Interim Condensed Consolidated Financial Statements (unaudited)

Public Joint-Stock Company "Moscow United Electric Grid Company" and its subsidiaries

for the three and nine months ended 30 September 2019

November 2019

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PJSC MOESK

Condensted consolidated interim statement of profit or loss and other comprehensive income (unaudited)

for the three and nine months ended 30 September 2019

(in thousands of Russian roubles, unless otherwise stated)

	Note	For the 3 months ended 30 September		For the 9 months ended 30 September	
		2019 (unaudited)	2018 (unaudited) *Restated**	2019 (unaudited)	2018 (unaudited) *Restated**
Revenue from contracts with customers	6	37 293 324	36 066 299	115 661 181	113 488 955
Rental income		76 585	85 924	214 980	213 600
Revenue		37 369 909	36 152 223	115 876 161	113 702 555
Operating expenses	7	(34 771 612)	(33 280 147)	(104 745 476)	(103 263 587)
Allowance for expected credit losses of accounts receivable		(224 889)	(631 443)	(647 937)	(2 928 685)
Other operating income	8	346 695	1 823 722	2 775 642	4 969 312
Operating profit		2 720 103	4 064 355	13 258 390	12 479 595
Finance income	9	79 238	57 976	259 119	129 648
Finance costs	9	(1 336 940)	(1 349 805)	(4 388 424)	(4 273 275)
Profit before income tax		1 462 401	2 772 526	9 129 085	8 335 968
Income tax expense	10	(661 619)	(641 676)	(2 442 564)	(2 543 955)
Profit for the period		800 782	2 130 850	6 686 521	5 792 013
Profit for the period attributable to:					
Shareholders of PJSC MOESK		800 782	2 130 850	6 686 521	5 792 013
Other comprehensive income not to be reclassified to profit and loss in subsequent periods					
Remeasurement (loss)/gain on defined benefit plans		(108 494)	278 668	(374 562)	347 523
Income tax on defined benefit plans	10	19 688	(50 767)	68 019	(63 321)
Other comprehensive income/(expense), net of tax		(88 806)	227 901	(306 543)	284 202
Total comprehensive income for the period, net of tax		711 976	2 358 751	6 379 978	6 076 215
Total comprehensive income attributable to:					
Shareholders of PJSC MOESK		711 976	2 358 751	6 379 978	6 076 215
Basic and diluted earnings per ordinary share (in Russian Roubles)	18	0.0164	0.0437	0.1373	0.1189

* *The figures in this column are not consistent with the financial statements for the three and nine months ended 30 September 2018 as they reflect the adjustments reported in Note 3 (b).*

These interim condensed consolidated financial statements were approved by management on 25 November 2019 and were signed on its behalf by:

General Director

P.A. Sinyutin

First Deputy General Director for Finance and Economic Activity and Corporate Management

V.Y. Myasnikov

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming an integral part of, these condensed consolidated interim financial statements and with the consolidated financial statements for the year ended 31 December 2018.

Condensed consolidated interim statement of financial position (unaudited)

as at 30 September 2019

(in thousands of Russian roubles, unless otherwise stated)

	Note	30 September 2019 (unaudited)	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	11	301 663 642	305 232 690
Intangible assets	12	3 508 747	3 618 124
Right-of-use assets	13	4 272 528	–
Trade and other receivables	14	126 473	213 893
Assets related to employees defined benefits plans		241 047	238 624
Other non-current non-financial assets	15	1 819 067	1 840 240
Total non-current assets		**311 631 504**	**311 143 571**
Current assets			
Inventories		4 381 725	3 995 230
Income tax receivable		894 753	290 855
Trade and other receivables	14	12 948 554	10 409 039
Other current non-financial assets	15	4 899 029	5 168 273
Cash and cash equivalents	16	4 293 690	7 093 564
Total current assets		**27 417 751**	**26 956 961**
Total assets		**339 049 255**	**338 100 532**
Equity and liabilities			
Equity			
Share capital	17	24 353 546	24 353 546
Retained earnings		150 587 481	147 052 592
Total equity		**174 941 027**	**171 406 138**
Non-current liabilities			
Loans and borrowings	19	59 149 464	68 983 447
Employees benefits		2 830 243	2 558 184
Deferred tax liabilities		16 277 600	15 841 237
Contract liabilities	21	9 737 544	10 227 112
Trade and other payables	20	141 236	141 852
Total non-current liabilities		**88 136 087**	**97 751 832**
Current liabilities			
Loans and borrowings	19	32 631 843	22 921 664
Other taxes payable		2 943 036	2 556 204
Contract liabilities	21	22 742 208	22 278 968
Trade and other payables	20	16 948 399	21 102 395
Provisions	22	706 655	83 331
Total current liabilities		**75 972 141**	**68 942 562**
Total equity and liabilities		**339 049 255**	**338 100 532**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming an integral part of, these condensed consolidated interim financial statements and with the consolidated financial statements for the year ended 31 December 2018.

Condensed consolidated interim statement of changes in equity (unaudited)

for the nine months ended 30 September 2019

(in thousands of Russian roubles, unless otherwise stated)

	Share capital	Retained earnings	Total
Balance at 1 January 2019 (unaudited)	**24 353 546**	**147 052 592**	**171 406 138**
Profit for the period	–	6 686 521	6 686 521
Other comprehensive loss	–	(306 543)	(306 543)
Total comprehensive income	–	**6 379 978**	**6 379 978**
Dividends to shareholders (unaudited)	–	(2 845 089)	**(2 845 089)**
Balance at 30 September 2019 (unaudited)	**24 353 546**	**150 587 481**	**174 941 027**
Balance at 1 January 2018 (as previously reported)	**24 353 546**	**149 189 562**	**173 543 108**
Adjustments (Note 3b)	–	(7 351 467)	**(7 351 467)**
Balance at 1 January 2018 (restated*) (unaudited)	**24 353 546**	**141 838 095**	**166 191 641**
Profit for the period (restated*)	–	5 792 013	**5 792 013**
Other comprehensive income	–	284 202	**284 202**
Total comprehensive income (restated*)	–	**6 076 215**	**6 076 215**
Dividends to shareholders (unaudited)	–	(1 540 603)	**(1 540 603)**
Balance at 30 September 2018 (restated*) (unaudited)	**24 353 546**	**146 373 707**	**170 727 253**

* *The figures in this statement are not consistent with the financial statements for the three and nine months ended 30 September 2018 as they reflect the adjustments reported in Note 3 (b).*

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming an integral part of, these condensed consolidated interim financial statements and with the consolidated financial statements for the year ended 31 December 2018.

PJSC MOESK

Condensed consolidated interim statement of cash flows (unaudited)

for the nine months ended 30 September 2019

(in thousands of Russian roubles, unless otherwise stated)

	For the 9 months ended 30 September 2019 (unaudited)	For the 9 months ended 30 September 2018 (unaudited) (Restated*)
Cash flows from operating activities		
Profit for the period	6 686 521	5 792 013
Adjustments for:		
Depreciation of property, plant and equipment, right-of-use assets and intangible assets (Note 7)	17 061 961	15 594 681
Loss on disposal of property, plant and equipment	989 253	5 574
Provisions for legal claims	678 496	242 492
Finance income (Note 9)	(259 119)	(129 648)
Finance costs (Note 9)	4 388 424	4 273 275
Allowance for expected credit losses of accounts receivable (Note 7)	647 937	2 928 685
Reversal of impairment of advances given (Note 7)	(5 208)	(12 826)
Allowace for inventory obsolescence	8 842	10 920
Loss/(profit) on disposal of inventory	7 869	(138 794)
Income tax expense (Note 10)	2 442 564	2 543 955
Property received as a compensation of losses	(1 089 925)	(740 911)
Other non-cash items	71 549	(99 261)
Total adjustments	31 629 164	30 270 155
Changes in assets related to employees defined benefits plans	(589)	74 526
Changes in employees benefit liabilities	(248 803)	(321 047)
Operating cash flows before changes in working capital	31 379 772	30 023 634
Changes in working capital		
Increase in inventories	(403 206)	(183 518)
Increase in trade and other receivables	(3 146 434)	(1 600 436)
Decrease in advances issued and other assets	276 768	608 853
Decrease in trade and other payables	(336 100)	(7 517 487)
Decrease in contract liabilities	(26 328)	(80 028)
Change in provisions	(55 172)	(481 671)
Increase in taxes payable, other than income tax	386 831	484 018
Cash flows from operations before income taxes and interest expenses	28 076 131	21 253 365
Interest paid	(5 390 249)	(5 490 217)
Interest paid on lease	(292 664)	(66 251)
Income taxes paid	(2 541 805)	(762 832)
Net cash flows from operating activities	19 851 413	14 934 065
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	7 805	2 912
Purchase of property, plant and equipment	(15 727 825)	(16 382 280)
Interest received	257 285	127 522
Purchase of intangible assets	(218 887)	(487 954)
Net cash used in investing activities	(15 681 622)	(16 739 800)
Cash flows from financing activities		
Proceeds from loans and borrowings (Note 19)	8 000 000	107 716 839
Repayment of loans and borrowings (Note 19)	(11 844 926)	(101 768 247)
Payment of lease liabilities	(260 471)	(130 824)
Dividends paid shareholders of PJSC MOESK	(1 462 857)	(784 240)
Dividends paid to non-controlling shareholders	(1 401 411)	(751 227)
Net cash flows (used in) / from financing activities	(6 969 665)	4 282 301
Net increase in cash and cash equivalents	(2 799 874)	2 476 566
Cash and cash equivalents at beginning of period	7 093 564	721 624
Cash and cash equivalents at end of period	4 293 690	3 198 190

* *The figures in this column are not consistent with the financial statements for the three and nine months ended 30 September 2018 as they reflect the adjustments reported in Note 3 (b).*

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming an integral part of, these condensed consolidated interim financial statements and with the consolidated financial statements for the year ended 31 December 2018.

(in thousands of Russian roubles, unless otherwise stated)

1. General

(a) The Group and its operations

Public Joint-Stock Company "Moscow United Electric Grid Company" (PJSC MOESK or the "Company") was established on 1 April 2005 by transfer of assets and activities related to the electricity transmission of OJSC Mosenergo, a subsidiary of RAO UES of Russia, within the framework of Russian electricity sector restructuring (Minuties No. 1 of 29 June 2004 of the annual general meeting of shareholders of OJSC Mosenergo). The Company's shares are traded on the stock.

The condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as "the Group") includes the following subsidiaries:

Description	Ownership share, %
JSC MOESK-Engineering	100%
JSC Repair of Electrical and Technical Equipment Plant	100%
JSC Energocentr	100%

At 30 September 2019 the Russian Federation through Federal agency for state property management owned 88.89% of the voting ordinary shares and 7.01% of the preference shares of PJSC "ROSSETI" (at 31 December 2018: 88.89% and 7.01%), which in turn owned 50.9% (at 31 December 2018: 50.9%) of the shares of the Company.

The Company's registered office and the actual address is building 3/2, 2-nd Paveletskiy proezd, Moscow, 115114, the Russian Federation.

The Group's principal activity is electricity transmission for a fee in Moscow and the Moscow Region. The Group also provides connection services as part of its core operations.

(b) Business environment

The Group performes its activities in the Russian Federation. Accordingly, the Group's operations are effected by specific risks related to political and economic environment. The stability of the Russian economy will largely depend on the progress of economic reforms, development of its legal, tax and administrative infrastructure, as well as on the effectiveness of measures taken by the Government in financial and monetary policy.

In 2019, market crude oil prices and a significant devaluation of the Russian ruble, as well as sanctions imposed against Russia by some countries, continue to have a negative impact on the Russian economy. Interest rates in rubles remain high as a result of the Bank of Russia maintaining the key rate, which as at 30 September 2019 amounted to 7.0%. The combination of these factors leads to uncertainty about economic growth, reduced availability and increased cost of capital, as well as increased inflation, which may have a negative impact on the financial position, results of operations and economic prospects of the Group in the future. Management believes that it is taking all appropriate measures to maintain the economic stability of the Group in the current environment, however, the actual impact of future business conditions may differ from management's current estimates.

2. Basis of preparation of financial statements

(a) Basis of preparation

These condensed consolidated interim financial statements for the three and nine months ended 30 September 2019 have been prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full set of annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018.

(b) Basis of measurement

The condensed consolidated interim financial statements are prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss.

(c) Going concern

The accompanying condensed consolidated interim financial statements have been prepared on a going concern basis, in accordance with which the disposal of assets and the settlement of liabilities occur in the ordinary course of the Group's operations.

As at 30 September 2019, current liabilities of the Group exceeded current assets by RUB 48 554 390 thousand (31 December 2018: RUB 41 985 601 thousand). The net amount of current liabilities as at 30 September 2019 is mainly represented by accounts payable. As at 30 September 2019, the Group has sufficient unused credit limits to finance the working capital deficit (Note 19). In addition, the management of the Group believes that its cost-cutting measures, together with the gradual increase in tariffs for electricity transmission services and technical connection to the grid, will have a positive effect on the financial results of the Group in the future.

Management of the Group believes that due to mentioned above activities, the Group will maintain sufficient liquidity to continue its operations in the foreseeable future on a going concern basis. Accordingly, the accompanying condensed consolidated interim financial statements do not include adjustments that would need to be made in case of inability to continue the Group's activities as a going concern.

(d) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Group's functional currency and the currency in which these condensed consolidated interim financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

(e) Use of judgements, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in preparing these condensed consolidated interim financial statements in conformity with IFRS requirements. Actual results may differ from those estimates.

The judgements, estimates and assumptions applied by the Group in these condensed consolidated interim financial statements are substantially the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2018.

3. Changes in accounting policies and presentation of comparative information

(a) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statement for the previous reporting period, except for the adoption of the new standards and interpretations as well as amendments to existing standards effective as of 1 January 2019.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains* a *Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving th Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of lease and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

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

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

The effect of adoption IFRS 16 *Leases* on the Group's assets and liabilities is as follows:

	At 1 January 2019
Assets	
Property, plant and equipment	(683 285)
Right-of-use assets	4 256 021
Trade and other receivables	(58 280)
Total assets	**3 514 456**
Liabilities	
Non-current lease liabilities	3 404 383
Current lease liabilities	110 637
rade and other payables	(564)
Total liabilities	**3 514 456**

3. Changes in accounting policies and presentation of comparative information (continued)

(a) Changes in accounting policies (continued)

The following is a reconciliation between operating lease contractual obligations disclosed under IAS 17 as at 31 December 2018 and lease obligations recognized in the statement of financial position as at 1 January 2019 in accordance with IFRS 16 *Leases*:

	At 1 January 2019
Operating lease liabilities at 31 December 2018 as disclosed in the consolidated financial statements of the Group	10 976 470
Change in assessment of operating leases of land plots	445 934
Exemption related to recognition of current lease contracts	(62 412)
Discounting	(7 787 257)
Finance lease liabilities recognozed as at 31 December 2018	561 681
Other factors	(57 715)
Lease liabilities at 1 January 2019	**4 076 700**

The weighted average rate of additional borrowings applied to lease liabilities recognized in the statement of financial position at the date of initial adoption was 8,93%.

Summary of new accounting policies

Lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

For leases of land plots under electric grid facilities with an indefinite period of time or with a contract period of less than 1 year with the possibility of annual extension, the Group estimates the lease term to be equal to the useful life of the Group`s property located on the leasehold land plots.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3. Changes in accounting policies and presentation of comparative information (continued)

(a) Changes in accounting policies (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(b) Changes in comparative figures

(i) Valuation of fixed assets received free-of-charge

Starting 1 January 2018, the Group changed its approach to accounting of property, plant and equipment received free-of-charge and recognized in the statement of financial position in accordance with the requirements of industry and Federal regulations to ensure reliable and uninterrupted power supply and maintenance of power grid facilities in proper condition, in terms of initial recognition assessment.

Previously, the Group recognised such property, plant and equipment in the statement of financial position at deemed cost, which was determined on the basis of an independent measurement of the fair value of the property, plant and equipment, and recognised as income in the consolidated statement of profit or loss and other comprehensive income.

Starting 1 January 2018, the Group changed its approach to valuation in the initial recognition of free of charge property, plant and equipment, as the Group believes that the estimate of actual costs provides users of financial statements with more relevant information and is more consistent with current practice. The Group applied the change in accounting policy on a retrospective basis starting the financial statements for 2018. Information about the effect of changing of the comparative data in the present interim financial statements for three and nine months ended 30 September 2018 is disclosed in the tables below.

(ii) Reclassification adjustments

The Group decided to add additional separate lines in the section “Cash flows from operating activities” for more complete and accurate presentation of changes in receivables and payables as well as changes in employees benefit obligations and assets related to employees defined benefilts plans on cash flows. Accordingly, additional lines were added to the condensed consolidated interim statement of cash flows and comparative information was restated in accordance with new classification.

3. Changes in accounting policies and presentation of comparative information (continued)

(b) Changes in comparative figures (continued)

Impact on the condensed consolidated interim statement of financial position is as follows:

	Note	For the 9 months ended 30 September 2018 (unaudited) (before adjustmentns)	Adjustments increase/ (decrease)	2018 (unaudited) (restated)
Property, plant and equipment	i	306 700 917	(8 082 970)	298 617 947
Total non-current assets		**312 216 105**	**(8 082 970)**	**304 133 135**
Total assets		**339 074 506**	**(8 082 970)**	**330 991 536**
Retained earnings	i	152 984 647	(6 610 940)	146 373 707
Total equity				
Deferred tax liabilities	i	16 232 885	(1 472 030)	14 760 855
Total non-current liabilities		**107 080 010**	**(1 472 030)**	**105 607 980**
Total equity and liabilities		**339 074 506**	**(8 082 970)**	**330 991 536**

Impact on the condensed consolidated interim statement of profit or loss and other comprehensive income is as follows:

	Note	For the 9 months ended 30 September 2018 (unaudited) (before adjustmentns)	Adjustments*	2018 (unaudited) (restated)
Operating expenses	i	(107 504 235)	4 240 648	(103 263 587)
Allowance for expected credit losses of accounts receivable		-	(2 928 685)	(2 928 685)
Other operating income	i	5 375 237	(405 925)	4 969 312
Operating profit		**11 573 557**	**906 038**	**12 479 595**
Profit before income tax		**7 429 930**	**906 038**	**8 335 968**
Income tax expense	i	(2 378 444)	(165 511)	(2 543 955)
Profit for the period		**5 051 486**	**740 527**	**5 792 013**
Profit for the period attributable to:				
Shareholders of PJSC MOESK	i	5 051 486	740 527	5 792 013
Total comprehensive income for the period, net of tax		**5 335 688**	**740 527**	**6 076 215**
Total comprehensive income attributable to:				
Shareholders of PJSC MOESK	i	5 335 688	740 527	6 076 215
Earnings per share				
Basic and diluted earnings per ordinary share (in Russian roubles)		0.1037	0.0152	0.1189

* *"Increase/(decrease)" – for income, "(increase)/decrease" – for expenses.*

3. Changes in accounting policies and presentation of comparative information (continued)

(b) Changes in comparative figures (continued)

	Note	For the 3 months ended 30 September 2018 (unaudited) (before adjustmentns)	Adjustments*	2018 (unaudited) (restated)
Operating expenses	i	(34 019 466)	739 319	(33 280 147)
Allowance for expected credit losses of accounts receivable		-	(631 443)	(631 443)
Other operating incomes	i	1 905 797	(82 075)	1 823 722
Operating profit		**4 038 554**	**25 801**	**4 064 355**
Profit before income tax		**2 746 725**	**25 801**	**2 772 526**
Income tax expense	i	(635 985)	(5 691)	(641 676)
Profit for the period		**2 110 740**	**20 110**	**2 130 850**
Profit for the period attributable to:				
Shareholders of PJSC MOESK	i	2 110 740	20 110	2 130 850
Total comprehensive income for the period, net of tax		**2 338 641**	**20 110**	**2 358 751**
Total comprehensive income attributable to:				
Shareholders of PJSC MOESK	i	2 338 641	20 110	2 358 751
Earnings per share				
Basic and diluted earnings per ordinary share (in Russian roubles)		0.0433	0.0004	0.0437

* *"Increase/(decrease)" – for income, "(increase)/decrease" – for expenses.*

3. Changes in accounting policies and presentation of comparative information (continued)

(b) Changes in comparative figures (continued)

Impact on the condensed consolidated interim statement of cash flows is as follows:

		For the 9 months ended 30 September		
	Note	**2018 (unaudited) (before adjustmentns)**	**Adjustments***	**2018 (unaudited) (restated)**
Cash flows from operating activities				
Profit for the period		**5 051 486**	**740 527**	**5 792 013**
Adjustments for:				
Depreciation of property, plant and equipment, right-of-use assets and intangible assets	i	15 918 305	(323 624)	15 594 681
Property received as compensation of losses	i	(1 146 836)	405 925	(740 911)
Income tax expense	i	2 378 444	165 511	2 543 955
Total profit for the period including adjustments		**29 281 816**	**988 339**	**30 270 155**
Changes in assets related to employees defined benefits plans	ii	–	74 526	74 526
Changes in employees benefit liabilities	ii	–	(321 047)	(321 047)
Operating cash flows before changes in working capital		**29 281 816**	**741 818**	**30 023 634**
Changes in working capital				
Change in employees benefit liability and related assets	ii	(246 521)	246 521	–
Change in trade and other receivables, non-current advances issued for connection services	ii	(1 169 484)	1 169 484	–
Increase in trade and other receivables	ii	–	(1 600 436)	(1 600 436)
Decrease/(increase) in advances issued	ii	–	608 853	608 853
Change in trade and other payables, advances received	ii	(6 912 946)	6 912 946	–
Decrease in trade and other payables	ii	–	(7 517 487)	(7 517 487)
Decrease in contract liabilities	ii	–	(80 028)	(80 028)
Change in provisions	ii	–	(481 671)	(481 671)
Cash flows from operations before income taxes and interest expenses		**21 253 365**	–	**21 253 365**
Net cash flows from operating activities		**14 934 065**	–	**14 934 065**

The above changes had no effect on the Group's net cash flows from operating, investing and financing activities for the nine months ended 30 September 2018.

All relevant notes, as well as the changes in working capital in the condensed consolidated interim statement of cash flows, have been corrected in accordance with the abovementioned information for comparability purposes.

3. Changes in accounting policies and presentation of comparative information (continued)

(c) Other standards and interpretations

Except for changes in accounting policies described in section 3 (a), the stated below amendments and interpretations that became effective as of 1 January 2019 had no impact on this condensed consolidated interim financial statements:

- IFRIC 23 *Uncertainties over Income Tax Treatment*;
- Amendment to IFRS 9 *Prepayment Features Negative Compensation*;
- Amendment to IFRS 3 *Business Combination*;
- Amendment to IFRS 11 *Joint Arrangement*;
- Amendment to IFRS 12 *Income Tax* – tax consequences of payments under financial instruments classified in equity;
- Amendment to IAS 23 *Borrowing Costs*;
- Amendment to IAS 28 *Long-term Interests in Assosiates and Joint Ventures*;
- Amendment 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 early adopted by the Group:

- IFRS 17 *Insurance Contracts*;
- Amendment to IFRS 3 *Business Combination*;
- Amendment 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 of the document becomes effective for mandatory application starting annual periods beginning on or after 1 January 2020.

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

4. Determination of fair values

The fair value of non-derivative financial instruments is estimated for disclosure purposes as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

5. Operating segments

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the Board of Directors, which is a body responsible for operating decision making, to allocate resources to a segment and assess its performance.

Management has determined the following reportable segments:

- Electricity transmission in Moscow;
- Electricity transmission in the Moscow region;
- Connection services in Moscow;
- Connection services in the Moscow region.

Other activities mainly include lease, installation services, repair and technical maintenance of electrical equipment, which are included in the segment "Other". None of these types of activities meets any of the quantitative thresholds for determining reportable segments for the nine months ended 30 September 2019 or the nine months ended 30 September 2018.

The segment revenue and profit/(loss) before income tax for the three months ended 30 September 2019 were as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	**34 168 873**	**2 040 454**	**1 160 582**	**37 369 909**
Moscow	16 193 664	1 554 359	829 993	**18 578 016**
The Moscow Region	17 975 209	486 095	330 589	**18 791 893**
Inter-segment revenue	–	–	**666 808**	**666 808**
Moscow	–	–	537 520	**537 520**
The Moscow Region	–	–	129 288	**129 288**
Reportable segment profit/ (loss) before income tax	**1 682 183**	**1 847 056**	**734 368**	**4 263 607**
Moscow	590 612	1 464 388	486 785	**2 541 785**
The Moscow Region	1 091 571	382 668	247 583	**1 721 822**

The segment revenue and profit/(loss) before income tax for the three months ended 30 September 2018 were as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	**33 026 529**	**2 363 973**	**761 721**	**36 152 223**
Moscow	16 437 117	1 856 799	602 573	**18 896 489**
The Moscow Region	16 589 412	507 174	159 148	**17 255 734**
Inter-segment revenue	–	–	**523 549**	**523 549**
Moscow	–	–	392 219	**392 219**
The Moscow Region	–	–	131 330	**131 330**
Reportable segment profit/ (loss) before income tax	**446 393**	**2 180 373**	**231 377**	**2 858 143**
Moscow	216 674	1 761 197	145 916	**2 123 787**
The Moscow Region	229 719	419 176	85 461	**734 356**

5. Operating segments (continued)

The segment revenue and profit/(loss) before income tax for the nine months ended 30 September 2019 were as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	**108 697 076**	**4 787 364**	**2 391 721**	**115 876 161**
Moscow	51 756 496	3 206 443	1 702 989	**56 665 928**
The Moscow Region	56 940 580	1 580 921	688 732	**59 210 233**
Inter-segment revenue	–	–	**1 609 212**	**1 609 212**
Moscow	–	–	1 223 307	**1 223 307**
The Moscow Region	–	–	385 905	**385 905**
Reportable segment profit/ (loss) before income tax	**8 933 202**	**4 194 284**	**754 930**	**13 882 416**
Moscow	5 292 564	2 924 559	336 587	**8 553 710**
The Moscow Region	3 640 638	1 269 725	418 343	**5 328 706**

The segment revenue and profit/loss before income tax for the nine months ended 30 September 2018 were as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	**105 904 036**	**5 291 667**	**2 506 852**	**113 702 555**
Moscow	52 333 417	3 922 880	1 876 807	**58 133 104**
The Moscow Region	53 570 619	1 368 787	630 045	**55 569 451**
Inter-segment revenue	–	–	**1 471 218**	**1 471 218**
Moscow	–	–	1 044 395	**1 044 395**
The Moscow Region	–	–	426 823	**426 823**
Reportable segment profit/ (loss) before income tax	**6 618 085**	**4 907 706**	**384 487**	**11 910 278**
Moscow	3 725 371	3 687 921	109 070	**7 522 362**
The Moscow Region	2 892 714	1 219 785	275 417	**4 387 916**

Segment assets are as follows:

	Moscow	The Moscow Region	Total
At 30 September 2019 (unaudited)			
Total assets	**233 641 243**	**123 081 103**	**356 722 346**
Property, plant and equipment	207 684 415	107 407 237	**315 091 652**
Trade and other receivables	8 405 432	6 990 093	**15 395 525**
Unallocated	17 551 396	8 683 773	**26 235 169**
Capital expenditure	**9 088 776**	**5 456 842**	**14 545 618**
At 31 December 2018			
Total assets	**236 627 014**	**123 983 890**	**360 610 904**
Property, plant and equipment	210 011 695	109 080 999	**319 092 694**
Trade and other receivables	7 334 774	5 374 649	**12 709 423**
Unallocated	19 280 545	9 528 242	**28 808 787**
Capital expenditure	**20 056 597**	**10 884 756**	**30 941 354**

5. Operating segments (continued)

Segment liabilities are as follows:

	Moscow	The Moscow Region	Total
At 30 September 2019 (unaudited)			
Total liabilities	**90 343 281**	**66 821 960**	**157 165 241**
Loans and borrowings	44 529 674	42 715 164	**87 244 838**
Unallocated	45 813 607	24 106 796	**69 920 403**
At 31 December 2018			
Total liabilities	**94 600 644**	**69 158 598**	**163 759 242**
Loans and borrowings	48 293 383	42 718 413	**91 011 796**
Unallocated	46 307 261	26 440 185	**72 747 446**

Reconciliation of reportable segments profit is presented below:

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2019	**2018**	**2019**	**2018**
Reportable segments' profit	3 529 239	2 626 766	13 127 486	11 525 791
Other profit	734 368	231 376	754 930	384 487
Unallocated	(2 510 477)	(443 093)	(5 224 053)	(4 611 655)
Total profit before tax under Russian Accounting Standards	**1 753 130**	**2 415 050**	**8 658 363**	**7 298 623**
Adjustment for leased property	152 793	23 099	236 795	135 857
Adjustment for borrowing costs capitalized	54 500	57 803	135 126	134 604
Depreciation and amortisation	398 173	835 886	1 651 789	2 559 867
Disposal of property, plant and equipment	(357 029)	865	(376 875)	7 565
Allowance for impairment of accounts receivable	(291 564)	(162 000)	(241 542)	(952 351)
Provision for legal claims	422	(5 212)	2 841	266 092
Effect of loan and borrowings discounting	(8 511)	(9 712)	(30 878)	(34 238)
Employees benefits liability	56 595	53 791	104 926	47 109
Income from the property received free of charge	(57 403)	(45 365)	(157 243)	(131 338)
Provision for annual bonuses	(238 742)	(295 554)	(780 511)	(886 662)
Other items	37	(96 125)	(73 706)	(109 160)
Consolidated profit before income tax in accordance with IFRS	**1 462 401**	**2 772 526**	**9 129 085**	**8 335 968**

The segment disclosure was prepared in accordance with the segment disclosure as at 31 December 2018. However, for the purpose of preparation of the condensed consolidated interim financial statements the Group does not present a reconciliation of segment assets and segment liabilities to the amounts reported in the condensed consolidated interim financial statements as required by IFRS 8 *Operating Segments*.

5. Operating segments (continued)

Segment operating results reported to the Group's body responsible for operating decision making are determined based on the income and expenses calculated in accordance with Russian Accounting Standards (RAS). Segment operating results represent the profit/(loss) earned by a segment without allocation of finance income and expenses as weel as other income and expenses, which are included in "Unallocated" component.

The largest customer

During the nine months ended 30 September 2019, revenue from one customer of the Group's electricity transmission segment represented approximately 89% (RUB 99 314 216 thousand) of the Group's total revenue (nine months ended 30 September 2018: 85%; RUB 97 183 059 thousand).

During the three months ended 30 September 2019, revenue from one customer of the Group's electricity transmission segment represented approximately 84% (RUB 31 216 025 thousand) of the Group's total revenue (three months ended 30 September 2018: 84%; RUB 30 337 120 thousand).

6. Revenue from contracts with customers

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2019	**2018**	**2019**	**2018**
Electricity transmission	34 168 873	33 026 529	108 697 076	105 903 916
Revenue from connection services	2 040 454	2 363 973	4 787 364	5 291 667
Other revenue	1 083 997	675 797	2 176 741	2 293 372
	37 293 324	**36 066 299**	**115 661 181**	**113 488 955**

Other revenues include revenues from electrical equipment installation and maintenance services.

7. Operating expenses

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2019	2018 (restated)	2019	2018 (restated)
Personnel costs	(4 839 467)	(4 720 307)	(14 810 159)	(14 504 849)
Depreciation and amortisation	(5 827 400)	(5 232 296)	(17 061 961)	(15 594 681)
Material expenses, including:				
Electricity for compensation of losses	(3 046 959)	(3 230 610)	(12 555 594)	(11 607 622)
Purchased electricity and heat power for own needs	(38 358)	(39 832)	(241 992)	(232 417)
Other material costs	(805 768)	(873 402)	(2 038 274)	(2 280 190)
Production work and services, including:				
Electricity transmission services	(15 266 833)	(15 404 113)	(46 685 856)	(46 781 105)
Repairs, maintenance services	(1 204 766)	(770 326)	(2 250 180)	(2 032 687)
Other works and industrial services	(637 873)	(622 675)	(1 763 910)	(1 783 956)
Taxes and levies other than income tax	(247 437)	(780 003)	(765 471)	(2 383 981)
Rent	44 344	(166 162)	(29 799)	(481 977)
Insurance	(111 504)	(116 040)	(327 608)	(348 385)
Other third-party services, including:				
Communication services	(261 294)	(25 347)	(533 362)	(307 323)
Security services	(159 319)	(158 853)	(453 707)	(462 554)
Consulting, legal and audit services	(464 142)	(309 149)	(750 342)	(564 295)
Transportation services	(101 818)	(110 624)	(296 357)	(289 124)
Other services	(114 984)	(205 704)	(486 472)	(608 450)
Reversal of impairment of advances given	3 053	5 172	5 208	12 826
Provisions	(132 146)	(3 483)	(678 496)	(242 492)
Other expenses	(1 558 941)	(516 393)	(3 021 144)	(2 770 325)
	(34 771 612)	**(33 280 147)**	**(104 745 476)**	**(103 263 587)**

8. Other operating income

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2019	2018 (restated)	2019	2018 (restated)
Income from refund from customers for energy consumption without contracts	128 764	623 875	612 884	1 905 860
Income from compensation of losses related to liquidation of electric grid property	96 525	322 938	1 269 186	1 389 057
Other income	121 406	876 909	893 572	1 674 395
	346 695	**1 823 722**	**2 775 642**	**4 969 312**

9. Finance income and costs

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2019	2018	2019	2018
Finance income				
Interest income	79 238	57 976	257 106	127 517
Interest on assets related to employees benefits liability	-	-	1 834	2 126
Other finance income	-	-	179	5
	79 238	57 976	259 119	129 648
Finance costs				
Interest expense on loans and borrowings	(1 183 278)	(1 256 799)	(3 921 730)	(3 970 904)
Interest on employees benefits liability	(43 867)	(61 925)	(146 300)	(201 538)
Interest on leases	(107 604)	(21 333)	(292 664)	(66 251)
Other finance costs	(2 191)	(9 748)	(27 730)	(34 582)
	(1 336 940)	(1 349 805)	(4 388 424)	(4 273 275)

10. Income tax expense

The main components of income tax expense for the three and nine months ended 30 September 2019 and 2018:

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2019	2018 (restated)	2019	2018 (restated)
Current Income tax expense				
Current tax accrued	(552 903)	(574 335)	(1 963 594)	(1 786 096)
Adjustment for prior periods	-	-	25 415	-
	(552 903)	(574 335)	(1 938 179)	(1 786 096)
Deferred income tax expense				
Accrual and reversal of temporary tax differences	(108 716)	(67 341)	(504 385)	(757 859)
	(108 716)	(67 341)	(504 385)	(757 859)
Income tax expense	(661 619)	(641 676)	(2 442 564)	(2 543 955)

The income tax rate in the Russian Federation is 20%.

11. Property, plant and equipment

	Land and buildings	Electricity grid networks	Transformers and transformer substations	Other	Construction in progress	Total
Cost						
At 1 January 2018 (restated)	46 809 316	224 777 935	88 275 960	88 049 888	38 071 315	485 984 414
Additions (restated)	102 577	176 553	324 908	532 998	14 141 698	15 278 734
Transfers	1 832 058	3 922 601	2 398 657	871 893	(9 025 209)	-
Disposals	(27 353)	(248 786)	(25 647)	(56 064)	(97 963)	(455 813)
At 30 September 2018 (unaudited) (restated)	48 716 598	228 628 303	90 973 878	89 398 715	43 089 841	500 807 335
Depreciation and impairment						
At 1 January 2018 (restated)	(12 389 165)	(78 203 614)	(37 860 989)	(57 916 864)	(757 470)	(187 128 102)
Depreciation charge (restated)	(1 050 615)	(6 448 017)	(3 825 595)	(4 010 808)	-	(15 335 035)
Transfers	(4 516)	21 539	(28 563)	(14 524)	26 064	-
Disposals	15 164	100 709	14 593	55 224	88 059	273 749
At 30 September 2018 (unaudited) (restated)	(13 429 132)	(84 529 383)	(41 700 554)	(61 886 972)	(643 347)	(202 189 388)
Net book value						
At 1 January 2018 (restated)	34 420 151	146 574 321	50 414 971	30 133 024	37 313 845	298 856 312
At 30 September 2018 (unaudited) (restated)	35 287 466	144 098 920	49 273 324	27 511 743	42 446 494	298 617 947
Cost						
At 31 December 2018	51 539 192	236 704 152	94 526 857	92 656 541	38 619 643	514 046 385
Transfers to right-of-use assets	(155 548)	(324 573)	(330 127)	(29 742)	–	(839 990)
At 1 January 2019	51 383 644	236 379 579	94 196 730	92 626 799	38 619 643	513 206 395
Additions	120 416	881 212	124 597	324 555	13 048 494	14 499 274
Transfers	192 614	5 154 022	2 589 518	812 504	(8 748 658)	-
Disposals	(10 999)	(293 144)	(30 411)	(90 660)	(910 279)	(1 335 493)
At 30 September 2019 (unaudited)	51 685 675	242 121 669	96 880 434	93 673 198	42 009 200	526 370 176
Depreciation and impairment						
At 31 December 2018	(14 047 493)	(87 675 132)	(43 262 819)	(63 277 028)	(551 223)	(208 813 695)
Transfers toright-of-use assets	13 689	78 637	54 340	10 039	–	156 705
At 1 January 2019	(14 033 804)	(87 596 495)	(43 208 479)	(63 266 989)	(551 223)	(208 656 990)
Depreciation charge	(1 161 225)	(6 994 739)	(3 906 345)	(4 261 897)	-	(16 324 206)
Disposals	9 054	142 857	26 372	88 675	7 704	274 662
Transfers	(1 354)	(7 767)	(9 429)	(482)	19 032	-
At 30 September 2019 (unaudited)	(15 187 329)	(94 456 144)	(47 097 881)	(67 440 693)	(524 487)	(224 706 534)
Net book value						
At 31 December 2018	37 491 699	149 029 020	51 264 038	29 379 513	38 068 420	305 232 690
Transfers to right-of-use assets	(141 859)	(245 936)	(275 787)	(19 703)	–	(683 285)
At 1 January 2019	37 349 840	148 783 084	50 988 251	29 359 810	38 068 420	304 549 405
At 30 September 2019 (unaudited)	36 498 346	147 665 525	49 782 553	26 232 505	41 484 713	301 663 642

(a) Borrowing costs capitalised

As at 30 September 2019 the borrowing costs capitalized in the cost of property, plant and equipment amounted to RUB 1 440 341 thousand at the annual capitalisation rate of 8.0% (30 September 2018: RUB 1 609 714 thousand at the annual capitalisation rate of 8.04%).

12. Intangible assets

	Software	Other	Total
Cost			
At 1 January 2018	**2 901 489**	**955 146**	**3 856 635**
Additions	485 559	56 651	542 210
Disposals	(242 042)	(40 682)	(282 724)
At 30 September 2018 (unaudited)	**3 145 006**	**971 115**	**4 116 121**
Amortisation			
At 1 January 2018	**(609 832)**	**(201 734)**	**(811 566)**
Amortisation	(185 088)	(78 696)	(263 784)
Disposals	240 598	40 682	281 280
At 30 September 2018 (unaudited)	**(554 322)**	**(239 748)**	**(794 070)**
Net book value			
At 1 January 2018	**2 291 657**	**753 412**	**3 045 069**
At 30 September 2018 (unaudited)	**2 590 684**	**731 367**	**3 322 051**
Cost			
At 1 January 2019	**3 442 882**	**959 411**	**4 402 293**
Additions	305 099	1 021	**306 120**
Disposals	(61 956)	(30 868)	**(92 824)**
Transfers	33 250	(33 250)	-
At 30 September 2019 (unaudited)	**3 719 275**	**896 314**	**4 615 589**
Amortisation			
At 1 January 2019	**(544 935)**	**(239 234)**	**(784 169)**
Amortisation	(288 343)	(96 205)	**(384 548)**
Disposals	61 875	-	**61 875**
Transfers	(8 867)	8 867	-
At 30 September 2019 (unaudited)	**(780 270)**	**(326 572)**	**(1 106 842)**
Net book value			
At 1 January 2019	**2 897 947**	**720 177**	**3 618 124**
At 30 September 2019 (unaudited)	**2 939 005**	**569 742**	**3 508 747**

(b) Capitalized interest

As at 30 September 2019 the borrowing costs capitalized in the cost of intangible assets amounted to RUB 21 219 thousand at the annual capitalisation rate of 8.0% (30 September 2018: RUB 48 680 thousand at the annual capitalisation rate of 8.04%) and represent interest on loans and borrowings.

13. Right-of-use assets

	Land and buildings	Electricity grid networks	Transformers and transformer substations	Other	Total
Cost					
At 1 January 2019	**3 716 942**	**330 745**	**335 298**	**29 741**	**4 412 726**
Additions	265 579	101 737	26 041	778	394 135
Disposals	-	-	-	(5 406)	(5 406)
At 30 September 2019 (unaudited)	**3 982 521**	**432 482**	**361 339**	**25 113**	**4 801 455**
Depreciation					
At 1 January 2019	**(13 689)**	**(78 637)**	**(54 340)**	**(10 039)**	**(156 705)**
Depreciation charge	(315 104)	(22 487)	(33 165)	(1 534)	(372 290)
Disposals	-	-	-	68	68
At 30 September 2019 (unaudited)	**(328 793)**	**(101 124)**	**(87 505)**	**(11 505)**	**(528 927)**
Net book value					
At 1 January 2019	**3 703 252**	**252 108**	**280 958**	**19 704**	**4 256 021**
At 30 September 2019 (unaudited)	**3 653 728**	**331 358**	**273 834**	**13 608**	**4 272 528**

As at 1 January 2019 there were no indicators of impairment identified in relation to right-of-use assets.

14. Trade and other receivables

	30 September 2019 (unaudited)	31 December 2018
Non-current trade and other receivable		
Other receivables	350 410	395 190
Other receivables allowance for expected credit losses	(223 937)	(181 297)
	126 473	**213 893**
Current trade and other receivable		
Trade receivables	12 485 369	10 668 393
Trade receivables allowance for expected credit losses	(2 765 248)	(2 793 652)
Other receivables	7 604 127	7 194 031
Other receivables allowance for expected credit losses	(4 375 694)	(4 659 733)
	12 948 554	**10 409 039**

15. Other non-financial assets

	30 September 2019 (unaudited)	31 December 2018
Other non-current non-financial assets		
Advances issued	7 223 690	7 236 192
Allowance for impairment of advances issued	(6 912 052)	(6 922 239)
VAT on contract liabilities	1 507 429	1 526 287
	1 819 067	**1 840 240**
Other current non-financial assets		
Advances issued	1 554 809	1 369 003
Allowance for impairment of advances issued	(54 635)	(49 747)
VAT receivable	143 238	404 388
VAT on contract liabilities	3 161 576	3 355 109
Prepaid taxes, other than income tax and VAT	94 041	89 520
	4 899 029	**5 168 273**

16. Cash and cash equivalents

	30 September 2019 (unaudited)	31 December 2018
Cash in bank	493 609	7 093 548
Short-term deposits	3 800 000	-
Petty cash	81	16
	4 293 690	**7 093 564**

Cash is placed in banks with the following ratings:

	Rating	Rating agency	30 September 2019 (unaudited)	31 December 2018
PJSC Gazprombank*	AA(RU)	ACRA	144 739	122 868
AO AB Rossia	A+(RU)	ACRA	65 669	2 876 968
AO Alfa-Bank	AA(RU)	ACRA	7 101	41 680
AO CB Citibank	AAA(RU)	ACRA	23	147
PJSC Sberbank*	AAA(RU)	ACRA	249 019	429 103
VTB bank*	ruAAA	RA	3 802 625	3 606 036
Other banks			24 433	16 746
Petty cash	–	–	81	16
			4 293 690	**7 093 564**

* *Government-related banks.*

17. Equity

(a) Share capital

Share capital	Ordinary shares 30 September 2019	Ordinary shares 31 December 2018
Number of ordinary shares at 0.50 RUB par value, (pcs)	48 707 091 574	48 707 091 574

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

(b) Treasury shares

As at 30 September 2019 and 31 December 2018 the Group did not hold any of its own shares repurchased from shareholders.

(c) Dividends

At the annual general shareholders meeting held on 14 June 2019 the decision was made to declare dividends for the year 2018 for ordinary shares in the amount of RUB 2 873 717 thousand (RUB 0.059 per ordinary share).

At the annual general shareholders meeting held on 7 June 2018 the decision was made to declare dividends for the year 2017 for ordinary shares in the amount of RUB 1 540 603 thousand (RUB 0.03163 per ordinary share).

18. Earnings per share

The calculation of earnings per share is based on the profit for the period and the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive equity instruments.

	For the 9 months ended 30 September	
	2019 (unaudited)	2018 (unaudited) (restated)
Number of outstanding shares (pcs.)	48 707 091 574	48 707 091 574
Profit for the period attributable to the shareholders of PJSC MOESK ('000 RUB)	6 686 521	5 792 013
Earnings per share (RUB)	**0.1373**	**0.1189**

19. Loans and borrowings

This note provides information about the Group's loans and borrowings as at 30 September 2019 and 31 December 2018.

	30 September 2019 (unaudited)	31 December 2018
Non-current		
Unsecured bank loans	32 071 588	38 315 013
Unsecured bond issues	44 232 780	44 268 417
Lease liabilities	4 245 463	561 681
Less: current portion of unsecured bank loans	(71 588)	(83 537)
Less: current portion of unsecured bond issues	(20 993 502)	(13 982 681)
Less: current portion of lease liabilities	(335 277)	(95 446)
	59 149 464	**68 983 447**
Current		
Unsecured bank loans	11 231 476	8 760 000
Current portion of unsecured bank loans	71 588	83 537
Current portion of unsecured bond issues	20 993 502	13 982 681
Current portion of lease liabilities	335 277	95 446
	32 631 843	**22 921 664**
Including		
Interests payable on loans and borrowings	71 588	83 537
Interests payable on bond issued	941 772	936 780
	1 013 360	**1 020 317**

During the nine months ended 30 September 2019, the Group made early repayment of the bond loan number 4B02-08-65116-D in the amount of RUB 8 000 000 thousand with coupon rate 10.3%, and raised the bond loan 4B02-01-65116-D-001P in the amount of RUB 8 000 000 thousand for a period of 3.5 years with coupon rate 8.45%.

As at 30 September 2019, the Group has unused credit facility in the amount of RUB 94 768 523 thousand (31 December 2018: RUB 91 008 523 thousand).

20. Trade and other payables

	30 September 2019 (unaudited)	31 December 2018
Non-current		
Other payables	141 236	141 852
	141 236	**141 852**
Current		
Trade accounts payable	13 792 524	18 110 569
Other payables and accrued provisions	3 155 875	2 991 826
	16 948 399	**21 102 395**

21. Contract liabilities

	30 September 2019 (unaudited)	31 December 2018
Non-current		
Technological connection to electricity grid network contract liabilities (with VAT)	9 537 931	9 452 130
Other contract liabilities (with VAT)	199 613	774 982
	9 737 544	**10 227 112**
Current		
Technological connection to electricity grid network contract liabilities (with VAT)	18 875 453	19 502 538
Other contract liabilities (with VAT)	3 866 755	2 776 430
	22 742 208	**22 278 968**

22. Provisions

	Legal claims
At 1 January 2018	**328 441**
Provisions accrued during the year	341 381
Provisions recovered during the year	(99 969)
Provisions used during the year	(486 522)
At 31 December 2018	**83 331**
Provisions accrued during the period	687 457
Provisions recovered during the period	(8 961)
Provisions used during the period	(55 172)
At 30 September 2019 (unaudited)	**706 655**

A provision for legal claims is recognized for the expected costs to settle claims initiated against the Group in the ordinary course of business.

During the nine months ended 30 September 2019, expenses for settlement of litigations were recognized against accrued provision in the amount of RUB 55 172 thousand, and the remaining unused provision in the amount of RUB 8 961 thousand was recovered and included in other operating expenses in the statement of profit or loss, where accruals of provision were initially recognized. The recovery took place because actual costs incurred to settled litigations was less then expected.

Management believes that the outcome of ongoing litigations will not result in any material losses in excess of the provision already accrued.

23. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018. Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amount. There were no transfers between levels of the fair value hierarchy 2 and 3 during the nine months ended 30 September 2019.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments presented in the financial statements, other than those with carrying amounts that reasonable approximate fair values:

	30 September 2019 (unaudited)		**Level of fair value hierarchy**		
	Carrying amount	**Fair value**	**1**	**2**	**3**
Bonds	43 291 008	44 133 685	–	44 133 685	–
Total	**43 291 008**	**44 133 685**	**–**	**44 133 685**	**–**

	31 December 2018		**Level of fair value hierarchy**		
	Carrying amount	**Fair value**	**1**	**2**	**3**
Bonds	37 970 894	38 388 000	–	38 388 000	–
Total	**37 970 894**	**38 388 000**	**–**	**38 388 000**	**–**

24. Capital commitments

As at 30 September 2019, the contracted future capital expenditures related to capital construction of power grid facilities amount to RUB 30 421 338 thousand (31 December 2018: RUB 28 279 776 thousand), including VAT.

25. Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other countries are not yet generally available. The Group does not have full coverage for its plant facilities and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Pending litigations

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management does not believe that these matters would have a material adverse effect on the Group's operating results.

25. Contingencies (continued)

(c) Taxation contingencies

Russian tax law allows for various interpretations and is subject to frequent changes. The publication of the official clarification of the regulatory authorities and the prosecutions in many cases contain vague, conflicting, and different interpretations of tax authorities at different levels. The correctness of the tax settlements is subject to review and investigation by a number of authorities entitled to impose severe fines, penalties and levy fines. The tax authorities have the right to check the completeness of compliance with tax obligations within three calendar years after the end of the reporting tax period, but under certain circumstances the period of tax review may be extended. Recent developments in the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation tax legislation and assessments.

In 2017, there was further implementation of mechanisms directed against tax evasion using low-tax jurisdictions and aggressive tax planning structures that came into force in 2016. In particular, these changes included the definition of beneficial ownership concept, the tax residency of legal entities at the place of actual activity, as well as the taxation approach to controlled foreign companies in the Russian Federation and approach in determining thin capitalization.

Due to all these factors, tax risks in the Russian Federation may be significantly higher than in other countries. Based on its interpretation of applicable Russian tax legislation, official pronouncements of the regulatory bodies and court orders, management believes that its interpretation of the relevant legislation is appropriate, all tax liabilities are recognized in full amounts and the probability of retaining the tax positionis is high. However, the relevant regulatory authorities may interpret the provisions of the applicable tax laws differently, which may have a material impact on these condensed consolidated interim financial statements, if the interpretation is found to be lawful.

At 30 September 2019, the Group passed its on-site tax audit for 2013-2015 and got a tax authority's decision to prosecute for a tax offence. The Group does not agree with the decision of the tax authority and filed claims to the Arbitration court of Moscow to contest the decision to prosecute for a tax offense. The arbitration court of Moscow by the decision dated 15 August 2019 invalidated the decision of the tax authority in terms of additional property tax, penalties and fines. The court of first instance ruled in favor of the Company. The tax authority filed an appeal, the court hearing of the court of appeal is scheduled for 16 December 2019.

The main episode of the decision to prosecute for a tax offense is an attempt by the tax authority to reclassify movable property, plant and equipment into immovable property. The amount of additional property tax assessments for the period 2013-2015 amounted to RUB 605 222 thousand. This issue is common to the most of electric grid entities in the Russian Federation. The Group assesses the likelihood of an adverse outcome of the court decision as possible. In case of adverse events, the amount of additional charges for the period 2016-2018 in respect of property items recognised after 1 January 2013 calculated on the grounds identified by the tax authority during the tax audits for 2013-2015 would amount to: for 2016 – RUB 634 325 thousand (excluding penalty); for 2017 – RUB 739 883 thousand (excluding penalty); for 2018 – RUB 1 004 057 thousand (excluding penalty); and for 9 months 2019 – RUB 2 681 727 thousand.

25. Contingencies (continued)

(d) Environmental matters

The Group runs its operations in the energy market that may result in environmental liabilities, in particular, sites restoration and other environmental protection measures. The Russian environmental regulation is evolving and the state authorities continually reconsiders law enforcement practice. The Group periodically evaluates its environmental liabilities pursuant to environmental regulations.

Potential liabilities might arise as a result of changes in existing regulations, civil litigation or legislation. The impact of these potential changes cannot be estimated, but could be material. Under the currently existing legislation and enforcement practice management believes that there are no significant liabilities related to environmental matters.

26. Related party transactions

The Group operates in the industry directly or indirectly controlled by the Russian Federation through its government-related entities. The Group has transactions with other government-related entities including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, leasing of assets, and use of public utilities.

These transactions are conducted on terms comparable to those with other entities that are not government-related. The Group established procurement and sale policies, pricing policy and control procedures over purchases and sales of products and services that are applied to all counterparties, irrespective of whether the counterparties are government-related entities or not.

(a) Control relationships

The parent company of the Group is PJSC Rosseti, which is under the State control. The ultimate controlling party of the Group is the State, which holds the majority of voting shares of PJSC Rosseti.

(b) Transactions with management and close family members

There were no transactions or balances with key management and close family members during the period except for their remuneration in the form of salary and bonuses.

Management remuneration

Total remuneration in the form of salary and bonuses to the key management and the members of the Board of Directors during the nine months ended 30 September 2019 was RUB 349 313 thousand (nine months ended 30 September 2018: RUB 329 008 thousand).

Total remuneration in the form of salary and bonuses to the key management and the members of the Board of Directors during the three months ended 30 September 2019 was RUB 116 142 thousand (three months ended 30 September 2018: RUB 99 245 thousand).

(c) Transactions with state-controlled entities

Revenues attributable to state-controlled entities for the nine months ended 30 September 2019 constitute 88% (the nine months ended 30 September 2018: 89%) of the total Group's revenues, including 92% (the nine months ended 30 September 2018: 93%) of revenues for electricity transmission services.

26. Related party transactions (continued)

(c) Transactions with state-controlled entities (continued)

Revenues attributable to state-controlled entities for the three months ended 30 September 2019 constitute 87% (the three months ended 30 September 2018: 89%) of the total Group's revenues, including 93% (the three months ended 30 September 2018: 93%) of revenues for electricity transmission servicies.

Electricity transmission costs attributable to state-controlled entities for the nine months ended 30 September 2019 constitute 94% (the nine months ended 30 September 2018: 95%) of total transmission costs.

Electricity transmission costs attributable to state-controlled entities for the three months ended 30 September 2019 constitute 93% (the three months ended 30 September 2018: 94%) of total transmission costs.

(d) Pricing policies

Revenue attributable to related parties for electricity transmission services is based on the tariffs imposed by the governmental bodies. Other related party transactions are based on normal market prices.

27. Events after the reporting period

On 13 November 2019 the Group made early repayment of the loan in the amount of RUB 5 000 000 thousand.