130	625
Impairment loss on non-financial assets	17	36	-
Change in provisions	17	170	177
Loss on disposal of property, plant and equipment	17	200	411
Total effect of adjustments		8 479	8 789
Cash flows from operations before working capital changes		22 294	27 208
Changes in working capital:			
Change in trade and other receivables		5 356	(2 457)
Change in inventories		139	434
Change in other current assets		1 275	(686)
Change in trade and other payables		(626)	(828)
Change in other taxes payables (other than profit tax)		(1 420)	(689)
Change in employee benefit liabilities		(3)	(2)
Total effect of working capital changes		4 721	(4 228)
Income tax paid		(3 332)	(4 039)
Interest paid		(332)	(528)
Net cash from operating activities		23 351	18 413
Cash flows from investing activities			
Capital expenditures		(5 285)	(5 431)
Net change in loans issued		500	10 356
Proceeds from sale of property, plant and equipment		147	-
Interest received		1 197	1 459
Dividend received		36	-
Placement of short-term deposits		(2 900)	-
Net cash (used in) from investing activities		(6 305)	6 384
Cash flow from financing activities			
Repayment of borrowings		(581)	(13 030)
Repayment of lease liabilities		(85)	-
Dividend paid		-	(6 549)
Net cash used in financing activities		(666)	(19 579)
Effect of foreign exchange rate changes on cash and cash equivalents		(21)	6
Increase in cash and cash equivalents		16 359	5 224
Cash and cash equivalents at the beginning of the period	5	16 220	20 627
Cash and cash equivalents at the end of the period	5	32 579	25 851

A.A. Butko
Managing director
«09» August 2019

E.Y. Novenkova
Chief Accountant
«09» August 2019

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PJSC MOSENERGO
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019
(in millions of Russian Rubles)

	Equity attributable to owners of the PJSC Mosenergo						
	Notes	Share capital	Treasury shares	Share premium	Revaluation reserve	Accumulated loss and other reserves	Total
Six months ended 30 June 2018							
Balance as of 1 January 2018		166 124	(871)	49 213	107 206	(55 320)	266 352
Effect of changes in accounting policies		-	-	-	-	(2 036)	(2 036)
Balance as of 1 January 2018 (restated)		166 124	(871)	49 213	107 206	(57 356)	264 316
Profit for the period		-	-	-	-	15 232	15 232
Transfers from revaluation surplus on property, plant and equipment to accumulated loss and other reserves		-	-	-	(751)	751	-
Comprehensive income (loss) for the period		-	-	-	(751)	15 983	15 232
Transaction with owners of PJSC Mosenergo							
Dividends declared	15	-	-	-	-	(6 566)	(6 566)
Balance as of 30 June 2018		166 124	(871)	49 213	106 455	(47 939)	272 982
Six months ended 30 June 2019							
Balance as of 1 January 2019		166 124	(871)	49 213	104 276	(41 715)	277 027
Profit for the period		-	-	-	-	12 730	12 730
Transfers from revaluation surplus of property, plant and equipment to accumulated loss and other reserves		-	-	-	(12)	12	-
Comprehensive income (loss) for the period		-	-	-	(12)	12 742	12 730
Transaction with owners of PJSC Mosenergo							
Dividends declared	15	-	-	-	-	(8 318)	(8 318)
Balance as of 30 June 2019		166 124	(871)	49 213	104 264	(37 291)	281 439

A.A. Butko
Managing director

« 09 » August 2019

E.Y. Novenkova
Chief Accountant

« 09 » August 2019

The accompanying notes on the pages 9 to 31 are an integral part of these condensed interim consolidated financial statements.

1 The Group and its operations

1.1 Organisation and operations

Public Joint Stock Company Mosenergo (PJSC Mosenergo) and its subsidiaries (together referred to as the “Group” or the “Mosenergo Group”) are primarily involved in the generation of heat and electric power and heat distribution services in Moscow and the Moscow region.

The Group’s electric and heat generation base includes 15 power plants with operational electricity and heat capacity of 12 825 MW and 42 966 GCal/h, respectively.

At the date of condensed interim consolidated financial statements the Russian Federation owned (both directly and indirectly) over 50% in PJSC Gazprom, which holds 53,49% of PJSC Mosenergo through its 100% subsidiary LLC Gazprom energoholding (immediate parent company). Thus, PJSC Gazprom is the parent company of the Group and the Russian Federation is the ultimate controlling party of the Group.

1.2 Business environment

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation continues to develop and are a subject to varying interpretations (Note 22.2). Fluctuations in oil prices, continuing political tensions in the region, as well as international sanctions against some Russian organisations and citizens have had and can continue to affect the economy of the Russian Federation.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads.

These and other events may have a significant impact on the Group’s operations, its further financial position, operational results and business perspectives. The management believes it takes all the necessary measures to support the sustainability and development of the Group’s business.

The condensed interim consolidated financial statements reflect the management’s assessment of the impact of the business environment in the Russian Federation on the operations and financial position of the Group. The future economic situation and regulatory environment may differ from the current expectations of the management.

2 Basis of presentation

This condensed interim consolidated financial information is prepared in accordance with IAS 34 Interim Financial Reporting. The condensed interim consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”).

3 Summary of significant accounting policies and accounting estimates

To ensure harmonisation with the accounting policies of the parent company PJSC Gazprom, starting from the reporting period ended 30 June 2019 the Group switched to the preparation of the condensed interim consolidated financial statements, which, in addition, will allow interested users of the financial statements to obtain more reliable and relevant information in order to assess the financial position and financial performance of the Group.

The significant accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018, except for the application of new standards that became effective on 1 January 2019.

3.1 Application of new IFRSs

IFRS 16 Lease

The new standard defines the principles of recognition, evaluation of the presentation and disclosure of information in the reporting in respect of lease agreements. The standard requires lessees to recognise right-of-use assets and lease liabilities for most lease agreements.

Right-of-use assets are initially valued at historical cost and amortized to the earlier of the following dates: the expiration date of the useful life of the asset in the form of the right of use or the expiration date of the lease term. The initial cost of right-of-use assets includes the amount of the initial estimate of the lease liability, rental payments made before or at the commencement date of the lease, and initial direct costs. The lease liability is initially measured at the present value of lease payments that have not yet been made at the commencement date of the lease and are subsequently measured at amortised cost with expenses recognised as interest expenses in finance expenses of the consolidated statement of comprehensive income.

In accordance with IFRS 16, the Group decided not to apply the standard to short-term leases and leases in which the underlying asset has a low cost.

In accordance with the transitional provisions of IFRS 16 Lease, the Group applied the new rules retrospectively, recognising the cumulative effect of the initial application of the standard as of 1 January 2019. The Group used permitted practical simplifications:

- The standard is applied to contracts that were previously identified as leases using IAS 17 Leases and IFRIC 4 Determination of the Sign of Leases in the Agreement and are not applied to contracts that were not previously identified as containing signs of a lease using IAS 17 Leases and IFRIC 4 «Determining the presence of signs of a lease in an agreement»;
- The Group did not apply the new standard to leases that expired within twelve months from the date of transition;
- Initial direct costs are excluded from the valuation of assets in the form of right of use at the date of initial recognition;
- The Group applied a single discount rate for a portfolio of contracts with relatively similar characteristics.

Thus, as of 1 January 2019 the Group recognised right-of-use assets in property, plant and equipment and lease liabilities in trade and other payables in the condensed interim consolidated statement of financial position in the amount of 5 375 million roubles, without effect on the opening balance of accumulated loss and other reserves

PJSC MOSENERGO
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) 30 JUNE 2019
(in millions of Russian Rubles)

The table below shows the effect of the initial application of IFRS 16 Lease on the condensed interim consolidated statement of financial position as at 1 January 2019:

	31 December 2018	Effect of IFRS 16 application	1 January 2019
Assets			
Property, plant and equipment	209 691	5 375	215 066
Total non-current assets	244 246	5 375	249 621
Total assets	328 159	5 375	333 534
Equity and liabilities			
Short-term borrowings	1 295	(2)	1 293
Trade and other payables	10 223	785	11 008
Total current liabilities	17 711	783	18 494
Long-term borrowings	3 886	(195)	3 691
Trade and other payables	286	4 787	5 073
Total non-current liabilities	33 421	4 592	38 013
Total liabilities	51 132	5 375	56 507
Total equity and liabilities	328 159	5 375	333 534

The following is a reconciliation of contractual obligations under an operating lease at 31 December 2018 with a recognised liability at 1 January 2019.

Unrecognized operating lease contractual commitments as of 31 December 2018	26 765
Recognition exemption	(1 499)
Indexation, clarification of the lease term and other conditions of a contract	(13 411)
Undiscounted liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019	11 855
Effect of discounting as of 1 January 2019	(6 480)
Liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019	5 375
Finance lease liabilities as of 31 December 2018	197
Lease liabilities as of 1 January 2019	5 572

The weighted average borrowing rate applied by the Group in respect of lease liabilities at the date of initial application amounted to 11.13%.

3.2 Application of Interpretations and Amendments to existing Standards

A number of interpretations and amendments to current IFRSs became effective for the periods beginning on or after 1 January 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.
- Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). The changes specify how control (or joint control) should be taken into account for a business that is a joint operation if the organization already participates in this business.
- The amendments to IFRS 9 Financial Instruments (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments enable to measure at amortised cost some prepayable financial assets with negative compensation.
- The amendments to IAS 12 Income taxes (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify income tax consequences of payments on instruments classified as equity.
- The amendments to IAS 19 Employee Benefits (issued in February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

The Group has reviewed these interpretations and amendments to standards while preparing the condensed interim consolidated financial statements. The interpretations and amendments to standards have no significant impact on the Group's condensed interim consolidated financial statements.

3.3 Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain changes to existing standards have been issued that are mandatory for the annual periods beginning after 1 January 2020 or after this date. In particular, the Group did not early apply the following changes to the standards:

- Amendments to IFRS 3 Business Combinations (issued in October 2018 and apply for annual reporting periods beginning on or after 1 January 2020). The changes clarify the definition of a business and simplify the assessment of whether the acquired combination of activities and assets is an asset group or a business;
- Changes to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and apply for annual reporting periods beginning on or after 1 January 2020 or after this date). The amendments clarify and bring into line the definition of the term “materiality”, as well as provide recommendations for improving the consistency in its application when referenced in IFRS.

4 Segment information

The Board of Directors and Managing Director is the Chief operating decision-maker. The decision-maker reviews the Group’s internal management report in order to assess performance of the Group and allocate resources.

The operating segments are aggregated into two primary reportable segments - electric and heat energy, that generate revenue from manufacturing and sale of electric and heat energy respectively. The other segments consist of services and products sold by the Group such as rental services, feed water sales and maintenance services. All reportable segments are located in the Russian Federation.

Seasonality. Demand for electric and heat energy is to some extent influenced by season of the year and also it is subject to weather conditions. Revenue is usually higher in the period from October to March than in months of the year. This seasonality does not impact revenue or cost recognition policies of the Group.

The segment information is prepared in accordance with IFRS. Differences in items between those reported in the segment information and those reported in the Group’s condensed interim consolidated financial statements are due to the unallocated items of income and expense (such as financial income and expense, share of income (loss) of associates, profit tax) that cannot be directly allocated to identifiable reportable segments as these are managed on an overall group basis.

Considering that the management responsible for decision-making does not review assets and liabilities by each reportable segment not least because of the lack of technical capabilities to present such information, the Group does not disclose assets and liabilities by segments.

PJSC MOSENERGO
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) 30 JUNE 2019
(in millions of Russian Rubles)

4.1 Financial results of segments

The segment information for the three and six months ended 30 June 2019 and 30 June 2018 is as follows:

	Notes	Electric energy	Heat energy	All other segments	Total	Intra-group transactions	Total
<u>Six months ended 30 June 2019</u>							
Revenue		59 480	43 248	1 640	104 368	(513)	103 855
Revenue from external customers	16	59 480	43 239	1 136	103 855	-	103 855
Intra-group revenue		-	9	504	513	(513)	-
Segment financial result		13 570	790	(354)	14 006	-	14 006
Depreciation and amortisation	17	(3 751)	(3 330)	(638)	(7 719)	-	(7 719)
Impairment gain (loss) on financial assets		(161)	(19)	50	(130)	-	(130)
<u>Six months ended 30 June 2018</u>							
Revenue		60 589	45 899	1 483	107 971	(303)	107 668
Revenue from external customers	16	60 589	45 889	1 190	107 668	-	107 668
Intra-group revenue		-	10	293	303	(303)	-
Segment financial result		17 975	1 192	(470)	18 697	-	18 697
Depreciation and amortisation	17	(3 453)	(3 333)	(657)	(7 443)	-	(7 443)
Impairment gain (loss) on financial assets		(1 117)	572	(80)	(625)	-	(625)
<u>Three months ended 30 June 2019</u>							
Revenue		25 822	10 406	884	37 112	(349)	36 763
Revenue from external customers	16	25 822	10 404	537	36 763	-	36 763
Intra-group revenue		-	2	347	349	(349)	-
Segment financial result		3 305	(1 678)	(272)	1 355	-	1 355
Depreciation and amortisation	17	(2 278)	(1 303)	(322)	(3 903)	-	(3 903)
Impairment gain (loss) on financial assets		186	(115)	(31)	40	-	40
<u>Three months ended 30 June 2018</u>							
Revenue		24 967	9 936	733	35 636	(165)	35 471
Revenue from external customers	16	24 967	9 936	568	35 471	-	35 471
Intra-group revenue		-	-	165	165	(165)	-
Segment financial result		5 442	(1 836)	(294)	3 312	-	3 312
Depreciation and amortisation	17	(2 083)	(1 386)	(333)	(3 802)	-	(3 802)
Impairment gain (loss) on financial assets		(495)	436	(67)	(126)	-	(126)

PJSC MOSENERGO
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) 30 JUNE 2019
(in millions of Russian Rubles)

Reconciliation of the segment financial result to the profit before profit tax in the condensed interim consolidated statement of comprehensive income for the three and six months ended 30 June 2019 and 30 June 2018 is provided as follows:

	<u>Notes</u>	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
Segment result for reportable segments		1 627	3 606	14 360	19 167
Segment result for other segments		(272)	(294)	(354)	(470)
Segment financial result		1 355	3 312	14 006	18 697
Change in provisions	17	(85)	(181)	(170)	(177)
Net finance income	18	1 011	315	2 193	734
Share of loss of associates		-	(115)	(224)	(133)
Other items		284	(123)	203	32
Profit before profit tax		2 565	3 208	16 008	19 153

4.2 Core customers

The revenue presented within the heat energy segment includes the customer with the revenue exceeding 10% of the Group's revenue for the three and six months ended 30 June 2019 and amounting to RUB 9 896 million and RUB 40 748 million (for the three and six months ended 30 June 2018 the revenue of the same customer exceeded 10% of the Group's revenue and amounted to RUB 9 343 million and RUB 42 846 million, respectively).

The revenue presented within the electric energy segment includes two customers with the total revenue exceeding 10% of the Group's revenue for the three and six months ended 30 June 2019 and amounting to RUB 20 069 million and RUB 46 973 million, respectively (for the six months ended 30 June 2018 the total revenue of the same two customers exceeded 10% of the Group's revenue and amounted to RUB 13 262 million and RUB 36 345 million, respectively).

5 Cash and cash equivalents

	30 June 2019	31 December 2018
Cash on hand and bank balances payable on demand	3 187	186
Deposits with original maturity of three months or less	29 392	16 034
Total cash and cash equivalents	32 579	16 220

PJSC MOSENERGO
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) 30 JUNE 2019
(in millions of Russian Rubles)

6 Financial assets

	30 June 2019	31 December 2018
Financial assets measured subsequently at amortised cost		
Deposits	13 300	10 400
Total short-term financial assets	13 300	10 400
Financial assets at fair value through other comprehensive income:		
Equity securities	1 490	1 490
Total long-term financial assets	1 490	1 490

As of 30 June 2019 financial assets measured at fair value through other comprehensive income include investment in LLC GAZEKS-Management in the amount of RUB 1 485 million that was received in settlement for accounts receivable in October 2013 (as of 31 December 2018: RUB 1 485 million).

The management assessed the level of the Group's influence on LLC GAZEKS-Management, and concluded that despite holding 33,3% of shares the Group has no significant influence due to the following factors:

- The Group does not have any representative in the LLC GAZEKS-Management Board of Directors and does not have a right to appoint them;
- The Group does not participate in LLC GAZEKS-Management policy-making decisions including participate in managerial decisions;
- The Group does not enter into significant transactions with LLC GAZEKS-Management, there is no interchange of managing personnel between the PJSC Mosenergo and LLC GAZEKS-Management and there is no sharing of technical information between the companies.

7 Trade and other receivables

	30 June 2019	31 December 2018
Current assets		
Trade receivables	39 803	45 836
Loans issued	1 076	2 167
Advances to suppliers and prepaid expenses	1 620	1 757
VAT recoverable	162	284
Tax prepayments other than income tax	1 109	237
Accounts receivable on investments	2 816	2 816
Accounts receivable on disposal of property, plant and equipment	2 708	2 210
Other receivables	2 180	1 583
	51 474	56 890
Allowance for impairment loss on financial and non-financial assets	(16 520)	(16 376)
Total	34 954	40 514
Non-current assets		
Trade receivables	-	33
Loans issued	11 079	10 489
Accounts receivable from sale of property, plant and equipment	1 057	1 465
Accounts receivable on investments	2 784	2 784
Other receivables	1 104	1 035
Total	16 024	15 806

Allowance for impairment loss on financial and non-financial assets includes allowance for impairment loss on trade receivables (as of 30 June 2019: RUB 15 354 million, as of 31 December 2018: RUB 15 245 million), other receivables (as of 30 June 2019: RUB 289 million; as of 31 December 2018: RUB 276 million) and advances paid to suppliers (as of 30 June 2019: RUB 877 million; as of 31 December 2018: RUB 855 million).

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8 Inventories

	30 June 2019	31 December 2018
Materials and supplies	14 691	13 928
Other inventories	139	121
	14 830	14 049
Allowance for inventory obsolescence	(234)	(234)
Total	14 596	13 815

The Group does not have pledged inventories.

9 Other current and non-current assets

	30 June 2019	31 December 2018
Other current assets		
Service contracts and other assets	2 044	2 049
Grid connection	633	633
Total	2 677	2 682
Other non-current assets		
Grid connection	6 333	6 649
Service contracts and other assets	3 354	4 302
Total	9 687	10 951

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10 Property, plant and equipment

	ROUA	B&C	M&E	TN	Other	CIP	Total
Revalued amount							
Balance as of 1 January 2018	-	126 485	138 621	4 986	21 531	15 850	307 473
Additions	-	153	12	-	119	2 892	3 176
Disposals	-	(20)	(664)	(7)	(24)	(15)	(730)
Transfers	-	1 430	2 283	-	558	(4 271)	-
Transfer from (to) other accounts	-	(55)	2	818	-	-	765
Balance as of 30 June 2018	-	127 993	140 254	5 797	22 184	14 456	310 684
Balance as of 31 December 2018	-	128 547	142 888	5 897	23 783	18 292	319 407
Reclassification	84	(84)	-	-	-	-	-
Initial recognition	5 375	-	-	-	-	-	5 375
Balance as of 1 January 2019	5 459	128 463	142 888	5 897	23 783	18 292	324 782
Additions	-	6	11	15	41	6 269	6 342
Disposals	-	(10)	(263)	(180)	(29)	(84)	(566)
Transfers	-	237	1 168	-	745	(2 150)	-
Transfer from (to) other accounts	-	14	(5)	-	-	-	9
Balance as of 30 June 2019	5 459	128 710	143 799	5 732	24 540	22 327	330 567
Depreciation and impairment							
Balance as of 1 January 2018	-	(32 339)	(47 975)	(1 044)	(8 873)	(1 248)	(91 479)
Depreciation charge	-	(2 402)	(3 834)	(290)	(802)	-	(7 328)
Transfers	-	(22)	(34)	-	(10)	66	-
Disposals	-	18	272	3	10	-	303
Transfer from (to) other accounts	-	5	(1)	-	-	-	4
Balance as of 30 June 2018	-	(34 740)	(51 572)	(1 331)	(9 675)	(1 182)	(98 500)
Balance as of 31 December 2018	-	(39 120)	(57 152)	(2 031)	(10 701)	(712)	(109 716)
Reclassification	(40)	40	-	-	-	-	-
Balance as of 1 January 2019	(40)	(39 080)	(57 152)	(2 031)	(10 701)	(712)	(109 716)
Depreciation charge	(233)	(2 219)	(4 019)	(299)	(828)	-	(7 598)
Transfers	-	(1)	(17)	-	(22)	40	-
Disposals	-	1	54	19	10	68	152
Transfer from (to) other accounts	-	(4)	2	-	-	-	(2)
Balance as of 30 June 2019	(273)	(41 303)	(61 132)	(2 311)	(11 541)	(604)	(117 164)
Net book value							
Balance as of 1 January 2018	-	94 146	90 646	3 942	12 658	14 602	215 994
Balance as of 30 June 2018	-	93 253	88 682	4 466	12 509	13 274	212 184
Balance as of 1 January 2019	5 419	89 383	85 736	3 866	13 082	17 580	215 066
Balance as of 30 June 2019	5 186	87 407	82 667	3 421	12 999	21 723	213 403
Net book value of property, plant and equipment had no revaluation taken place							
Balance as of 1 January 2018	-	52 685	66 322	3 625	10 928	13 773	147 333
Balance as of 30 June 2018	-	52 814	66 056	3 760	10 878	12 478	145 986
Balance as of 1 January 2019	5 419	51 700	66 106	3 640	11 663	17 763	156 291
Balance as of 30 June 2019	5 186	50 644	63 995	3 263	11 660	21 493	156 241

Abbreviations used in the headings of the table above are as follows: ROUA – right-of-use assets, B&C-buildings and constructions, M&E - machinery and equipment, TN - transmission networks, CIP - construction in progress.

Other property, plant and equipment include motor vehicles, land, office furniture and other equipment.

As of 30 June 2019 property, plant and equipment included right-of-use assets with carrying amount of RUB 5 186 million, related mainly to land and office buildings.

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11 Borrowings

The note provides information about the contractual terms of the Group's borrowings, which are measured at amortised cost.

	30 June 2019	31 December 2018
Short-term borrowings		
Bank borrowings	1 154	1 277
Finance lease liability	-	2
Interest payable	13	16
Total short-term borrowings	1 167	1 295
Long-term borrowings		
Bank borrowings	2 771	3 691
Finance lease liability	-	195
Total long-term borrowings	2 771	3 886
Total borrowings	3 938	5 181

The terms and conditions of outstanding liabilities at the reporting date are as follows:

	Cur- rency	Nominal interest rate	Year of matu- rity	30 June 2019		31 December 2018	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured bank financing							
BNP Paribas S.A.	Euro	EURIBOR 6M+2,00%	2022	4 041	3 925	5 112	4 968
				4 041	3 925	5 112	4 968
Interest payable				13	13	16	16
Finance lease liability				-	-	197	197
Total				4 054	3 938	5 325	5 181

12 Trade and other payables

	30 June 2019	31 December 2018
Current liabilities		
Trade payables	4 911	6 348
Advances received	791	756
Accounts payable for acquisition of property, plant and equipment	1 520	1 656
Lease liability	295	-
Dividends payable	8 361	6
Other payables	1 801	1 457
Total	17 679	10 223
Non-current liabilities		
Advances received	-	1
Accounts payable for acquisition of property, plant and equipment	1 119	285
Lease liability	5 160	-
Total	6 279	286

The total cash flow under lease agreements for the six months ended 30 June 2019 was in the amount of RUB 376 million, of which RUB 291 million accounted for interest expenses and RUB 85 million to repay the principal amount of the debt.

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13 Provisions

	Income tax	Property tax	Litigations and claims	Total
Balance as of 1 January 2018	1 407	1 664	7	3 078
Accrued during the period	-	177	-	177
Balance as of 30 June 2018	1 407	1 841	7	3 255
Balance as of 1 January 2019	1 631	1 944	1	3 576
Accrued during the period	-	170	-	170
Used during the period	-	-	(1)	(1)
Balance as of 30 June 2019	1 631	2 114	-	3 745

14 Profit tax

14.1 Reconciliation of profit before tax to profit tax

Profit before profit tax for interim financial reporting purposes is reconciled to profit tax expense as follows:

	2019	2018
Six months ended 30 June		
Profit before profit tax	16 008	19 153
Theoretical tax expense calculated at applicable tax rates	(3 202)	(3 831)
Adjustments to current profit tax of previous periods	(195)	-
Tax effect on other non-taxable expenses	119	(90)
Profit tax expense	(3 278)	(3 921)
Current profit tax expense	(3 281)	(3 673)
Deffered profit tax (expense) income	3	(248)
Three months ended 30 June		
Profit before profit tax	2 565	3 208
Theoretical tax expense calculated at applicable tax rates	(513)	(642)
Tax effect on other non-taxable expenses	16	(76)
Profit tax benefit	(497)	(718)
Current profit tax expense	(549)	(426)
Deffered profit tax (expense) income	52	(292)

Differences between the recognition criteria in the Russian Federation statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates in the Russian Federation.

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14.2 Tax effects of taxable and deductible temporary differences

Tax effects of taxable and deductible temporary differences for the three and six months ended 30 June 2019 and 30 June 2018 are as follows:

	Opening balance	Effect of IFRS 9	Recog- nised in P/L ¹⁾	Closing balance
Six months ended 30 June 2019				
Property, plant and equipment	(27 243)	(1 052)	309	(27 986)
Investment property	(146)	-	(6)	(152)
Long-term financial assets	353	-	-	353
Trade and other receivables	(251)	-	(382)	(633)
Assets held for sale	33	-	20	53
Trade and other payables	144	1 052	(160)	1 036
Employee benefit liabilities	59	-	(1)	58
Tax losses carried forward	145	-	2	147
Provisions	658	-	2	660
Borrowings	11	-	(35)	(24)
Other assets	(2 714)	-	254	(2 460)
Total	(28 951)	-	3	(28 948)
Six months ended 30 June 2018				
Property, plant and equipment	(28 070)	-	(96)	(28 166)
Investment property	(257)	-	122	(135)
Long-term financial assets	20	333	-	353
Trade and other receivables	(401)	176	(473)	(698)
Assets held for sale	43	-	(8)	35
Trade and other payables	119	-	581	700
Employee benefit liabilities	70	-	-	70
Tax losses carried forward	135	-	17	152
Provisions	631	-	-	631
Borrowings	(30)	-	10	(20)
Other assets	(2 070)	-	(401)	(2 471)
Total	(29 810)	509	(248)	(29 549)

¹⁾P/L – profit or loss.

15 Equity

15.1 Share capital and share premium

As of 30 June 2019 and 31 December 2018 the declared share capital comprised 39 749 359 700 ordinary shares of RUB 1 par value each. All issued ordinary shares are fully paid.

The share capital includes the translation of the condensed interim consolidated financial statements to bring it equal to the purchasing power of the Russian Ruble as of 31 December 2002 in accordance with IAS 29 Accounting in Hyperinflationary Economies.

The holders of ordinary shares are entitled to receive dividends as declared in due time and are entitled to one vote per share at meetings of Shareholders of the PJSC Mosenergo. In respect of the PJSC Mosenergo's shares that are held by the Group (Note 15.2), all rights are suspended until those shares are reissued.

Share premium amounted to RUB 49 213 million represents excess of the cash proceeds from the issue of share capital over its par value net of the transaction costs amounted to RUB 7 million.

15.2 Treasury shares

Treasury shares as of 30 June 2019 and as of 31 December 2018 amounted to RUB 871 million.

15.3 Dividends

On 13 June 2019 the Annual General Shareholders' Meeting of the PJSC Mosenergo made the decision to pay dividends for the results of Group's activity for 2018. The amount of declared dividends on the issuer shares was RUB 0,21004 per share, total amount of dividends is RUB 8 320 million. The amount of unclaimed dividends for the result of financial years 2013 to 2014 is RUB 2 million.

On 31 May 2018 the Annual General Shareholders' Meeting of the PJSC Mosenergo made the decision to pay dividends for the results of Group's activity for 2017. The amount of declared dividends on the issuer shares was RUB 0,16595 per share, total amount of dividends is RUB 6 573 million. The amount of unclaimed dividends for the result of financial years 2012 to 2013 is RUB 7 million.

15.4 Revaluation reserve

As of 30 June 2019 in the line "Revaluation reserve" there were disclosed revaluation reserve for property, plant and equipment in the amount of RUB 104 264 million (as of 31 December 2018: RUB 104 276 million).

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16 Revenue

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Electric energy	25 822	24 967	59 480	60 589
Heat energy	10 404	9 936	43 239	45 889
Other revenue	537	568	1 136	1 190
Total	36 763	35 471	103 855	107 668

Other revenue was primarily received from rental services, feed water sales and maintenance services.

17 Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Materials				
Fuel	21 665	18 414	62 588	61 304
Purchased electricity and capacity	2 500	2 072	5 763	5 194
Other materials	512	473	1 027	964
	24 677	20 959	69 378	67 462
Services				
Heat transmission	59	76	330	480
Electricity market administration fees	379	361	765	732
Rent	12	248	39	516
Security and fire safety	244	232	477	460
Grid connection	158	158	316	316
Information and consulting services	28	25	51	51
Transportation services	122	90	242	174
Cleaning services	89	121	194	202
Agency fee	42	40	84	81
Insurance expenses excluding medical insurance	53	52	105	103
Software and maintenance	53	126	152	209
Other professional services	264	332	442	483
	1 503	1 861	3 197	3 807
Depreciation and amortisation	3 903	3 802	7 719	7 443
Staff costs	2 910	2 737	5 926	5 589
Maintenance and repairs expenses	1 925	2 036	3 405	3 040
Taxes other than profit tax	512	644	95	1 024
Other expenses (income) on ordinary activities	17	(7)	(1)	(20)
Total production, selling and administration expenses	35 447	32 032	89 719	88 345
Impairment loss on non-financial assets	16	-	36	-
Change in provisions	85	181	170	177
Other operating expenses (income)				
Loss on disposal of property, plant and equipment	9	5	200	411
Expense (income) on fines and penalties	(144)	120	(159)	(438)
Other operating income	(164)	(1)	(280)	(4)
Total other operating expenses (income)	(299)	124	(239)	(31)
Total operating expenses	35 249	32 337	89 686	88 491

Electricity market administration fees include payments to JSC TSA and JSC FSC for arrangement of settlements between parties on electricity market and payments to JSC SO UES for regulation of generating assets operation of the Group.

For the six months ended 30 June 2019 the average number of employees of the Group was 8 513 (for the six months ended 30 June 2018: 8 351).

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18 Finance income and expense

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Finance income				
Interest income on bank deposits	663	424	1 089	822
Interest income on loans issued	356	339	714	812
Foreign exchange gain	70	419	506	561
Other interest income	129	72	293	228
Total finance income	1 218	1 254	2 602	2 423
Finance expense				
Foreign exchange loss	(25)	(838)	(40)	(1 254)
Interest expense on borrowings	(19)	(65)	(40)	(363)
Lease interest expense	(145)	(4)	(291)	(8)
Other interest expense	(18)	(32)	(38)	(64)
Total finance expense	(207)	(939)	(409)	(1 689)
Total net finance income	1 011	315	2 193	734

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19 Basic and diluted earnings per share, attributable to PJSC Mosenergo

Earnings per share attributable to owners of PJSC Mosenergo have been calculated by dividing the profit for the period, attributable to the owners of PJSC Mosenergo by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (Note 15.2). The calculation of basic and dilution earnings per share is presented in the table below.

	2019	2018
<u>Six months ended 30 June</u>		
Issued shares (thousand of pieces)	39 749 360	39 749 360
Effect of treasury shares (thousand of pieces)	(140 229)	(140 229)
Weighted average number of ordinary shares (thousand of pieces)	39 609 131	39 609 131
Profit attributable to the owners of PJSC Mosenergo (in RUB mln)	12 730	15 232
Profit per ordinary share (basic and diluted) (in Russian Rubles)	0,32	0,38
<u>Three months ended 30 June</u>		
Issued shares (thousand of pieces)	39 749 360	39 749 360
Effect of treasury shares (thousand of pieces)	(140 229)	(140 229)
Weighted average number of ordinary shares (thousand of pieces)	39 609 131	39 609 131
Profit attributable to the owners of PJSC Mosenergo (in RUB mln)	2 068	2 490
Profit per ordinary share (basic and diluted) (in Russian Rubles)	0,05	0,06

There are no dilutive financial instruments outstanding in the Group.

20 Subsidiaries

PJSC Mosenergo and its following subsidiaries form the Mosenergo Group:

	Nature of business	Percentage of ownership	
		30 June 2019	31 December 2018
LLC Centralny remontno-mekhanicheskiy zavod	Repair and reconstruction services	100,00%	100,00%
LLC Mosenergoproject	Electrical engineering	100,00%	100,00%
LLC Remontproject	Electrical engineering	99,00%	99,00%

No preference shares are held by the Group.

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21 Related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

PJSC Gazprom is an ultimate parent company of PJSC Mosenergo. The Russian Federation is the ultimate controlling party of the Group.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the three and six months ended 30 June 2019 and 30 June 2018, or had significant balances outstanding as of 30 June 2019 and as of 31 December 2018 are detailed below.

21.1 Transactions with Gazprom Group and its associates

The Group's transactions and balances outstanding with Gazprom Group and its associates are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Revenue	11 492	10 966	44 345	46 772
Heat energy	9 978	9 448	41 097	43 203
Electric energy	1 064	1 322	2 383	2 866
Other revenue	450	196	865	703
Operating expenses	(9 711)	(7 715)	(45 119)	(44 275)
Fuel	(8 156)	(6 024)	(41 846)	(40 891)
Maintenance and repair expenses	(1 021)	(968)	(1 736)	(1 517)
Heat transmission	(56)	(72)	(309)	(455)
Purchased electricity and capacity	(126)	(118)	(456)	(434)
Rent	-	(79)	-	(157)
Transportation services	(83)	(62)	(161)	(138)
Cleaning services	(65)	(98)	(147)	(158)
Insurance expenses excluding medical insurance	(53)	(52)	(105)	(103)
Medical insurance included in staff costs	(50)	(50)	(101)	(100)
Agency fee	(42)	(41)	(84)	(81)
Security and fire safety	(27)	(50)	(54)	(78)
Other professional services	(93)	(91)	(204)	(235)
Other operating expenses (income)	61	(10)	84	72
Impairment gain on financial assets	46	174	92	174
Finance income and expense	284	418	656	1 031
Finance income	384	423	760	1 040
Finance expense	(100)	(5)	(104)	(9)
Purchase of assets	2 317	1 099	2 614	2 447
Purchase of property, plant and equipment	580	681	819	1 267
Purchase of other assets	1 737	418	1 795	1 180

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	30 June 2019	31 December 2018
Outstanding balances		
Cash and cash equivalents	552	21
Trade and other receivables	38 074	43 296
Allowance for impairment on receivables	(476)	(568)
Advances for assets under construction	2 766	3 743
Total assets	40 916	46 492
Short-term borrowings	-	(2)
Long-term borrowings	-	(195)
Trade and other payables	(5 163)	(4 625)
Dividends payable	(4 467)	-
Total liabilities	(9 630)	(4 822)

As of 30 June 2019 Gazprom Group and its associates entered into contracts for the construction and acquisition of property, plant and equipment in the amount of RUB 4 437 million (31 December 2018: RUB 4 316 million).

For the six months ended 30 June 2019 dividends declared to the parent company amounted to RUB 4 467 million (for the six months ended 30 June 2018: RUB 3 529 million).

21.2 Transactions with associates

The Group's transactions and balances outstanding with associates are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Revenue	196	215	924	1 022
Heat energy	183	190	894	989
Other revenue	13	25	30	33
Operating expenses	(2)	(3)	(12)	(16)
Heat transmission	(2)	(3)	(12)	(16)
Impairment gain on financial assets	-	160	-	195
Finance income	34	8	68	17
			30 June 2019	31 December 2018
Outstanding balances				
Trade and other receivables			4 483	3 503
Allowance for impairment loss on receivables			(650)	(650)
Total assets			3 833	2 853

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21.3 Transactions with key management and managing organisation

Key management personnel (the members of the Board of Directors and Management Committee) received the following remuneration, which is included in staff costs:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Wages and salaries	(12)	(8)	(21)	(14)
Social taxes and contributions	(2)	(1)	(4)	(2)
Total	(14)	(9)	(25)	(16)

There are no outstanding balances as of 30 June 2019 and as of 31 December 2018 for transactions with key management.

Remuneration to managing organisation LLC Gazprom energoholding for the three and six months ended 30 June 2019 was in the amount of RUB 38 million and RUB 71 million respectively (for the three and six months ended 30 June 2018: RUB 30 million and RUB 67 million).

21.4 Transactions with other state-controlled entities

Information below excludes transactions and outstanding balances with Gazprom Group and its associates as disclosed in Note 21.1.

The Group's transactions and balances outstanding with other state-controlled entities are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Revenue	5 914	5 006	13 418	12 215
Electric energy	5 709	4 775	12 628	11 246
Heat energy	134	157	654	825
Other revenue	71	74	136	144
Operating expenses	(877)	(923)	(1 801)	(2 026)
Electricity market administration fees	(373)	(350)	(752)	(720)
Other materials	(295)	(224)	(591)	(557)
Rent	(9)	(158)	(18)	(333)
Security and fire safety	(123)	(120)	(247)	(236)
Fuel	(15)	(19)	(59)	(66)
Purchased electricity and capacity	(23)	(11)	(60)	(63)
Other professional services	(42)	(46)	(86)	(89)
Other operating income	3	5	12	38
Impairment gain on financial assets	(938)	(180)	282	(763)
Finance income and expense	235	386	435	467
Finance income	422	391	622	711
Finance expense	(187)	(5)	(187)	(244)

	30 June 2019	31 December 2018
Outstanding balances		
Cash and cash equivalents	17 749	7 412
Trade and other receivables	14 144	12 195
Allowance for impairment loss on receivables	(10 777)	(9 993)
Advances for assets under construction	5	5
Total assets	21 121	9 619
Trade and other payables	(4 800)	(920)
Dividends payable	(2 208)	-
Total liabilities	(7 008)	(920)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) 30 JUNE 2019
(in millions of Russian Rubles)

For the six months ended 30 June 2019 dividends declared to the other state-controlled entities amounted to RUB 2 208 million (for the six months ended 30 June 2018: RUB 1 744 million)

21.5 Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market OREM are conducted through commission agreements with JSC FSC. Current financial system of JSC FSC does not provide the final counterparty with automated information about transactions and outstanding balances with the ultimate consumers. State-controlled entities and Gazprom Group and its associates may also act as counterparties.

The Group's transactions and balances outstanding with JSC FSC are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Revenue	16 371	12 317	38 526	32 073
Electric energy	16 371	12 317	38 526	32 073
Expenses	(2 335)	(1 936)	(5 225)	(4 659)
Purchased electricity and capacity	(2 335)	(1 936)	(5 225)	(4 659)
			30 June	31 December
Outstanding balances			2019	2018
Trade and other receivables			1 883	3 063
Total assets			1 883	3 063
Trade and other payables			(280)	(451)
Total liabilities			(280)	(451)

22 Commitments and contingencies

22.1 Capital commitments

As of 30 June 2019 the Group was involved in a number of contracts for construction and purchase of property, plant and equipment for RUB 6 211 million excluding VAT (31 December 2018: RUB 6 125 million).

22.2 Taxation

The Russian Federation tax legislation is subject to varying interpretation and changes, which can occur frequently. The management's interpretation of legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise.

23 Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Financial instruments in Level 3

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3. The fair value of financial instruments, such as short-term trade and other receivables and trade and other payables are classified as Level 3 and are not disclosed, because their fair value is slightly different from their present value.

There was no change in the fair value measurement methods attributed to Level 2 and Level 3 for the six months ended 30 June 2019 (31 December 2018: there was no change). There were no transfers between levels for the six months ended 30 June 2018 (30 June 2018: there were no transfers).

As of 30 June 2019 and 31 December 2018 the Group had the following assets that are measured at fair value:

	Level 1	Level 2	Level 3	Total
Balance as of 30 June 2019				
Financial assets at fair value through other comprehensive income (Note 6)	-	-	1 490	1 490
Balance as of 31 December 2018				
Financial assets at fair value through other comprehensive income (Note 6)	-	-	1 490	1 490

24 Events after the reporting period

In July 2019 the Board of Directors of PJSC Mosenergo agreed on the sale of ordinary registered uncertified shares of PJSC Mosenergo in the amount of 140 229 451 shares purchased by Mosenergo at the request of its shareholders in accordance with the laws of the Russian Federation and the Charter of PJSC Mosenergo.

In July 2019, the Board of Directors of PJSC Mosenergo agreed on the participation of PJSC Mosenergo in the Public Joint-Stock Company “The Second Generating Company of the Wholesale Electric Power Market” (JSC OGC-2) through the acquisition by PJSC Mosenergo of ordinary registered uncertified shares of JSC OGC- 2 in the amount of 4 295 819 438 pieces.

In July 2019, the Board of Directors of PJSC Mosenergo decided to sale 4.9% of the share in the authorized capital of LLC GAZEKS-Management.

In July 2019 PJSC Mosenergo acquired two district heat stations from the PJSC MIPC: Tushino-5 station and Tereshkovo station.