

**Consolidated interim condensed financial statements of
Public Joint Stock Company ROSSETI and its subsidiaries
prepared in accordance with IAS 34 “Interim financial reporting”
for the three and six months ended 30 June 2019
(unaudited)**

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27.08.2019
~ Pelee - 1631

REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION

To the Shareholders and the Board of Directors of “Rosseti”, Public Joint Stock Company

Audited entity:

“Rosseti”, Public Joint Stock Company (abbreviated name - **PJSC ROSSETI**).

Location: 4 Belovezhskaya Street, Moscow, 121353, Russia;

Primary state registration number – 1087760000019

Auditor:

RSM RUS Ltd.

Location: 4 Pudovkin Street, Floor 4, Room 25, Moscow, 119285, Russia;

Tel: (495) 363-28-48; Fax: (495) 981-41-21;

Primary state registration number – 1027700257540.

RSM RUS Ltd. is a member of Self-regulatory organization of auditors Association “Sodruzhestvo” (membership certificate # 6938, ORNZ 11306030308), location: 21, Michurinsky Ave., bldg. 4, Moscow, 119192, Russia.

Introduction

In accordance with the decision of the Tender Committee (Minutes No ref.. dated 30.03.2018), decision of the annual general meeting of shareholders of PJSC ROSSETI dated 27.06.2019 (Minutes No ref. dated 27.06.2019) on appointment of RSM RUS Ltd. as the PJSC ROSSETI auditor and pursuant to Contract for the statutory audit of the 2019 financial statements of PJSC ROSSETI No 191a051 dated 01.07.2019, we have reviewed the accompanying consolidated interim condensed statement of financial position of Rosseti, Public Joint Stock Company and its subsidiaries (hereinafter, the “Group”) as at 30 June 2019 and the related consolidated interim condensed statements of profit and loss and other comprehensive income for the three and six months then ended, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes.

Management of Rosseti, Public Joint Stock Company is responsible for the preparation and fair presentation of these consolidated interim condensed financial information in accordance with International Accounting Standard 34 Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed 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 consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2019, and its financial performance for the three and six months then ended, and its cash flows for the six months then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Management Board Chairperson

Audit Certificate № 05-000015 issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 15 November 2011r. №24. Permanent awarded.

ORZN in the Register of auditors and audit organizations – 21706004215

Manager responsible for the review

Audit Certificate № 05-000030 issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 30 November 2011 № 25. Permanent awarded.

ORZN in the Register of auditors and audit organizations – 21706004441



N.A. Dantser

N.N. Usanova

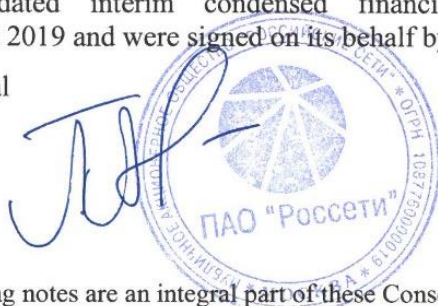
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
(in millions of Russian rubles unless otherwise stated)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019	2018 (restated)	2019	2018 (restated)
Revenue	8	234,526	225,065	500,052	485,336
Operating expenses	10	(198,728)	(189,469)	(413,970)	(400,172)
Allowance for expected credit losses		(5,527)	(7,792)	(10,019)	(15,261)
Other income	9	5,600	6,936	18,678	12,842
Other expenses		(203)	(16)	(224)	(80)
Results from operating activities		35,668	34,724	94,517	82,665
Finance income	11	6,073	5,525	11,245	8,893
Finance costs	11	(8,067)	(6,636)	(16,634)	(13,865)
Net finance costs		(1,994)	(1,111)	(5,389)	(4,972)
Share of profit of associates and joint ventures (net of income tax)		32	226	64	234
Profit before income tax		33,706	33,839	89,192	77,927
Income tax expense	12	(6,530)	(7,864)	(21,248)	(18,789)
Profit for the period		27,176	25,975	67,944	59,138
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation difference		(128)	96	(213)	160
Total items that may be reclassified subsequently to profit or loss		(128)	96	(213)	160
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Changes in fair value of financial assets at fair value through other comprehensive income		6,665	(1,205)	5,257	6,982
Remeasurement of the defined benefit liabilities		(1,269)	2,447	(2,207)	805
Income tax	12	(661)	7,878	(383)	6,480
Total items that will not be reclassified subsequently to profit or loss		4,735	9,120	2,667	14,267
Other comprehensive income for the period, net of income tax		4,607	9,216	2,454	14,427
Total comprehensive income for the period		31,783	35,191	70,398	73,565
Profit attributable to:					
Owners of the Company		20,483	19,640	48,645	42,059
Non-controlling interest		6,693	6,335	19,299	17,079
Total comprehensive income attributable to:					
Owners of the Company		24,355	26,798	50,873	53,552
Non-controlling interest		7,428	8,393	19,525	20,013
Earnings per share					
Basic and diluted earnings per ordinary share (in RUB)	21	0.10	0.10	0.24	0.21

These consolidated interim condensed financial statements were approved by management on 27 August 2019 and were signed on its behalf by:

Director General

P.A. Livinsky



Director for accounting
and reporting – Chief Accountant

D.V. Nagovitsyn

Consolidated Interim Condensed Statement of Financial Position
(in millions of Russian rubles unless otherwise stated)

	<u>Notes</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,040,343	1,983,874
Intangible assets	14	18,340	19,145
Right-of-use assets	15	33,674	–
Investments in associates and joint ventures		1,186	1,401
Trade and other receivables	17	71,856	78,068
Assets related to employee benefits plans		5,927	6,216
Financial investments	16	44,787	41,562
Deferred tax assets		10,939	10,090
Advances given and other non-current assets	18	6,100	4,453
Total non-current assets		2,233,152	2,144,809
Current assets			
Inventories		41,773	37,109
Financial investments	16	56,247	47,192
Income tax prepayments		5,386	3,380
Trade and other receivables	17	164,684	161,465
Cash and cash equivalents	19	87,366	84,056
Advances given and other current assets	18	19,115	19,154
Total current assets		374,571	352,356
Assets held for sale	9	–	21,467
Total assets		2,607,723	2,518,632
EQUITY AND LIABILITIES			
Equity			
Share capital	20	200,903	200,903
Share premium		213,098	213,098
Treasury shares		(109)	(109)
Other reserves		16,212	15,322
Retained earnings		732,144	687,786
Total equity attributable to owners of the Company		1,162,248	1,117,000
Non-controlling interests		387,392	377,962
Total equity		1,549,640	1,494,962
Non-current liabilities			
Loans and borrowings	22	467,761	480,989
Trade and other payables	23	22,637	17,825
Advances from customers	24	37,212	26,221
Employee benefit liabilities		25,765	23,592
Deferred tax liabilities		91,088	76,640
Total non-current liabilities		644,463	625,267
Current liabilities			
Loans and borrowings	22	117,687	87,268
Trade and other payables	23	216,020	226,292
Advances from customers	24	66,400	68,832
Provisions		13,258	10,901
Current income tax liabilities		255	5,110
Total current liabilities		413,620	398,403
Total liabilities		1,058,083	1,023,670
Total equity and liabilities		2,607,723	2,518,632

Consolidated Interim Condensed Statement of Cash Flows
(in millions of Russian rubles unless otherwise stated)

	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		67,944	59,138
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortization of intangible assets and right-of-use-assets	10	63,319	56,562
Finance costs	11	16,634	13,865
Finance income	11	(11,245)	(8,893)
Loss/(gain) on disposal of property, plant and equipment		131	(329)
Gain on derecognition of subsidiary		–	(690)
Share of profit of associates and joint ventures, net of income tax		(64)	(233)
Allowance for expected credit losses		10,019	15,261
Accounts payable write-off		(216)	(200)
Accrued provisions	10	4,161	1,255
Non-cash settlements of technological connection agreements and property received as compensation of losses		(1,472)	(736)
Gain on assets exchange	9	(8,110)	–
Other non-cash transactions		(1,335)	(788)
Income tax expense		21,248	18,789
Total impact of adjustments		93,070	93,863
Change in assets related to employee benefit liabilities		288	349
Change in employee benefit liabilities		(979)	(850)
Cash flows from operating activities before changes in working capital		160,323	152,500
<i>Changes in working capital:</i>			
Change in trade and other receivables		(6,778)	(4,315)
Change in advances given and other assets		207	(892)
Change in inventories		(4,322)	(5,667)
Change in trade and other payables		(15,543)	(615)
Change in advances from customers		8,495	5,400
Change in provisions		(1,827)	(1,682)
Cash flows from operating activities before income tax and interest paid		140,555	144,729
Income tax paid		(15,061)	(18,284)
Interest paid on lease agreements		(1,490)	(107)
Interest paid		(20,958)	(19,513)
Net cash flows from operating activities		103,046	106,825

Consolidated Interim Condensed Statement of Cash Flows
(in millions of Russian rubles unless otherwise stated)

	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(81,544)	(80,093)
Proceeds from sale of property, plant and equipment and intangible assets		572	361
Acquisition of investments and placement of bank deposits		(58,201)	(20,872)
Disposal of investments and withdrawal of bank deposits		49,044	1,286
Interest received		4,525	3,450
Sale of financial investments		6,289	100
Dividends received		1,452	2,239
Net cash flows used in investing activities		(77,863)	(93,529)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	22	50,854	522,052
Repayment of loans and borrowings	22	(67,501)	(509,372)
Acquisition of shares in subsidiary net of cash and cash equivalents acquired	6	(2,528)	–
Acquisition of non-controlling interests		(74)	(476)
Sale of own shares		–	314
Dividends paid		(1,152)	(4,710)
Repayment of lease liabilities		(1,472)	(102)
Net cash flows (used)/recieved in financing activities		(21,873)	7,706
Net increase in cash and cash equivalents		3,310	21,002
Cash and cash equivalents at the beginning of the period	19	84,056	102,054
Cash and cash equivalents at the end of the period	19	87,366	123,056

Consolidated Interim Condensed Statement of Changes in Equity
(in millions of Russian rubles unless otherwise stated)

	Attributable to equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance at 31 December 2018	200,903	213,098	(109)	15,322	687,786	1,117,000	377,962	1,494,962
Changes in accounting policy (Note 3a)	–	–	–	–	(430)	(430)	(5)	(435)
Balance at 1 January 2019 (restated)	200,903	213,098	(109)	15,322	687,356	1,116,570	377,957	1,494,527
Profit for the period	–	–	–	–	48,645	48,645	19,299	67,944
Transfer of provision for revaluation on the disposal of equity investments	–	–	–	(1,338)	1,338	–	–	–
Other comprehensive income	–	–	–	2,581	–	2,581	256	2,837
Related income tax	–	–	–	(353)	–	(353)	(30)	(383)
Total comprehensive income for the period	–	–	–	890	49,983	50,873	19,525	70,398
Transactions with owners of the Company								
Contributions and distributions								
Dividends	–	–	–	–	(4,999)	(4,999)	(10,212)	(15,211)
Total contributions and distributions	–	–	–	–	(4,999)	(4,999)	(10,212)	(15,211)
Changes in ownership interests in subsidiaries								
Shares issued by subsidiaries	–	–	–	–	(196)	(196)	122	(74)
Total transactions with owners of the Company	–	–	–	–	(5,195)	(5,195)	(10,090)	(15,285)
Balance at 30 June 2019	200,903	213,098	(109)	16,212	732,144	1,162,248	387,392	1,549,640

Consolidated Interim Condensed Statement of Changes in Equity
(in millions of Russian rubles, unless otherwise stated)

	Attributable to equity holders of the Company						Non- controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance at 31 December 2017	200,903	213,098	(2,702)	25,430	621,077	1,057,806	365,755	1,423,561
Changes in accounting policy (Note 2c) and restatement	–	–	–	322	(37,653)	(37,331)	(16,437)	(53,768)
Balance at 1 January 2018 (restated)	200,903	213,098	(2,702)	25,752	583,424	1,020,475	349,318	1,369,793
Profit for the period	–	–	–	–	42,059	42,059	17,079	59,138
Transfer of provision for revaluation on the disposal of equity investments	–	–	–	(15,773)	15,773	–	–	–
Other comprehensive income	–	–	–	6,285	–	6,285	1,662	7,947
Related income tax	–	–	–	5,208	–	5,208	1,272	6,480
Total comprehensive income for the period	–	–	–	(4,280)	57,832	53,552	20,013	73,565
Transactions with owners of the Company								
Contributions and distributions								
Sale of treasury shares	–	–	1,663	–	(1,349)	314	–	314
Dividends	–	–	–	–	(2,442)	(2,442)	(10,462)	(12,904)
Total contributions and distributions	–	–	1,663	–	(3,791)	(2,128)	(10,462)	(12,590)
Changes in ownership interests in subsidiaries								
Shares issued by subsidiaries	–	–	–	–	(637)	(637)	387	(250)
Changes in ownership								
Derecognition of subsidiary	–	–	–	–	–	–	2,015	2,015
Total transactions with owners of the Company	–	–	1,663	–	(4,428)	(2,765)	(8,060)	(10,825)
Balance at 30 June 2018 (restated)	200,903	213,098	(1,039)	21,472	636,828	1,071,262	361,271	1,432,533

1 Background

a) The Group and its operations

Joint Stock Company IDGC Holding (hereinafter referred to as “JSC IDGC Holding”) was established on 1 July 2008 in accordance with the resolution of the Extraordinary General Meeting of the Shareholders of the Unified Energy System of Russia (hereinafter referred to as “RAO UES”) dated 26 October 2007, as a spin-off of RAO UES.

At an Extraordinary General Meeting of Shareholders of JSC IDGC Holding on 23 March 2013, the decision was made to amend the Charter of JSC IDGC Holding, under which it was renamed JSC Russian Grids. On 4 April 2013, the respective changes to the Charter of JSC IDGC Holding were registered by the Interregional Inspectorate of the Federal Tax Service of Russia No. 46 for the city of Moscow.

Due to changes in the Civil Code of the Russian Federation at the Annual General Shareholders’ Meeting held on 30 June 2015 the changes of organizational and legal form in the Charter of the Company were approved. JSC Russian Grids changed to Public Joint stock company «ROSSETI» (hereinafter referred to as PJSC «ROSSETI» or the “Company”).

The ordinary and preference shares of the Company are traded on the Moscow Exchange. The Company’s GDRs are traded on the London Stock Exchange.

The Company’s registered address is Moscow, Russia.

The legal address of the Company is 4 Belovezhskaya Street, Moscow, Russia, 121353.

The primary activities of PJSC «ROSSETI» and its subsidiaries (hereinafter referred to as the “Group” or “ROSSETI 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. The Group’s power distribution companies sell electricity. The Group’s principal subsidiaries are disclosed in Note 5.

b) The Group’s 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 Rouble 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 taking appropriate measures 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.

c) Relations with state

The Russian Government through the Federal Agency for the Management of State Property is the ultimate controlling party of the Company. The Group is supported by the Russian Government due to its strategic position in the Russian Federation. The Group’s customer base includes a large number of state-controlled entities.

As at 30 June 2019 the Russian Government owned 88.04 % in the share capital of the Company, including 88.89 % of the voting ordinary shares and 7.01 % of the preference shares. As at 31 December 2018 the Russian Government owned 88.04 % in the share capital of the Company, including 88.89 % of the voting

ordinary shares and 7.01 % of the voting preference shares.

The Group's strategic business units (see Note 7) are regional natural monopolies. 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.

2 Basis of preparation

a) Statement of compliance

These consolidated interim condensed financial statements for the 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 the Group's annual consolidated financial statements as at 31 December 2018 prepared under International Financial Reporting Standards (hereinafter – IFRS).

b) Use of professional judgements and estimates

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.

In preparing these consolidated interim condensed financial statements, significant professional judgements and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the period ended 31 December 2018 except for those related to application of IFRS 16 "Leases" (Note 3a).

The management constantly reviews assumptions and estimates based on previous experience and other factors that affect the application of accounting policies and the reported amounts of assets and liabilities. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by these changes.

c) Restating the amounts

The Group restated the amounts relating to previous periods due to:

2c(i) Corrections due to changes in accounting policies in respect of property, plant and equipment:

When the subsidiary of the Group changed its accounting policy to measuring property, plant and equipment in the accounting model at cost (less accumulated depreciation and impairment losses) the model of calculating future cash flows from technological connection was adjusted.

2c(ii) Change in accounting policies in respect of property, plant and equipment:

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.

2c(iii) Other corrections

The other corrections mainly include the restating of deferred income tax (in part of allowance for expected credit losses, fixed assets) and accrual of expenses for electricity transmission services for the period of service.

The results of the recalculation related to the previous reporting periods are presented below:

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 June 2018	As reported	2c (i)	2c (ii)	2c (iii)	As restated
Operating expenses	(402,315)	857	297	989	(400,172)
Other income	12,958	213	(329)	–	12,842
Results from operating activities	80,638	1,070	(32)	989	82,665
Income tax expense	(18,963)	(211)	7	378	(18,789)
Profit for the period	56,937	859	(25)	1,367	59,138
Total comprehensive income for the period	71,364	859	(25)	1,367	73,565
Profit attributable to:					
Owners of the Company	40,604	688	(13)	780	42,059
Non-controlling interest	16,333	171	(12)	587	17,079
Total comprehensive income attributable to:					
Owners of the Company	52,097	688	(13)	780	53,552
Non-controlling interest	19,267	171	(12)	587	20,013
Basic and diluted earnings per ordinary share (in RUB)	0.21	–	–	–	0.21

Consolidated Interim Condensed Statement of Financial Position

30 June 2018	As reported	2c (i)	2c (ii)	2c (iii)	As restated
Property, plant and equipment	1,966,884	(52,496)	(9,615)	–	1,904,773
Deferred tax assets	10,665	–	–	(657)	10,008
Total non-current assets	2,143,831	(52,496)	(9,615)	(657)	2,081,063
Total assets	2,484,704	(52,496)	(9,615)	(657)	2,421,936
Other reserves	20,942	–	–	530	21,472
Retained earnings	673,281	(34,067)	(3,985)	1,599	636,828
Total equity attributable to owners of the Company	1,107,185	(34,067)	(3,985)	2,129	1,071,262
Non-controlling interest	376,915	(8,445)	(3,850)	(3,349)	361,271
Total equity	1,484,100	(42,512)	(7,835)	(1,220)	1,432,533
Non-current liabilities					
Deferred tax liabilities	80,673	(9,984)	(1,780)	563	69,472
Total non-current liabilities	659,636	(9,984)	(1,780)	563	648,435
Total liabilities	1,000,604	(9,984)	(1,780)	563	989,403
Total equity and liabilities	2,484,704	(52,496)	(9,615)	(657)	2,421,936

d) Changes in presentation

Reclassification of comparative data

In the reporting period the Group changed the presentation of certain amounts in order to provide more accurate presentation of information about its nature in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income. To provide comparability the previous reporting period data have been reclassified:

- Long term and short term advances from customers (contract liability) which earlier had been disclosed in Note «Trade and other payables» are disclosed in separate lines in the consolidated statement of financial position;
- Advances given and other non-financial assets which earlier had been disclosed in Note «Trade and other receivables» are presented as a separate lines «Advances given and other current assets» and «Advances given and other non-current assets» in the consolidated statement of financial position;
- Other income and other expenses that earlier had been disclosed in Note «Other income, net» are presented as a separate line in the consolidated statement of profit or loss and other comprehensive income.
- Allowance for expected credit losses that earlier had been disclosed in Note “Operating expenses” are presented as a separate line in the consolidated statement of profit or loss and other comprehensive income.

3 Significant accounting policies

The principal accounting policies and methods of computation followed by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2018, except for the effect of adoption IFRS 16 “Leases” starting from 1 January 2019 as described below.

a) IFRS 16 Leases

New IFRS 16 Leases was issued in January 2016 and replaces existing leases guidance including IAS 17 Leases and relevant leases IFRS interpretations; eliminating the classification of leases as either operating leases or finance lease and establishes a single lessee accounting model.

An agreement is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration.

Right-of-use assets are initially measured at cost and amortised to the earlier of the following: the end date of useful lives of the right-of-use asset or the lease end date. The initial cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, lease payments made before or at the commencement of the lease, and initial direct costs. After initial recognition, the right-of-use assets are carried at cost less accumulated amortisation and accumulated impairment losses. Right-of-use assets are presented in the Statement of financial position as a separate line item (right-of-use assets that are subject to ownership transfer according to its agreement terms are presented within “Property, plant and equipment” line).

The lease liability are initially measured at the present value of the lease payments that are not paid on inception of the lease and subsequently measured at amortized cost in the form of interest in the finance costs line 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 lines (long-term and short-term).

Regarding a separate lease agreement, the decision may be made on the qualification of the agreement as a lease with the low cost of an asset. Lease payments under such an agreement will be recognized as an expense on a straight-line basis over the lease term.

The Group defines the lease term as a non-early termination period during which the Group has the right to use the underlying assets, together with:

- periods in respect of which the option to extend the lease applies, if there is sufficient certainty that the Group will exercise this option; and
- periods in respect of which an option to terminate the lease applies, if there is sufficient certainty that the Group will not exercise this option.

When determining the lease term the Group considers the following factors:

- whether the leased facility is specialized;
- the location of the facility;
- the Group and the lessor have the practical ability to choose an alternative counterparty (choose an 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 electric grid facilities (electricity transmission networks, equipment for electricity transmission, other) and land plots. The Group also leases non-residential real estate and vehicles.

For leases of land plots under electric grid facilities with an indefinite period of time or with a contract term of not more than 1 year with the possibility of annual renewal, the Group determines the term of the contract using the useful life of fixed assets located on leased land plots as basic criteria.

For leases of electric grid facilities with an indefinite term or with a contract term of not more than 1 year with the possibility of annual renewal, the Group determines the term of the contract using the useful life of its own fixed assets with similar technical characteristics as basic criteria.

The group adopted a modified retrospective method to reflect the cumulative effect of the initial application of the standard as at the date of transition, 1 January 2019. The weighted average rate of additional borrowings applied to lease liabilities recognized in the Statement of financial position at the date of initial application was 9.42%.

The group also applied practical simplifications, did not apply the new standard to lease agreements that expire within twelve months from the date of transition.

As at 1 January 2019 the date of initial application of IFRS 16 Leases, the effect on the Groups assets, liabilities and the capital is the following:

	1 January 2019
<i>Assets</i>	
Right-of –use assets	31,723
Impairment loss of right-of-use assers	(437)
Deffered tax assets	2
Advances given and other current assets	(272)
<i>Liabilities</i>	
Long-term lease liabilities (within loans and borrowings)	29,380
Short-term lease liabilities (within loans and borrowings)	2,502
Trade and other payables	(432)
	(435)
Retained earnings	

Below is the reconciliation between operating lease liabilities performed under IAS 17 as at 31 December 2018 and lease liabilities recognized in the Statement of financial position as at 1 January 2019 under IFRS 16 Leases.

	1 January 2019
Operating lease liabilities as at 31 December 2018	64,545
Other operating lease commitments	19,728
Options for renewal /termination of leases for which there is sufficient confidence	12,709
Exemption for the recognition of short-term leases	(670)
Discounting effect	(63,749)
Finance lease liabilities as at 31 December 2018	1,952
Other	(681)
Lease liabilities as at 1 January 2019	33,834

b) Other standards and interpretations

Except for the changes in accounting policies described in section 3a the following amendments and interpretations that are effective as at 1 January 2019 have no impact 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 Combintaions;
- Amendments to IFRS 11 Joint Arrangement;
- Amendments to IAS 12 Income Taxes – Income Tax Consequences of Payments on 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 that are mandatory for the annual periods beginning on or after 1 January 2020, and which the Group has not early adopted:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 3 Business Combintaions – Definition of a Business;
- 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 edition of the Conceptual Framework for Financial Reporting. The new edition is effective and mandatory for application for the annual periods beginning after 1 January 2020.

The Group is currently analysing the impact of the new edition on the consolidated financial statements.

4 Measurement of fair values

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 of the 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	Ownership/voting, %	
		30 June 2019	31 December 2018
PJSC "FGC UES"	Russian Federation	80.14	80.14
PJSC "MOESK"	Russian Federation	50.90	50.90
JSC "Tyumenenergo"	Russian Federation	100.00	100.00
PJSC "Lenenergo"	Russian Federation	68.10/69.17	68.10/69.17
PJSC "IDGC of Centre"	Russian Federation	50.23	50.23
JSC "IDGC of Urals"	Russian Federation	51.52	51.52
PJSC "IDGC of Centre and Volga region"	Russian Federation	50.40	50.40
PJSC "Kubanenergo"	Russian Federation	92.78	92.78
PJSC "IDGC of Siberia"	Russian Federation	57.84/55.59	57.84/55.59
PJSC "IDGC of Volga"	Russian Federation	67.97	67.97
PJSC "IDGC of North-West"	Russian Federation	55.38	55.38
PJSC "IDGC of Northern Caucasus"*	Russian Federation	98.73	98.71
JSC "Chechenenergo"	Russian Federation	71.73	71.73
PJSC "IDGC of South"*	Russian Federation	70.65	65.12
PJSC "TDC"	Russian Federation	85.77/94.58	85.77/94.58
JSC "Yantarenergo"	Russian Federation	100.00	100.00
JSC "Karachaevo-Cherkesskenergo"	Russian Federation	100.00	100.00
JSC "Kalmenergosbyt"	Russian Federation	100.00	100.00
JSC "Kabbalkenergo"	Russian Federation	65.27	65.27
JSC "Tyvaenergosbyt"	Russian Federation	100.00	100.00
JSC "Sevkavkazenergo"	Russian Federation	55.94	55.94
PJSC "Dagestan Power Sales Company"	Russian Federation	51.00	51.00

*The share is specified taking into account actually placed shares of the current issue.

6 Acquisition of subsidiaries

PJSC “IDGC of South”, a Group subsidiary, obtained control:

- on 20 June 2019, - 100% share of PJSC «Volgogradskie mejrajonnie elektricheskie seti» (hereinafter - PJSC “VMES”) in cash consideration of RUB 2,700. The main activity of PJSC “VMES” is distribution of electricity.
- on 17 May 2019, - 100% share in LLC “UgStroyMontaj” in exchange for RUB 159 million of accounts receivable. The main activity of LLC “UgStroyMontaj” is electricity transmission and technological connection to distribution grids, electrical installation works.

The Group has recorded the acquisition of PJSC “VMES” and LLC “UgStroyMontaj” by the purchase method in accordance with IFRS 3 Business Combinations. As at 30 June 2019 and the date of signing these consolidated interim condensed financial statements, the fair value measurements of assets and liabilities of PJSC “VMES” and LLC “UgStroyMontaj” was not finalized. Thus, the fair value of identifiable net assets could be subsequently adjusted with relative adjustments on goodwill and gain from a bargain purchase.

The preliminary allocation of the acquisition cost to the fair value of acquired assets and liabilities is as follows:

	PJSC «VMES»	LLC «UgStroyMontaj»	Total
ASSETS			
Intangible assets	18	–	18
Property, plant and equipment	1,899	184	2,083
Right-of-use assets	1	–	1
Inventories	99	5	104
Trade and other receivables	1,156	65	1,221
Advances given and other current assets	13	2	15
Cash and cash equivalents	170	2	172
Total assets	3,356	258	3,614
Liabilities			
Deferred tax liabilities	(19)	(7)	(26)
Trade and other payables	(664)	(67)	(731)
Advances from customers	(62)	(1)	(63)
Provisions	(24)	–	(24)
Loans and borrowings	(1)	(4)	(5)
Current income tax liabilities	(1)	–	(1)
Total liabilities	(771)	(79)	(850)
Total identifiable net assets at fair value	2,585	179	2,764
Goodwill	115	–	115
Gain from a bargain purchase	–	(20)	(20)
Cost of acquisition	2,700	159	2,859

The financial results of acquired subsidiaries after the acquisition date did not have significant effect on the Group’s revenue and operating results for the six months ended 30 June 2019.

Net cash outflow related to acquisition of subsidiaries is presented below:

	PJSC «VMES»	LLC «UgStroyMontaj»	Total
Net cash received under subsidiary acquisition	170	2	172
Cost of acquisition	(2,700)	–	(2,700)
Net cash inflow/(outflow)	(2,530)	2	(2,528)

7 Segment information

The Group has identified fourteen reportable segments, as described below, which are the Group’s strategic business units. Each strategic business unit offers electricity transmission services, including technological connection services, in a separate geographical region of the Russian Federation and is managed separately.

The “other” segment includes several operating segments such as electricity sales, rent services and repair services. Unallocated items are comprised mainly of assets and account balances related to the Company’s headquarters.

The Management Board of the Company assesses the performance, assets and liabilities of operating segments based on internal management reporting, which is based on the information reported in RAS. Performance of each reportable segment is measured based on earnings or loss before interest expense, income tax and depreciation and amortization (EBITDA). Management believes that EBITDA is the most relevant measurement for evaluating the results of the Group’s operating segments.

The reconciliation of reportable segment measurements with similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

Information regarding reportable segments is included below.

a) Information about reportable segments

For the three months ended 30 June 2019:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Revenue from external customers	14,444	15,264	23,076	14,612	8,423	11,167	2,805	21,758	9,479	18,667	156	21,302	36,215	19,160	19,230	235,758
Inter-segment revenue	6	16	1,627	8	185	3	1,267	94	865	76	1,153	143	26	37,113	9,831	52,413
Total segment revenue	14,450	15,280	24,703	14,620	8,608	11,170	4,072	21,852	10,344	18,743	1,309	21,445	36,241	56,273	29,061	288,171
Including																
<i>Electricity transmission</i>	13,278	13,967	14,565	14,494	8,274	10,894	3,325	21,431	9,893	17,032	1,220	20,752	34,264	55,308	3,002	241,699
<i>Connection services</i>	139	1,234	195	77	60	205	8	231	205	1,576	48	163	1,501	398	343	6,383
<i>Electricity sales</i>	963	—	9,874	—	207	—	476	—	—	—	15	111	—	—	17,461	29,107
<i>Other revenue</i>	70	79	69	49	67	71	263	190	246	135	26	419	476	567	8,255	10,982
EBITDA	1,981	2,723	2,365	1,875	974	1,175	735	4,664	1,710	7,993	245	3,393	10,366	42,404	(909)	81,694

For the three months ended 30 June 2018:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Revenue from external customers	14,361	13,263	16,243	14,514	8,151	10,524	2,712	20,861	14,275	16,285	183	21,245	35,715	16,776	20,721	225,829
Inter-segment revenue	3	4	1,644	1	105	—	1,143	5	780	60	1,111	49	3	35,873	9,922	50,703
Total segment revenue	14,364	13,267	17,887	14,515	8,256	10,524	3,855	20,866	15,055	16,345	1,294	21,294	35,718	52,649	30,643	276,532
Including																
<i>Electricity transmission</i>	13,278	13,187	17,271	14,379	7,929	10,400	3,252	20,456	9,231	15,177	1,147	20,373	33,393	52,060	2,415	233,948
<i>Connection services</i>	148	3	193	92	101	81	12	258	94	1,039	112	496	1,929	32	622	5,212
<i>Electricity sales</i>	890	—	341	—	179	—	406	—	5,565	—	4	111	—	—	17,762	25,258
<i>Other revenue</i>	48	77	82	44	47	43	185	152	165	129	31	314	396	557	9,844	12,114
EBITDA	2,278	994	(807)	1,549	621	1,484	94	5,494	1,623	7,182	332	3,527	8,343	34,344	88	67,146

For the six months ended 30 June 2019:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Revenue from external customers	32,140	30,458	50,256	31,261	17,789	22,978	5,904	47,265	20,716	39,709	279	46,353	78,043	38,476	40,337	501,964
Inter-segment revenue	14	49	3,627	8	301	4	2,650	116	1,889	91	2,591	196	43	74,518	19,321	105,418
Total segment revenue	32,154	30,507	53,883	31,269	18,090	22,982	8,554	47,381	22,605	39,800	2,870	46,549	78,086	112,994	59,658	607,382
Including																
<i>Electricity transmission</i>	29,573	29,107	31,379	31,057	17,466	22,615	7,019	46,690	21,905	37,307	2,725	45,079	74,528	111,582	6,273	514,305
<i>Connection services</i>	220	1,237	290	128	98	252	28	400	252	2,292	68	508	2,747	408	729	9,657
<i>Electricity sales</i>	2,236	–	22,087	–	422	–	1,007	–	–	–	28	266	–	–	38,973	65,019
<i>Other revenue</i>	125	163	127	84	104	115	500	291	448	201	49	696	811	1,004	13,683	18,401
EBITDA	5,312	4,205	5,572	4,784	2,890	2,732	(1,473)	11,440	4,593	16,867	590	8,690	22,312	79,185	(2,149)	165,550

For the six months ended 30 June 2018:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Revenue from external customers	31,500	27,199	34,156	31,064	17,567	22,255	5,783	47,693	28,646	35,457	432	46,651	76,496	33,907	47,077	485,883
Inter-segment revenue	6	8	3,700	1	219	1	2,477	15	1,779	136	2,501	78	17	71,943	19,323	102,204
Total segment revenue	31,506	27,207	37,856	31,065	17,786	22,256	8,260	47,708	30,425	35,593	2,933	46,729	76,513	105,850	66,400	588,087
Including																
<i>Electricity transmission</i>	30,292	27,045	37,074	30,857	17,126	22,031	6,982	43,729	20,919	33,314	2,602	45,091	72,877	104,765	5,430	500,134
<i>Connection services</i>	218	27	277	124	147	144	19	416	165	2,008	266	781	2,928	65	723	8,308
<i>Electricity sales</i>	890	–	341	–	432	–	874	3,317	9,066	–	7	278	–	–	41,352	56,557
<i>Other revenue</i>	106	135	164	84	81	81	385	246	275	271	58	579	708	1,020	18,895	23,088
EBITDA	5,038	1,880	2,538	5,192	2,549	3,265	249	13,267	4,262	13,668	818	9,388	19,605	77,635	177	159,531

As at 30 June 2019:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	85,378	158,838	72,617	62,142	47,698	76,473	38,486	115,227	55,439	221,915	27,279	120,618	346,351	1,497,055	147,059	3,072,575
<i>Including property, plant and equipment and construction- in-progress</i>	63,658	146,918	53,782	50,470	27,469	62,070	22,685	81,421	44,355	176,858	23,796	99,368	308,414	1,211,074	76,362	2,448,700

As at 31 December 2018:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	84,109	156,584	71,940	63,767	45,122	75,909	38,059	114,703	56,417	214,720	26,800	122,536	347,573	1,487,063	141,454	3,046,756
<i>Including property, plant and equipment and construction- in-progress</i>	62,897	148,825	53,972	51,517	28,180	62,535	22,402	82,217	45,020	175,177	23,053	101,461	311,632	1,201,105	75,210	2,445,203

b) Reconciliation of reportable segment EBITDA is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
EBITDA of reportable segments	81,694	67,146	165,550	159,531
Adjustment of allowance for expected credit losses and impairment allowance of advances given	(855)	1,597	1,000	(360)
Provisions	(396)	(164)	(516)	(229)
Adjustments for rent expenses	1,906	76	2,668	171
Adjustment for disposal of property, plant and equipment	(202)	164	(640)	257
Discounting of financial instruments	579	296	1,727	570
Adjustment on assets related to employee benefits	(36)	(121)	(288)	(349)
Adjustment for write-off of the other current and non-current assets	(4)	91	(101)	87
Recognition of retirement and other long-term employee benefit obligation	70	21	35	(336)
Gain on derecognition of subsidiary	–	690	–	690
Re-measurement of financial assets measured at fair value through other comprehensive income (transfer of re-measurement to equity)	(7,242)	(231)	(5,930)	(9,106)
Gain on assets exchange with JSC “Far Eastern Energy Management Company”	–	–	8,110	–
Other adjustments	(2,023)	(885)	(3,339)	(2,836)
Unallocated items	(841)	(608)	(601)	(1,429)
	72,650	68,072	167,675	146,661
Depreciation and amortization	(31,657)	(28,277)	(63,319)	(56,562)
Interest expenses on financial liabilities measured at amortized cost	(6,509)	(5,904)	(13,561)	(12,065)
Interest expenses on lease liabilities	(778)	(52)	(1,603)	(107)
Income tax expense	(6,530)	(7,864)	(21,248)	(18,789)
Profit for the period per consolidated statement of profit or loss and other comprehensive income	27,176	25,975	67,944	59,138

8 Revenue

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Electricity transmission	197,130	191,291	423,616	413,269
Sales of electricity and capacity	27,360	23,746	60,329	52,199
Technological connection services	6,380	5,207	9,525	8,290
Other revenue	2,985	4,005	5,240	10,054
	233,855	224,249	498,710	483,812
Revenue from leases	671	816	1,342	1,524
	234,526	225,065	500,052	485,336

Other revenues are mainly comprised of revenue from construction services, repair and maintenance services.

9 Other income

	Three months ended 30 June		Six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Gain on assets exchange with JSC “Far Eastern Energy Management Company”	–	–	8,110	–
Income in the form of fines and penalties on commercial contracts	3,068	3,755	6,513	6,904
Income from compensation of losses in connection with retirement / liquidation of electric grid assets	876	397	1,490	1,267
Income from identified non-contracted electricity consumption	905	1,088	1,371	1,725
Gain on deconsolidation of subsidiary	–	690	–	690
Net other income	751	1,006	1,194	2,256
	5,600	6,936	18,678	12,842

On 26 December 2018, as a part of UNEG asset consolidation process the Group has concluded the exchange contract with JSC “Far Eastern Energy Management Company” (government-controlled entity). The Group exchanges property, plant and equipment, accounts receivable, and cash to be paid by instalments up to 2024 for UNEG property plant and equipment. The exchange has been completed on 1 January 2019.

As at 1 January 2019 the Group has recognized disposal of property, plant and equipment with the carrying value of RUB 16,045 million, accounts receivable with the value of RUB 5,372 million, and at the same time recognised additions to property, plant and equipment at fair value of RUB 34,564 million, long-term accounts payable at fair value of RUB 2,713 million and short-term accounts payable at fair value of RUB 2,384 million at initial recognition. The Group also recognised VAT recoverable amounted to RUB 2,394 million.

Fair value of long-term accounts payable has been determined using present value technique based on estimated future cashflows at the discount rate of 9%. Gain on assets exchange amounted to RUB 8,110 million.

10 Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Personnel costs	48,620	46,281	96,175	91,899
Depreciation and amortization	31,657	28,277	63,319	56,562
<i>Material expenses, including:</i>				
Electricity for compensation of losses	27,816	25,658	75,015	72,290
Electricity for sale	16,189	13,000	36,531	28,561
Purchased electricity and heat power for own needs	538	678	2,232	2,493
Other material costs	8,784	10,130	13,740	18,773
<i>Production work and services, including:</i>				
Electricity transmission services	36,228	35,342	77,448	74,652
Repair and maintenance services	4,899	4,333	6,637	6,207
Other works and industrial services	2,471	3,058	4,235	6,178
Taxes and levies other than income tax	6,758	8,063	13,636	15,664
Short term rent/Rent	836	1,817	2,095	3,410
Insurance	588	570	1,183	1,140
<i>Other third-party services, including:</i>				
Communication services	671	659	1,283	1,239
Security services	1,282	1,232	2,485	2,403
Consulting, legal and audit services	522	429	871	872
Software costs and servicing	653	594	1,055	1,001
Transportation services	588	622	1,224	1,217
Other services	3,268	2,214	5,154	4,033
Provisions	3,061	702	4,161	1,255
Other expenses	3,299	5,810	5,491	10,323
	198,728	189,469	413,970	400,172

11 Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Finance income				
Interest income on loans, bank deposits and accounts, and promissory notes	2,715	1,711	4,557	3,324
Interest income on assets related to employee benefits plans	–	3	30	20
Effect on initial discounting of financial liabilities	(278)	(10)	176	132
Dividends	1,453	2,240	1,453	2,240
Depreciation of discount of financial assets	2,426	1,529	4,611	3,046
Other finance income	297	52	418	131
	6,073	5,525	11,245	8,893
Finance costs				
Interest expenses on financial liabilities measured at amortized cost	6,509	5,904	13,561	12,065
Interest expenses on lease liabilities	778	52	1,603	107
Interest expenses on long-term defined benefit liabilities	444	604	943	1,181
Other finance costs	336	76	527	512
	8,067	6,636	16,634	13,865

12 Income tax

	Three months ended 30 June		Six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Current income tax				
Accrual of current tax	(3,955)	(6,430)	(8,193)	(12,221)
Adjustment for previous periods tax	117	13	99	637
Total current income tax	(3,838)	(6,417)	(8,094)	(11,584)
Deferred income tax	(2,692)	(1,447)	(13,154)	(7,205)
Total income tax expense	(6,530)	(7,864)	(21,248)	(18,789)

Income tax recognized in other comprehensive income

	Three months ended 30 June 2019			Three months ended 30 June 2018		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets measured at fair value through other comprehensive income	6,665	(925)	5,740	(1,205)	8,228	7,023
Foreign currency translation differences	(128)	–	(128)	96	–	96
Remeasurements of the defined benefit liabilities	(1,269)	264	(1,005)	2,447	(350)	2,097
	5,268	(661)	4,607	1,338	7,878	9,216

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets measured at fair value through other comprehensive income	5,257	(756)	4,501	6,982	6,594	13,576
Foreign currency translation differences	(213)	–	(213)	160	–	160
Remeasurements of the defined benefit liabilities	(2,207)	373	(1,834)	805	(114)	691
	2,837	(383)	2,454	7,947	6,480	14,427

The income tax rate applicable to the Group's entities for the six month ended 30 June 2019 is 20 % (for the six month ended 30 June 2018: 20 %).

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

Profit before income tax for financial reporting purposes is reconciled to income tax expenses as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Profit before income tax	33,706	33,839	89,192	77,927
Income tax at the applicable tax rate	(6,741)	(6,767)	(17,838)	(15,585)
Effect of income taxed at lower rates	537	214	604	265
Tax effect on not taxable or non-deductible for tax purposes items	(71)	(831)	(3,964)	(3,667)
Change in tax base of property, plant and equipment	42	(302)	264	(157)
Adjustments for prior years	117	13	99	637
Change in unrecognized deferred tax assets	(414)	(191)	(413)	(282)
	(6,530)	(7,864)	(21,248)	(18,789)

13 Property, plant and equipment

	Land plots and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/Deemed cost</i>						
At 1 January 2018	264,535	1,272,832	1,071,849	310,344	396,878	3,316,438
Reclassification between groups	(168)	(28)	11	185	–	–
Additions	325	721	234	2,284	82,705	86,269
Transfers	2,858	12,386	19,628	5,824	(40,696)	–
Disposals	(199)	(395)	(637)	(1,006)	(3,125)	(5,362)
At 30 June 2018 (restated)	267,351	1,285,516	1,091,085	317,631	435,762	3,397,345
<i>Accumulated depreciation and impairment</i>						
At 1 January 2018	(84,064)	(582,657)	(508,478)	(196,573)	(67,588)	(1,439,360)
Reclassification between groups	57	(42)	(1,241)	(305)	1,531	–
Depreciation charge	(4,282)	(20,134)	(19,755)	(10,852)	–	(55,023)
Disposals	70	166	391	1,127	57	1,811
At 30 June 2018 (restated)	(88,219)	(602,667)	(529,083)	(206,603)	(66,000)	(1,492,572)
<i>Net book value</i>						
At 1 January 2018	180,471	690,175	563,371	113,771	329,290	1,877,078
At 30 June 2018 (restated)	179,132	682,849	562,002	111,028	369,762	1,904,773

	Land plots and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/Deemed cost</i>						
At 1 January 2019	277,715	1,370,819	1,171,120	343,767	361,270	3,524,691
Reclassification between groups	29	(15)	338	(341)	(11)	–
Additions	1,326	30,561	8,006	2,125	74,969	116,987
Transfers	2,052	20,631	5,203	6,763	(34,649)	–
Disposals	(136)	(883)	(731)	(873)	(993)	(3,616)
At 30 June 2019	280,986	1,421,113	1,183,936	351,441	400,586	3,638,062
<i>Accumulated depreciation and impairment</i>						
At 1 January 2019	(93,884)	(623,028)	(549,067)	(216,481)	(58,357)	(1,540,817)
Reclassification between groups	2	(270)	(637)	232	673	–
Depreciation charge	(4,620)	(21,751)	(21,172)	(11,881)	–	(59,424)
Disposals	57	573	843	816	233	2,522
At 30 June 2019	(98,445)	(644,476)	(570,033)	(227,314)	(57,451)	(1,597,719)
<i>Net book value</i>						
At 1 January 2019	183,831	747,791	622,053	127,286	302,913	1,983,874
At 30 June 2019	182,541	776,637	613,903	124,127	343,135	2,040,343

Capitalized borrowing costs for the six months ended 30 June 2019 amounted to RUB 7,439 million (for the six months ended 30 June 2018: RUB 7,398 million), with capitalization rates of 5.58 – 10.20% (for the six months ended 30 June 2018: 4.94 – 10.19%).

The cost of fixed assets includes items under lease agreements that are to be transferred to the Group's ownership at the end of lease period. As at 30 June 2019 the net book value of such items amounted to RUB 2,148 million (as at 1 January 2019: RUB 2,302 million).

The depreciation charge for the six months ended 30 June 2019 in the amount of RUB 54 million (for the six months ended 30 June 2018: RUB 41 million) has been capitalized to the cost of the capital construction objects.

14 Intangible assets

	Software	Licenses, certificates and patents	Other	Total
<i>Cost</i>				
At 1 January 2018	23,173	720	10,732	34,625
Reclassification between groups	39	–	(39)	–
Additions	1,315	74	323	1,712
Disposals	(301)	(41)	(101)	(443)
At 30 June 2018	24,226	753	10,915	35,894
<i>Accumulated amortization and impairment</i>				
At 1 January 2018	(13,847)	(140)	(3,880)	(17,867)
Amortization charge	(1,199)	(35)	(344)	(1,578)
Disposals	303	41	34	378
At 30 June 2018	(14,743)	(134)	(4,190)	(19,067)
<i>Net book value</i>				
At 1 January 2018	9,326	580	6,852	16,758
At 30 June 2018	9,483	619	6,725	16,827
<i>Cost</i>				
At 1 January 2019	25,441	903	11,092	37,436
Reclassification between groups	91	14	(105)	–
Additions	813	348	337	1,498
Disposals	(144)	(19)	(290)	(453)
At 30 June 2019	26,201	1,246	11,034	38,481
<i>Accumulated amortization and impairment</i>				
At 1 January 2019	(13,676)	(142)	(4,473)	(18,291)
Reclassification between groups	(32)	(2)	34	–
Amortization charge	(1,516)	(67)	(469)	(2,052)
Disposals	148	19	35	202
At 30 June 2019	(15,076)	(192)	(4,873)	(20,141)
<i>Net book value</i>				
At 1 January 2019	11,765	761	6,619	19,145
At 30 June 2019	11,125	1,054	6,161	18,340

Capitalized borrowing costs for the six months ended 30 June 2019 amounted to RUB 14 million (for the six months ended 30 June 2018: RUB 31 million), with capitalization rates of 7.72 – 8.40% (for the six months ended 30 June 2018: 7.77–8.18%).

15 Right-of-use assets

	<u>Land plots and buildings</u>	<u>Electricity transmission networks</u>	<u>Equipment for electricity transmission</u>	<u>Other</u>	<u>Total</u>
<i>Cost</i>					
At 1 January 2019	24,127	3,529	3,382	684	31,722
Reclassification between groups	(40)	35	–	5	–
Additions	1,705	1,407	1,196	269	4,577
Change of lease agreement terms	(30)	4	(18)	(1)	(45)
Disposal or termination of lease agreements	(149)	(1)	(2)	(14)	(166)
At 30 June 2019	25,613	4,974	4,558	943	36,088
<i>Accumulated depreciation and impairment</i>					
At 1 January 2019	(37)	(199)	(198)	(2)	(436)
Depreciation charge	(1,106)	(330)	(418)	(51)	(1,905)
Change of lease agreement terms	37	3	4	–	44
Disposal or termination of lease agreements	(117)	–	–	–	(117)
At 30 June 2019	(1,223)	(526)	(612)	(53)	(2,414)
<i>Net book value</i>					
At 1 January 2019	24,090	3,330	3,184	682	31,286
At 30 June 2019	24,390	4,448	3,946	890	33,674

16 Financial investments

	<u>30 June 2019</u>	<u>31 December 2018</u>
<i>Non-current</i>		
Financial assets measured at amortised cost	3,343	3,209
Financial assets measured at fair value through other comprehensive income	41,013	37,922
Financial assets measured at fair value through profit or loss	431	431
	44,787	41,562
<i>Current</i>		
Financial assets measured at amortised cost	56 247	47,192
	56,247	47,192

Financial assets measured at fair value through other comprehensive income at 30 June 2019 and 31 December 2018 are mainly represented by the shares of PJSC “Inter RAO UES”. Fair value of these shares is based on published market quotations and amounted to RUB 40,516 million and RUB 37,572 million respectively.

On 29 June 2018 the Group has concluded sales agreements to sell 10,440,000 thousand shares or 10% out of its 18.57% financial investment in PJSC “INTER RAO UES” to JSC “Inter RAO Capital” (6,608,643 thousand shares or 6.33%), “DVB Leasing” LLC (3,132,000 thousand shares or 3%) and “Praktika” LLC (699,357 thousand shares or 0.67%) for the price of RR 3.3463 per share.

As at 30 June 2018 6,608,643 thousand shares of PJSC “INTER RAO UES” were transferred to JSC “Inter RAO Capital”.

During the six months ended 30 June 2018 the Group has reclassified 6,608,643 thousand shares sold to JSC “Inter RAO Capital” from Level 1 to Level 3 fair value hierarchy. The fair value of shares sold as single lot has been determined based on independent appraiser report by applying income approach with due account for volume discount and payment by installments in 2019. During the six months ended 30 June 2018 the Group has recognized revaluation loss for financial investments amounted to RUB 2,007 million relating to the part of financial investment in PJSC “INTER RAO UES” shares sold to to JSC “Inter RAO Capital” on 29 June 2018. Accumulated revaluation reserve, net of tax, relating to shares disposed and amounted to RUB 15,773 million has been reclassified from reserves to retained earnings.

As at 30 June 2019 699,357 thousand shares of PJSC “INTER RAO UES” were transferred to “Praktika” LLC.

During the six months ended 30 June 2019 the Group has reclassified 699,357 thousand shares sold to “Praktika” LLC from Level 1 to Level 3 fair value hierarchy. The fair value of shares sold as single lot has been determined based on independent appraiser report by applying income approach with due account for volume discount and payment by installments in 2019. During the six months ended 30 June 2019 the Group has recognized revaluation loss for financial investments amounted to RUB 548 million relating to the part of financial investment in PJSC “INTER RAO UES” shares sold to to “Praktika” LLC on 03 June 2019. Accumulated revaluation reserve, net of tax, relating to shares disposed and amounted to RUB 1,338 million has been reclassified from reserves to retained earnings.

Financial assets measured at amortised cost at 30 June 2019 and 31 December 2018 are mainly represented by bank deposits with an original maturity of more than three months.

	Interest rate	Rating	Rating agency	30 June 2019	31 December 2018
VTB Bank (PJSC)*	6.38 – 7.60	BBB-	Standart & Poor’s	33,892	22,231
Bank GPB (JSC)*	7.15-8.20	BB+	Standart & Poor’s	17,431	7,443
JSC Russian Agricultural Bank*	7.45 – 8.21	BB+	Fitch Ratings	3,418	1,722
OJSC Bank Tavrichesky	0.51	–	–	3,005	2,886
JSC Alfa-Bank	7.60	BB+	Standart & Poor’s	1,410	1,196
PJSC Sberbank*	7.30	BBB-	Fitch Ratings	71	14,595
Russian Regional Development Bank*	7.56	Ba2	Moody’s	22	–
				59,249	50,073

*Government-related

17 Trade and other receivables

	30 June 2019	31 December 2018
Non-current trade and other accounts receivable		
Trade receivables	70,143	76,825
Allowance for expected credit losses on trade receivables	(444)	(409)
Other receivables	2,291	1,773
Allowance for expected credit losses on other receivables	(240)	(240)
Loans given	106	119
Total financial assets	71,856	78,068
Current trade and other accounts receivable		
Trade receivables	227,357	219,200
Allowance for expected credit losses on trade receivables	(105,558)	(100,307)
Other receivables	65,978	62,810
Allowance for expected credit losses on other receivables	(23,206)	(20,368)
Loans given	268	284
Allowance for expected credit loss on current loans given	(155)	(154)
Total financial assets	164,684	161,465

Long-term trade receivables mainly relate to the contracts of technological connection that imply deferred inflow of cash for the provided services (as at 30 June 2019: RUB 64,211 million, as at 31 December 2018: RUB 67,994 million) and to restructured receivable balances for electricity transmission services.

18 Advances given and other assets

	30 June 2019	31 December 2018
Non-current assets		
Advances given	7,294	7,299
Advances given impairment allowance	(6,922)	(6,922)
VAT on advances from customers	5,728	4,076
	6,100	4,453
Current assets		
Advances given	12,128	13,375
Advances given impairment allowance	(5,533)	(7,430)
VAT recoverable	2,127	3,464
VAT on advances from customers and VAT on advances given for purchase of property, plant and equipment	8,557	8,725
Prepaid taxes, other than income tax	1,836	1,020
	19,115	19,154

19 Cash and cash equivalents

	30 June 2019	31 December 2018
Cash at banks and in hand	61,613	53,063
Cash equivalents	25,753	30,993
	87,366	84,056

	Rating	Rating agency	30 June 2019	31 December 2018
Bank GPB (JSC)*	BB+	Standart & Poor's	27,370	13,915
PJSC Sberbank*	BBB-	Fitch Ratings	15,780	7,545
JSC «Alfa-Bank»	BB+	Standart & Poor's	4,427	840
JSC AB ROSSIYA	A+(RU)	ACRA	3,371	12,578
VTB Bank (PJSC)*	BBB-	Standart & Poor's	3,235	10,571
UFK*	–	–	2,476	4,234
Russian Regional Development Bank*	Ba2	Moody's	2,276	896
PJSC RNCB*	A(RU)	ACRA	2,027	2,234
Other banks	–	–	538	210
Cash in hand			113	40
			61,613	53,063

*Government-related

Cash equivalents primarily consist of bank deposits placed with a number of banks for less than three months.

	Interest rate	Rating	Rating agency	30 June 2019	31 December 2018
VTB Bank (PJSC)*	6.60 – 7.40	BBB-	Standart & Poor's	10,250	12,837
Bank GPB (JSC)*	6.70 – 7.16	BB+	Standart & Poor's	6,503	6,615
PJSC Sberbank*	4.61 – 6.92	BBB-	Fitch Ratings	3,474	7,193
Russian Regional Development Bank*	6.90-7.05	Ba2	Moody's	1,344	2,739
JSC «Alfa-Bank»	7.50 – 7.55	BB+	Standart & Poor's	1,210	–
JSC Russian Agricultural Bank*	6.03 – 7.15	BB+	Fitch Ratings	309	617
Other banks	7.53-7.54	–	–	2,501	474
				25,591	30,475

* Government-related

20 Equity

a) Share capital

	Ordinary shares		Preference shares	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Par value	RUB 1	RUB 1	RUB 1	RUB 1
On issue at 1 January	198,827,865,141	198,827,865,141	2,075,149,384	2,075,149,384
On issue at the end of the year and fully paid	198,827,865,141	198,827,865,141	2,075,149,384	2,075,149,384

b) Ordinary and preference shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company shareholders' meetings.

Holders of preference shares are entitled to an annual dividend equal to 10% of net statutory profit divided by 25% of all shares. If the amount of dividends paid by the Company for each ordinary share in a given year exceeds the amount payable as a dividend on each preference share, the dividend rate payable on the latter must be increased to the amount of dividends on ordinary shares.

Preference shares carry the right to vote on all issues within the competence of general shareholders' meetings following the Annual Shareholders' Meeting at which a decision not to pay (or not to pay the full amount of) dividends on preference shares was taken. The right of preference shareholders to vote at general shareholders' meetings ceases from the date of the first full payment of dividends on such shares. The dividend is not cumulative, however. The preference shares also carry the right to vote, but this right is limited according to the amendments of the Company Charter, which include reorganization and liquidation, also the delisting of preferred shares.

In the case of liquidation, preference shareholders receive any declared unpaid dividends and the par value of the preference shares. Thereafter all shareholders, ordinary and preference, participate equally in the distribution of the remaining assets.

c) Dividends

The basis for distribution of profits of the Company's profit to shareholders is defined by Russian legislation as net profit presented in its statutory financial statements prepared in accordance with the Regulations on Accounting and Reporting of the Russian Federation.

On 27 June 2019 the annual General meeting of shareholders decided not to pay dividends on preference and ordinary shares of PJSC "ROSSETI" on the results of 2018 and to pay dividends on preference and ordinary shares of PJSC "ROSSETI" for the first quarter of 2019 in the amount of RUB 5,023 million (for preference shares in the amount of 0.07997 rouble per one preference share and on ordinary shares in the amount of 0.02443 rouble per one ordinary share).

d) Treasury shares

Information regarding treasury shares is presented below:

30 June 2019			31 December 2018		
Number of shares, mln.		Cost, mln. RUB	Number of shares, mln.		Cost, mln. RUB
Ordinary	Preference		Ordinary	Preference	
3	308	109	3	308	109

e) Changes in shares in subsidiaries

On 23 August 2016, at an extraordinary General Meeting of Shareholders of IDGC of Northern Caucasus, PJSC, it was decided to increase the authorized capital by placing additional ordinary registered uncertified shares in the amount of 3,258,695,653 pieces with a par value of 1 rouble each. The placement price was RUB 17.45 per share. In March 2019 the Group acquired 9,919,496 shares and, taking into account the actually placed shares of the current issue, the Group's share became 98.73%.

On 18 April 2019, at an extraordinary General Meeting of Shareholders of PJSC IDGC of South, it was decided to increase the authorized capital by placing additional ordinary registered uncertified shares in the amount of 19,963,551,256 pieces with a par value of 0.1 rouble each. In June 2019 the Group acquired 13,000,000,000 shares and, taking into account the actually placed shares of the current issue, the Group's share became 70.65%.

21 Earnings per share

The calculation of basic earnings per share for the three and six months ended 30 June 2019 and 30 June 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding. The Company has no dilutive financial instruments.

In millions of shares

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Issued shares at 1 January	198,828	198,828	198,828	198,828
Effect of own shares held	(3)	(1,084)	(3)	(1,084)
Weighted average number of shares for the period ended 30 June	198,825	197,744	198,825	197,744
	Three months ended 30 June		Six months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Weighted average number of ordinary shares for the period ended 30 June (in millions of shares)	198,828	197,744	198,825	197,744
Profit for the period attributable to holders of ordinary shares	20,483	19,640	48,645	42,059
Earnings per ordinary share (in RUB) – basic and diluted	0.10	0.10	0.24	0.21

22 Loans and borrowings

	<u>30 June 2019</u>	<u>31 December 2018</u>
Non-current liabilities		
Unsecured loans and borrowings	185,079	217,421
Unsecured bonds	309,576	327,387
Lease liabilities	35,900	1,952
Less: current portion of long-term lease liabilities	(4,396)	(467)
Less: current portion of long-term loans and borrowings	(32,308)	(28,442)
Less: current portion of long-term bonds	(26,090)	(36,862)
	<u>467,761</u>	<u>480,989</u>
Current liabilities		
Unsecured loans and borrowings	54,551	21,138
Promissory notes	342	359
Current portion of long-term lease liabilities	4,396	467
Current portion of long-term loans and borrowings	32,308	28,442
Current portion of long-term bonds	26,090	36,862
	<u>117,687</u>	<u>87,268</u>
Including:		
Interests payable on loans and borrowings	291	332
Interests payable on bonds	4,272	4,378
	<u>4,563</u>	<u>4,710</u>

As at 30 June 2019 and 31 December 2018 long-term and short-term liabilities on unsecured loans, bonds, promissory notes amounted to RUB 549,548 and RUB 566,305 million respectively (excluding long-term and short-term lease liabilities).

As at 31 December 2018 long-term and short-term lease liabilities amounted to RUB 1,952 million, as at 1 January 2019 and 30 June 2019 amounted to RUB 33,834 and RUB 35,900 million respectively (effect of initial application of IFRS 16 Leases as at 1 January 2019, Note 3a).

The Group raised the following bank loans and borrowings and issued the following significant bonds during the six months ended 30 June 2019:

	Effective interest rates	Maturity	Nominal value
Unsecured bank loans*	8.25–11.00%	2019–2022	25,877
Unsecured bonds	8.45–10.30%	2019–2022	8,000
Unsecured bank loans*	8.87–10.80%	2019–2021	5,960
Unsecured bank loans*	8.40–8.90%	2020–2022	4,637
Unsecured bank loans	8.19–11.25%	2019–2022	2,455
Unsecured bank loans*	8.30–9.46%	2019–2022	1,964
Unsecured bank loans	8.30%	2021	493
Unsecured bank loans	7.95%	2019	485
Unsecured bank loans	10.99–11.00%	2020	400
Unsecured bank loans	11.00%	2020	230
Unsecured bank loans	10.00%	2020	200
Unsecured bank loans*	10.80%	2019	100
Unsecured bank loans	11.50%	2019	26
Unsecured bank loans*	10.50%	2019	15
Other unsecured loans	0–15.00%	2019	12
			50,854

* Loans from government-related entities

The Group repaid the following bank loans and bonds during the six months ended 30 June 2019:

	Nominal value
Bonds	38,502
Loans from government-related entities	25,741
Other loans and borrowings	3,242
	67,485

As at 30 June 2019 the amount of free limit on open but unused credit lines of the Group was RUB 573,387 million (31 December 2018: RUB 589,516 million). The Group has opportunity to attract additional financing within the corresponding limits, including for the purpose of execution of the short-term liabilities.

23 Trade and other payables

	<u>30 June 2019</u>	<u>31 December 2018</u>
Non-current accounts payable		
Trade payables	15,978	15,849
Other payables	6,659	1,976
Total financial liabilities	<u>22,637</u>	<u>17,825</u>
Current accounts payable		
Trade payables	137,153	158,241
Other payables and accrued expenses	14,318	22,397
Payables to employees	21,187	21,306
Dividends payable	14,590	624
Total financial liabilities	<u>187,248</u>	<u>202,568</u>
Taxes payable		
Value-added tax	17,456	11,422
Property tax	6,077	7,085
Social security contributions	3,781	3,975
Other taxes payable	1,458	1,242
	<u>28,772</u>	<u>23,724</u>
	<u>216,020</u>	<u>226,292</u>

As at 30 June 2019 and 31 December 2018 long-term trade accounts payable mainly relate to contracts for the purchase of property, plant and equipment in instalments.

24 Advances from customers

	<u>30 June 2019</u>	<u>31 December 2018</u>
Advances from technological connection services to electricity grids	34,969	23,888
Other advances from customers	2,243	2,333
Total non-current advances from customers	<u>37,212</u>	<u>26,221</u>
Advances from technological connection services to electricity grids	56,155	59,658
Other advances from customers	10,245	9,174
Total current advances from customers	<u>66,400</u>	<u>68,832</u>

As at 30 June 2019 and 31 December 2018 advances from customers include VAT.

25 Financial risk and capital management

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

The fair values and carrying amounts of financial assets and liabilities are as follows:

	Note	30 June 2019		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Other financial assets measured at amortized cost	16	59,590	61,916	–	–	61,916
Financial assets measured at fair value through profit or loss	16	431	431	–	–	431
Financial assets measured at fair value through other comprehensive income	16	41,013	41,013	40,895	–	118
Current and non-current loans and borrowings	22	(585,448)	(581,577)	(86,159)	(343,035)	(152,383)
Total:		(484,414)	(478,217)	(45,264)	(343,035)	(89,918)

	Note	31 December 2018		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Other financial assets measured at amortized cost	16	50,401	52,422	–	–	52,422
Financial assets measured at fair value through profit or loss	16	431	431	–	–	431
Financial assets measured at fair value through other comprehensive income	16	37,922	37,922	37,804	–	118
Current and non-current loans and borrowings	22	(568,257)	(563,641)	(103,251)	(319,133)	(141,257)
Total:		(479,503)	(472,866)	(65,447)	(319,133)	(88,286)

The interest rate used to discount the expected future cash flows for long-term and short-term loans borrowings for the purpose of determining the fair value disclosed as at 30 June 2019 was 9.83 – 9.86 % (as at 31 December 2018: 9.16 – 9.49 %).

The reconciliation of the carrying amount of financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income at the beginning and end of the reporting period is provided in the table below:

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income
At 1 January 2019	431	37,922
Selling	–	(2,166)
Change in fair value recognized in other comprehensive income	–	5,257
At 30 June 2019	431	41,013

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 255,486 million, including VAT (as at 31 December 2018: RUB 256,644 million including 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, including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and the financial position of the Group in case of damage caused to third parties, and also as a result of damage or loss of assets, insurance protection of which is non-existent or not fully implemented.

b) Taxation contingencies

Russian tax and customs legislation is subject to varying interpretations regarding the operations and activities of the Group.

Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant regional and federal authorities. Russian tax administration is gradually strengthening. In particular there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of decision to perform tax review. Under certain circumstances reviews may cover longer periods.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to Organisation for Economic Co-operation and Development (OECD) guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, as tax audits for compliance with the new transfer pricing rules have recently begun.

However, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.

Depending on the further practice of applying the property tax rules by the tax authorities and courts the classification of moveable and immoveable property set by the Group could be argued.

The Group's management does not exclude the risk of resources outflow and its impact can not be sufficiently estimated.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained.

c) Legal proceedings

The Group is party to a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the consolidated financial statements.

d) Environmental matters

The Group has been operating in the electric transmission industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to develop, the duties of the authorized state bodies to monitor its compliance are reviewed. Potential liabilities arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation cannot be estimated under the existing legislation, management believes that there are no probable liabilities, which will have a material adverse effect on the Group's financial position, results of operations or cash flows.

e) Guarantees

As at 30 June 2019 the Company acts as a guarantor to Infrastructural Investments-3 LLC for the performance of its subsidiaries' obligations under lease agreements. The total amount of the guarantee is RUB 11,556 million (as at 31 December 2018: RUB 11,556 million).

28 Related party transactions

a) Control relationships

The Russian Federation holds the majority of the voting shares of the Company. It is the ultimate controlling party of the Group.

b) Transactions with the key management personnel

In order to prepare these consolidated financial statements, the key management personnel are members of the Management Board and the Board of Directors of PJSC "ROSSETI" and general directors (sole executive body) of subsidiaries engaged in transmission and distribution of electric power through electric grids.

The remuneration for key management personnel consists of the salary stipulated by the employment contract, non-monetary benefits, bonuses determined based on the results for the period, and other payments. Remuneration or compensation is not payable to members of the Board of Directors who are government employees.

The amounts of the remuneration to the key management personnel, disclosed in the table, are recognized as an expense related to the key management personnel during the reporting period and included in personnel costs:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Short-term remuneration to employees	150	103	273	222
Post-employment benefits	3	–	7	5
Total	153	103	280	227

As of 30 June 2019, the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the consolidated statement of financial position includes liabilities related to the key management personnel for RUB 64 million (31 December 2018: RUB 57 million).

c) Transactions with government-related entities

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

Revenues from government-related entities for the three and six months ended 30 June 2019 constitute 36% and 36% (for the three and six months ended 30 June 2018: 36% and 36%) of total Group revenues, including 39% and 39% (for the three and six months ended 30 June 2018: 38% and 38%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three and six months ended 30 June 2019 constitute 37% and 34% (for the three months and six months ended 30 June 2018: 33% and 29%) of total electricity transmission costs.

For the three and six months ended 30 June 2019 interest expenses on government-related banks loans amounted to RUB 3,970 million and 7,858 million (for the three and six months ended 30 June 2018: RUB 3,004 million and 6,211 million).

As at 30 June 2019 cash and cash equivalents held in government-related banks amounted to RUB 73,305 million (as at 31 December 2018: RUB 65,812 million).

As at 30 June 2019 deposits with an original maturity of more than three months placed in government-related banks amounted to RUB 54,834 million (as at 31 December 2018: RUB 45,991 million).

The assets exchange transaction with JSC “Far Eastern Energy Management Company” (government-controlled entity) is disclosed in Note 9.

Information of loans and borrowings received from government-related banks is disclosed in Note 22.