

PJSC «IDGC of Centre»

**Consolidated Interim Condensed Financial Statements
prepared in accordance with IAS 34 *Interim Financial Reporting*
as at and for the three and six months ended 30 June 2019
(unaudited)**

Contents	Page
Report on Review of Interim Financial Information	3
Consolidated Interim Condensed Statement of profit or loss and other comprehensive income (unaudited)	5
Consolidated Interim Condensed Statement of financial position (unaudited)	6
Consolidated Interim Condensed Statement of cash flows (unaudited)	7
Consolidated Interim Condensed Statement of changes in equity (unaudited)	8
Notes to the Consolidated Interim Condensed Financial Statements (unaudited)	
1 Background	9
2 Basis of preparation of consolidated financial statements	10
3 Significant accounting policies	13
4 Measurement of fair value	15
5 Significant subsidiaries	16
6 Information about segments	16
7 Revenue	23
8 Other income	23
9 Other expenses	23
10 Operating expenses	24
11 Finance income and costs	25
12 Income tax	25
13 Property, plant and equipment	27
14 Intangible assets	30
15 Right-of-use assets	32
16 Financial investments	32
17 Trade and other receivables	33
18 Advances given and other assets	33
19 Cash and cash equivalents	34
20 Equity	34
21 Earnings per share	35
22 Loans and borrowings	36
23 Trade and other payables	37
24 Advances from customers	37
25 Financial risk and capital management	38
26 Capital commitments	38
27 Contingencies	38
28 Related party transactions	39
29 Events after the reporting date	42

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying consolidated interim condensed financial statements of Public Joint-Stock Company “Interregional Distribution Grid Company of Centre” and its subsidiaries, which comprise the consolidated interim condensed statement of financial position as at 30 June 2019, the consolidated interim condensed statement of profit or loss and other comprehensive income for the three and six months then ended, consolidated interim condensed statement of cash flows and consolidated interim condensed statement of changes in equity for the six months then ended, and selected explanatory notes (interim financial information). Management of Public Joint-Stock Company “Interregional Distribution Grid Company of Centre” is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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



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улучшаем мир

Conclusion

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

T.L. Okolotina
Partner
Ernst & Young LLC

22 August 2019

Details of the entity

Name: Public Joint-Stock Company "Interregional Distribution Grid Company of Centre"
Record made in the State Register of Legal Entities on 17 December 2004, State Registration Number 1046900099498.
Address: Russia 127018, Moscow, 2nd Yamskaya str., 4.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

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

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018 (restated)	2019	2018 (restated)
Revenue	7	21,460,263	21,311,175	46,570,277	46,755,582
Operating expenses	10	(21,014,044)	(20,065,933)	(43,461,396)	(42,090,918)
Reversal/(accrual) of allowance for expected credit losses		288,886	(197,039)	167,710	(326,404)
Other income	8	227,330	265,863	560,444	510,437
Other expenses	9	(1,942)	(2,965)	(3,073)	(5,683)
Result from operating activities		960,493	1,311,101	3,834,962	4,843,014
Finance income	11	42,042	69,173	82,794	102,990
Finance costs	11	(906,661)	(843,337)	(1,841,805)	(1,770,683)
Total financial costs		(864,619)	(774,164)	(1,759,011)	(1,667,693)
Profit before income tax		95,874	536,937	2,075,951	3,175,321
Income tax expense	12	(102,015)	(221,095)	(593,236)	(893,448)
Profit/(loss) for the period		(6,141)	315,842	1,482,715	2,281,873
Other comprehensive income/(cost)					
<i>Items that will never be reclassified subsequently to profit or loss</i>					
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income		4,390	160	3,706	24,960
Remeasurements of the defined benefit liability		(198,465)	202,208	(296,187)	57,773
Income tax related to items that will never be reclassified subsequently to profit or loss	12	17,729	(19,800)	27,167	(10,605)
Total items that will not be reclassified subsequently to profit or loss		(176,346)	182,568	(265,314)	72,128
Other comprehensive income/(cost) for the period, net of income tax		(176,346)	182,568	(265,314)	72,128
Total comprehensive income/(cost) for the period		(182,487)	498,410	1,217,401	2,354,001
Profit/(loss) attributable to:					
Equity holders of the Company		(20,988)	299,550	1,448,599	2,249,857
Non-controlling interests		14,847	16,292	34,116	32,016
Total comprehensive income/(cost) attributable to:					
Equity holders of the Company		(197,334)	482,118	1,183,285	2,321,985
Non-controlling interest		14,847	16,292	34,116	32,016
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per ordinary share (in RUB)	21	(0.001)	0.007	0.034	0.053

These consolidated interim condensed financial statements were approved by management on 22 August and were signed on this behalf by: 2019

First Deputy General Director-
Chief Engineer

Chief Accountant



A.V. Pilyugin

L.A. Sklyarova

PJSC “IDGC of Centre”
Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2019 (unaudited)
In thousand of Russian rubles, unless otherwise stated

	Notes	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	13	86,688,102	87,860,303
Intangible assets	14	2,588,772	2,784,394
Right-of-use assets	15	2,116,062	-
Trade and other receivables	17	178,390	575,449
Assets related to employee benefits plans		544,618	549,081
Financial investments	16	195,606	191,900
Advances given and other non-current assets	18	17,584	9,813
Total non-current assets		92,329,134	91,970,940
Current assets			
Inventories		3,097,310	2,735,443
Income tax prepayments		559,618	379,356
Trade and other receivables	17	12,531,026	11,682,657
Cash and cash equivalents	19	92,409	787,053
Advances given and other current assets	18	587,879	570,016
Total current assets		16,868,242	16,154,525
Total assets		109,197,376	108,125,465
EQUITY AND LIABILITIES			
Equity			
Share capital	20	4,221,794	4,221,794
Reserves		(464,599)	(199,285)
Retained earnings		41,158,288	40,580,643
Total equity attributable to equity holders of the Company		44,915,483	44,603,152
Non-controlling interest		293,938	259,822
Total equity		45,209,421	44,862,974
Non-current liabilities			
Loans and borrowings	22	31,899,558	29,076,926
Trade and other payables	23	81,483	90,404
Advances from customers	24	649,175	618,436
Employee benefits		2,262,969	1,950,777
Deferred tax liabilities		5,111,209	5,129,281
Total non-current liabilities		40,004,394	36,865,824
Current liabilities			
Loans and borrowings	22	11,726,557	11,312,750
Trade and other payables	23	9,695,987	12,640,420
Advances from customers	24	1,743,444	1,626,437
Provisions		817,573	812,931
Current income tax liabilities		-	4,129
Total current liabilities		23,983,561	26,396,667
Total liabilities		63,987,955	63,262,491
Total equity and liabilities		109,197,376	108,125,465

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

PJSC "IDGC of Centre"
Consolidated Interim Condensed Statements of Cash Flows
for the six months ended 30 June 2019 (unaudited)
In thousand of Russian rubles, unless otherwise stated

	Notes	For the six months ended 30 June	
		2019	2018 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		2,075,951	3,175,321
<i>Adjustments for:</i>			
Depreciation and amortization of fixed assets, right-of-use assets and intangible assets	10,13,14,15	5,385,013	4,920,464
Finance costs	11	1,841,805	1,770,683
Finance income	11	(82,794)	(102,990)
Loss on disposal of property, plant and equipment		1,448	2,120
Accrual/(reversal) of allowance for expected credit losses, net	10	(168,710)	326,404
Bad debt write-off		4,392	1,558
Accrual of provisions	10	108,517	218,938
Other non-cash transactions		(12,003)	11,883
Total impact of adjustments		7,077,668	7,149,060
Change in assets related to employee benefits plans		4,463	(41,259)
Change in employee benefit liabilities		(65,080)	(75,360)
Cash flows from operating activities before changes in working capital and provisions		9,093,002	10,207,762
<i>Changes in working capital and provisions:</i>			
Change in trade and other receivables		(320,169)	918,481
Change in advances given and other assets		(25,635)	108,372
Change in inventories		(360,540)	(898,581)
Change in trade and other payables		(2,171,763)	378,015
Change in advances from customers		147,746	(216,900)
Change in provisions		(103,875)	(51,803)
Cash flows from operating activities before income taxes and interest paid		6,258,766	10,445,346
Income tax paid		(768,532)	(1,148,692)
Interest on the lease liability paid		(103,848)	(424)
Interest paid		(1,710,928)	(1,735,246)
Net cash flows received from operating activities		3,675,458	7,560,984
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(4,631,376)	(5,118,728)
Proceeds from the sale of property, plant and equipment and intangible assets		1,657	3,698
Interest received		64,002	46,064
Dividends received		6,999	6,999
Net cash flows used in investing activities		(4,558,718)	(5,061,967)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	22	6,218,468	79,501,765
Repayment of loans and borrowings	22	(5,124,776)	(82,212,192)
Dividends paid		(829,224)	(831,993)
Repayment of finance lease liabilities		(75,852)	(713)
Net cash flows received/(used) in financing activities		188,616	(3,543,133)
Net decrease in cash and cash equivalents		(694,644)	(1,044,116)
Cash and cash equivalents at the beginning of period		787,053	1,362,307
Cash and cash equivalents at the end of period	19	92,409	318,191

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

PJSC "IDGC of Centre"
Consolidated Interim Condensed Statement of Changes in Equity
for the six months ended 30 June 2019 (unaudited)
In thousand of Russian rubles, unless otherwise stated

	Attributable to equity holders of the Company				Non-controlling interest	Total equity	
	Notes	Share capital	Reserves	Retained earnings			Total
Balance at 1 January 2019		4,221,794	(199,285)	40,580,643	44,603,152	259,822	44,862,974
Profit for the period		-	-	1,448,599	1,448,599	34,116	1,482,715
Other comprehensive income		-	(292,481)	-	(292,481)	-	(292,481)
Related income tax		-	27,167	-	27,167	-	27,167
Total comprehensive income for the period		-	(265,314)	1,448,599	1,183,285	34,116	1,217,401
Transactions with owners							
Dividends	20	-	-	(876,162)	(876,162)	-	(876,162)
Other	20	-	-	5,208	5,208	-	5,208
Total contributions and payments		-	-	(870,954)	(870,954)	-	(870,954)
Balance at 30 June 2019		4,221,794	(464,599)	41,158,288	44,915,483	293,938	45,209,421

	Attributable to equity holders of the Company				Non-controlling interest	Total equity	
	Notes	Share capital	Reserves	Retained earnings			Total
Balance at 31 December 2017		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)
Balance at 1 January 2018 (restated)		4,221,794	(318,735)	38,516,878	42,419,937	199,225	42,619,162
Profit for the period		-	-	2,249,857	2,249,857	32,016	2,281,873
Other comprehensive income		-	82,733	-	82,733	-	82,733
Related income tax		-	(10,605)	-	(10,605)	-	(10,605)
Total comprehensive income for the period		-	72,128	2,249,857	2,321,985	32,016	2,354,001
Transactions with owners							
Dividends	20	-	-	(879,028)	(879,028)	-	(879,028)
Other	20	-	-	7,548	7,548	-	7,548
Total contributions and payments		-	-	(871,480)	(871,480)	-	(871,480)
Balance at 30 June 2018		4,221,794	(246,607)	39,895,255	43,870,442	231,241	44,101,683

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

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

(b) Russian business environment

The Group'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. The Ruble interest rates remained high. The combination of the above 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 June 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 six months ended 30 June 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 six months, ended 30 June 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 six months ended 30 June 2018

<u>For the six months ended 30 June 2018</u>	<u>As previously reported</u>	<u>Effect of change</u>	<u>As restated</u>
Profit before income tax	3,098,847	76,474	3,175,321
Depreciation and amortization	4,996,938	(76,474)	4,920,464
Cash flows from operating activities before changes in working capital and provisions	10,207,762	-	10,207,762
Cash flows from operating activities before income taxes and interest paid	10,445,346	-	10,445,346

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 six months ended 30 June 2018

For the three and six
months ended 30 June
2018

	As previously reported		Effect of change		As restated	
	For the three months ended 30 June 2018	For the six months ended 30 June 2018	For the three months ended	For the six months ended	For the three months ended	For the six months ended
			30 June 2018	30 June 2018	30 June 2018	30 June 2018
Revenue	21,311,175	46,755,582	-	-	21,311,175	46,755,582
Operating expenses	(20,093,434)	(42,167,392)	27,501	76,474	(20,065,933)	(42,090,918)
Reversal/(accrual) of allowance for expected credit losses	(197,039)	(326,404)	-	-	(197,039)	(326,404)
Other income	265,863	510,437	-	-	265,863	510,437
Other expenses	(2,965)	(5,683)	-	-	(2,965)	(5,683)
Result from operating activities	1,283,600	4,766,540	27,501	76,474	1,311,101	4,843,014
Finance income	69,173	102,990	-	-	69,173	102,990
Finance costs	(843,337)	(1,770,683)	-	-	(843,337)	(1,770,683)
Total financial costs	(774,164)	(1,667,693)	-	-	(774,164)	(1,667,693)
Profit before income tax	509,436	3,098,847	27,501	76,474	536,937	3,175,321
Income tax expense	(265,470)	(935,695)	44,375	42,247	(221,095)	(893,448)
Profit for the period	243,966	2,163,152	71,876	118,721	315,842	2,281,873
Other comprehensive income for the period	426,534	2,235,280	71,876	118,721	498,410	2,354,001
Profit attributable to:						
Equity holders of the Company	227,674	2,131,136	71,876	118,721	299,550	2,249,857
Non-controlling interests	16,292	32,016	-	-	16,292	32,016
Total comprehensive income attributable to:						
Equity holders of the Company	410,242	2,203,264	71,876	118,721	482,118	2,321,985
Non-controlling interests	16,292	32,016	-	-	16,292	32,016
Earnings per share						
Basic and diluted earnings per ordinary share (in RUB)	0.005	0.050	0.002	0.003	0.007	0.053

2 Basis of preparation of consolidated financial statements (continued)

Consolidated Statement of Financial Position as at 30 June 2018

30 June 2018	As previously reported	Effect of change	As restated
Property, plant and equipment	85,354,383	(1,010,883)	84,343,500
Total non-current assets	89,446,974	(1,010,883)	88,436,091
Total assets	103,568,324	(1,010,883)	102,557,441
Retained earnings	41,319,887	(1,424,632)	39,895,255
Total equity	45,526,315	(1,424,632)	44,101,683
Deferred tax liabilities	4,747,944	413,749	5,161,693
Total non-current liabilities	46,939,794	413,749	47,353,543
Total equity and liabilities	103,568,324	(1,010,883)	102,557,441

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:

	As at 1 January 2019
<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.

	As at 1 January 2019
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
Lease liabilities recognized as at 1 January 2019	2,282,505

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 June 2019	31 December 2018
		Ownership/voiting, %	Ownership/voiting, %
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 Tambovenergo, branch Tverenergo, branch Yarenergo
- Others

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

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

6 Information about segments (continued)

(a) Information about reportable segments

For the three months ended 30 June 2019:

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

6 Information about segments (continued)

For the three months ended 30 June 2018:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Revenue from external customers	3,036,345	1,160,013	3,187,169	1,202,937	1,752,094	2,063,995	1,031,192	1,693,142	1,369,497	2,482,367	2,288,057	44,367	21,311,175
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	445	109,245	109,690
Segment revenue	3,036,345	1,160,013	3,187,169	1,202,937	1,752,094	2,063,995	1,031,192	1,693,142	1,369,497	2,482,367	2,288,502	153,612	21,420,865
Including													
<i>Electricity transmission</i>	<i>2,858,856</i>	<i>1,146,387</i>	<i>3,112,212</i>	<i>1,180,371</i>	<i>1,573,456</i>	<i>2,000,919</i>	<i>1,021,789</i>	<i>1,651,022</i>	<i>1,337,788</i>	<i>2,264,379</i>	<i>2,151,488</i>	<i>106,674</i>	<i>20,405,341</i>
<i>Technological connection services</i>	<i>95,866</i>	<i>3,899</i>	<i>37,841</i>	<i>9,182</i>	<i>167,419</i>	<i>22,011</i>	<i>985</i>	<i>9,469</i>	<i>21,214</i>	<i>17,661</i>	<i>110,200</i>	<i>75</i>	<i>495,822</i>
<i>Sale of electricity and capacity</i>	-	-	-	-	-	-	-	-	-	<i>185,595</i>	-	-	<i>185,595</i>
<i>Other revenue</i>	<i>81,623</i>	<i>9,727</i>	<i>37,116</i>	<i>13,384</i>	<i>11,219</i>	<i>41,065</i>	<i>8,418</i>	<i>32,651</i>	<i>10,495</i>	<i>14,732</i>	<i>26,814</i>	<i>46,863</i>	<i>334,107</i>
EBITDA	692,893	181,817	506,419	245,432	313,802	473,888	90,653	281,244	193,252	(14,002)	569,798	57,451	3,592,647

6 Information about segments (continued)

For the six months ended 30 June 2019:

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

6 Information about segments (continued)

For the six months ended 30 June 2018:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Revenue from external customers	6,390,453	2,598,889	7,029,581	2,639,134	3,681,635	4,515,754	2,267,786	3,888,743	3,011,187	5,559,461	5,091,073	81,886	46,755,582
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	1,006	230,223	231,229
Segment revenue	6,390,453	2,598,889	7,029,581	2,639,134	3,681,635	4,515,754	2,267,786	3,888,743	3,011,187	5,559,461	5,092,079	312,109	46,986,811
Including													
<i>Electricity transmission</i>	<i>6,110,873</i>	<i>2,560,827</i>	<i>6,889,491</i>	<i>2,594,899</i>	<i>3,468,353</i>	<i>4,412,435</i>	<i>2,249,950</i>	<i>3,751,386</i>	<i>2,935,942</i>	<i>5,203,065</i>	<i>4,913,453</i>	<i>225,765</i>	<i>45,316,439</i>
<i>Technological connection services</i>	<i>119,753</i>	<i>22,386</i>	<i>70,296</i>	<i>19,502</i>	<i>192,639</i>	<i>45,128</i>	<i>1,385</i>	<i>79,918</i>	<i>49,973</i>	<i>52,059</i>	<i>128,125</i>	<i>447</i>	<i>781,611</i>
<i>Sale of electricity and capacity</i>	-	-	-	-	-	-	-	-	-	<i>278,389</i>	-	-	<i>278,389</i>
<i>Other revenue</i>	<i>159,827</i>	<i>15,676</i>	<i>69,794</i>	<i>24,733</i>	<i>20,643</i>	<i>58,191</i>	<i>16,451</i>	<i>57,439</i>	<i>25,272</i>	<i>25,948</i>	<i>50,501</i>	<i>85,897</i>	<i>610,372</i>
EBITDA	1,651,388	557,794	1,417,819	636,527	679,144	963,238	322,955	915,397	723,107	150,333	1,389,575	113,313	9,520,590

6 Information about segments (continued)

30 June 2019:

	Belgorod energo	Bryask energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Segments assets	24,868,561	5,391,122	13,724,119	6,853,789	7,317,668	16,369,945	4,206,717	7,673,333	6,267,224	11,044,902	15,716,669	1,886,654	121,320,703
Including property, plant and equipment and construction in progress	23,039,690	4,573,955	11,299,601	5,947,292	5,962,950	13,883,120	3,578,970	6,551,957	4,289,757	9,046,550	11,109,474	649,910	99,933,236

31 December 2018:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Segment assets	25,625,951	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	2,258,111	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	585,582	101,981,616

6 Information about segments (continued)

(b) The reconciliation of reportable segments EBITDA:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
EBITDA of reportable segments	3,455,581	3,592,647	8,828,194	9,520,590
Discounting receivables	5,096	4,063	11,436	8,810
Adjustment for lease	103,217	487	209,185	1,032
Recognition of pension and other long-term liabilities to employees	(16,102)	3,793	(16,005)	(11,813)
Adjustment on assets related to employee benefit liabilities	2,012	61,979	(4,463)	41,259
Re-measurement of investments (transfer of revaluation to equity)	(4,390)	(160)	(3,706)	(24,960)
Adjustment of the value of property, plant and equipment	(660)	(1,387)	(490)	(584)
Other adjustments	104,197	150,569	187,480	237,284
EBITDA	3,648,951	3,811,991	9,211,631	9,771,618
Depreciation and amortization	(2,690,999)	(2,479,696)	(5,385,013)	(4,920,464)
Interest expenses on financial liabilities	(811,614)	(795,164)	(1,646,819)	(1,675,409)
Interest expenses on lease liabilities	(50,464)	(194)	(103,848)	(424)
Income tax expense	(102,015)	(221,095)	(593,236)	(893,448)
Profit for the period per statement of profit or loss and other comprehensive income	(6,141)	315,842	1,482,715	2,281,873

7 Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Electricity transmission	20,752,588	20,372,954	45,079,091	45,090,674
Technological connection services	163,628	495,822	508,453	781,611
Sale of electricity and capacity	111,412	111,308	266,292	278,389
Other revenue	432,635	331,091	716,441	604,908
	21,460,263	21,311,175	46,570,277	46,755,582

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 Center and Volga region” for the three and six months ended 30 June 2019 in the amount of RUB 27,926 thousand and RUB 55,435 thousand (for the three and six months ended 30 June 2018 in the amount of RUB 27,440 thousand and RUB 55,017 thousand).

8 Other income

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Income from identified non-contracted electricity consumption	33,302	15,773	58,166	44,467
Income in the form of fines and penalties on commercial contracts	48,983	198,308	274,208	340,483
Accounts payable write-off	51,767	4,917	60,893	16,664
Other income	93,278	46,865	167,177	108,823
	227,330	265,863	560,444	510,437

9 Other expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Loss on disposal of property, plant and equipment	(1,942)	(2,965)	(3,073)	(5,683)
	(1,942)	(2,965)	(3,073)	(5,683)

10 Operating expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Personnel costs	4,794,633	4,753,185	9,498,115	9,454,588
Depreciation and amortization	2,690,999	2,479,696	5,385,013	4,920,464
<i>Material expenses, including:</i>				
Electricity for compensation of losses	2,773,859	2,621,296	7,794,008	7,528,924
Electricity for sale	96,900	161,955	230,919	247,675
Purchased electricity and heat power for own needs	49,836	49,209	236,220	238,241
Other material costs	940,793	822,464	1,376,213	1,267,998
<i>Production work and services, including:</i>				
Electricity transmission services	7,403,886	7,334,265	15,352,779	15,172,518
Repair and maintenance services	164,271	162,994	232,905	217,567
Other works and industrial services	220,605	140,674	257,879	218,967
Taxes and levies other than income tax	526,405	476,438	1,054,194	951,714
Short-term rent/Rent	443	118,934	1,494	232,706
Insurance	35,635	36,152	71,469	71,788
<i>Other third-party services, including:</i>				
Communication services	72,953	68,814	139,624	134,884
Security services	76,809	75,948	151,848	150,527
Consulting, legal and audit services	6,455	8,013	11,851	12,653
Software costs and services	72,614	79,507	144,182	161,015
Transportation services	7,300	5,047	14,118	9,242
Other services	248,219	239,698	428,860	405,933
Provisions	53,066	119,053	108,517	218,938
Debt settlement for electricity transmission, electricity for sale, purchased electricity to compensate for losses and non-contracted consumption	529,013	144,393	529,013	144,393
Other expenses	249,350	168,198	442,175	330,183
	21,014,044	20,065,933	43,461,396	42,090,918

11 Finance income and costs

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Finance income				
Interest income on bank deposits and balances on bank accounts	29,512	16,994	63,924	46,064
Dividends receivable	7,434	7,412	7,434	7,412
Other finance income	5,096	44,767	11,436	49,514
	42,042	69,173	82,794	102,990
Finance costs				
Interest expenses on financial liabilities measured at amortized cost	(811,614)	(795,164)	(1,646,819)	(1,675,409)
Interest expenses on lease liabilities	(50,464)	(194)	(103,848)	(424)
Interest expenses on long-term employee benefit liabilities	(39,792)	(42,418)	(81,085)	(87,173)
Other finance costs	(4,791)	(5,561)	(10,053)	(7,677)
	(906,661)	(843,337)	(1,841,805)	(1,770,683)

12 Income tax

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018 (restated)	2019	2018 года (restated)
Current income tax				
Accrual of current tax	(165,769)	(220,614)	(671,279)	(915,218)
Adjustment of the tax for the previous periods	63,322	-	87,138	36,777
Total	(102,447)	(220,614)	(584,141)	(878,441)
Deferred income tax	432	(481)	(9,095)	(15,007)
Income tax expense	(102,015)	(221,095)	(593,236)	(893,448)

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 June				For the six months ended 30 June			
	2019	%	2018 (restated)	%	2019	%	2018 года (restated)	%
Profit before income tax	95,874	100	536,937	100	2,075,951	100	3,175,321	100
Income tax calculated at the applicable tax rate	(19,175)	(20)	(107,387)	(20)	(415,190)	(20)	(635,064)	(20)
Tax effect of items not deductible/not taxable for taxation purposes	(146,162)	(152)	(113,708)	(21)	(265,184)	(13)	(295,161)	(9)
Adjustments for prior years	63,322	66	-	-	87,138	4	36,777	1
	(102,015)	(106)	(221,095)	(41)	(593,236)	(29)	(893,448)	28

Income tax recognized in other comprehensive income:

	For the three months ended 30 June 2019			For the three months ended 30 June 2018		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets at fair value through other comprehensive income	4,390	(878)	3,512	160	(32)	128
Remeasurements of the defined benefit liability	(198,465)	18,607	(179,858)	202,208	(19,768)	182,440
	(194,075)	17,729	(176,346)	202,368	(19,800)	182,568

	For the six months ended 30 June 2019			For the six months ended 30 June 2018		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets at fair value through other comprehensive income	3,706	(741)	2,965	24,960	(4,992)	19,968
Remeasurements of the defined benefit liability	(296,187)	27,908	(268,279)	57,773	(5,613)	52,160
	(292,481)	27,167	(265,314)	82,733	(10,605)	72,128

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>						
At 1 January 2018	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	5,574	380	2	4,401,112	4,407,076
Transfer	532,909	1,455,123	781,656	813,896	(3,583,584)	-
Disposals	(2,348)	(5,596)	(6,924)	(78,961)	(732)	(94,561)
At 30 June 2018	37,014,860	65,560,791	38,062,690	21,156,355	4,707,656	166,502,352
<i>Accumulated depreciation and impairment</i>						
At 1 January 2018	(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)	(16,143)	(13,324)	(75,164)	(6,218)	110,849	-
Depreciation charge (restated)	(772,902)	(1,995,872)	(1,022,803)	(899,492)	-	(4,691,069)
Disposals	2,086	4,386	5,164	76,407	79	88,122
At 30 June 2018 (restated)	(15,217,567)	(34,804,453)	(17,417,564)	(14,632,472)	(86,796)	(82,158,852)
<i>Net book value</i>						
At 1 January 2018	22,053,507	31,305,985	20,963,055	6,618,249	3,693,136	84,633,932
At 30 June 2018 (restated)	21,797,293	30,756,338	20,645,126	6,523,883	4,620,860	84,343,500

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>						
At 1 January 2019	38,274,038	68,988,195	39,527,879	24,088,027	3,867,435	174,745,574
Reclassification between groups	(456)	366	(1,665)	1,755	-	-
Additions	-	4,031	82	-	3,816,319	3,820,432
Transfer	436,724	1,943,443	487,321	471,733	(3,339,221)	-
Disposals	(459)	(4,695)	(6,237)	(62,768)	-	(74,159)
At 30 June 2019	38,709,847	70,931,340	40,007,380	24,498,747	4,344,533	178,491,847
<i>Accumulated depreciation and impairment</i>						
At 1 January 2019	(16,001,193)	(36,857,256)	(18,475,981)	(15,462,222)	(88,619)	(86,885,271)
Reclassification between groups	(1)	20	(20)	1	-	-
Transfer to property, plant and equipment (transfer of impairment losses)	(630)	(1,762)	(782)	(2,237)	5,411	-
Depreciation charge	(805,897)	(2,100,750)	(1,074,330)	(1,007,871)	-	(4,988,848)
Disposals	379	3,764	4,444	61,702	85	70,374
At 30 June 2019	(16,807,342)	(38,955,984)	(19,546,669)	(16,410,627)	(83,123)	(91,803,745)
<i>Net book value</i>						
At 1 January 2019	22,272,845	32,130,939	21,051,898	8,625,805	3,778,816	87,860,303
At 30 June 2019	21,902,505	31,975,356	20,460,711	8,088,120	4,261,410	86,688,102

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 June 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 June 2019 has not changed compared to the previously recognized amount.

Capitalized borrowing costs amounted to RUB 57,086 thousand with a capitalization rate 7.69 – 8.50% for the six months ended 30 June 2019 (for six months ended 30 June 2018: RUB 79,387 thousand with a capitalization rate 8.12 – 9.42%).

Depreciation charge has been capitalized to the cost of capital construction objects in the amount of RUB 9,233 thousand for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RUB 16,276 thousand).

14 Intangible assets

	Software	R&D	Other intangible assets	Total
<i>Initial costs</i>				
At 1 January 2018	1,703,552	21,255	1,271,281	2,996,088
Reclassification between groups	-	(62)	62	-
Additions	357,416	7,181	1,808	366,405
Disposals	(13,572)	-	-	(13,572)
At 30 June 2018	2,047,396	28,374	1,273,151	3,348,921
<i>Accumulated amortization and impairment</i>				
At 1 January 2018	(447,525)	-	(168,393)	(615,918)
Amortization charge	(210,057)	-	(36,383)	(246,440)
Disposals	13,572	-	-	13,572
At 30 June 2018	(644,010)	-	(204,776)	(848,786)
<i>Net book value</i>				
At 1 January 2018	1,256,027	21,255	1,102,888	2,380,170
At 30 June 2018	1,403,386	28,374	1,068,375	2,500,135
<i>Initial costs</i>				
At 1 January 2019	2,336,066	35,516	1,310,223	3,681,805
Additions	63,585	8	,1,020	64,613
Disposals	(22,777)	(502)	-	(23,279)
At 30 June 2019	2,376,874	35,022	1,311,243	3,723,139
<i>Accumulated amortization and impairment</i>				
At 1 January 2019	(655,729)	-	(241,682)	(897,411)
Amortization charge	(220,317)	-	(39,416)	(259,733)
Disposals	22,777	-	-	22,777
At 30 June 2019	(853,269)	-	(281,098)	(1,134,367)
<i>Net book value</i>				
At 1 January 2019	1,680,337	35,516	1,068,541	2,784,394
At 30 June 2019	1,523,605	35,022	1,030,145	2,588,772

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 six months ended 30 June 2019 is RUB 259,733 thousand (for the six months ended 30 June 2018: RUB 246,440 thousand).

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

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

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

The net book value of the objects of the Concession Agreement as at 30 June 2019 is RUB 905,772 thousand. (as at 31 December 2018: RUB 960,635 thousand). Amortization for the objects of the Concession Agreement is RUB 27,431 thousand for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RUB 27,431 thousand).

15 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2019	2,071,525	121,286	81,312	26,569	2,300,692
Additions	68,152	18,418	3,908	23	90,501
Changes in lease terms	(47,222)	1,945	1,288	(181)	(44,170)
Disposal or termination of lease agreements	(82,106)	(400)	(711)	(14,511)	(97,728)
At 30 June 2019	2,010,349	141,249	85,797	11,900	2,249,295
<i>Accumulated depreciation and impairment</i>					
At 1 January 2019	-	-	-	-	-
Depreciation charge	(123,511)	(13,063)	(7,643)	(1,448)	(145,665)
Changes in lease terms	10,748	94	71	135	11,048
Disposal or termination of lease agreements	1,088	21	33	242	1,384
At 30 June 2019	(111,675)	(12,948)	(7,539)	(1,071)	(133,233)
<i>Net book value</i>					
At 1 January 2019	2,071,525	121,286	81,312	26,569	2,300,692
At 30 June 2019	1,898,674	128,301	78,258	10,829	2,116,062

16 Financial investments

	30 June 2019	31 December 2018
Non-current		
Financial assets at fair value through other comprehensive income	195,606	191,900
	195,606	191,900

Finance assets at fair value through other comprehensive income as at 30 June 2019 and as at 31 December 2018 include shares of PJSC “Unipro”, PJSC “IDGC of Center and Volga region”, PJSC “FGC UES”. Fair value of these investments is RUB 195,606 thousand and RUB 191,900 thousand respectively.

For the six months ended 30 June 2019 the increase in fair value in the total amount of RUB 3,706 thousand is reflected in other comprehensive income (for the six months ended 30 June 2018 the increase: RUB 24,960 thousand).

17 Trade and other receivables

	<u>30 June 2019</u>	<u>31 December 2018</u>
Non-current trade and other account receivables		
Trade receivables	37,168	417,928
Other receivables	141,222	157,521
	<u>178,390</u>	<u>575,449</u>
Current trade and other account receivables		
Trade receivables	23,180,907	22,752,087
Allowance for expected credit losses on trade receivables	(11,167,572)	(11,549,586)
Other receivables	1,545,585	1,454,604
Allowance for expected credit losses on other receivables	(1,027,894)	(974,448)
	<u>12,531,026</u>	<u>11,682,657</u>

Balances with related parties are disclosed in Note 28.

18 Advances given and other assets

	<u>30 June 2019</u>	<u>31 December 2018</u>
Non-current		
Advances given	17,584	9,813
	<u>17,584</u>	<u>9,813</u>
Current		
Advances given	185,784	176,447
Advances given impairment allowance	(15,151)	(15,165)
VAT recoverable	7,969	9,950
VAT on advances to customers and clients and advances given for the purchase of property, plant and equipment	389,387	373,413
Prepaid taxes, other than income tax and VAT	19,890	25,371
	<u>587,879</u>	<u>570,016</u>

19 Cash and cash equivalents

			<u>30 June 2019</u>	<u>31 December 2018</u>
Cash in bank accounts and cash on hand			92,409	787,053
			<u>92,409</u>	<u>787,053</u>
	<u>Rating</u>	<u>Rating agency</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
PJSC “Sberbank of Russia”*	Baa3	Moody’s	47,938	37,782
JSC “Bank GPB”*	Ba1	Moody’s	380	34,204
PJSC “VTB bank”*	Baa3	Moody’s	25,381	684,040
JSC “Alfa-Bank”	Ba1	Moody’s	31	49
JSC “AB Rossia”	ruAA	Expert RA	50	58
PJSC “Promsvyazbank”	Ba3	Moody’s	-	29
PJSC “Rosbank”	Baa3	Moody’s	18,344	30,719
PJSC “Sovcombank”	Ba3	Moody’s	1	-
Cash on hand			284	172
* State-controlled banks			<u>92,409</u>	<u>787,053</u>

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

20 Equity

	<u>Ordinary shares</u>	
	<u>30 June 2019</u>	<u>31 December 2018</u>
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 six months 2019, the Company recovered unclaimed dividends for 2015 in the amount of RUB 5,208 thousand (in six months 2018: RUB 7,548 thousand – recovered unclaimed dividends for 2014).

22 Loans and borrowings

	<u>30 June 2019</u>	<u>31 December 2018</u>
Non-current liabilities		
Unsecured loans and borrowings	26,010,286	25,098,458
Unsecured bonds	15,289,106	15,290,522
Lease liabilities	2,148,032	696
Less: current portion of lease liabilities	(242,063)	(696)
Less: current portion of long-term loans and borrowings	(1,010,286)	(1,013,458)
Less: current portion of long-term bonds	(10,295,517)	(10,298,596)
	<u>31,899,558</u>	<u>29,076,926</u>
Current liabilities		
Unsecured loans and borrowings	178,691	-
Current portion of lease liabilities	242,063	696
Current portion of long-term loans and borrowings	1,010,286	1,013,458
Current portion of long-term bonds	10,295,517	10,298,596
	<u>11,726,557</u>	<u>11,312,750</u>
Including:		
Debts on interest payable on loans and borrowings	10,285	13,458
Debts on interest payable on bonds	304,900	308,750
	<u>315,185</u>	<u>322,208</u>

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

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

	<u>Year of maturity</u>	<u>Nominal interest rate</u>	<u>Nominal value</u>
Unsecured loans and borrowings			
Unsecured loans and borrowings*	2019 - 2021	8.25% - 10.00%	6,218,468
			<u>6,218,468</u>

* Loans and borrowings received from companies related to the state

For the six months ended 30 June 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	5,124,776
	<u>5,124,776</u>

23 Trade and other payables

	30 June 2019	31 December 2018
Non-current liabilities		
Trade payables	8,252	8,729
Other payables	73,231	81,675
Total financial liabilities	81,483	90,404
Current liabilities		
Trade payables	5,347,039	6,035,790
Other payables and accrued expenses	292,920	3,054,427
Payables to employees	1,574,025	1,463,903
Dividends payable	84,884	43,154
Total financial liabilities	7,298,868	10,597,274
Taxes payable		
Value-added tax	1,389,566	1,017,695
Property tax	496,035	441,310
Social security contributions	367,693	433,439
Other taxes payables	143,825	150,702
	2,397,119	2,043,146
	9,695,987	12,640,420

24 Advances from customers

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

	30 June 2019	31 December 2018
Advances for services of technological connection to electric grids	567,967	541,567
Advances from customers	81,208	76,869
Total non-current advances from customers	649,175	618,436
Advances for services of technological connection to electric grids	1,222,982	1,190,731
Advances from customers	520,462	435,706
Total current advances from customers	1,743,444	1,626,437

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:

	Financial assets at fair value through other comprehensive income
At 1 January 2019	191,900
Change in fair value recognized in other comprehensive income	3,706
At 30 June 2019	195,606

As at 30 June 2019 amount of free limit on open but unused credit lines of the Group amounted to RUB 26,838,309 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 June 2019, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 10,462,467 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 June 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 June 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 June		For the six months ended 30 June		30 June	31 December
	2019	2018	2019	2018	2019	2018
Revenue, net other income, finance income						
Parent company						
Net other income	195	195	390	390	-	-
Entities under common control of the parent company						
Other revenue	143,257	49,289	195,782	77,649	352,542	207,120
Dividends receivable	435	420	435	420	435	-
	143,887	49,904	196,607	78,459	352,977	207,120

	Amount of the transaction				Carrying amount	
	For the three months ended 30 June		For the six months ended 30 June		30 June	31 December
	2019	2018	2019	2018	2019	2018
Operating expenses, finance costs						
Parent company						
Expenses for services related to the organization of the functioning and development of the EEC	57,710	59,678	113,574	114,558	40,163	46,753
Technical supervision services	10,563	10,563	21,125	21,125	-	-
Other expenses	3,418	3,312	6,836	6,624	-	-
Interest expenses on financial liabilities recorded at amortized cost	260,500	349,050	518,150	759,800	226,850	229,750
Entities under common control of the parent company						
Electricity transmission services	4,325,892	4,318,285	8,682,145	8,606,466	1,494,649	871,099
Repair and maintenance services	-	-	-	-	121,240	138,552
Other expenses	10,685	24,899	20,535	35,272	40,174	124,714
	4,668,768	4,765,787	9,362,365	9,543,845	1,923,076	1,410,868

28 Related party transactions (continued)

	Carrying amount	
	30 June 2019	31 December 2018
Parent company		
Loans and borrowings	10,217,467	10,219,596
Entities under common control of the parent company		
Advances given	70,493	67,498
Advances received	202,616	202,669
	10,490,576	10,489,763

As at 30 June 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 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Short-term benefits	56,084	51,877	96,237	98,998
	56,084	51,877	96,237	98,998

As at 30 June 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 16,892 thousand (31 December 2018: RUB 13,727 thousand).

(d) Transaction with government-related entities

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

Revenues from state-controlled entities for the three and six months ended 30 June 2019 constitute 41% and 41% (for the three and six months ended 30 June 2018: 40% and 41%) of total Group revenues, including 42% and 43% (for the three and six months ended 30 June 2018: 42% and 43%) 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 six months ended 30 June 2019 constitute 63% and 61% (for the three and six months ended 30 June 2018: 65% and 62%) of total electricity transmission services costs.

Interest expenses for government-related entities account for 56% and 57% of the total interest expenses for the three and six months ended 30 June 2019 (for the three and six months ended 30 June 2018: 48% and 53%).

As at 30 June 2019, the balance of cash and cash equivalents held with state-controlled banks is RUB 73,699 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

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