

**PUBLIC JOINT STOCK COMPANY
TERRITORIAL GENERATING
COMPANY NO. 1 AND ITS SUBSIDIARIES**

International Financial Reporting Standards
Interim Condensed Consolidated Financial
Statements (unaudited) and Report on review
for SIX MONTHS ended 30 June 2019



Tel: +7 495 797 56 65
Fax: +7 495 797 56 60
reception@bdo.ru
www.bdo.ru

BDO Unicon AO
Suite 50, Office 1, 3rd Floor, Section 11,
Block 1, Bldg. 125, Warshavskoe Shosse,
Moscow. 117587, Russia

Translation from the Russian original

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders PJSC "TGC-1"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC "TGC-1" (OGRN 1057810153400, Bld. B, 6 Bronevaya Ulitsa, Saint-Petersburg, 198188, Russian Federation) and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2019 and interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2019 (interim financial information). General Director of PJSC "TGC-1" is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Translation from the Russian original

Conclusion

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

The translation is true and correct.

The engagement partner on the review



A.B. Baliakin

Audit company:

BDO Unicon Aktsionernoe Obshchestvo

Main State Registration Number: 1037739271701

Suite 50, Office 1, 3rd Floor, Section 11, Block 1, Bldg. 125, Warshavskoye Shosse, Moscow, 117587, Russia

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association)

Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: 11603059593

02 August 2019

Contents

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim Condensed Consolidated Statement of Financial Position	5
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	6
Interim Condensed Consolidated Statement of Changes in Equity	7
Interim Condensed Consolidated Statement of Cash Flows	8

Notes to the Interim Condensed Consolidated Financial Statements

Note 1.	The Group and its operations	9
Note 2.	The economic environment of the Group's operating activity	9
Note 3.	Basis of preparation.....	10
Note 4.	Adoption of New or Revised Standards and Interpretations	11
Note 5.	Related Parties transactions.....	12
Note 6.	Property, Plant and Equipment	17
Note 7.	Income Tax	19
Note 8.	Other Non-Current Assets	21
Note 9.	Cash and Cash Equivalents.....	21
Note 10.	Trade and other receivables	21
Note 11.	Inventories.....	22
Note 12.	Share capital	22
Note 13.	Long-term Borrowings	22
Note 14.	Other Non-Current Liabilities	23
Note 15.	Short-Term Borrowings	23
Note 16.	Trade and other payables.....	23
Note 17.	Other Taxes Payable	23
Note 18.	Revenue	24
Note 19.	Operating Expenses	24
Note 20.	Finance Income and Finance Costs.....	24
Note 21.	Earnings per Share	25
Note 22.	Commitments	25
Note 23.	Events after the Reporting Period.....	25

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 (UNAUDITED)
 (in thousands of Russian Roubles)

	Notes	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	146 464 532	138 343 333
Investment property		166 922	174 440
Intangible assets		2 268 807	2 258 148
Investments in associates		432 487	410 718
Deferred income tax assets	7	468 775	499 538
Other non-current assets	8	372 856	255 568
Total non-current assets		150 174 379	141 941 745
Current assets			
Cash and cash equivalents	9	8 348 073	6 866 953
Short-term investments		3 124	4 370
Trade and other receivables	10	11 257 275	14 950 000
Current income tax prepayments		675 741	17 643
Inventories	11	3 408 089	4 013 641
Total current assets		23 692 302	25 852 607
Non-current assets held for sale		103 715	117 440
TOTAL ASSETS		173 970 396	167 911 792
EQUITY AND LIABILITIES			
Equity			
Share capital	12	38 543 414	38 543 414
Share premium	12	22 913 678	22 913 678
Merger reserve	12	(6 086 949)	(6 086 949)
Other reserves		(1 209 011)	(1 209 011)
Effect of remeasurements of post-employment benefits obligations		110 689	110 689
Retained earnings		68 439 181	61 638 117
Equity attributable to the Company's owners		122 711 002	115 909 938
Non-controlling interest		10 448 684	8 932 605
TOTAL EQUITY		133 159 686	124 842 543
LIABILITIES			
Non-current liabilities			
Long-term borrowings	13	9 298 000	11 598 000
Deferred income tax liabilities	7	10 674 860	10 777 059
Post-employment benefits obligations		895 250	895 250
Other non-current liabilities	14	6 264 153	130 231
Total non-current liabilities		27 132 263	23 400 540
Current liabilities			
Short-term borrowings	15	1 011 062	7 461 589
Trade and other payables	16	11 108 566	10 518 874
Current income tax payable		6 881	626 612
Other taxes payable	17	1 551 938	1 061 634
Total current liabilities		13 678 447	19 668 709
TOTAL LIABILITIES		40 810 710	43 069 249
TOTAL EQUITY AND LIABILITIES		173 970 396	167 911 792

Approved for issue and signed on 2 August 2019.

Deputy Director General of economics and finance

A. V. Goncharov

Chief Accountant

R. V. Stanishevskaya

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
 (in thousands of Russian Roubles)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
Revenue	18	20 811 636	19 117 250	52 712 497	48 064 023
Operating expenses	19	(17 629 290)	(16 269 594)	(41 404 336)	(39 128 847)
Reversal of impairment loss on financial assets		987 264	184 377	770 630	414 162
Operating profit		4 169 610	3 032 033	12 078 791	9 349 338
Finance income	20	62 082	94 717	149 027	187 964
Finance costs	20	(352 923)	(227 390)	(1 204 463)	(533 420)
Finance costs, net		(290 841)	(132 673)	(1 055 436)	(345 456)
Share of profit of associates		(695)	(4 755)	21 769	24 615
Profit before income tax		3 878 074	2 894 605	11 045 124	9 028 497
Income tax expense		(556 642)	(613 488)	(1 743 453)	(1 070 996)
Profit for the period		3 321 432	2 281 117	9 301 671	7 957 501
Other comprehensive expense for the period including tax		-	-	-	(446)
Total comprehensive income for the period		3 321 432	2 281 117	9 301 671	7 957 055
Profit for the period is attributable to:					
Owners of the TGC-1		3 280 687	2 218 355	9 285 592	7 774 956
Non-controlling interests		40 745	62 762	16 079	182 545
Profit for the period		3 321 432	2 281 117	9 301 671	7 957 501
Total comprehensive income for the period is attributable to:					
Owners of the TGC-1		3 280 687	2 218 355	9 285 592	7 774 476
Non-controlling interests		40 745	62 762	16 079	182 579
Total comprehensive income for the period		3 321 432	2 281 117	9 301 671	7 957 055
Earnings per ordinary share for profit attributable to owners of the TGC-1, basic and diluted (in Russian Roubles)	21	0.0009	0.0006	0.0024	0.0020

Approved for issue and signed on 2 August 2019.

Deputy Director General of economics and finance

A. V. Goncharov

Chief Accountant

R. V. Stanishevskaya

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in thousands of Russian Roubles)

	Attributable to owners of the Company						Non-controlling interest	Total equity	
	Share capital	Share premium	Merger reserve	Other reserves	Effect of measurements of post-employment benefits obligations	Retained earnings			Total
Balance at 31 December 2017	38 543 414	22 913 678	(6 086 949)	(1 209 011)	(71 760)	53 740 611	107 829 983	8 629 256	116 459 239
Effect of changes in accounting policies	-	-	-	-	-	(332 846)	(332 846)	(1 680)	(334 526)
Balance at 1 January 2018 (changed)	38 543 414	22 913 678	(6 086 949)	(1 209 011)	(71 760)	53 407 765	107 497 137	8 627 576	116 124 713
Comprehensive income for the year	-	-	-	-	-	7 774 956	7 774 956	182 545	7 957 501
Profit for the year	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(480)	-	(480)	34	(446)
Income tax on other comprehensive income	-	-	-	-	(480)	-	(480)	34	(446)
Total other comprehensive income	-	-	-	-	(480)	-	(480)	34	(446)
Total comprehensive income for the year	-	-	-	-	(480)	7 774 956	7 774 476	182 579	7 957 055
Transactions with owners	-	-	-	-	-	(1 887 864)	(1 887 864)	-	(1 887 864)
Dividends	-	-	-	-	-	(1 887 864)	(1 887 864)	-	(1 887 864)
Total transactions with owners	-	-	-	-	-	(1 887 864)	(1 887 864)	-	(1 887 864)
Balance at 30 June 2018	38 543 414	22 913 678	(6 086 949)	(1 209 011)	(72 240)	59 294 857	113 383 749	8 810 155	122 193 904
Balance at 31 December 2018	38 543 414	22 913 678	(6 086 949)	(1 209 011)	110 689	61 638 117	115 909 938	8 932 605	124 842 543
Comprehensive income for the period	-	-	-	-	-	9 285 592	9 285 592	16 079	9 301 671
Profit for the period	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Income tax on other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	9 285 592	9 285 592	16 079	9 301 671
Transactions with owners	-	-	-	-	-	-	-	-	-
Change in ownership of subsidiary	-	-	-	-	-	-	-	1 500 000	1 500 000
Dividends	-	-	-	-	-	(2 484 528)	(2 484 528)	-	(2 484 528)
Total transactions with owners	-	-	-	-	-	(2 484 528)	(2 484 528)	1 500 000	(984 528)
Balance at 30 June 2019	38 543 414	22 913 678	(6 086 949)	(1 209 011)	110 689	68 439 181	122 711 002	10 448 684	133 159 686

Approved for issue and signed on 2 August 2019.

Deputy Director General of economics and finance

A. V. Goncharov

Chief Accountant

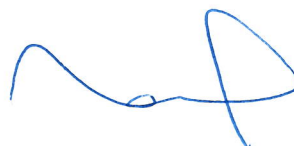
R. V. Stanishkevskaya

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR SIX MONTHS ENDED 30 JUNE 2019
 (UNAUDITED)
 (in thousands of Russian Roubles)

	Six months ended 30 June 2019	Six months ended 30 June 2018
Cash flows from operating activities		
Profit before income tax	11 045 124	9 028 497
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	6 4 734 490	3 785 337
Amortisation of intangible assets	19 120 145	77 971
Amortisation of investment property	19 7 518	7 468
Finance expense, net	20 1 055 436	345 456
Change in provision for impairment of accounts receivable	(770 630)	(414 162)
Gain on disposals of property, plant and equipment	(46 372)	(44 797)
Other non-cash operating expenses	(211 657)	(242 714)
Operating cash flows before working capital changes	15 934 054	12 543 056
Decrease in trade and other receivables	10 4 039 468	3 450 212
Increase / (decrease) in inventories	11 605 756	(38 866)
Increase in trade and other payables	16 (2 490 421)	(636 212)
Decrease in other taxes payable	17 490 304	259 437
Cash generated from operating activities	18 579 161	15 577 627
Income taxes paid	(3 092 717)	(2 944 486)
Interest paid	(886 166)	(697 139)
Net cash from operating activities	14 600 278	11 936 002
Cash flows from investment activities		
Purchase of property, plant and equipment	(4 696 886)	(2 859 468)
Proceeds from sale of property, plant and equipment	4 295	12 639
Purchase of intangible assets	(12 408)	(67 664)
Interest received	149 087	83 293
Net cash used in investment activities	(4 555 912)	(2 831 200)
Cash flows from financial activities		
Proceeds from subsidiary share issue	1 500 000	-
Proceeds from borrowings	1 849 500	5 963 900
Repayments of borrowings	(10 567 801)	(18 608 266)
Repayments of lease liabilities	(1 058 299)	-
Net cash from financial activities	(8 276 600)	(12 644 366)
Net increase / (decrease) in cash and cash equivalents	1 767 766	(3 539 564)
Effect of exchange rate changes on cash and cash equivalents	(286 646)	151 632
Cash and cash equivalents at the beginning of the period	6 866 953	6 975 598
Cash and cash equivalents at the end of the period	8 348 073	3 587 666

Approved for issue and signed on 2 August 2019.

Deputy Director General of economics and finance



A. V. Goncharov

Chief Accountant



R. V. Stanishevskaya

Note 1. The Group and its operations

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) recognized taking into account the requirements of the Russian Federation legislation and explanations of the IFRIC approved by the Committee on International Financial Reporting (“IASB”) for six months ended 30 June 2019 for Public Joint-Stock Company (PJSC) Territorial Generating Company № 1 (here in after “TGC-1”, or the “Company”) and its subsidiaries (the “Group”).

The purpose of these interim condensed consolidated financial statements, prepared in accordance with IAS 34 «Interim Financial Reporting» is the compliance with the requirements of the Federal Act No. 208-FZ of 27 July 2010 “Consolidated financial statements” (p. 4 and 7) in presentation, disclosure and revising of the interim condensed consolidated financial statements for six months and assistance in preparing of condensed consolidated financial statements for the year in accordance with IFRS.

The Company was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company with the responsibility of shareholders within the limits of their shares and was established in accordance with the Russian Federation legislation.

“TGC-1” was established on 25 March 2005 as part of the restructuring of Russia’s electricity sector in accordance with Board of Directors Resolution No. 181 of RAO UES of Russia (here in after “RAO UES”) on 26 November 2004. The structure and founding principles of TGC-1 were adopted by the RAO UES Board of Directors on 23 April 2004 (Resolution No. 168).

The Group consists of the Company and its subsidiaries. All Group companies are registered in the Russian Federation.

Subsidiary	% of ownership		Parent Company
	As at 30 June 2019	As at 31 December 2018	
PJSC Murmanskaya TPP	98.6791	98.6791	PJSC TGC-1
JSC St Petersburg Heating Grid	71.5734	74.9997	PJSC TGC-1
LLC St Petersburg Heating Grid	71.5734	74.9997	JSC St Petersburg Heating Grid (100%)

As at 30 June 2019 the Group includes 53 power plants. The Group’s principal business activity is production and sale of electric energy, heat energy and capacity. The Group’s generating assets are located in the North-West of Russia, in particular in St. Petersburg, the Leningrad region, the Murmansk region and in Karelia region.

The Company’s registered office is located at 6 Bronevaya Str., litera B, St. Petersburg, Russian Federation, 198188.

Note 2. The economic environment of the Group’s operating activity

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Ongoing fluctuations in oil prices, political tension in the region and international sanctions against certain Russian companies and individuals had a negative impact on the Russian economy.

Management has created impairment provisions of fixed assets, short-term investments, trade and other receivables and inventories, taking into account the economic situation and prospects at the end of the reporting period.

Note 2. The economic environment of the Group's operating activity (continued)

Government relations and current regulation

As at 30 June 2019 the Group is controlled by the Gazprom Group (51.79% of shares) via its subsidiary Gazprom Energoholding LLC (as at 31 December 2018 - 51.79% stake). As at 30 June 2019 the Group's other significant shareholder is Fortum Power and Heat Oy - 29.45% of shares (as at 31 December 2018 - 29.45% of shares). The Gazprom Group is controlled by the government of the Russian Federation, and consequently, the government of the Russian Federation is the Group's ultimate controlling party as at 30 June 2019 and 31 December 2018.

The Group's customer base also includes a large number of state-controlled entities. Furthermore, the government also controls a number of the Group's suppliers of fuel and other materials.

The Russian government directly affects the Group's operations through the Federal Tariff Service ("FTS"), which regulates its wholesale energy purchases, and by the St Petersburg Tariff Service, Leningrad Regional Tariff Service, Karelia Tariff Service and Murmansk Regional Tariff Service, which regulate its retail electricity, capacity and heat sales. The operations of all generating facilities are coordinated by OJSC "System Operator of Unified Energy System", a state-controlled company.

Tariffs which the Group may charge for electricity, capacity and heat sales are governed by regulations specific to the electricity, capacity and heat industry and that apply to natural monopolies. Historically, such tariffs have been based on a "cost-plus" system, meaning the cost of service plus a margin.

The government's economic, social and other policies could have a material effect on Group operations.

Going concern

The accompanying Interim Condensed Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. Management believes that the Group will have a sufficient liquidity to continue its operations in the foreseeable future.

Note 3. Basis of preparation

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards (IFRS). This Interim Condensed Consolidated Financial Statements are unaudited. Certain disclosures duplicating information included in the annual Consolidated Financial Statements as at and for the year ended 31 December 2018 have been omitted or condensed.

In order to improve presentation some comparative information was aligned with present disclosure.

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of the Consolidated Financial Statements as of and for the year ended 31 December 2018, except changes in accounting policies in respect of the application of new standards that became effective on 1 January 2019 (Refer to Note 4).

Seasonality

Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. Similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and purchases of electricity. This seasonality does not impact on the revenue or cost recognition policies of the Group.

Note 4. Adoption of New or Revised Standards and Interpretations

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

Adoption of new IFRS standards

IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases in financial statements in respect of lease agreements. The standard requires lessees to recognise a right-of-use asset and lease liability for the most lease agreements.

Assets in the form of a right-of-use are initially measured at historical cost and amortized to earlier of the following dates: the useful life expiration date of the asset in the form of a right-of-use or the lease expiration date. The cost of the right-of-use assets comprise the amount of the initial measurement of the lease liability, lease payments at or before the commencement date and initial direct costs incurred by the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date and subsequently measured at amortised cost with interest expenses recognised in finance costs of consolidated statement of comprehensive income.

In accordance to transitional provisions of IFRS 16 the Group applied modified retrospective approach with cumulative effect of initial applying of the standard recognised as at 1 January 2019. The Group used the permitted practical expedient and did not apply IFRS 16 to the lease agreements for which term ended within 12 months of the transition date, and also applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The effect of initial applying of IFRS 16 «Lease» on the Consolidated Statement of Financial Position is presented at the table below:

	31 December 2019	Impact of initial applying of IFRS 9	1 January 2019 (restated)
Property, plant and equipment	138 343 333	8 671 210	147 014 543
Total non-current assets	138 343 333	8 671 210	147 014 543
Total assets	138 343 333	8 671 210	147 014 543
Other non-current liabilities	130 231	6 499 997	6 630 228
Total non-current liabilities	130 231	6 499 997	6 630 228
Trade and other payables	10 518 874	2 171 213	12 690 087
Total current liabilities	10 518 874	2 171 213	12 690 087
Total liabilities	10 649 105	8 671 210	19 320 315
Total equity and liabilities	10 649 105	8 671 210	19 320 315

The Group indicated RUB 534 906 thousand and RUB 362 583 thousand as depreciation of property, plant and equipment and finance costs respectively for the lease agreements in accordance with IFRS 16 “Leases” in the Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for three months ended 30 June 2019.

The total amount of cash decrease in respect of lease agreements was RUB 1 058 299 thousand for repayment of lease agreements and RUB 362 583 thousand for interest paid on lease.

Note 4. Adoption of New or Revised Standards and Interpretations (continued)

Application of new IFRSs (continued)

The reconciliation of operating lease commitments, disclosed in the consolidated financial statements for the year ended 31 December 2018 and the lease liability recognised as at 1 January 2019 is presented below:

Operating lease liability as at 31 December 2018, disclosed applying IAS 17	3 235 431
Effect of discounting of lease liability as t at 1 January 2019	4 385 354
Effect of extension and indexation judgments applying to the lease agreements as t at 1 January 2019	9 821 133
Additional liabilities relating to applying of IFRS 16 as at 1 January 2019	8 671 210
Previously recognised liability as at 31 December 2018	-
Lease liability as t at 1 January 2019 according to IFRS 16	8 671 210

As a discount rate the Group used Government Bond Zero Coupon Yield Rate including risk premium, adjusted to the correction factor.

The weighted average incremental borrowing rate applied by the Group to lease liabilities at the date of initial application was 8,8 %.

Application of Interpretations and Amendments to IFRS Standards

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

IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.

The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.

The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.

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

Note 5. Related Parties transactions

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

Related parties include shareholders that have control or significant influence over the Company, and key management personnel, as well as companies that are controlled by the State or Gazprom Group.

As at 30 June 2019 and 31 December 2018 the Government of the Russian Federation was the ultimate controlling party of the Group (Note 1), hence significant transactions with other state-controlled entities were disclosed as related party transactions in accordance with IAS 24 requirements.

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

Note 5. Related Parties transactions (continued)

PJSC Gazprom and its subsidiaries and affiliates

Transactions with PJSC Gazprom and its subsidiaries were as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Revenue		
Sales of electricity	437 494	491 143
Sales of heat	236 377	257 865
Other sales	13 786	12 359
Total sales	687 657	761 367
Purchases		
Purchases of fuel	(16 115 184)	(15 868 024)
Purchases of property, plant and equipment, construction in progress, intangible assets	(1 748 500)	(1 729 020)
<i>Including capitalised expenses of the borrowings</i>	<i>(948)</i>	<i>(1 421)</i>
Purchases of supplies	(512 876)	(359 073)
Purchases of electricity	(48 731)	(57 984)
Interest expense on loans and borrowings	(120 852)	(192 076)
Interest expense on lease	(264 110)	-
Other	(609 721)	(1 707 174)
Total purchases	(19 419 974)	(19 913 351)
Income		
Interest income	2 010	10 259
Other income	78 550	4 209
Total income	80 560	14 468

LLC Gazprom Mezhregiongaz St. Petersburg is a major supplier of fuel (gas) for the Group.

Balances with Gazprom group subsidiaries at the end of the period were as follows:

	30 June 2019	31 December 2018
Borrowings	2 597 572	3 047 827
Long-term receivables	221 590	-
Advances for capital construction, included in property, plant and equipment	2 539 709	1 057 807
Trade and other receivables	738 965	1 461 749
Long-term payables	119 517	112 920
Long-term lease liabilities	4 798 992	-
Short-term lease liabilities	1 521 404	-
Trade and other payables	1 771 392	3 468 650
Cash and cash equivalents	11 095	669

State-controlled entities (excluding companies of Gazprom Group)

In the normal course of business the Group enters into transactions with other entities under Government control. Prices for natural gas and heat are based on tariffs set by FTS, prices for electricity and capacity based on tariffs set by FTS and also based on competitive take-off on the wholesale electricity (capacity) market. Bank loans are obtained at market rates. Taxes are charged and paid under the Russian tax law.

Note 5. Related Parties transactions (continued)

State-controlled entities (excluding companies of Gazprom Group) (continued)

The Group had the following significant transactions with State-controlled entities:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Sales		
Sales of heat	12 157 790	9 665 085
Sales of electricity	5 631 539	4 673 116
Other sales	1 089	5 512
Total sales	17 790 418	14 343 713
Expenses		
Purchases of supplies	(2 251 052)	(1 966 435)
Water usage expenses	(1 542 858)	(1 472 670)
Heat distribution	(504 819)	(531 003)
Electricity purchases	(164 190)	(149 089)
Interest expense on debt	(153 730)	(165 064)
Interest expense on lease	(75 728)	-
Operating lease expense	-	(61 433)
Purchases of property, plant and equipment, construction in progress, intangible assets	(51 695)	(44 600)
<i>Including capitalised expenses of borrowings</i>	(17 344)	(44 551)
Interest income on bank deposits and cash in bank	57 390	451
Other operating expenses	(680 032)	(602 903)
Total purchases	(5 366 714)	(4 992 746)

The Group had the following significant balances with State-controlled entities:

	30 June 2019	31 December 2018
Trade and other receivables	8 521 446	9 723 512
Cash and cash equivalents	3 416 869	4 207 890
Long-term lease liability	1 279 479	-
Trade and other payables	839 385	1 235 520
Borrowings	400 893	8 512 596
Short-term lease liability	33 267	-

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with JSC Centre of Financial Settlements (CFS). CFS's current financial settlement system of CFS does not provide the final counterparty with automated information about transactions and settlement balances with end consumers. Government-related entities, Gazprom Group and its subsidiaries may also act as counterparties.

The Group had the following significant transactions with CFS, presented below:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Sales of electricity	16 296 009	14 486 051
Electricity purchases	(3 097 418)	(2 572 621)

Note 5. Related Parties transactions (continued)

State-controlled entities (excluding companies of Gazprom Group) (continued)

The Group had the following significant balances with CFS, presented below:

	30 June 2019	31 December 2018
Trade and other receivables	720 811	1 211 340
Trade and other payables	161 877	253 282

Transactions with other related parties

Other related parties are mainly represented by the Company's shareholder with a significant influence (Fortum Power and Heat OY) and associates (LLC TGC Service and JSC Hibinskaya Heating Company).

The Group had the following significant income/expenses and balances with other related parties:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Sales of electricity	406 028	234 478
Sales of heat	44 810	40 493
Other income	2 853	2 404
Purchases of property, plant and equipment, construction in progress, intangible assets	(178 565)	(186 530)
Repairs and maintenance	(495 311)	(373 806)
Heat distribution	(351 168)	(360 910)
Purchases of materials	(18 110)	(85)
Other expenses	(7 966)	(9 074)

The Group had the following significant balances with other related parties:

	30 June 2019	31 December 2018
Trade and other receivables	198 896	488 690
Advances for capital construction, included in property, plant and equipment	71 234	147 551
Accounts payable	423 290	752 348
Short-term lease liability	52	-

As at 30 June 2019, the Group had outstanding contractual commitments relating to the construction of property, plant and equipment in respect of related parties in the amount of RUB 14 164 927 thousand (as at 31 December 2018: RUB 8 592 067 thousand).

The Group has already allocated the necessary resources to meet these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

	30 June 2019	31 December 2018
PJSC Gazprom and its subsidiaries	12 777 879	8 122 367
State-controlled entities	90 100	63 009
Other related parties	1 296 948	406 691
Total	14 164 927	8 592 067

Note 5. Related Parties transactions (continued)

Transactions with the key management personnel

Key management personnel includes members of the Board of Directors, General Director, members of Management Board.

Key management compensation in types is presented below:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Salaries	63 501	51 757
Short-term bonuses	23 271	50 483
Benefits to the Board of Directors	25 189	26 655
Termination benefits	1 306	1 562
Total	113 267	130 457

Main compensation for key management personnel of the Group generally is short-term excluding future payments under pension plans with defined benefits.

Pension benefits for key management of the Group are provided on the same terms as for the rest of employees.

As at 30 June 2019 the payables to key management amounted to RUB 6 621 thousand (as at 31 December 2018: RUB 3 617 thousand).

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in thousands of Russian Roubles)

Note 6. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

Cost	Right-of-use assets	Production buildings	Hydrotechnical buildings	Generating equipment	Heating networks	Electricity transmission equipment	Other	Construction in progress	Total
Balance as at 31 December 2018	-	29 724 877	15 934 500	55 936 128	56 192 957	18 377 437	43 536 731	15 225 184	234 927 814
Effect of initial applying of IFRS 16	8 671 210	-	-	-	-	-	-	-	8 671 210
Balance as at 1 January 2019	8 671 210	29 724 877	15 934 500	55 936 128	56 192 957	18 377 437	43 536 731	15 225 184	243 599 024
Additions	47 054	-	-	-	44 057	-	17 892	4 124 972	4 233 975
Transfers	-	220 501	57 184	206 348	54 385	125 330	1 702 759	(2 366 507)	-
Disposals	-	(3 222)	-	(5 763)	(16 179)	(130)	(31 947)	(37 647)	(94 888)
Balance as at 30 June 2019	8 718 264	29 942 156	15 991 684	56 136 713	56 275 220	18 502 637	45 225 435	16 946 002	247 738 111
Accumulated depreciation (including impairment)									
Balance as at 31 December 2018	-	(10 336 406)	(8 690 736)	(24 794 735)	(26 790 198)	(5 762 402)	(20 203 205)	(6 799)	(96 584 481)
Charge for the period	(534 906)	(255 530)	(121 228)	(1 052 735)	(856 213)	(273 866)	(1 640 012)	-	(4 734 490)
Disposals	-	1 697	-	5 763	9 713	114	28 072	-	45 359
Impairment loss reversed during the period	-	-	-	-	-	-	-	33	33
Balance as at 30 June 2019	(534 906)	(10 590 239)	(8 811 964)	(25 841 707)	(27 636 698)	(6 036 154)	(21 815 145)	(6 766)	(101 273 579)
Net book value as at 31 December 2018	8 671 210	19 388 471	7 243 764	31 141 393	29 402 759	12 615 035	23 333 526	15 218 385	138 343 333
Effect of initial applying of IFRS 16	8 671 210	-	-	-	-	-	-	-	8 671 210
Balance as at 1 January 2019	8 671 210	19 388 471	7 243 764	31 141 393	29 402 759	12 615 035	23 333 526	15 218 385	147 014 543
Net book value as at 30 June 2019	8 183 358	19 351 917	7 179 720	30 295 006	28 638 522	12 466 483	23 410 290	16 939 236	146 464 532

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in thousands of Russian Roubles)

Note 6. Property, Plant and Equipment (continued)

Cost	Production buildings	Hydrotechnical buildings	Generating equipment	Heating networks	Electricity transmission equipment	Other	Construction in progress	Total
Balance as at 31 December 2017	29 354 892	15 932 707	54 375 971	53 035 075	18 076 424	40 291 936	11 567 496	222 634 501
Additions	-	-	-	833 031	-	33 746	2 829 579	3 696 356
Transfers	18 789	-	149 808	937 474	29 618	223 215	(1 358 904)	-
Disposals	-	-	(1 118)	(23 112)	(5 523)	(34 795)	(113 380)	(177 928)
Balance as at 30 June 2018	29 373 681	15 932 707	54 524 661	54 782 468	18 100 519	40 514 102	12 924 791	226 152 929
Accumulated depreciation (including impairment)								
Balance as at 31 December 2017	(9 940 373)	(8 436 542)	(22 929 782)	(25 290 724)	(5 252 402)	(17 366 014)	(6 858)	(89 222 695)
Charge for the year	(247 983)	(127 090)	(891 029)	(812 383)	(256 458)	(1 450 394)	-	(3 785 337)
Disposals	-	-	745	21 465	2 892	27 937	-	53 039
Balance as at 30 June 2018	(10 188 356)	(8 563 632)	(23 820 066)	(26 081 642)	(5 505 968)	(18 788 471)	(6 858)	(92 954 993)
Net book value as at 31 December 2017	19 414 519	7 496 165	31 446 189	27 744 351	12 824 022	22 925 922	11 560 638	133 411 806
Net book value as at 30 June 2018	19 185 325	7 369 075	30 704 595	28 700 826	12 594 551	21 725 631	12 917 933	133 197 936

Note 6. Property, Plant and Equipment (continued)

As at 30 June 2019 the property, plant and equipment include the right-of-use assets in the amount of RUB 8 183 358 thousand, primarily related to the land plots, generating equipment and office buildings.

As at 1 January 2019 the Group performed the FA's impairment test at the base of cash-generating units including the right-of-use assets. As a result of the impairment test, impairment loss was not recognised as at 1 January 2019.

Construction in progress represents the carrying amount of property, plant and equipment that has not yet been made available for use in production, including generating stations under construction.

Other property, plant and equipment include electricity transmission equipment, motor vehicles, computer equipment, office fixtures and other equipment.

As at 30 June 2019 the advances given to contractors, which amounted to RUB 2 780 735 thousand, net of VAT (as at 31 December 2018: RUB 1 305 922 thousand), are recognised within the construction in progress balance.

As at 30 June 2019 and 31 December 2018 the Group had no property, plant and equipment pledged as collateral according to loan agreements.

The total amount of capitalised interests that were calculated using 7.42% capitalization rate for six months ended 30 June 2019 is RUB 80 682 thousand (7.50% capitalization rate for the six months ended 30 June 2018: RUB 124 460 thousand). The payment of capitalised interests is recorded in Consolidated Statement of Cash Flow in respect of operating activities.

Note 7. Income Tax

Income tax expense comprises the following:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Current income tax charge	(1 814 889)	(1 193 797)
Deferred income tax charge	71 436	(231 843)
Effect of change in income tax rate, recorded in profit and losses	-	354 644
Total expense tax charge, recorded in profit and losses	(1 743 453)	(1 070 996)
Movement during the year, recorded in other comprehensive income	-	(446)
Total income tax expense, recorded in other comprehensive income	-	(446)
Total income tax expense	(1 743 453)	(1 071 442)

The Group's companies applied the following tax rates for the six months, ended 30 June 2019: PJSC "TGC-1" - 17.2%, PJSC "Murmanskaya TPP" - 20%, JSC "St Petersburg Heating Grid" - 15.55% (for the six months, ended 30 June 2018: PJSC "TGC-1" - 17.2%, PJSC "Murmanskaya TPP" - 20%, JSC "St Petersburg Heating Grid" - 15.58%).

Deferred income tax assets and liabilities

Differences between IFRS and Russian statutory tax legislation cause temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax assets and liabilities were measured at the following tax rates as at 30 June 2019: PJSC «TGC-1» - 17.2%, PJSC «Murmanskaya TPP» - 20%, JSC «St Petersburg Heating Grid» - 15.55% (as at 31 December 2018: JSC «TGC-1» - 17.2%, PJSC «Murmanskaya TPP» - 20%, JSC «St Petersburg Heating Grid» - 15.55%). Management considers the rates to be applied to the period when the assets are realised and liabilities are settled. Since 2014, PJSC «TGC-1» applies income tax exemption in accordance to law of Saint-Petersburg from 14.07.1995 № 81-11.

Note 7. Income Tax (continued)

Deferred income tax assets and liabilities (continued)

In the context of the Group's current structure, the tax losses and current tax assets of different consolidated entities may not be offset against the current tax liabilities and taxable profits of other consolidated entities and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity.

Deferred income tax liabilities			
	30 June 2019	Movement during the year, recognised in profit or losses	31 December 2018
Property, plant and equipment	(11 058 587)	208 340	(11 266 927)
Trade and other receivables	205 128	(49 588)	254 716
Trade and other payables	61 824	13 627	48 197
Pension liabilities	143 172	-	143 172
Tax loss carried forward	30 324	30 324	
Other	(56 721)	(100 504)	43 783
Total deferred income tax liability	(10 674 860)	102 199	(10 777 059)

Deferred income tax liabilities						
	30 June 2018	Movement during the year, recognised in profit or losses	Effect of change in income tax rate, recorded in profit and losses	Effect of initial applying of IFRS 9 recognised in the opening balance	Effect of change in income tax rate, recorded in other comprehensiv e income	31 December 2017
Property, plant and equipment	(11 059 320)	(61 175)	363 535	-	-	(11 361 680)
Trade and other receivables	(158 756)	(151 048)	1 776	43 024	-	(52 508)
Trade and other payables	62 636	11 403	(1 847)	-	-	53 080
Pension liabilities	180 100	-	(6 237)	-	(446)	186 783
Other	50 332	(39 478)	(2 583)	-	-	92 393
Total deferred income tax liability	(10 925 008)	(240 298)	354 644	43 024	(446)	(11 081 932)

Deferred income tax assets			
	30 June 2019	Movement during the year, recognised in profit or losses	31 December 2018
Property, plant and equipment	(44 852)	(17 579)	(27 273)
Trade and other receivables	493 314	(13 625)	506 939
Trade and other payables	8 842	441	8 401
Pension liabilities	11 471	-	11 471
Total deferred income tax assets	468 775	(30 763)	499 538

Note 7. Income Tax (continued)

Deferred income tax assets and liabilities (continued)

Deferred income tax assets				
	30 June 2018	Movement during the year, recognised in profit or losses	Effect of initial applying of IFRS 9 recognized in the opening balance	31 December 2017
Property, plant and equipment	(21 187)	(2 163)	-	(19 024)
Tax loss carried forward	32 375	18 880	-	13 495
Trade and other receivables	462 753	(10 876)	31 816	441 813
Trade and other payables	10 985	2 614	-	8 371
Pension liabilities	16 895	-	-	16 895
Total deferred income tax assets	501 821	8 455	31 816	461 550

Note 8. Other Non-Current Assets

	30 June 2019	31 December 2018
Long-term receivables net of provision for impairment of RUB 382 164 thousand (as at 31 December 2018: RUB 728 751 thousand)	368 049	255 101
Total financial receivables	368 049	255 101
VAT in prepayments on capital construction	4 807	467
Total other non-current assets	372 856	255 568

Note 9. Cash and Cash Equivalents

	30 June 2019	31 December 2018
Cash in bank and in hand in RUB	4 938 820	4 191 977
Foreign currency accounts in EUR	3 409 253	2 674 976
Total cash and cash equivalents	8 348 073	6 866 953

Note 10. Trade and other receivables

	30 June 2019	31 December 2018
Trade receivables, net of provision for impairment of RUB 9 647 272 thousand (as at 31 December 2018: RUB 10 123 997 thousand)	9 761 632	12 953 961
Other receivables, net of provision for impairment of RUB 113 017 thousand (as at 31 December 2018: RUB 113 936 thousand)	273 005	288 094
Total financial receivables	10 034 637	13 242 055
Value-added tax receivables	110 375	198 471
Advances to suppliers	1 083 837	1 501 061
Other taxes receivable	28 426	8 413
Total trade and other receivables	11 257 275	14 950 000

Note 11. Inventories

	30 June 2019	31 December 2018
Fuel	2 452 454	3 296 301
Spare parts	285 946	176 545
Raw materials and other supplies	669 689	540 795
Total inventories	3 408 089	4 013 641

Raw materials and other supplies are recorded net of provision for impairment in the amount of RUB 1 771 thousand (as at 31 December 2018: RUB 1 771 thousand).

Note 12. Share capital

Share capital

The Group's share capital as at 30 June 2019 and as at 31 December 2018 was RUB 38 543 414 thousand comprising 3 854 341 416 571 ordinary shares with a par value of RUB 0.01. All shares authorised are issued and fully paid.

Note 13. Long-term Borrowings

	Currency	Contractual interest rate	Maturity	30 June 2019		31 December 2018	
				Carrying amounts	Fair values	Carrying amounts	Fair values
Long-term bonds (03)	RUB	CPI+1.5%	2021	2 003 820	1 847 334	2 002 860	1 832 110
Long-term bonds (04)	RUB	CPI+1.5%	2022	2 041 980	1 820 738	2 029 180	1 810 525
Bank Rossiya		8.75%	2020	3 098 000	3 080 226	3 098 000	3 091 025
Bank VTB (PJSC)	RUB	8.75-9.0%	2019	-	-	2 306 163	2 310 255
PJSC Gazprom	RUB	7.76%	2022	1 800 000	1 726 197	1 800 000	1 748 044
PJSC Sberbank RF	RUB	8.15%	2020	400 893	394 492	901 409	896 626
NORDIC Investment Bank	RUB	EURIBOR + 3%	2019	166 797	166 797	369 126	369 126
				9 511 490	9 035 784	12 506 738	12 057 711
Less: current portion							
Long-term bonds (03)	RUB	CPI+1.5%	2021	(3 820)	(3 820)	(2 860)	(2 860)
Long-term bonds (04)	RUB	CPI+1.5%	2022	(41 980)	(41 980)	(29 180)	(29 180)
PJSC Sberbank RF	RUB	8.15%	2020	(893)	(893)	(501 409)	(501 409)
NORDIC Investment Bank VTB (PJSC)	EUR	EURIBOR + 3%	2019	(166 797)	(166 797)	(369 126)	(369 126)
VTB	RUB	8.75-9.0%	2019	-	-	(6 163)	(6 163)
Total long-term bank borrowings and bonds issued				9 298 000	8 822 294	11 598 000	11 148 973

Compliance with covenants

Under long-term borrowings facility agreements, the Group is required to comply with certain financial and non-financial covenants. The most significant and most important of these being:

- to maintain particular ratios, i.e. the EBITDA to Finance Charges, the total debt to equity and the Current Ratio;
- to maintain certain liquidity and debt-to-assets ratio.

If any of these covenants are breached, the repayment can be altered by the respective lender, up to immediate repayment.

Note 14. Other Non-Current Liabilities

	30 June 2019	31 December 2018
Long-term accounts payable	133 460	130 231
Long-term lease liability	6 130 693	-
Total other non-current liabilities	6 264 153	130 231

Note 15. Short-Term Borrowings

Name of lender	Currency	Contractual interest rate	30 June 2019		31 December 2018	
			Carrying amounts	Fair values	Carrying amounts	Fair values
PJSC Sberbank RF	RUB	8.65%	-	-	5 305 024	5 305 024
Gazprombank JSC	RUB	9.5-9.75%	797 572	797 572	1 247 827	1 247 827
Current portion of long-term borrowings:						
Long-term bonds (03)	RUB	CPI+1.5%	3 820	3 820	2 860	2 860
Long-term bonds (04)	RUB	CPI+1.5%	41 980	41 980	29 180	29 180
PJSC Sberbank RF	RUB	8.15%	893	893	501 409	501 409
NORDIC Investment Bank	EUR	EURIBOR+3%	166 797	166 797	369 126	369 126
Bank VTB (PJSC)	RUB	8.75-9.0%	-	-	6 163	6 163
Total short-term bank borrowings and bonds issued			1 011 062	1 011 062	7 461 589	7 461 589

Note 16. Trade and other payables

	30 June 2019	31 December 2018
Trade accounts payable	2 432 904	5 065 792
Accounts payable for capital construction	1 254 469	2 286 021
Accrued liabilities and other payables	2 678 915	437 315
Short-term lease liability	1 564 523	-
Total financial payables	7 930 811	7 789 128
Advances from customers	2 614 129	2 189 453
Current employee benefits	563 626	540 293
Total trade and other payables	11 108 566	10 518 874

Note 17. Other Taxes Payable

	30 June 2019	31 December 2018
VAT payable	891 335	308 343
Property tax	302 967	419 513
Contributions to the compulsory social insurance scheme	275 657	243 905
Personal Income Tax	61 709	70 356
Other taxes	20 270	19 517
Total taxes payable	1 551 938	1 061 634

As at 30 June 2019 and as at 31 December 2018 the Group had no past due tax liabilities.

Note 18. Revenue

	30 June 2019	30 June 2018
Sales of electricity and capacity	29 042 932	26 757 237
Sales of heat	23 364 994	20 786 022
Other sales	304 571	520 764
Total sales	52 712 497	48 064 023

Other sales are generally presented by connection of customers to heating network and operating lease income.

During six months of 2019 Group received a grant for the compensation of income in relation to providing heating services (sales to consumers of heat) per tariffs that don't cover expenses from Saint-Petersburg budget and Murmansk regional budget for a total amount of RUB 2 159 252 thousand (during six months of 2018 - RUB 64 653 thousand).

Note 19. Operating Expenses

	Six months ended 30 June 2019	Six months ended 30 June 2018
Fuel	20 711 524	18 813 741
Depreciation of property, plant and equipment	4 734 490	3 785 337
Employee benefits	4 598 523	4 224 335
Electricity, capacity and heat purchases	4 186 222	3 674 959
Water usage expenses	1 542 858	1 475 616
Repairs and maintenance	1 219 180	1 293 890
Operating lease expenses	-	1 395 696
Heat and electricity distribution	1 213 327	1 300 359
Taxes other than income tax	807 051	1 019 409
Amortisation of intangible assets	120 145	77 971
Amortisation of investment property	7 518	7 468
Other operating expenses	2 263 498	2 060 066
Total operating expenses	41 404 336	39 128 847

Note 20. Finance Income and Finance Costs

	Six months ended 30 June 2019	Six months ended 30 June 2018
Interest income	149 027	83 293
Exchange differences (net)	-	97 758
Effect of discounting of financial instruments	-	6 913
Total finance income	149 027	187 964
Interest expense on loans and borrowings	(443 596)	(533 420)
Interest expense on lease	(362 583)	-
Exchange differences (net)	(253 727)	-
Effect of discounting of financial instruments	(144 557)	-
Total finance costs	(1 204 463)	(533 420)

Note 21. Earnings per Share

	Six months ended 30 June 2019	Six months ended 30 June 2018
Profit attributable to owners of TGC-1	9 285 592	7 774 956
Weighted average number of ordinary shares issued (thousands)	3 854 341 417	3 854 341 417
Earnings per ordinary share attributable to the owners of the Company after tax - basic and diluted - in Russian Roubles	0.0024	0.0020

Note 22. Commitments

As at 30 June 2019, the Group had outstanding contractual commitments relating to the construction of property, plant and equipment in the amount of RUB 15 785 429 thousand (as at 31 December 2018: RUB 11 677 847 thousand).

The Group has already allocated the necessary resources to meet these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Note 23. Events after the Reporting Period

Borrowings

During the period between reporting date and signing date, the Group received long-term borrowings of RUB 157 722 thousand.

During the period between reporting date and signing date, the Group repaid borrowings a total of RUB 574 258 thousand.

Government grants

During the period between reporting date and signing date Group PJSC received a grant from Saint-Petersburg regional budget for a total amount of RUB 57 536 thousand and from Murmansk Region budget for a total amount of RUB 1 241 548 thousand.

Approved for issue and signed on 2 August 2019.

Deputy Director General of economics and finance

A. V. Goncharov

Chief Accountant

R. V. Stanishevskaya