

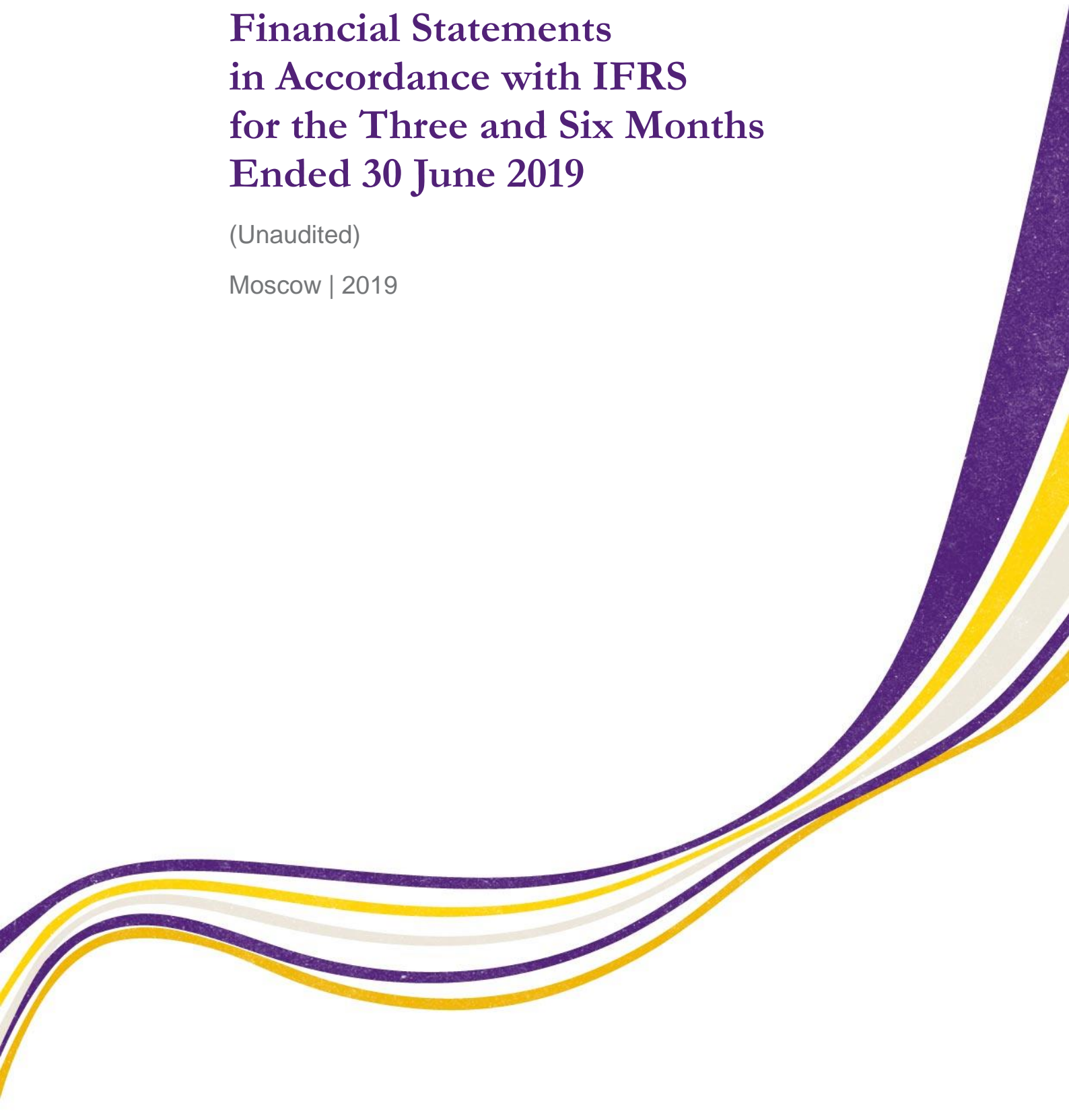
ФБК

PJSC MIPC

**Condensed Interim Consolidated
Financial Statements
in Accordance with IFRS
for the Three and Six Months
Ended 30 June 2019**

(Unaudited)

Moscow | 2019



Contents

Report on Review of Condensed Interim Consolidated Financial Statements	3
Condensed Interim Consolidated Statement of Financial Position.....	5
Condensed Interim Consolidated Statement of Comprehensive Income.....	6
Condensed Interim Consolidated Statement of Cash Flows	7
Condensed Interim Consolidated Statement of Changes in Equity	8

Notes to the Condensed Interim Financial Statements:

1 The Group and its operations	9
2 Basis of preparation	11
3 Significant accounting policies.....	12
4 Related party transactions.....	14
5 Property, plant and equipment.....	19
6 Trade and other receivables	21
7 Subsidies receivable/advances received on subsidies.....	21
8 Cash and cash equivalents	21
9 Equity and reserves.....	22
10 Borrowings	23
11 Accounts payables and liabilities.....	23
12 Revenue	24
13 Operating expenses.....	24
14 Finance income and expenses.....	25
15 Income tax	25
16 Earnings per share	27
17 Financial instruments and financial risks	27
18 Capital commitments	28
19 Segment information	28
20 Subsequent events.....	29



Report on Review of Condensed Interim Consolidated Financial Statements

To the Shareholders of PJSC MIPC

Introduction

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

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

Scope of Review

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

ФБК

Conclusion

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

President of FBK, LLC



Engagement partner



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

K.S. Shirikova, ACCA
(audit qualification certificate
01-000712, ORNZ 21606042126)

Date of the Report on Review

13 August 2019

Audited entity

Name:

Public Joint Stock Company Moscow Integrated Power Company (PJSC MIPC).

Address of the legal entity within its location:

Room 2017, floor 20, 101/3 Vernadskogo Pr., Moscow, 119526, Russian Federation.

Official registration:

Registered by the Moscow Inter-District Inspectorate of the Ministry of Taxes and Duties of the Russian Federation No. 46 on December 16, 2004, certificate: series 77 No. 006387601. Entered in the Uniform State Register of Legal Entities on 16 December 2004 under the main state number 10477969740952.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

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

Official registration:

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

Membership in self-regulatory organization of auditors:

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

PJSC MIPC

Condensed Interim Consolidated Statement of Financial Position (unaudited)

as at 30 June 2019

(in millions of Russian Rubles)

	Note	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	195,937	181,375
Advances for capital construction		2,532	2,661
Intangible assets		1,769	1,759
Financial assets		790	741
Trade and other receivables	6	3,899	2,584
Deferred tax assets	15	1,491	2,097
Total non-current assets		206,418	191,217
Current assets			
Inventories		1,190	940
Trade and other receivables	6	39,369	43,557
Subsidies receivable	7	1,321	263
Income tax prepayments		1,785	78
Cash and cash equivalents	8	903	4,850
Loans issued		353	353
Other current assets		49	76
Total current assets		44,970	50,117
Assets classified as held for sale		170	159
Total assets		251,558	241,493
EQUITY AND LIABILITIES			
Equity			
Share capital	9	24,947	24,947
Share premium		139,102	139,102
Treasury shares	9	(16,971)	(16,964)
Accumulated loss and other reserves		(8,171)	(13,645)
Equity attributable to the shareholders of PJSC MIPC		138,907	133,440
Non-controlling interest	9	(20)	60
Total equity		138,887	133,500
Non-current liabilities			
Borrowings	10	11,311	8,930
Employee benefits		236	215
Accounts payable and liabilities	11	11,536	4,918
Deferred tax liabilities	15	8,537	8,899
Total non-current liabilities		31,620	22,962
Current liabilities			
Borrowings	10	16,242	16,981
Accounts payable and liabilities	11	64,279	67,498
Deferred income		500	67
Income tax payable		-	455
Advances received on subsidies	7	30	30
Total current liabilities		81,051	85,031
Total liabilities		112,671	107,993
Total equity and liabilities		251,558	241,493

Deputy Managing Director - Director for Economy and Finance

N.V. Bondal

N.V. Bondal

13

August

2019




PJSC MIPC

**Condensed Interim Consolidated Statement of Comprehensive Income (unaudited)
for the three and six months ended 30 June 2019**

(in millions of Russian Rubles)

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
Revenue	12	22,377	21,102	85,064	88,251
Operating expenses	13	(26,379)	(24,416)	(75,562)	(77,870)
(Impairment loss)/reversal of impairment loss on financial assets		1,279	580	(1,924)	(1,952)
Result from operating activities		(2,723)	(2,734)	7,578	8,429
Finance income	14	93	78	281	408
Finance expense	14	(297)	(101)	(644)	(176)
Net finance (expense)/income	14	(204)	(23)	(363)	232
Profit/(loss) before tax		(2,927)	(2,757)	7,215	8,661
Income tax (expense)/income	15	541	490	(1,181)	(1,810)
Profit/(loss) for the period		(2,386)	(2,267)	6,034	6,851
Comprehensive income/(loss) for the period		(2,386)	(2,267)	6,034	6,851
Profit/(loss) for the period attributable to:					
Shareholders of PJSC MIPC		(2,285)	(2,180)	6,131	6,990
Non-controlling interest		(101)	(87)	(97)	(139)
Profit/(loss) for the period		(2,386)	(2,267)	6,034	6,851
Comprehensive income/(loss) for the period attributable to:					
Shareholders of PJSC MIPC		(2,285)	(2,180)	6,131	6,990
Non-controlling interest		(101)	(87)	(97)	(139)
Comprehensive income/(loss) for the period		(2,386)	(2,267)	6,034	6,851
Profit/(loss) per share attributable to the shareholders of PJSC MIPC – basic and diluted (in Russian Rubles)	16	(10.1)	(9.6)	27.1	31.3

Deputy Managing Director - Director for Economy and Finance


 N.V. Bondal
 13 August 2019


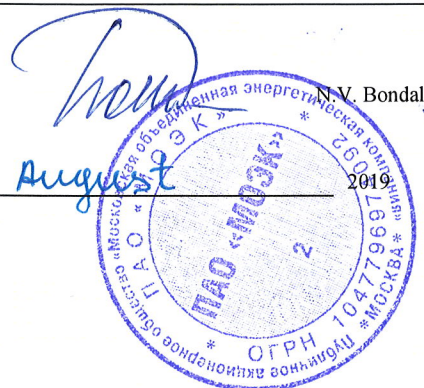
PJSC MIPC
Condensed Interim Consolidated Statement of Cash Flows (unaudited)
for the six months ended 30 June 2019
(in millions of Russian Rubles)

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Cash flows from operating activities			
Profit before tax		7,215	8,661
<i>Adjustments:</i>			
Amortisation and depreciation	13	7,838	6,695
Impairment loss on financial assets		1,924	1,952
Impairment loss on non-financial assets	13	54	1,062
Change in provision for litigation claims	13	(18)	(109)
Gain on disposal of property, plant and equipment and other assets	13	(2,714)	(1,904)
Net finance expense/(income)	14	363	(232)
Operating cash flows before changes in working capital		14,662	16,125
Change in inventories		(243)	(53)
Change in trade and other receivables		3,276	(5,470)
Change in employee benefits		21	32
Change in trade and other payables		(5,740)	3,998
Changes in subsidies		(1,058)	(167)
Change in deferred income		433	(491)
Cash flows from operating activities before income tax and interest		11,351	13,974
Interest received		163	100
Interest paid		(48)	(18)
Income tax paid		(2,818)	(1,714)
Net cash flows from operating activities		8,648	12,342
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,406)	(11,316)
Proceeds from disposal of property, plant and equipment		1,343	1,454
Purchase of intangible assets		(466)	(402)
Acquisition of subsidiaries under common control		-	4
Repayment of loans issued		-	20
Interest paid and capitalised		(763)	(831)
Dividends and interest received		59	70
Net cash flows used in investing activities		(13,233)	(11,001)
Cash flows from financing activities			
Proceeds from borrowings		12,981	18,455
Repayment of borrowings		(11,570)	(20,867)
Repayment of lease liabilities		(773)	-
Net cash flows from financing activities		638	(2,412)
Decrease in cash and cash equivalents		(3,947)	(1,071)
Cash and cash equivalents at the beginning of the period	8	4,850	4,138
Cash and cash equivalents at the end of the period	8	903	3,067

Deputy Managing Director - Director for Economy and Finance

13

August



N.V. Bondal

2019

PJSC MIPC

**Condensed Interim Consolidated Statement of Changes in Equity
for the six months ended 30 June 2019 (unaudited)**

(in millions of Russian Rubles)

	Note	Equity attributable to the shareholders of PJSC MIPC				Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Accumulated loss and other reserves			
Balance as at 1 January 2018		24,414	138,596	(16,964)	(20,143)	125,903	26	125,929
Effect of initial application of new standards, net of income tax		-	-	-	(1,698)	(1,698)	(92)	(1,790)
Adjusted balance as at 1 January 2018		24,414	138,596	(16,964)	(21,841)	124,205	(66)	124,139
Profit/(loss) for the period	9	-	-	-	6,990	6,990	(139)	6,851
Comprehensive income/(loss) for the period		-	-	-	6,990	6,990	(139)	6,851
Transactions with the shareholders presented directly in equity								
Effect of acquisitions under common control		-	-	-	(888)	(888)	-	(888)
Issue of ordinary shares		533	506	-	-	1,039	-	1,039
Balance as at 30 June 2018		24,947	139,102	(16,964)	(15,739)	131,346	(205)	131,141
Balance as at 1 January 2019		24,947	139,102	(16,964)	(13,645)	133,440	60	133,500
Effect of initial application of new standards, net of income tax	3.1	-	-	-	(854)	(854)	(235)	(1,089)
Adjusted balance as at 1 January 2019		24,947	139,102	(16,964)	(14,499)	132,586	(175)	132,411
Profit/(loss) for the period	9	-	-	-	6,131	6,131	(97)	6,034
Comprehensive income/(loss) for the period		-	-	-	6,131	6,131	(97)	6,034
Transactions with the shareholders presented directly in equity								
Repurchase of treasury shares	9	-	-	(7)	-	(7)	-	(7)
Shareholders contribution		-	-	-	198	198	-	198
Change of non-controlling interest in subsidiaries		-	-	-	(1)	(1)	252	251
Balance as at 30 June 2019		24,947	139,102	(16,971)	(8,171)	138,907	(20)	138,887

Deputy Managing Director - Director for Economy and Finance

N.V. Bondal

13

August



1 The Group and its operations

1.1 Organisational structure and operations

Public Joint Stock Company Moscow Integrated Power Company (further on – the “Company” or PJSC MIPC) and its subsidiaries (further on – the “Group”) are involved in generation, purchase and distribution of heat energy in the form of heating and hot water to commercial organisations and for domestic needs of residents in Moscow and the Moscow region.

PJSC MIPC was established on 1 November 2004 under the agreement “On cooperation in restructuring the electric power complex of Moscow”, which was concluded between OJSC RAO UES of Russia, the Moscow Government, PJSC Mosenergo and the Regional Energy Commission of Moscow.

On 7 August 2015 Open Joint Stock Company Moscow Integrated Power Company changed its official name to Public Joint Stock Company Moscow Integrated Power Company due to changes in legislation.

PJSC MIPC is an operator of the most long-distance heating system in the world: the Company is operating more than 16.4 thousand kilometers of heating networks, including about 8.1 thousand kilometers of magistral heating networks and 8.4 thousand kilometers of distributing heating networks. PJSC MIPC maintains 143 energy stations with total heat capacity of 4.82 thousand Gkal/h. The Company also operates above 10 thousand heating units.

The Company continuously supplies heat to 12 million of Moscow residents.

The Group’s production assets are located in Moscow. The Company’s registered address is: 119526, the Russian Federation, Moscow, Prospekt Vernadskogo, building 101, housing 3, floor 20, office 2017.

Group formation

On 1 January 2013 the major shareholder of PJSC MIPC was the Moscow Government through the Moscow City Property Department which owned 89.98% of shares.

On 19 September 2013 LLC Gazprom energoholding acquired 89.98% shares of PJSC MIPC from the Moscow City Property Department. Due to consolidation of assets of LLC MIPC-Finance that owned 8.91% of PJSC MIPC, the actual percentage of ownership of LLC Gazprom energoholding amounted to 98.77% as a result of this transaction.

In January 2014 LLC Gazprom energoholding acquired 0.07% of the Company’s shares from minority shareholders (under offer), increasing its ownership interest up to 90.05%. Due to consolidation of assets of LLC MIPC-Finance the actual ownership interest of LLC Gazprom energoholding amounted to 98.86% as a result of this transaction.

In August 2017 PJSC MIPC repurchased its own treasury shares from shareholders who claimed for redemption in connection with the planned reorganisation in form of merger with PJSC Mezhhregionteplosetenergoremont. The total amount of redeemed ordinary shares was 1,511,412, as a result the amount of voting shares of PJSC MIPC decreased by 1,511,412. The actual ownership interest of LLC Gazprom energoholding amounted to 99.53%.

In March 2018 PJSC MIPC was reorganised by merging with PJSC Mezhhregionteplosetenergoremont. As a result by means of share conversion the share capital of PJSC MIPC was increased by 5,326,453 additional ordinary shares and amounted to 249,460,465 shares.

On 23 January 2019 the Group repurchased its own shares from shareholders who claimed for redemption in connection with the reorganisation of PJSC MIPC in the form of merger with its subsidiary LLC TSK Novaya Moskva. Taking into account this operation, the actual ownership interest of LLC Gazprom energoholding amounted to 99.43%.

As at 30 June 2019 LLC Gazprom energoholding was the immediate parent company of the Group (further on – the “Parent company”). The Group’s immediate parent company does not issue consolidated financial statements for public use.

1.2 Business environment

The Group operates in the Russian Federation. The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas prices changes. Tax, currency and customs legislation of the Russian Federation continues to develop and is a subject to frequent changes and varying interpretations. The Russian economy was negatively impacted and may be impacted in the future by a continuing fluctuations in oil prices, political tension in the region and international sanctions against certain Russian companies and individuals.

As a result during 6 months 2019:

- the Central Bank of the Russian Federation (further on – “CBRF”) exchange rate fluctuated from 62.5229 Russian Rubles (further on – «ruble» or «RUB») till RUB 67.192 per US Dollar;
- the CBRF key refinancing interest rate decreased from 7.75% p.a. till 7.50% p.a.;
- access to international financial markets to raise funding was limited for certain entities.

The financial markets continue to demonstrate volatility, frequent significant price movements and increasing trading spreads.

After 30 June 2019:

- the CBRF exchange rate fluctuated from RUB 62.813 till RUB 65.203 per US Dollar;
- rating of Russian Federation per Moody’s and Fitch Ratings is still in line with the investment level;
- the CBRF key refinancing interest rate decreased till 7.25% p.a.

These events may have a further significant impact on the Group’s future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group’s operations may differ from management’s current expectations.

These condensed interim consolidated financial statements reflect management’s assessment of the impact of the Russian Federation business environment on the operations and the financial position of the Group..

1.3 Relationships with the Government and current legislation

At the end of the reporting period the Russian Federation owned (both directly and indirectly) over 50% in PJSC Gazprom which is the 100% parent company of LLC Gazprom energoholding. Thus, PJSC Gazprom is the Group’s ultimate parent company and the Russian Federation (further on – the “Government”) is the Group’s ultimate controlling party.

The Government of the Russian Federation directly affects the Group’s operations through regulations of wholesale and retail sales of heat and electricity, effected by the Federal Antymonopoly Service, the Department of Economic Policy and Development of Moscow, the Committee on prices and tariffs of the Moscow region. The Government’s economic, social and other policies could substantially affect the Group’s operations.

The Group’s customer base includes a large number of entities controlled by or related to the Government. The Government also controls a number of the Group’s suppliers. Detailed information about operations with related parties is provided in Note 4.

1.4 Scope of consolidation

The Group’s consolidated financial statements reflect the results of PJSC MIPC and its subsidiaries.

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

Subsidiary	Nature of business	Interest held, %	
		30 June 2019	31 December 2018
OJSC Mosgorenergo	Energy distribution services	100.00	100.00
LLC MIPC-Finance	Operations on securities market	100.00	100.00
LLC TSK MIPC	Production, transmission and distribution of steam and hot water (heat energy)	100.00	100.00
LLC Tsentr technologicheskikh prisoedineniy MIPC	Connection to networks of engineering and technical support	100.00	100.00
LLC Tsentr upravleniya nedvizhimostiu	Intermediary services in buying, selling and renting real estate	100.00	100.00
LLC Razvitiye teplosetevogo kompleksa	Heating network and associated equipment development	100.00	100.00
LLC TSK Mosenergo	Production, transmission and distribution of steam and hot water (heat energy)	74.64	77.49
LLC TSK Novaya Moskva	Production, transmission and distribution of steam and hot water (heat energy)	—	100.00

On 14 February 2019 the share capital of LLC TSK Mosenergo was increased by means of contribution of property owned by PJSC Mosenergo. As a result of this operation the share of PJSC MIPC in the share capital of LLC TSK Mosenergo amounted to 74.64%.

On 8 May 2019 LLC TSK Novaya Moskva ceased its operation by means of reorganization by merging with PJSC MIPC.

As at 30 June 2019 there are no significant restrictions in getting access to the subsidiary's assets or using them for settling the subsidiary's obligations.

The Group holds no preference shares.

2 Basis of preparation

2.1 Statement of compliance with IFRS

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IAS) 34 "Interim Financial Reporting". The condensed interim consolidated financial statements should be considered only together with the consolidated financial statements for the year ended 31 December 2018, which was prepared in accordance with the requirements of International Financial Reporting Standards (further on – "IFRS").

2.2 Seasonal nature of activities

The time of year and weather conditions influence the demand for heat energy. The main volume of income from the sale of heat energy falls from October to March. The seasonal nature of the heat energy production has the corresponding effect on the purchase of heat energy, fuel consumption and other resources. The seasonal nature of the activity does not affect the Group's recognition of income or expenses.

2.3 Basis of measurement

These condensed interim consolidated financial statements have been prepared based on rules of accounting at initial (historical) cost except for financial assets classified as financial assets measured at fair value through profit or loss.

2.4 Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble, which is the Company's functional currency and the currency in which these condensed interim consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

3 Significant accounting policies

To ensure unification to the accounting policy of the parent company PJSC Gazprom starting from the reporting period ending 30 June 2019 the Group switched to the preparation of condensed interim consolidated financial statements, which, in addition, will allow interested users of the financial statements to obtain more reliable and relevant information in order to evaluate the financial condition and performance of the Group.

The most important accounting policies of the Group and significant assumptions and estimates in its application are consistent with the accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2018, except for the application of IFRS 16 Leases, which came into force on 1 January 2019

3.1 New standards and interpretations

Starting from 1 January 2019 a new standard IFRS 16 Leases came into force (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The changes were applied by the Group while preparing current condensed interim consolidated financial statements. The standard defines the principles of recognition, valuation, presentation and disclosure of information in the financial statements regarding lease agreements and obliges lessees to recognise right-of-use assets and lease liabilities under most lease agreements.

Right-of-use assets are initially measured at cost and amortised till the earlier of the following dates: the end of the useful life of the right-of-use asset or the end of the lease term. The initial cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, lease payments made at or before the lease commencement date and initial direct costs. Lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date and subsequently measured at amortised cost with recognition of expenses in the form of interest as part of income (expenses) from financial activities in the consolidated statement of comprehensive income.

In accordance with the transitional provisions of IFRS 16 Leases, the Group applied the new rules retrospectively, recognising the cumulative effect of the initial application of the standard as of 1 January 2019. Therefore, the comparative information as at 31 December 2018 and for the three and six months ended 30 June 2018, presented in current consolidated financial statements, does not reflect the requirements of IFRS 16 Leases and is prepared on the basis of requirements of IAS 17 Leases.

In accordance with IFRS 16 Leases the Group decided not to apply the standard to the short-term lease agreements and lease agreements with underlying asset of low value.

The Group used the following allowed practical simplifications:

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

The effect of initial application of IFRS 16 Leases on the consolidated statement of financial position as at 1 January 2019 is presented in the table below:

PJSC MIPC

**Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)
for the three and six months ended 30 June 2019**

(in millions of Russian Rubles)

	Balance as at 1 January 2019	The effect of initial application of IFRS 9	Adjusted balance as at 1 January 2019
Property, plant and equipment	181,375	8,569	189,944
Trade and other receivables	2,584	(28)	2,556
Deferred tax assets	2,097	272	2,369
Total non-current assets	191,217	8,813	200,030
Trade and other receivables	43,557	(15)	43,542
Total current assets	50,117	(15)	50,102
Total assets	241,493	8,798	250,291
Accumulated loss	(13,645)	(854)	(14,499)
Non-controlling interest	60	(235)	(175)
Total equity	133,500	(1,089)	132,411
Trade and other payables	1,343	7,779	9,122
Total non-current liabilities	22,962	7,779	30,741
Trade payables	41,768	2,108	43,876
Total current liabilities	85,031	2,108	87,139
Total liabilities	107,993	9,887	117,880
Total equity and liabilities	241,493	8,798	250,291

The reconciliation of operating lease contractual obligations as at 31 December 2018 with recognised lease liabilities as at 1 January 2019 is presented below:

Operating lease liability as at 31 December 2018 disclosed applying IFRS (IAS) 17 Leases	8,220
Exemption from recognition of short-term lease liability	(56)
Effect of applying judgement on the prolongation/indexation of lease agreements as at 1 January 2019	17,854
Undiscounted liabilities additionally recognised based on the initial application of IFRS 16 Leases as at 1 January 2019	26,018
Effect of discount of lease liabilities as at 1 January 2019	(16,131)
Lease liabilities additionally recognised based on the initial application of IFRS 16 Leases as at 1 January 2019	9,887
Previously recognised finance lease liability as at 31 December 2018	-
Lease liabilities in accordance with IFRS 16 Leases as at 1 January 2019	9,887

The weighted average borrowing rate applied by the Group in respect of lease liabilities at the date of initial application amounted to 11.5%.

A new interpretation and some amendments to standards became effective starting from 1 January 2019:

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

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

- The amendments to IAS 19 Employee Benefits (issued in February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

The Group reviewed these amendments and interpretations to the standards during preparation of the condensed interim consolidated financial statements. The amendments and interpretations to the standards did not affect significantly the Group's condensed interim consolidated financial statements.

4 Related party transactions

PJSC Gazprom is the ultimate parent company of PJSC MIPC. The Government of the Russian Federation is the ultimate controlling party of the Group.

Below is a description of the nature of the relationship with those related parties with which the Group performed significant transactions or has significant outstanding balances.

(a) Transactions with Gazprom Group and its associates

The information on operations with Gazprom Group and its associates as well as outstanding balances of these transactions are presented below:

Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Revenue from heat energy transmission services	58	72	322	455
Revenue from heat energy sales	17	32	98	102
Revenue from hot water supply services	2	3	5	6
Other revenue	139	152	497	506
Total	216	259	922	1,069

Operating expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Purchased heat energy	10,139	9,582	41,723	43,897
Fuel expenses	993	954	3,890	4,198
Water expenses	243	230	542	500
Repair and maintenance	195	98	304	156
Production services	107	59	137	84
Purchased electricity	10	17	29	52
Rent	4	62	4	479
Other expenses	445	424	859	796
Total	12,136	11,426	47,488	50,162

PJSC Mosenergo, a subsidiary of PJSC Gazprom, is the main supplier of heat energy for the Group. For the three and six months ended 30 June 2019, the Group's purchases of heat energy from PJSC Mosenergo amounted to RUB 10,131 million and RUB 41,694 million respectively (for the three and six months ended 30 June 2018: RUB 9,574 million and RUB 43,866 million).

For the three and six months ended 30 June 2019 reversal of impairment loss of financial assets amounted to RUB 2 million and RUB 8 million, respectively (for the three months ended 30 June 2018 reversal of impairment loss amounted to RUB 6 million, for the six months ended 30 June 2018 impairment loss accrual amounted to RUB 3 million).

PJSC MIPC**Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)
for the three and six months ended 30 June 2019***(in millions of Russian Rubles)****Finance income and expenses***

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Interest under lease agreements	4	3	7	7
Interest income	-	3	1	16
Total finance income	4	6	8	23
Interest under lease agreements	(164)	-	(332)	-
Interest expense	(34)	(8)	(68)	(17)
Effect of discount on long-term accounts payable	39	(57)	(14)	(119)
Other finance expenses	(4)	-	(8)	-
Total finance expenses	(163)	(65)	(422)	(136)
Net finance expenses	(159)	(59)	(414)	(113)

Outstanding balances

	Outstanding balance as at 30 June 2019	Outstanding balance as at 31 December 2018
Advances for capital construction	1,630	1,494
Trade and other receivables	236	462
Allowance for expected credit losses of accounts receivable	-	(8)
Cash and cash equivalents	261	50
Advances to suppliers and prepaid expenses	13	46
Total assets	2,140	2,044
Trade and other payables	28,477	32,783
Lease liabilities	5,512	-
Borrowings	1,754	1,734
Advances received from customers	17	11
Total liabilities	35,760	34,528

As at 30 June 2019 the Group's trade payables to PJSC Mosenergo amounted to RUB 24,829 million (as at 31 December 2018: RUB 26,212 million).

As at 30 June 2019 trade and other payables include payables to LLC Gazprom energoholding in the amount of RUB 1,260 million for property, plant and equipment received as contribution to the authorised capital of PJSC MIPC in April 2019.

Acquisition and construction of non-current and current assets

The Group performs capital transactions with Gazprom Group and its associates. The summary of such transactions for the six months ended 30 June 2019 and 30 June 2018 as well as the amount of contractual obligations as at 30 June 2019 and 31 December 2018 is presented below:

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Acquisition of non-current and current assets	4,070	2,822

Acquisition of non-current and current assets for the six months ended 30 June 2019 includes addition of property, plant and equipment in the amount of RUB 1,260 million received from LLC Gazprom energoholding as contribution to the share capital of PJSC MIPC in April 2019.

The outstanding amount of contractual obligations on acquisition and construction of property, plant and equipment to Gazprom Group and its associates as at 30 June 2019 is RUB 13,441 million, including VAT (as at 31 December 2018: RUB 16,029 million, including VAT).

PJSC MIPC

**Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)
for the three and six months ended 30 June 2019**

(in millions of Russian Rubles)

(b) Transactions with other state-controlled entities

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Revenue from heat energy sales	7,314	6,793	38,192	41,481
Revenue from hot water supply services	5,646	5,909	12,862	12,951
Revenue from transfer of water services	526	498	1,046	999
Revenue from connection services to heat and hot water supply system	279	351	544	478
Other revenue	74	154	(9)	266
Total	13,839	13,705	52,635	56,175

Other revenue for the three and six months ended 30 June 2019 includes loss for previous reporting periods in the amount of RUB 3 million and RUB 175 million respectively (for the three and six months ended 30 June 2018: profit in the amount of RUB 13 million and RUB 28 million respectively).

Operating expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Water expenses	1,594	1,557	3,617	3,442
Measurement units maintenance expenses	739	717	1,479	1,435
Taxes other than income tax	661	524	1,274	1,039
Purchased heat energy	238	210	839	903
Production services	561	529	1,120	1,014
Purchased electricity	191	485	498	973
Rent	11	101	12	243
Gain on disposal of property, plant and equipment and other assets	(450)	(786)	(2,271)	(1,563)
Other income/(expenses)	(17)	788	(109)	508
Total	3,528	4,125	6,459	7,994

For the three months ended 30 June 2019 reversal of impairment loss on financial assets amounted to RUB 1,008 million, for the six months ended 30 June 2019 impairment loss accrual on financial assets amounted to RUB 1,200 million (for the three months ended 30 June 2018 reversal of impairment loss amounted to RUB 414 million, for the six months ended 30 June 2018 impairment loss accrual amounted to RUB 1,011 million).

Finance income and expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Interest income	21	27	68	67
Other finance income	-	-	-	210
Total finance income	21	27	68	277
Interest under lease agreements	(66)	-	(109)	-
Total finance expenses	(66)	-	(109)	-
Net finance income	(45)	27	(41)	277

Outstanding balances

	Outstanding balance as at 30 June 2019	Outstanding balance as at 31 December 2018
Trade and other receivables	37,275	37,031
Allowance for expected credit losses of receivables	(10,616)	(9,434)
Income tax prepayments	1,785	78
Tax prepayments	1,429	512
Subsidies receivable	1,321	263
Cash and cash equivalents	403	1,229
Loans issued	353	353
Advances to suppliers and prepaid expenses	63	21

PJSC MIPC

**Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)
for the three and six months ended 30 June 2019**

(in millions of Russian Rubles)

	Outstanding balance as at 30 June 2019	Outstanding balance as at 31 December 2018
Allowance for impairment of advances to suppliers and prepaid expenses	(2)	(3)
Advances for capital construction	62	95
Total assets	32,073	30,145
Borrowings	15,604	24,177
Advances received from customers	10,356	9,868
Trade and other payables	1,594	2,368
Lease liabilities	1,839	-
Taxes payable	879	1,111
Deferred income	500	67
Advances received on subsidies	30	30
Income tax payable	-	455
Total liabilities	30,132	38,076

Acquisition and construction of non-current and current assets

The Group performs capital transactions with state-controlled entities. The summary of such transactions for the six months ended 30 June 2019 and 30 June 2018 as well as the amount of contractual obligations as at 30 June 2019 and 31 December 2018 is presented below:

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Acquisition of non-current and current assets	1,352	1,043
<i>incl. capitalised borrowing expenses</i>	<i>761</i>	<i>852</i>

The outstanding amount of contractual obligations on acquisition and construction of property, plant and equipment to state-controlled entities as at 30 June 2019 is RUB 159 million, including VAT (as at 31 December 2018: RUB 269 million, including VAT).

(c) Transactions with JSC FSC

Some operations in the wholesale electricity and capacity market (hereinafter referred to as the WECM) are carried out by means of commission agreements concluded with JSC FSC. The current system of financial settlements in the JSC FSC does not allow the end customers to receive information about transactions and outstanding balances with the WECM in automatic mode.

The details of main transactions between the Group and JSC FSC are presented below:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Revenue	1	3	2	4
Other revenue	1	3	2	4
Operating expenses	(58)	(82)	(154)	(230)
Purchased electricity	(58)	(82)	(154)	(230)

	Outstanding balance as at 30 June 2019	Outstanding balance as at 31 December 2018
Trade and other receivables	-	1
Total assets	-	1
Trade and other payables	(4)	(18)
Total liabilities	(4)	(18)

PJSC MIPC**Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)
for the three and six months ended 30 June 2019***(in millions of Russian Rubles)***(d) Transactions with key management personnel**

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Wages and bonuses	90	51	144	129
Social contributions	17	12	31	30
Termination benefits	9	1	10	1
Remuneration for membership in the Board of Directors	1	3	2	4
Total	117	67	187	164

	Outstanding balance as at 30 June 2019	Outstanding balance as at 31 December 2018
Wages payable	13	12
Total	13	12

The management fee to LLC Gazprom energoholding for the three and six months ended 30 June 2019 amounted to RUB 35 million and RUB 65 million respectively (for the three and six months ended 30 June 2018: RUB 30 million and RUB 61 million).

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)

for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

5 Property, plant and equipment

	Right-of-use assets	Heating networks	Building and facilities	Machinery and equipment	Transport and other assets	Construction in progress	Total
<i>Book value</i>							
As at 1 January 2018	-	223,817	24,653	41,893	7,851	34,554	332,768
Additions	-	3	55	12	2	8,782	8,854
Disposals	-	(205)	(127)	(490)	(61)	(133)	(1,016)
Transfers	-	6,482	290	3,345	332	(10,449)	-
Reclassification to assets held for sale	-	-	-	(7)	(19)	-	(26)
As at 30 June 2018	-	230,097	24,871	44,753	8,105	32,754	340,580
As at 1 January 2019	-	243,512	26,401	46,464	8,236	37,215	361,828
Initial recognition as at 1 January 2019	9,930	-	-	-	-	-	9,930
Additions	34	30	-	1	8	14,106	14,179
Change in lease agreements terms	(244)	-	-	-	-	-	(244)
Disposals	(44)	(674)	(150)	(260)	(120)	(189)	(1,437)
Transfer	-	13,452	349	725	244	(14,770)	-
Reclassification to assets held for sale	-	(2)	(74)	(1)	-	-	(77)
As at 30 June 2019	9,676	256,318	26,526	46,929	8,368	36,362	384,179
<i>Accumulated depreciation and impairment</i>							
As at 1 January 2018	-	(118,255)	(11,377)	(25,716)	(4,806)	(9,376)	(169,530)
Depreciation charge	-	(3,906)	(294)	(1 248)	(420)	-	(5,868)
Disposals	-	191	37	446	48	30	752
Impairment loss accrual	-	-	-	-	-	(7)	(7)
Impairment loss reversal	-	-	-	-	-	152	152
Transfer of impairment loss	-	(1,679)	(107)	(563)	(116)	2,465	-
Reclassification to assets held for sale	-	-	-	4	10	-	14
As at 30 June 2018	-	(123,649)	(11,741)	(27,077)	(5,284)	(6,736)	(174,487)

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)

for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

	Right-of-use assets	Heating networks	Building and facilities	Machinery and equipment	Transport and other assets	Construction in progress	Total
As at 1 January 2019	-	(127,501)	(11,823)	(28,641)	(5,496)	(6,992)	(180,453)
Initial recognition as at 1 January 2019	(1,361)	-	-	-	-	-	(1,361)
Depreciation charge	(514)	(4,536)	(354)	(1,528)	(451)	-	(7,383)
Disposals	44	415	83	182	114	75	913
Impairment loss accrual	-	-	-	-	-	-	-
Impairment loss reversal	26	-	-	-	-	4	30
Transfer of impairment loss	-	(676)	(83)	(184)	(34)	977	-
Reclassification to assets held for sale	-	1	11	-	-	-	12
As at 30 June 2019	(1,805)	(132,297)	(12,166)	(30,171)	(5,867)	(5,936)	(188,242)
<i>Net book value</i>							
As at 1 January 2018	-	105,562	13,276	16,177	3,045	25,178	163,238
As at 30 June 2018	-	106,448	13,130	17,676	2,821	26,018	166,093
As at 1 January 2019	-	116,011	14,578	17,823	2,740	30,223	181,375
As at 30 June 2019	7,871	124,021	14,360	16,758	2,501	30,426	195,937

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

As at 30 June 2019 impairment loss for property, plant and equipment and construction in progress amounted to RUB 40,597 million and RUB 5,936 million, respectively (as at 31 December 2018: RUB 39,720 million and RUB 6,992 million).

As at 1 January 2019 the Group performed the impairment test of property, plant and equipment at the level of cash generating units, including right-of-use assets. As a result of valuation as at 1 January 2019 the impairment loss for right-of use assets in the amount of RUB 1,361 million was recognised as part of opening balance of Accumulated loss (Note 3.1 New standards and interpretations).

Property, plant and equipment amount as at 30 June 2019 includes right-of-use assets for the carrying amount of RUB 7,871 million mainly relating to land and buildings.

Capitalised interest on borrowings

Capitalised borrowing costs for the three and six months ended 30 June 2019 amounted to RUB 489 million and RUB 976 million respectively (for the three and six months ended 30 June 2018: RUB 406 million and RUB 852 million) with the annual capitalisation rate 7.8% (for the six months ended 30 June 2018: 7.4%). The capitalisation rate represents the weighted average rate of borrowings raised.

Property, plant and equipment are not pledged as collateral.

6 Trade and other receivables

	30 June 2019	31 December 2018
Trade receivables	45,453	49,692
Other receivables	1,044	1,014
Allowance for expected credit losses of trade receivables	(18,593)	(17,066)
Allowance for expected credit losses of other receivables	(150)	(38)
Total financial assets	27,754	33,602
Other non-financial receivables	14,365	12,189
Allowance for impairment of other non-financial receivables	(378)	(293)
Advances to suppliers and prepaid expenses	107	143
Allowance for impairment of advances to suppliers and prepaid expenses	(9)	(12)
Total	41,839	45,629
VAT recoverable	1,350	399
Prepaid taxes, other than income tax	79	113
Total	43,268	46,141
Non-current assets	3,899	2,584
Current assets	39,369	43,557
Total	43,268	46,141

7 Subsidies receivable/advances received on subsidies

	30 June 2019		31 December 2018	
	Subsidies receivable	Advances received on subsidies	Subsidies receivable	Advances received on subsidies
Subsidies from the Moscow Government	260	30	263	30
Subsidies from the State Center of Household Subsidies	1,061	-	-	-
Total	1,321	30	263	30

8 Cash and cash equivalents

	30 June 2019	31 December 2018
Deposits with maturity of less than three months	79	3,404
Bank and cash balances	824	1,446
Total	903	4,850

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

As at 30 June 2019 restricted cash includes the minimum balance on settlement accounts in the amount of RUB 538 million (as at 31 December 2018: RUB 702 million). As at 30 June 2019 the arrested cash amounted to RUB nil million (as at 31 December 2018: RUB 1 million).

The information about deposits with maturity of less than three months is presented in the table below:

	30 June 2019		31 December 2018	
	Currency	Amount	Currency	Amount
Gazprombank (Joint-stock Company)	Russian Ruble	42	Russian Ruble	28
PJSC Bank VTB	Russian Ruble	37	Russian Ruble	46
JSC BANK ROSSYIA	Russian Ruble	-	Russian Ruble	3,330
Total		79		3,404

9 Equity and reserves

Share capital

As at 30 June 2019 the Group's share capital consists of 249,460,465 ordinary shares for the total amount of RUB 24,947 million (as at 31 December 2018: 249,460,465 shares for the total amount of RUB 24,947 million).

Treasury shares

On 23 January 2019 the Group repurchased its own shares from shareholders who claimed for redemption in connection with the reorganisation of PJSC MIPC in the form of merger with its subsidiary LLC TSK Novaya Moskva. The total amount of redeemed ordinary shares is 38,054 with the total value of RUB 7 million.

As at 30 June 2019 treasury shares comprised 23,298,456 ordinary shares with total value of RUB 16,971 million (as at 31 December 2018: 23,260,402 ordinary shares with total value of RUB 16,964 million).

Non-controlling interest

As at 1 January 2019 the opening balance of the non-controlling interest was adjusted for the amount of the impairment loss on right-of-use assets in accordance with the initial application of the new standard IFRS 16 for the amount of RUB 235 million (Note 3.1).

For the three and six months ended 30 June 2019 the loss of LLC TSK Mosenergo amounted to RUB 396 million and RUB 392 million respectively, from which RUB 101 million and RUB 97 million was allocated to a non-controlling interest in accordance with the percentage of ownership.

In February 2019 the share capital of LLC TSK Mosenergo was increased by means of contribution of property owned by PJSC Mosenergo.

Dividends

In accordance with the legislation of the Russian Federation, the distributable reserves of the Company are limited to the retained earnings recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Rules.

According to the decision of the Annual General Meeting of shareholders of PJSC MIPC, dividends on ordinary registered shares of PJSC MIPC for the results of 2018 were not accrued.

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

10 Borrowings

The table below provides information about the contractual terms of the Group's interest-bearing borrowings measured at amortised cost:

	Nominal interest rate as at period end, %	Year of maturity	30 June 2019	31 December 2018
Short-term borrowings with fixed interest rate				
PJSC Bank VTB	7.90	2020	7,603	3
PJSC Sberbank	7.30-8.65	2019	5,000	16,574
Short-term borrowings with variable interest rate				
PJSC Bank VTB	8.48	2020	3,001	-
PJSC Mosenergo	6.75-8.25	2019	415	404
Short-term part of long-term bonds				
Bonds series 001P-01	8.65	2019	137	-
Bonds series 001P-02	8.45	2019	77	-
Short-term part of long-term borrowings with variable interest rate				
PJSC Mosenergo	7.95	2019	9	-
Total short-term borrowings			16,242	16,981
Long-term bonds				
Bonds series 001P-01	8.65	2025	4,993	-
Bonds series 001P-02	8.45	2025	4,988	-
Long-term borrowings with variable interest rate				
PJSC Mosenergo	7.95-8.25	2020-2023	1,330	1,330
Long-term borrowings with fixed interest rate				
PJSC Bank VTB	7.90	2020	-	7,600
Total long-term borrowings			11,311	8,930
Total			27,553	25,911

All borrowings are denominated in RUB. Pledge of property rights under borrowings agreements as at 30 June 2019 amounted to RUB 682 million (as at 31 December 2018: RUB 682 million).

On 6 March 2019 PJSC MIPC placed on the Moscow Exchange the issue of exchange bonds of the 001P-01 series with a nominal value of RUB 5,000 million under the program of exchanged bonds 4-55039-E-001P-02E from 18 October 2018. The annual interest rate is 8.65%. The maturity period of the bonds is 6 years, the holders can exercise the right of early redemption after 3 years from the placement date at par value plus accrued interest.

On 24 April 2019 PJSC MIPC placed on the Moscow Exchange the issue of exchange bonds of the 001P-02 series with a nominal value of RUB 5,000 million under the program of exchanged bonds 4-55039-E-001P-02E from 18 October 2018. The annual interest rate is 8.45%. The maturity period of the bonds is 6 years, the holders can exercise the right of early redemption after 2 years from the placement date at par value plus accrued interest.

11 Accounts payable and liabilities

	30 June 2019	31 December 2018
Financial liabilities		
Trade payables	23,598	29,066
Payables for the acquisition and construction of property, plant and equipment	10,264	14,040
Lease liabilities	9,495	-
Other payables	14	46
Total	43,371	43,152

PJSC MIPC

**Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)
for the three and six months ended 30 June 2019**

(in millions of Russian Rubles)

	30 June 2019	31 December 2018
Non-financial liabilities		
Advances received from customers	28,474	26,457
Taxes payable	879	1,111
Other payables and provisions	3,091	1,696
Total	32,444	29,264
Short-term liabilities	64,279	67,498
Long-term liabilities	11,536	4,918
Total	75,815	72,416

12 Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Revenue from heat energy sales	12,282	11,199	63,058	66,782
Revenue from hot water supply services	7,673	8,003	17,457	17,509
Revenue from connection services to heat and hot water supply system	1,512	926	2,493	1,579
Revenue from transfer of water services	526	498	1,046	999
Revenue from heat energy transmission services	58	72	322	455
Other revenue	326	404	688	927
Total	22,377	21,102	85,064	88,251

13 Operating expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Purchased heat energy	10,458	9,881	42,901	45,062
Staff costs	4,157	4,019	8,517	8,363
Amortisation and depreciation	4,020	3,450	7,838	6,695
Water expenses	1,850	1,835	4,189	4,034
Fuel expenses	1,022	1,066	3,957	4,352
Purchased electricity	1,143	1,071	3,105	3,055
Repair and maintenance	1,215	1,337	1,592	1,739
Measurement units maintenance expenses	740	727	1,480	1,458
Production services	700	680	1,301	1,220
Taxes other than income tax	661	524	1,274	1,039
Material expenses	316	273	526	534
Software services	240	221	518	541
Security services	209	157	417	316
Utilities expenses	132	93	222	309
Bank services	100	89	201	179
Professional and consulting services	112	83	170	141
Communication services	32	29	64	59
(Reversal of impairment loss)/impairment loss on non-financial assets	(57)	(297)	54	1,062
Rent	27	490	45	1,186
Occupational safety and health expenses	17	43	27	82
Change in the provision for litigation claims	(43)	(120)	(18)	(109)
Gain on disposal of property, plant and equipment and other assets	(656)	(794)	(2,714)	(1,904)
Other income	(16)	(441)	(104)	(1,543)
Total	26,379	24,416	75,562	77,870

For the three months ended 30 June 2019 reversal of impairment loss on non-financial receivables recognised in impairment loss on non-financial assets amounted to RUB 12 million, for the six months ended 30 June 2019 impairment loss on non-financial receivables recognised in impairment loss on non-financial

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

assets amounted to RUB 93 million (for the three months ended 30 June 2018 reversal of impairment loss amounted to RUB 239 million, for the six months ended 30 June 2018 impairment loss accrual amounted to RUB 1,130 million).

14 Finance income and expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Finance income				
Interest income	67	59	182	129
Income from changes of fair value of financial assets	-	-	49	-
Dividend income	22	16	43	36
Interest under lease agreements	4	3	7	7
Other finance income	-	-	-	236
Total finance income	93	78	281	408
	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Finance expenses				
Interest expense	(522)	(421)	(1,043)	(882)
Interest under lease agreements	(298)	-	(554)	-
Effect of discount of long-term accounts payable	39	(57)	(14)	(119)
Loss from changes of fair value of financial assets	-	(27)	-	(27)
Other finance expenses	(4)	(2)	(8)	-
Total finance expenses	(785)	(507)	(1,619)	(1,028)
Including capitalised interest expenses on borrowings relating to qualifying assets	488	406	975	852
Net finance (expense)/income recognised in profit or loss	(204)	(23)	(363)	232

Total amount of interest paid for the six months ended 30 June 2019 and 30 June 2018 amounted to RUB 811 million and RUB 849 million, respectively

15 Income tax

Income tax

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Current income tax				
Current period	455	467	(656)	(412)
Under-accrued in prior periods	(9)	1	(9)	(1)
Итого	446	468	(665)	(413)
Deferred income tax				
Origination and reversal of temporary differences	95	22	(516)	(1,397)
Total	541	490	(1,181)	(1,810)

The Group's applicable tax rate is 20% which represents the Russian corporate income tax.

PJSC MIPC

**Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited)
for the three and six months ended 30 June 2019**

(in millions of Russian Rubles)

Reconciliation of theoretical and actual income tax recognised in profit or loss for the period is presented below:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Profit before tax	(2,927)	(2,757)	7,215	8,661
Income tax at applicable tax rate of 20%	585	551	(1,443)	(1,732)
Non-deductible/non-taxable differences	(35)	(62)	271	(77)
Under-accrued in prior periods	(9)	1	(9)	(1)
Total income tax	541	490	(1,181)	(1,810)
Profit for the reporting period	(2,386)	(2,267)	6,034	6,851

Deferred income tax

Tax effect of temporary differences resulted in deferred tax assets and liabilities is as follows:

	Assets		Liabilities		Net	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Property, plant and equipment	-	-	(12,013)	(9,665)	(12,013)	(9,665)
Intangible assets	16	16	-	-	16	16
Financial assets	4	4	-	-	4	4
Inventory	-	-	(105)	(93)	(105)	(93)
Trade and other receivables	1,009	123	-	-	1,009	123
Borrowings	-	-	(4)	-	(4)	-
Accounts payable	2,145	356	-	-	2,145	356
Other items	199	181	-	-	199	181
Tax loss carried forward	1,703	2,276	-	-	1,703	2,276
Total	5,076	2,956	(12,122)	(9,758)	(7,046)	(6,802)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The details of the deferred tax balances (after the offset) presented in the consolidated statement of financial position are as follows:

	30 June 2019	31 December 2018
Deferred tax assets	1,491	2,097
Deferred tax liabilities	(8,537)	(8,899)
Deferred tax liabilities, net	(7,046)	(6,802)

Movements in temporary differences for the six months ended 30 June 2019 are as follows:

	1 January 2019	Recognised in profit or loss	Effect of the initial application of IFRS 16	30 June 2019
Property, plant and equipment	(9,665)	(2,620)	272	(12,013)
Intangible assets	16	-	-	16
Financial assets	4	-	-	4
Inventory	(93)	(12)	-	(105)
Trade and other receivables	123	886	-	1,009
Borrowings	-	(4)	-	(4)
Accounts payable	356	1 789	-	2,145
Other items	181	18	-	199
Tax loss carried forward	2,276	(573)	-	1,703
Total	(6,802)	(516)	272	(7,046)

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

Movements in temporary differences for the six months ended 30 June 2018 are as follows:

	1 January 2019	Recognised in profit or loss	Effect of the initial application of IFRS 9	Acquired	30 June 2018
Property, plant and equipment	(8,536)	(879)	-	(5)	(9,420)
Intangible assets	12	20	-	-	32
Financial assets	42	-	-	3	45
Inventory	(63)	(10)	-	-	(73)
Trade and other receivables	(119)	(78)	447	-	250
Accounts payable	508	80	-	-	588
Other items	244	(234)	-	-	10
Tax loss carried forward	2,651	(296)	-	16	2,371
Total	(5,261)	(1,397)	447	14	(6,197)

16 Earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, calculated as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Outstanding shares (weighted average number)	249,460,465	249,460,465	249,460,465	246,870,808
Treasury shares (weighted average number)	(23,298,456)	(23,260,402)	(23,293,831)	(23,260,402)
Weighted average number of outstanding shares	226,162,009	226,200,063	226,166,634	223,610,406

The calculation of profit attributable to the ordinary shareholders is presented below:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Weighted average number of outstanding shares	226,162,009	226,200,063	226,166,634	223,610,406
Profit attributable to the shareholders of PJSC MIPC for the period	(2,285)	(2,180)	6,131	6,990
Earnings per share attributable to the shareholders of PJSC MIPC – basic and diluted (in Russian Rubles)	(10.1)	(9.6)	27.1	31.3

As at 30 June 2019 and 31 December 2018 there are no instruments with dilutive effect.

17 Financial instruments and financial risks

(a) Borrowing covenants

The Group must comply with certain covenants related to borrowings. As at 30 June 2019 and 31 December 2018 the Group was in compliance with these covenants.

(6) Classification and fair value

As at 30 June 2019 and 31 December 2018 the following assets and liabilities measured at fair value were recognised in the Group's balance sheet:

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Balance as at 30 June 2019					
Financial assets measured at fair value through profit or loss	790	-	-	790	790
Balance as at 30 December 2018					
Financial assets measured at fair value through profit or loss	741	-	-	741	741

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

The following table represents methods used for measurement of fair value for Level 3 of the fair value hierarchy:

Financial instrument	Measurement
Financial assets measured at fair value through profit or loss	On the basis of the share's value of a mutual investment fund, estimated by a professional appraiser based on the carrying amount of its net assets at the reporting date

As at 30 June 2019 and 31 December 2018 the estimated fair value of financial assets and liabilities which are not recognised at fair value in the consolidated statement of financial position is reasonable approximation to their carrying amount.

18 Capital commitments

As at 30 June 2019 the Group was involved in a number of contingent contracts for construction and purchase of property, plant and equipment amounting to RUB 43,096 million, including VAT (as at 31 December 2018: 44,513 million, including VAT), including:

- RUB 11,257 million for upgrading the Group's technological equipment (as at 31 December 2018: RUB 10,825 million);
- RUB 31,839 million for new construction and purchase of equipment (as at 31 December 2018: RUB 33,688 million).

19 Segment information

Segment information for the six months ended 30 June 2019 and six months ended 30 June 2018 is presented below:

Note	Heat energy	Connection to the heating system	Other segments	Total by segments	Intergroup operations	Total
For the six months ended 30 June 2019						
Revenue	81,828	2,694	2,409	86,931	(1,867)	85,064
External revenue	80,837	2,493	1,734	85,064	-	85,064
Intergroup revenue	991	201	675	1,867	(1,867)	-
Financial result by segments	3,684	2,140	(639)	5,185		5,185
Amortisation and depreciation	(7,256)	(8)	(574)	(7,838)	-	(7,838)
(Impairment loss)/reversal of impairment loss of receivables	(2,055)	91	(53)	(2,017)	-	(2,017)
For the six months ended 30 June 2018						
Revenue	86,065	1,779	2,650	90,494	(2,243)	88,251
External revenue	84,746	1,579	1,926	88,251	-	88,251
Intergroup revenue	1,319	200	724	2,243	(2,243)	-
Financial result by segments	7,730	1,062	(2,344)	6,448		6,448
Amortisation and depreciation	(5,693)	(11)	(991)	(6,695)	-	(6,695)
Impairment loss of receivables	(1,767)	(74)	(1,241)	(3,082)	-	(3,082)

PJSC MIPC

Notes to the Condensed Interim Consolidated Financial Statements in accordance with IFRS (unaudited) for the three and six months ended 30 June 2019

(in millions of Russian Rubles)

Segment information for the three months ended 30 June 2019 and three months ended 30 June 2018 is presented below:

	Note	Heat energy	Connection to the heating system	Other segments	Total by segments	Intergroup operations	Total
<i>For the three months ended 30 June 2019</i>							
Revenue		20,252	1,612	1,124	22,988	(611)	22,377
External revenue	12	20,013	1,512	852	22,377	-	22,377
Intergroup revenue		239	100	272	611	(611)	-
Financial result by segments		(4,070)	1,072	(376)	(3,374)	-	(3,374)
Amortisation and depreciation	13	(3,728)	(4)	(288)	(4,020)	-	(4,020)
(Reversal of impairment loss)/impairment loss of receivables		1,503	(216)	4	1,291	-	1,291
<i>For the three months ended 30 June 2018</i>							
Revenue		19,565	1,026	1,225	21,816	(714)	21,102
External revenue	12	19,274	926	902	21,102	-	21,102
Intergroup revenue		291	100	323	714	(714)	-
Financial result by segments		(3,708)	603	(274)	(3,379)	-	(3,379)
Amortisation and depreciation	13	(2,921)	(8)	(521)	(3,450)	-	(3,450)
(Reversal of impairment loss)/impairment loss of receivables		562	(95)	352	819	-	819

Revenue in the “Heat energy” segment includes revenue from heat energy sales, hot water supply services and heat energy transmission services. Revenue in the “Connection to the heating system” segment corresponds to the revenue from connection services to heat and hot water supply system, other types of revenue constitute the revenue of other segments.

The principles of evaluation of the financial result by segments in the current period were revised comparing to the consolidated financial statements for the year ended 31 December 2018 by excluding from evaluation profit or loss from property liquidation loss compensation.

Below is presentation of the financial result for reportable segments to profit before tax in the condensed interim consolidated statement of comprehensive income:

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
Financial result for reportable segments		(2,998)	(3,105)	5,824	8,792
Financial result for other segments		(376)	(274)	(639)	(2,344)
Financial result by segments		(3,374)	(3,379)	5,185	6,448
Loss compensation under property liquidation		651	645	2,393	1,981
Net finance (expenses)/income	14	(204)	(23)	(363)	232
Profit before tax		(2,927)	(2,757)	7,215	8,661

20 Subsequent events

On 19 July 2019 PJSC MIPC and PJSC Mosenergo concluded purchase and sale agreements for property complexes of the district heating stations RTS Tushino-5 and RTS Tereshkovo.