Consolidated financial statements of
Public Joint Stock Company ROSSETI and its subsidiaries
prepared in accordance with
International Financial Reporting Standards
for the year ended 31 December 2018
with independent auditor's report

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28.03.2019
№ РСМ - 1091

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Public Joint Stock Company "ROSSETI" (PJSC "ROSSETI")

Opinion

We have audited the consolidated financial statements of PJSC "ROSSETI" and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as of 31 December 2018, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants` *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

In our opinion, this matter was one of most significance in our audit due to a significant share of property, plant and equipment in total assets of the Group, high level of subjectivity of assumptions used to determine the fair value as well as materiality of judgments and estimates made by the management in determining the replacement cost of property, plant and equipment.

The majority of the Group's property, plant and equipment is specialized in nature and is rarely sold on the open market other than as part of a continuing business, making it impossible to use market-based approaches for determining its fair value. Consequently, the fair value of such items is primarily determined by the Group using depreciated replacement cost valuation method.

We have performed procedures of analysis and testing of the model used in making the estimates, assessment of adequacy of assumptions underlying the estimates, including assumptions in respect of projected revenue, tariffs solutions, discount rates etc.

We have also reviewed the relevant controls in respect of the estimates, consideration by management of estimation uncertainty and changes in approaches as compared to the previous period. We have reviewed the actual outcomes of the use of the model to obtain sufficient and appropriate audit evidence about whether the management in making the estimates complied with IFRS requirements, the methods used in estimates of tests are appropriate and are applied consistently and the changes in estimates are reasonable based on information available at the date of preparation of the accounts.

For testing the model of estimate and underlying assumptions, we have engaged an expert in accordance with the procedure established by ISA.

We have evaluated the accuracy and sufficiency of disclosures to the consolidated financial statements of information about determination of the fair value of property, plant and equipment, including information about uncertainties taken into consideration when making the estimates.

Information about property, plant and equipment, the manner of recognition and measurement of the Group's property, plant and equipment is provided in Notes 2, 3, 4, 14 to the consolidated financial statements.

Allowance for expected credit losses on trade and other receivables

In our opinion, this matter was one of most significance in our audit due to significant balances of trade and other receivables as at 31 December 2018. The management estimate of recoverability of these receivables is complex, largely subjective and based on the assumptions, in particular, forecasting and estimating financial solvency of the Group's counterparties, credit risk and expected credit losses.

We have performed procedures of evaluation of the adequacy of the Group's policy on reviewing trade and other receivables and determining if allowance for credit losses should be accrued, as well as procedures of confirming the reasonableness of the estimates made by the management of the Group, including specific characteristics of specific clients, their financial solvency, dynamics of collection of accounts receivable, payments and arrangements after the balance-sheet date, as well as review of expected future cash flows, credit losses.

Accrued allowance for expected credit losses on trade and other receivables is disclosed by the Group in Notes 2, 10, 19 and 28 to the consolidated financial statements.

Recognition and measurement of revenue

Recognition and measurement of revenue were matters of most significance in our audit due to certain imperfection of mechanisms of operation of retail electricity market and it leads to disagreements between electric grid companies and energy supply companies in respect of volume of electricity consumption and capacity. The assessment by the Group's management of favorable outcome of the dispute resolution is, to a large extent, subjective and is based on the assumptions of dispute resolution.

We evaluated the internal control over revenue recognition, reviewed the accuracy of determined revenue amounts based on concluded contracts for electricity transmission and other work (services), on a sample basis obtained confirmations of accounts receivable balances from the counterparties, reviewed and evaluated existing procedures for confirming the volume of electricity transmitted and outcomes of litigations in respect of disputed amounts for the provided services, and also performed other procedures to obtain sufficient and appropriate audit evidence, in order to confirm the accuracy, in all material respects, of the amounts of revenues recognized in the consolidated financial statements.

Revenue amounts and recognition approach are disclosed in Notes 2, 7, 8 to the consolidated financial statements.

Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were matters of most significance in our audit because they require a lot of management judgments in respect of significant amounts in dispute in the course of litigations and claim settlements.

The audit procedures included review of court rulings made by courts of different levels, review of adequacy of management judgments and documents confirming the assessment of possibility of outflow of economic resources following dispute resolutions, conformity of the prepared documentation with the existing contracts and compliance with the law.

Provisions and contingent liabilities of the Group are disclosed in Notes 3, 10, 27 and 30 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of PJSC "ROSSETI" for 2018, but does not include the consolidated financial statements and our auditor's report thereon. The annual report of PJSC "ROSSETI" for 2018 is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

When we read the annual report of PJSC "ROSSETI" for 2018, if we conclude that there are material misstatements therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and the Audit Committee of the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the Audit Committee of the Board of Directors all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Management Board Chairperson — **N.A. Dantser**

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

ORNZ in the Register of auditors and audit organizations – 21706004215

Engagement Leader on the audit resulting in this independent auditor`s report — **N.N. Usanova**

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

ORNZ in the Register of auditors and audit organizations – 21706004441

Audited entity:
Public Joint Stock Company "ROSSETI" (abbreviated name - **PJSC "ROSSETI"**)
Location: 4 Belovezhskaya St., Moscow, 121353, Russia;
Primary state registration number – 1087760000019.

Auditor:
RSM RUS Ltd.
Location: room 25, floor 4, 4, Pudovkina St., Moscow, 119285;
Tel.: (495) 363-28-48; Fax: (495) 981-41-21;
Primary state registration number – 1027700257540;
RSM RUS Ltd. is a member of Self-regulatory organization of auditors Association "Sodruzhestvo" (membership certificate # 6938, ORNZ 11306030308), location: 21, Michurinsky Ave., bldg. 4, Moscow, 119192.

The audit was conducted pursuant to Contract No. 181a036 dated 18.07.2018, concluded based on the results of competitive selection (Minutes of 30.03.2018, procurement №0473000000518000001). The auditor was approved by the Annual General Meeting of Shareholders (AGM) on 29 June 2018.

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

	Notes	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Revenue	8	1,021,602	948,344
Operating expenses	10	(869,263)	(797,625)
Other income, net	9	23,355	21,677
Results from operating activities		**175,694**	**172,396**
Finance income	12	17,617	16,319
Finance costs	12	(27,517)	(30,034)
Net finance costs		**(9,900)**	**(13,715)**
Share of profit of associates and joint ventures (net of income tax)		337	2
Profit before income tax		**166,131**	**158,683**
Income tax expense	13	(41,453)	(37,524)
Profit for the period		**124,678**	**121,159**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		–	(8,650)
Foreign currency translation difference		178	(51)
Income tax	17	–	1,728
Total items that may be reclassified subsequently to profit or loss		**178**	**(6,973)**
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income		1,667	–
Remeasurements of the defined benefit liability	25	2,381	(3,780)
Income tax	17	6,160	610
Total items that will not be reclassified subsequently to profit or loss		**10,208**	**(3,170)**
Other comprehensive income/(loss) for the period, net of income tax		**10,386**	**(10,143)**
Total comprehensive income for the period		**135,064**	**111,016**
Profit attributable to:			
Owners of the Company		90,985	89,828
Non-controlling interest		33,693	31,331
Total comprehensive income attributable to:			
Owners of the Company		99,184	82,093
Non-controlling interest		35,880	28,923
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	22	0.46	0.46

These consolidated financial statements were approved by management on 28 March 2019 and were signed on its behalf by:

Director General	Director for accounting and reporting – Chief Accountant
P.A. Livinsky	D.V. Nagovitsyn

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "РОССИЙСКИЕ СЕТИ" * ОГРН 1087760000019 * МОСКВА
ПАО "Россети"

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

	Notes	31 December 2018	31 December 2017 (restated)	1 January 2017 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	1,983,874	1,877,078	1,753,354
Intangible assets	15	19,145	16,758	16,804
Investments in associates and joint ventures		1,401	883	936
Trade and other receivables	19	82,521	74,483	51,262
Assets related to employee benefits plans	25	6,216	6,709	6,708
Financial investments	16	41,562	69,914	78,643
Deferred tax assets	17	10,090	7,186	6,724
Total non-current assets		**2,144,809**	**2,053,011**	**1,914,431**
Current assets				
Inventories	18	37,109	35,050	33,143
Financial investments	16	47,192	149	12,620
Income tax prepayments		3,380	4,528	6,339
Trade and other receivables	19	180,619	151,644	167,616
Cash and cash equivalents	20	84,056	102,054	86,970
Total current assets		**352,356**	**293,425**	**306,688**
Assets held for sale	33	21,467	–	–
Total assets		**2,518,632**	**2,346,436**	**2,221,119**
EQUITY AND LIABILITIES				
Equity				
Share capital	21	200,903	200,903	198,071
Share premium		213,098	213,098	212,978
Treasury shares		(109)	(2,702)	(2,702)
Reserve for issue of shares		–	–	1,678
Other reserves		15,322	25,960	33,695
Retained earnings		687,786	583,216	495,926
Total equity attributable to owners of the Company		**1,117,000**	**1,020,475**	**939,646**
Non-controlling interest		377,962	349,318	327,188
Total equity		**1,494,962**	**1,369,793**	**1,266,834**
Non-current liabilities				
Loans and borrowings	23	480,989	506,990	472,057
Trade and other payables	26	44,046	39,840	23,698
Employee benefit liabilities	25	23,592	32,717	28,425
Deferred tax liabilities	17	76,640	65,843	59,081
Total non-current liabilities		**625,267**	**645,390**	**583,261**
Current liabilities				
Loans and borrowings	23	87,268	51,244	86,829
Trade and other payables	26	295,124	263,090	261,754
Provisions	27	10,901	10,561	14,305
Current income tax liabilities		5,110	6,358	8,136
Total current liabilities		**398,403**	**331,253**	**371,024**
Total liabilities		**1,023,670**	**976,643**	**954,285**
Total equity and liabilities		**2,518,632**	**2,346,436**	**2,221,119**

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

	Notes	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**124,678**	**121,159**
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangible assets	10	116,124	107,300
Impairment of property, plant and equipment	14	7,688	21,244
Finance costs	12	27,517	30,034
Finance income	12	(17,617)	(16,319)
Loss on disposal of property, plant and equipment		2,275	3,048
Share of (profit) of associates and joint ventures, net of income tax		(337)	(2)
(Gain on derecognition of subsidiary)/Loss on regain of control over subsidiaries	9	(690)	80
Allowance for expected credit losses	10	25,820	16,159
Bad debt write-off		406	509
Non-cash receipt of property, plant and equipment		(2,684)	(2,777)
Accounts payable write-off		(860)	(666)
Non-cash settlements of technological connection agreements		(2,570)	(5,137)
Other non-cash transactions		(244)	760
Income tax expense		41,453	37,524
Total impact of adjustments		**196,281**	**191,757**
Change in assets related to employee benefit liabilities		494	(2)
Change in employee benefit liabilities		(8,839)	(1,608)
Cash flows from operating activities before changes in working capital		**312,614**	**311,306**
Changes in working capital:			
Change in trade and other receivables		(31,992)	(24,147)
Change in inventories		(1,648)	(754)
Change in trade and other payables		26,514	4,526
Change in provisions		340	(3,744)
Cash flows from operating activities before income tax and interest paid		**305,828**	**287,187**
Income tax paid		(27,550)	(29,637)
Interest paid		(39,707)	(45,164)
Net cash flows from operating activities		**238,571**	**212,386**

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

	Notes	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(220,653)	(215,701)
Proceeds from sale of property, plant and equipment and intangible assets		1,375	1,941
Acquisition of investments and placement of bank deposits		(73,091)	(26,660)
Disposal of investments and withdrawal of bank deposits		26,351	39,865
Interest received		7,129	9,215
Sale of financial investments		2,795	–
Dividends received		2,254	2,500
Net cash flows used in investing activities		**(253,840)**	**(188,840)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		615,072	537,413
Repayment of loans and borrowings		(605,710)	(537,483)
Proceeds from share premium		–	1,525
Acquisition of non-controlling interests		(476)	–
Sale of own shares		1,214	–
Dividends paid		(12,684)	(9,642)
Repayment of finance lease liabilities		(145)	(275)
Net cash flows used in financing activities		**(2,729)**	**(8,462)**
Net (decrease)/increase in cash and cash equivalents		**(17,998)**	**15,084**
Cash and cash equivalents at the beginning of the period	20	**102,054**	**86,970**
Cash and cash equivalents at the end of the period	20	**84,056**	**102,054**

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

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2017	**200,903**	**213,098**	**(2,702)**	**25,430**	**621,077**	**1,057,806**	**365,755**	**1,423,561**
Changes in accounting policy (Note 2(e),2(f)) and restatement	–	–	–	322	(37,653)	(37,331)	(16,437)	(53,768)
Balance at 1 January 2018 (restated)	**200,903**	**213,098**	**(2,702)**	**25,752**	**583,424**	**1,020,475**	**349,318**	**1,369,793**
Profit for the period	–	–	–	–	90,985	90,985	33,693	**124,678**
Transfer of provision for revaluation on the disposal of equity investments	–	–	–	(18,629)	18,629	–	–	–
Other comprehensive income	–	–	–	3,244	–	3,244	982	4,226
Related income tax	–	–	–	4,955	–	4,955	1,205	6,160
Total comprehensive income/(loss) for the period	–	–	–	**(10,430)**	**109,614**	**99,184**	**35,880**	**135,064**
Transactions with owners of the Company								
Contributions and distributions								
Sale of treasury shares (Note 21)	–	–	2,593	–	(1,379)	1,214	–	1,214
Dividends	–	–	–	–	(2,442)	(2,442)	(10,461)	(12,903)
Total contributions and distributions	–	–	**2,593**	–	**(3,821)**	**(1 228)**	**(10,461)**	**(11,689)**
Changes in ownership interests in subsidiaries								
Shares issued by subsidiaries	–	–	–	–	(1,431)	(1,431)	1,210	(221)
Changes in ownership								
Derecognition of subsidiary	–	–	–	–	–	–	2,015	2,015
Total transactions with owners of the Company	–	–	**2,593**	–	**(5,252)**	**(2,659)**	**(7,236)**	**(9,895)**
Balance at 31 December 2018	**200,903**	**213,098**	**(109)**	**15,322**	**687,786**	**1,117,000**	**377,962**	**1,494,962**

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

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Treasury shares**	**Reserve for issue of shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2016	**198,071**	**212,978**	**(2,702)**	**1,678**	**33,165**	**521,300**	**964,490**	**340,149**	**1,304,639**
Changes in accounting policy (Note 2(e),2(f)) and restement	–	–	–	–	530	(25,374)	(24,844)	(12,961)	(37,805)
Balance at 1 January 2017 (restated)	**198,071**	**212,978**	**(2,702)**	**1,678**	**33,695**	**495,926**	**939,646**	**327,188**	**1,266,834**
Profit for the period	–	–	–	–	–	89,828	89,828	31,331	121,159
Other comprehensive loss	–	–	–	–	(9,518)	–	(9,518)	(2,963)	(12,481)
Related income tax	–	–	–	–	1,783	–	1,783	555	2,338
Total comprehensive income/(loss) for the period	–	–	–	–	**(7,735)**	**89,828**	**82,093**	**28,923**	**111,016**
Transactions with owners of the Company									
Contributions and distributions									
Issue of shares	2,832	120	–	(1,678)	–	–	1,274	–	1,274
Dividends	–	–	–		–	(1,895)	(1,895)	(7,868)	(9,763)
Total contributions and distributions	**2,832**	**120**	–	**(1,678)**	–	**(1,895)**	**(621)**	**(7,868)**	**(8,489)**
Changes in ownership interests in subsidiaries									
Shares issued by subsidiaries	–	–	–	–	–	(643)	(643)	1,075	432
Total transactions with owners of the Company	**2,832**	**120**	–	**(1,678)**	–	**(2,538)**	**(1,264)**	**(6,793)**	**(8,057)**
Balance at 31 December 2017 (restated)	**200,903**	**213,098**	**(2,702)**	–	**25,960**	**583,216**	**1,020,475**	**349,318**	**1,369,793**

1. Background

a) The Group and its operations

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

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

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

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

The Company's registered address is Moscow, Russia.

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

The primary activities of PJSC «ROSSETI» and its subsidiaries (hereinafter referred to as the "Group" or "ROSSETI Group") are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network. The Group's power distribution companies sell electricity. The Group's principal subsidiaries are disclosed in Note 5.

b) The Group's business environment

The Group's operations are located in the Russian Federation.

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by the market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. The Rouble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

c) Relations with state

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

As at 31 December 2018 the Russian Government owned 88.04 % in the share capital of the Company, including 88.89 % of the voting ordinary shares and 7.01 % of the preference shares. As at 31 December 2017 the Russian Government owned 88.04 % in the share capital of the Company, including 88.89 % of the voting ordinary shares and 7.01 % of the voting preference shares.

The Group's strategic business units (see Note 7) are regional natural monopolies. The Russian Government directly affects the Group's operations through tariffs regulations. In accordance with the Russian legislation, the Group's tariffs are regulated by executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Each enterprise of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Standarts of the Russian Federation ("RAS").

The Group's consolidated financial statements are based on the statutory records in accordance with RAS with adjustments and reclassifications recorded in the consolidated financial statements for the fair presentation in accordance with IFRS.

b) Basis for measurement

These consolidated financial statements have been prepared on the historical cost basis, except for:

- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income.

c) Functional and presentation currency

The Russian ruble (hereinafter referred to as ruble or RUB) is the national currency of the Russain Federation and is used by the Group as its functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

d) Use of professional judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The professional judgements and assumptions that have the most significant effect on the amounts recognised in these consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of fixed assets

At each reporting date management assesses whether there is any indication of impairment in respect of property, plant and equipment. Such indication includes a change in business plans, tariffs and other factors leading to unfavourable impact on the Group's business.

For the purposes of assessing recoverable amount, management assesses expected cash flows from assets or groups of assets (cash generating units) and calculates the acceptable discount rate for the present value of these cash flows. For more detailed information, see note "Property, plant and equipment"

Impairment of accounts receivable

Allowance for expected credit losses of accounts receivable is based on management assumption of debt recovery made for wach debtor individually. For the purposes of assessing credit losses, the Group consistently takes into account all reasonable and verifiable information on past events, current and projected events that is available without excessive effort and is appropriate for the assessment of receivables

Experience gained in the past is adjusted on the basis of data available to date to reflect current conditions that had no impact on previous periods and to exclude the impact of conditions that have occurred in the past and no longer exist.

Pension obligations

The costs of the defined benefit pension plan and its related costs are determined using actuarial valuations. Actuarial valuations involve making demographic and financial data assumptions. As the programme is the long-term one there is considerable uncertainty about such estimates.

Deferred tax assets recognition

At each reporting date, management assesses the amount of deferred tax assets to be recognised to the extent that tax deductions are likely to be used. In determining future taxable profit and deductions, management makes estimates and judgments based on the taxable profit of previous years and expectations for future profits that are reasonable in the current circumstances.

e) Change in accounting policies

The Group has adopted the following new standards starting from 1 January 2018:

i. **IFRS 15 Revenue from Contracts with Customer**

The Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. Revenue is measured at the fair value of the consideration received or a portion thereof. To the extent that the Group expects to recover in exchange for the transfer of the pledged assets to the customer, excluding any amounts received from third parties (e.g., net of recoverable taxes).

Trade accounts receivable

The accounts receivables represent the Group's right to compensation, which is unconditional (i.e., the moment when such compensation becomes payable is due only to the passage of time).

Contract liabilities

A contract liability is an obligation to transfer goods or services to a customer for which the
Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Contract liabilities are recognized within "Advances received" line item included in accounts trades and other accounts payable.

Electricity distribution and sales of electricity

Revenue from distribution and sales of electricity is recognized during the period (settlements month) and is estimated by the results method (cost of transferred electricity volumes). The tariffs for the distribution of electricity (in respect to all constituent entities of the Russian Federation) and sale of electricity on the regulated market (in respect of constituent entities of the Russian Federation, not united in the price zones of the wholesale electricity market) are approved by the executive authorities of constituent entities of the Russian Federation (hereinafter - regional regulatory authority) in the sphere of the state energy tariff regulation within the range of cap and (or) floor tariffs approved by the Federal Antimonopoly Service of the Russian Federation.

Services for technological connection to electric grids

Recognition of revenue from service for technological connection is performed at the beginning of the electricity supply and connection of the consumer to the power grid on the basis of the act on technological connection.

Payment for technological connection for an individual project, the standardized tariff rates, the rates per unit of maximum capacity and fee’s formula for the technical connection are approved by the regional energy commission (the department of prices and tariffs of the corresponding region) and do not depend on the proceeds from the provision of electricity transmission services.

Payment for technological connection to the unified national electric network is approved by the Federal Antimonopoly Service.

The Group made judgment that connection service is a separate performance obligation that is recognised when the respective services are provided. The customer obtains distinct connection service and there is no any other obligations beyond the connection services agreement. Practically and in accordance with the law on electricity market, connection services and electricity transmission agreements are negotiated separately with different customers as different packages and with different commercial objectives with no relation in the contracts in pricing, purpose, acceptance, or type of service.

Other revenue

Revenue from installation, repair and maintenance services and other sales is recognized when the customer obtains control over the asset.

In accordance with the transition provisions in IFRS 15, the Group applied IFRS 15 retrospectively with cumulative effect of initially applying the Standard to be recognized as an adjustment to retained earnings as at 1 January 2018. The application of the standard had no material impact on the Group’s consolidated financial statements and therefore the retained earnings as at 1 January 2018 were not restated.

ii. IFRS 9 Financial instruments

The standard introduces new requirements for classification and measurement of financial instruments, impairment, and hedge accounting. As the Group does not apply hedge accounting, the main changes relevant to the Group impacted its accounting policies for classification of financial instruments and impairment of financial assets.

According to IFRS 9, the financial assets are classified in the following measurement categories: those to be measured subsequently at amortised cost, those to be measured at fair value through profit or loss, and those to be measured at fair value through other comprehensive income. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are classified as at amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In respect of impairment, IFRS 9 replaces the “incurred loss” model used in IAS 39, Financial instruments: Recognition and Measurement, with a new “expected credit loss” (“ECL”) model that requires a more timely recognition of expected credit losses. An allowance for expected credit losses shall be recorded for financial assets classified as at amortised cost.

Under IFRS 9, loss allowances are measured on either of the following bases: 12-month ECLs that result from possible default events within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument. For trade receivables, the Group measures loss allowances applying a simplified approach at an amount equal to lifetime ECLs. For other financial assets classified as at amortised cost, including some shareholders' loans provided, loss allowances are measured as 12-month ECLs unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the lifetime ECLs.

(in millions of Russian rubles, unless otherwise stated)

In accordance with the transition provisions in IFRS 9, the Group applied the new rules retrospectively, except for the items that have already been derecognized at the date of initial application, which is 1 January 2018. The Group also used an exemption in IFRS 9 allowing not to restate prior periods presented as a result of adoption of the new classification and measurement requirements, but rather recognize any differences in the opening retained earnings as at 1 January 2018. The initial application of the standard did not result in any material changes of the Group's financial instruments measurement.

As at 1 January 2018 the Group has assessed which business models apply to the financial assets held at the date of initial application of IFRS 9 "Financial instruments" and has classified its financial instruments onto appropriate IFRS 9 categories. The main effects resulting from that reclassification are as follows:

		Reclassification of financial assets as at 1 January 2018			
	Balance as at 1 January 2018 under IAS 39	Carried at fair value through profit or loss	Carried at fair value through other comprehensive income	Carried at amortised cost	**Balance as at 1 January 2018 under IFRS 9**
Financial assets available-for-sale	67,024	(609)	(66,415)	–	–
Financial assets held – to - maturity	3,039	–	–	(3,039)	–
At fair value through profit or loss	–	609	–	–	609
At fair value through other comprehensive income	–	–	66,415	–	66,415
At amortised cost	–	–	–	3,039	3,039
Total:	**70,063**	**–**	**–**	**–**	**70,063**

The impact of the changes on the Group's equity, net of deferred tax, was as follows:

	Effect on available-for-sale reserve	**Effect on measured at fair value through other comprehensive income reserves**	**Effect on retained earnings**
Opening balance at 1 January 2018 under IAS 39	**33,784**	**–**	**208**
Reclassification of investments from available-for-sale into measured at fair value through other comprehensive income	(33,784)	33,992	(208)
Total impact	(33,784)	**33,992**	**(208)**
Opening balance at 1 January 2018 under IFRS 9	**–**	**33,992**	**–**

(in millions of Russian rubles, unless otherwise stated)

The table below reflects the original measurement category according to IAS 39 and the new measurement category according to IFRS 9:

	Measurement category		**Carrying amount**		
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**	**Difference**
Non-current financial assets					
Financial investments, including:					
Equity shares	*Available-for-sale*	*Measured at fair value through other comprehensive income*	66,415	66,415	–
Shares	*Available-for-sale*	*Measured at fair value through other profit or loss*	609	609	–
Deposits with maturity of more than 12 months and promissory notes	*Held- to- maturity*	*Amortised cost*	2,890	2,890	–
Trade and other receivables, loans given	*Amortised cost*	*Amortised cost*	69,426	69,426	–
Current financial assets					
Financial investments, including:					
Deposits with maturity of less than 12 months and promissory notes	*Held- to- maturity*	*Amortised cost*	149	149	–
Trade and other receivables, loans given	*Amortised cost*	*Amortised cost*	129,890	129,890	–
Cash and cash equivalents	*Amortised cost*	*Amortised cost*	102,054	102,054	–
Non-current and current financial liabilities					
Loans and borrowings, accounts payable	*Amortised cost*	*Amortised cost*	745,007	745,007	–

f) Change in presentation

Reclassification of comparative information

Certain amounts of the previous year have been adjusted to conform with the current year disclosures. All reclassifications are immaterial.

Restating the amounts

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

2f(i) Corrections in connection with changes in accounting policies in respect of property, plant and equipment:

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

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

From 1 January 2018, the Group has changed its accounting treatment for initial measurement of the gratuitously received items of property, plant and equipment and subject to recognition in the statement of financial position in accordance with the requirements of the industry and Federal regulations to ensure reliable and uninterrupted power supply and maintenance of power grid facilities in proper conditions.

(in millions of Russian rubles, unless otherwise stated)

Previously, the Group recognised such items of property, plant and equipment in the statement of financial position at deemed cost which was based on independent measurement of the fair value of such items and recognised as income in the consolidated statement of profit or loss and other comprehensive income. Based on the technical condition of the items, the Group has recognised similar items of property, plant and equipment in the amount of actual expenditure since 1 January 2018. The Group applied this change in the accounting policies retrospectively.

2f(iii) Other corrections

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017	**As reported**	**2f (i)**	**2f (ii)**	**2f (iii)**	**As restated**
Operating expenses	(779,288)	(18,163)	814	(988)	(797,625)
Other income, net	22,261	698	(1,282)	–	21,677
Results from operating activities	**191,317**	**(17,465)**	**(468)**	**(988)**	**172,396**
Income tax expense	(40,482)	3,553	(31)	(564)	(37,524)
Profit for the period	**137,122**	**(13,912)**	**(499)**	**(1,552)**	**121,159**
Total comprehensive income for the period	**126,979**	**(13,912)**	**(499)**	**(1,552)**	**111,016**
Profit attributable to:					
Owners of the Company	102,315	(11,148)	(255)	(1,084)	89,828
Non-controlling interest	34,807	(2,764)	(244)	(468)	31,331
Total comprehensive income attributable to:					
Owners of the Company	94,580	(11,148)	(255)	(1,084)	82,093
Non-controlling interest	32,399	(2,764)	(244)	(468)	28,923
Basic and diluted earnings per ordinary share (in RUB)	0.52	(0.05)	–	(0.01)	0.46

(in millions of Russian rubles, unless otherwise stated)

Consolidated Statement of Financial Position

31 December 2017	**As reported**	**2f (i)**	**2f (ii)**	**2f (iii)**	**As restated**
Property, plant and equipment	1,940,227	(53,566)	(9,583)	–	1,877,078
Deferred tax assets	7,178	–	8	–	7,186
Total non-current assets	**2,116,152**	**(53,566)**	**(9,575)**	**–**	**2,053,011**
Trade and other receivables	151,466	–	–	178	151,644
Total current assets	**293,247**	**–**	**–**	**178**	**293,425**
Total assets	**2,409,399**	**(53,566)**	**(9,575)**	**178**	**2,346,436**
Other reserves	25,430	–		530	25,960
Retained earnings	621,077	(34,755)	(3,972)	866	583,216
Total equity attributable to owners of the Company	**1,057,806**	**(34,755)**	**(3,972)**	**1,396**	**1,020,475**
Non-controlling interest	365,755	(8,615)	(3,837)	(3,985)	349,318
Total equity	**1,423,561**	**(43,370)**	**(7,809)**	**(2,589)**	**1,369,793**
Non-current liabilities					
Deferred tax liabilities	76,202	(10,196)	(1,766)	1,603	65,843
Total non-current liabilities	**655,749**	**(10,196)**	**(1,766)**	**1,603**	**645,390**
Trade and other payables	261,926	–	–	1,164	263,090
Total current liabilities	**330,089**	**–**	**–**	**1,164**	**331,253**
Total liabilities	**985,838**	**(10,196)**	**(1,766)**	**2,767**	**976,643**
Total equity and liabilities	**2,409,399**	**(53,566)**	**(9,575)**	**178**	**2,346,436**

31 December 2016	**As reported**	**2f (i)**	**2f (ii)**	**2f (iii)**	**As restated**
Property, plant and equipment	1,798,568	(36,101)	(9,113)	–	1,753,354
Deferred tax assets	7,069	(352)	7	–	6,724
Total non-current assets	**1,959,990**	**(36,453)**	**(9,106)**	–	**1,914,431**
Total assets	**2,266,678**	**(36,453)**	**(9,106)**	–	**2,221,119**
Other reserves	33,165	–	–	530	33,695
Retained earnings	521,300	(23,607)	(3,708)	1,941	495,926
Total equity attributable to owners of the Company	**964,490**	**(23,607)**	**(3,708)**	**2,471**	**939,646**
Non-controlling interest	340,149	(5,852)	(3,585)	(3,524)	327,188
Total equity	**1,304,639**	**(29,459)**	**(7,293)**	**(1,053)**	**1,266,834**
Deferred tax liabilities	66,835	(6,994)	(1,813)	1,053	59,081
Total non-current liabilities	**591,015**	**(6,994)**	**(1,813)**	**1,053**	**583,261**
Total liabilities	**962,039**	**(6,994)**	**(1,813)**	**1,053**	**954,285**
Total equity and liabilities	**2,266,678**	**(36,453)**	**(9,106)**	**–**	**2,221,119**

g) Application of new and amended standards and interpretations

Except for the changes in accounting policies described in section 2e the following new amendments and interpretations that are effective as at 1 January 2018 have no impact on these consolidated financial statements:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- Transfers of Investment Property (Amendments to IAS 40);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Investments in Associates and Joint Ventures (Amendments to IAS 28);
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments ti IFRS 4)

The following new standards and interpretations that are mandatory for the annual periods beginning on or after 1 January 2019, and which the Group has not early adopted:

IFRS 16 Leases. IFRS 16 was issued in January 2016 and replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether anArrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single, on-balance lease sheet accounting model as stated in IAS 17 for leasing. There are optional recognition exemptions for the lessee regarding leases of low value items (e.g. computers) and short-term leases (e.g. lease terms ends within 12 months). The Group intends to apply both exceptions.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The Group will be required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

According to the transitional provisions of IFRS 16, the Group has chosen to apply the new rules retrospectively with the cumulative effect of the initial application of the standard recognised as at 1 January 2019: with the recognition of the lease obligation in the valuation on the present value of remaining lease payments using the rate of attraction of additional borrowed funds on the date of initial application and recognition of assets in the form right-of-use in the amount equal to the obligation under the lease, adjusted by the amount pre-made or accrued lease payments.

The group also plans to use permitted practical simplifications and not apply the new standard to lease agreements that expire within twelve months from the date of transition.

The main objects of the Group's lease are electric grid facilities (electricity transmission networks, equipment for electricity transmission, other) and land plots. Land lease agreements were concluded in previous periods in respect of the land plots on which their own electricity transmission grids, equipment for electricity transmission and Group's other assets are located. In addition, the Group leases non-residential real estate and vehicles.

The Group is in the process of recalculating the impact of applying IFRS 16 consolidated financial statements.

In March 2018 the IASB issued a new edition of the Conceptual Framework for Financial Reporting. The new edition is effective and mandatory for application for the annual periods beginning after 1 January 2020. The Group is currently analysing the impact of the new edition on the consolidated financial statements.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.

- IFRIC 23: Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IFRS 3: Business Combintaions;

- Amendments to IFRS 11 Joint Arrangement;
- Amendments to IAS 12 Income Taxes – Income Tax Consequences of Payments on Instruments Classified as Equity;
- Amendments to IAS 23 Borrowing Costs;
- Amendments to IAS 28: Long-term interests in associates and joint ventures;
- Amendments to IAS 19:Plan amendment, Curtailment or settlement;
- IFRS 17 Insurance contracts;
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets in transactions between an investor and its associate or joint venture

3. Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for changes in the accounting policy described in notes 2f and related to adoption of from 1 January 2018 IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments and note 2e.

a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a debit balance (“deficit”) on the account.

ii. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the Group obtains control of the acquiree.
The Group measures goodwill at the acquisition date as:

1) The fair value of the consideration transferred: plus
2) The recognized amount of any non-controlling interests in the acquiree; plus
3) The fair value of the pre-existing equity interest in the acquiree if the business combination is achieved in stages; less
4) The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss for the period.
Transaction costs that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.
Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss for the period.

iii. Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners, and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

iv. Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for by the method the predecessor. The acquired assets and liabilities are recognized at the carrying amounts recognized previously in the consolidated financial statements of the acquired entities. Any cash or other contribution paid for the acquisition is recognized directly in equity.

v. Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment also includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to roubles at the exchange rate at that date. Foreign currency transactions accounted for at the exchange rates prevailing at the date of the transactions. Foreign currency profit or loss arising from retranslation isrecognised in profit or loss.

c) Share capital

Ordinary shares and non-redeemable preference shares are both classified as equity.

d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The deemed cost of property, plant and equipment as at 1 January 2007, the date of transition to IFRS, was determined by using its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed (built) assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within “Net other income/(expense)” line within profit or loss for the period.

ii. Subsequent costs

The cost of replacing part (major component) of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

iii. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 7-50 years
- Transmission networks 5-40 years
- Equipment for electricity transmission 5-40 years
- Other assets 1-50 years

Estimated useful lives and residual values of property, plant and equipment are reviewed at each reporting date and adjusted if appropriate.

e) Intangible assets

i. Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates, and joint ventures.

For the measurement of goodwill at initial recognition, see Note 3(a)(ii).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. With respect to associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

ii. Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

iii. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the statement of profit or loss and other comprehensive income as incurred.

iv. Amortization

Amortization expense on intangible assets, other than goodwill is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

- Licenses and certificates 1-10 years
- Software 1-15 years

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum (discounted) lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the consolidated statement of the Group's financial position.

g) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business of the Group, less the estimated costs of completion and selling expenses.

h) Advances given

Advances given are classified as non-current if they are connected with the acquisition of an asset which will be classified as non-current upon initial recognition. Advances given for the acquisition of an asset are included in its carrying amount upon the acquisition of control over the asset, and when it is probable that the Group will obtain economic benefit from its usage.

i) Value-added tax

Output value-added tax (VAT) related to sales is payable to the tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Amounts of VAT related to advances received and given as well as VAT prepayment are recognized and disclosed on a net basis within accounts receivable (VAT recoverable). Amounts of VAT to be paid to the tax authorities are presented separately within short-term accounts payable.

Where a provision has been made for the impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

j) Impairment

i. Financial assets

Estimated allowance for expected credit losses for financial instrument is estimated at each reporting date in an amount equal to the expected credit losses over the entire term,if the credit risk of this financial instrument has increased significantly since initial recognition, taking into account all reasonable and corroborated information, including forward-looking. For receivables, the estimated allowance for expected credit losses is always estimated at an amount equal to the expected credit losses over the entire term.

As indicators of a significant increase in credit risk, the Group considers actual or expected difficulties of the issuer or debtor on the asset, actual or expected violation of contractual terms, expected revision of the terms of the contract due to the financial difficulties of the debtor under unfavorable conditions for the Group circumstances. Based on the usual practice of credit risk management, the Group defines default as the counterparty's inability to fulfill its obligations (including repayment of funds under the contract) due to a significant deterioration in its financial position.

The impairment loss on a financial asset is accounted by recognizing an allowance for impairment. For a financial asset carried at amortized cost, the amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in subsequent periods the credit risk of the financial asset decreases as a result of an event that occurred after the loss was recognized, the previously recognized impairment loss is reversed by reducing the corresponding estimated reserve. As a result of the reversal, the carrying amount of the asset should not exceed its value, at which it would be reflected in the statement of financial position if the impairment loss was not recognized.

ii. Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the relevant asset is estimated.

For goodwill and intangible assets that have an indefinite useful life or that are not yet ready for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its related cash genetating unit (CGU) exceeds its estimated (recoverable) amount.

The recoverable amount of an asset or cash generating unit is the greater of its two values: the value in use of this asset (this unit) and its fair value less costs to sell.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate reflecting the current market assessment of the impact of the time value of money and the risks specific to this asset or cash generating unit. For the purpose of an impairment test, assets that cannot be individually tested are grouped into the smallest group of assets that generates cash inflows from continuing use of the relevant assets that are largely dependent on the cash inflows of other assets or groups of assets (“cash generation unit”). For the purposes of impairment testing, the goodwill acquired in a business combination allocated to cash generating units which it relates to.

The corporate assets of the Group do not generate separate cash flows and are used by more than one cash generating unit. The cost of a corporate asset is allocated to CGUs on a reasonable and consistent basis, and it is tested for impairment as part of testing the unit to which the corporate asset was allocated.

Impairment losses are recognized in profit or loss. Impairment losses on cash generating units are initially allocated to reduce the carrying amount of goodwill allocated to these units, and then proportionally to reduce the carrying amount of other assets in the unit (group of units).

Amounts written off as a goodwill impairment loss are not reversed. For other assets at each reporting date, an impairment loss recognized in one of the previous periods is assessed for any indication that the loss has decreased or no longer exists.

Amounts written off for impairment losses are reversed if the valuation factors used in determimimg the relevant recoverable amount change. . In respect of other assets at each reporting date, the analysis of the impairment loss recognized in previous periods is carried out to identify amounts to be reduced or no longer recognised.

An impairment loss is reversed only to the extent that it is possible to restore the value of assets to their book value, in which they would be reflected (less accumulated depreciation amounts), if no impairment loss had been recognized.

k) Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate (independent) entity and will have no further (legal or constructive) obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia’s State Pension Fund, are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. Defined benefit plans

A defined benefit plan is a post-employment benefit plan differing from a defined contribution plan. The liability recognised in consolidated statement of financial position in respect of defined benefit programmes is the discounted amount of the liability at the reporting date

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Actuarial gains and losses on changes in actuarial assumptions are recognized in other comprehensive income/expense.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii. Other non-current employee benefits

The Group's net obligation with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Remeasurements are recognized in profit or loss in the period in which they arise.

iv. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably and it is highly probable that there will be an outflow of economic benefits.

l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

m) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all the attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income, less the related expenses, in equal amounts over the expected useful life of the related asset.

Government grants that compensate the Group for low electricity tariffs (lost income) are recognized in the consolidated statement of profit or loss and other comprehensive income in the same periods in which the respective revenue is earned.

n) Other expenses

i. Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. The amount of lease incentives received reduces the total lease expenses over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether such an arrangement is or contains indicators of a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other considerations required by such an arrangement into those for the lease and those for other elements proportionately to their fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset contract. Subsequently the liability is reduced as payments are made and an imputed finance expense is recognized.

ii. Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large without creating constructive obligations to provide such benefit in the future and are not restricted to the Group's employees, they are recognized in the income statements as incurred. Group costs related to the financing of social programs, without making a commitment with respect to such financing in the future date are recognized in the consolidated statement of profit or loss and other comprehensive income as they arise.

o) Finance income and costs

Finance income comprises of interest income on funds invested, dividend income, gains on the disposal of financial assets measured at fair value and amortised cost, discounts on financial instruments. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs are comprised of interest expense on borrowings, financial leasing, and loss on disposal of financial assets measured at fair value or amortised cost, discounts on financial instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

p) Income tax expense

Income tax expense is comprised of current and deferred tax. It is recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable with respect to previous years.

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit or loss;

- Temporary differences relating to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group accrues tax liabilities based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions, and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities for prior periods; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Profit attributable to ordinary shareholders is calculated by adjusting profit attributable to owners of the Company by profit attributable to holders of preference shares.

4. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of the input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(in millions of Russian rubles, unless otherwise stated)

5. Significant subsidiaries

	Country of incorporation	Ownership/voting, % 31 December 2018	31 December 2017
PJSC "FGC UES"	Russian Federation	80.14	80.14
PJSC "MOESK"	Russian Federation	50.90	50.90
JSC "Tyumenenergo"	Russian Federation	100.00	100.00
PJSC "Lenenergo"	Russian Federation	68.10/69.17	68.10/69.17
PJSC "IDGC of Centre"	Russian Federation	50.23	50.23
JSC "IDGC of Urals"	Russian Federation	51.52	51.52
PJSC "IDGC of Centre and Volga region"	Russian Federation	50.40	50.40
PJSC "Kubanenergo"	Russian Federation	92.78	92.78
PJSC "IDGC of Siberia"	Russian Federation	57.84/55.59	57.84/55.59
PJSC "IDGC of Volga"	Russian Federation	67.97	67.97
PJSC "IDGC of North-West"	Russian Federation	55.38	55.38
PJSC "IDGC of Northern Caucasus"*	Russian Federation	98.71	97.30
JSC "Chechenenergo"*	Russian Federation	71.73	77.64
PJSC "IDGC of South"	Russian Federation	65.12	65.12
PJSC "TDC"	Russian Federation	85.77/94.58	85.77/94.58
JSC "Yantarenergo"	Russian Federation	100.00	100.00
JSC "Karachaevo-Cherkesskenergo"	Russian Federation	100.00	100.00
JSC "Kalmenergosbyt"	Russian Federation	100.00	100.00
JSC "Kabbalkenergo"	Russian Federation	65.27	65.27
JSC "Tyvaenergosbyt"	Russian Federation	100.00	100.00
JSC "Sevkavkazenergo"	Russian Federation	55.94	55.94
PJSC "Dagestan Power Sales Company"	Russian Federation	51.00	51.00

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

(in millions of Russian rubles, unless otherwise stated)

6. Non-controlling interests

The following table summarizes the information relating to each of the Group's subsidiaries that has material non-controlling interest, before any intra-group eliminations.

As at 31 December 2018 and for the year ended 31 December 2018:

	FGC	**MOESK**	**Lenenergo**	**IDGC of Centre**	**IDGC of Urals**	**IDGC of Centre and Volga region**	**IDGC of Siberia**	**Other subsidiaries**	**Total**
Non-controlling percentage	**19.86**	**49.10**	**31.90**	**49.77**	**48.48**	**49.60**	**42.16**		
Non-current assets	1,062,120	313,161	191,208	91,969	65,535	75,142	53,838		
Current assets	133,101	26,957	15,390	16,155	14,455	28,180	14,709		
Assets held for sale	21,467	–	–	–	–	–	–		
Non-current liabilities	(280,791)	(98,119)	(42,490)	(36,865)	(14,193)	(23,100)	(25,485)		
Current liabilities	(95,104)	(68,943)	(33,426)	(26,407)	(21,934)	(25,810)	(25,209)		
Net assets	**840,793**	**173,056**	**130,682**	**44,852**	**43,863**	**54,412**	**17,853**		
Carrying amount of non-controlling interest	**167,605**	**84,962**	**40,381**	**22,459**	**21,624**	**26,994**	**7,524**	**6,413**	**377,962**
Revenue	254,463	159,485	77,990	93,834	100,303	94,213	57,051		
Profit	93,588	6,257	13,145	2,938	602	11,759	1,182		
Other comprehensive income/(loss)	8,332	169	(289)	120	459	366	(20)		
Total comprehensive income	**101,920**	**6,426**	**12,856**	**3,058**	**1,061**	**12,125**	**1,162**		
Profit/(loss) allocated to non-controlling interest	18,591	3,072	4,193	1,462	292	5,832	498	(247)	33,693
Other comprehensive income/(loss) allocated to non-controlling interest	1,655	83	(8)	60	226	183	(9)	(3)	2,187
Cash flows from operating activities	124,137	27,801	23,298	14,437	6,486	20,057	9,176		
Cash flows used in investing activities	(84,639)	(24,927)	(15,539)	(13,017)	(7,495)	(12,972)	(12,456)		
Cash flows from/(used in) financing activities:	(44,415)	3,498	(4,824)	(1,995)	1,685	(4,228)	2,427		
- including dividends to non-controlling shareholders	(3,569)	(752)	(1,188)	(427)	(917)	(2,211)	(150)		
Net increase/ (decrease) in cash and cash equivalents	**(4,917)**	**6,372**	**2,935**	**(575)**	**676**	**2,857**	**(853)**		

(in millions of Russian rubles, unless otherwise stated)

As at 31 December 2017 and for the year ended 31 December 2017 (restated):

	FGC	**MOESK**	**Lenenergo**	**IDGC of Centre**	**IDGC of Urals**	**IDGC of Centre and Volga region**	**IDGC of Siberia**	**Other subsidiaries**	**Total**
Non-controlling percentage	**19.87**	**49.10**	**31.90**	**49.77**	**48.48**	**49.60**	**42.16**		
Non-current assets	1,023,664	306,110	180,324	88,781	62,991	71,479	44,221		
Current assets	107,380	27,215	14,298	15,208	12,188	18,052	18,290		
Non-current liabilities	(282,533)	(108,923)	(31,930)	(42,492)	(18,453)	(32,641)	(27,836)		
Current liabilities	(89,681)	(56,229)	(42,728)	(18,893)	(12,066)	(10,074)	(17,609)		
Net assets	**758,830**	**168,173**	**119,964**	**42,604**	**44,660**	**46,816**	**17,066**		
Carrying amount of non-controlling interest	**151,155**	**82,564**	**37,486**	**21,306**	**21,997**	**23,226**	**7,196**	**4,388**	**349,318**
Revenue	242,980	150,494	77,653	91,116	81,159	91,002	53,598		
Profit	84,386	1,811	18,212	2,757	4,022	11,438	2,410		
Other comprehensive income/(loss)	(8,191)	(583)	2	(239)	(68)	(361)	16		
Total comprehensive income	**76,195**	**1,228**	**18,214**	**2,518**	**3,954**	**11,077**	**2,426**		
Profit/(loss) allocated to non-controlling interest	16,763	889	5,809	1,372	1,950	5,673	1,016	(2,141)	31,331
Other comprehensive income/(loss) allocated to non-controlling interest	(1,627)	(286)	–	(119)	(44)	(179)	12	(165)	(2,408)
Cash flows from operating activities	120,767	26,337	11,818	14,268	7,671	13,470	2,562		
Cash flows used in investing activities	(76,536)	(26,827)	(19,339)	(11,864)	(6,200)	(9,675)	(7,259)		
Cash flows from/(used in) financing activities:	(46,100)	427	575	(3,608)	(1,278)	(1,689)	5,639		
- including dividends to non-controlling shareholders	(3,712)	(707)	(948)	(915)	(355)	(646)	–		
Net increase/ (decrease) in cash and cash equivalents	**(1,869)**	**(63)**	**(6,946)**	**(1,204)**	**193**	**2,106**	**942**		

7. Information about segments

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

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

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

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

Information regarding reportable segments is included below.

(in millions of Russian rubles, unless otherwise stated)

a) Information about reportable segments

As at 31 December 2018 and for the year ended 31 December 2018:

	IDGC of Siberia and Tomskaya DC	**Tyumen-energo**	**IDGC of Urals**	**IDGC of Volga**	**IDGC of South**	**Kuban-energo**	**IDGC of Northern Caucasus**	**IDGC of Centre and Volga**	**IDGC of North-West**	**Len-energo**	**Yantar -energo**	**IDGC of Centre**	**MOESK**	**FGC**	**Other**	**Total**
Revenue from external customers	62,209	58,496	82,116	63,486	35,887	46,397	11,758	93,750	57,564	76,156	3,205	93,640	156,395	94,632	92,064	1,027,755
Inter-segment revenue	92	111	7,509	106	507	4	5,282	126	3,559	293	4,947	234	99	145,662	49,726	218,257
Segment revenue	**62,301**	**58,607**	**89,625**	**63,592**	**36,394**	**46,401**	**17,040**	**93,876**	**61,123**	**76,449**	**8,152**	**93,874**	**156,494**	**240,294**	**141,790**	**1,246,012**
Including																
Electricity transmission	57,986	56,149	67,897	62,592	34,928	45,583	14,010	88,853	40,427	68,807	5,165	90,015	145,380	213,620	11,209	1,002,621
Technological connection services	1,018	2,110	744	721	380	602	41	926	2,423	7,066	2,838	1,864	9,023	24,300	1,366	55,422
Resale of electricity	2,958	–	20,538	–	847	–	1,951	3,316	17,541	–	21	530	–	–	81,176	128,878
Other revenue	339	348	446	279	239	216	1,038	781	732	576	128	1,465	2,091	2,374	48,039	59,091
Finance income	116	92	544	346	48	91	321	133	57	332	50	68	229	10,562	487	13,476
Finance costs	(2,016)	(204)	(887)	(129)	(2,508)	(1,911)	(964)	(1,513)	(1,105)	(1,065)	(270)	(3,196)	(5,294)	(3,978)	(984)	(26,024)
Depreciation and amortisation	5,550	8,709	5,303	5,341	2,673	3,978	2,081	7,330	4,611	11,778	832	11,103	23,774	78,649	6,073	177,785
EBITDA	**9,184**	**7,375**	**7,315**	**11,353**	**6,670**	**7,169**	**834**	**21,834**	**6,782**	**26,251**	**3,572**	**16,508**	**38,052**	**156,035**	**(8,822)**	**310,382**
Segment assets	**84,109**	**156,584**	**71,940**	**63,767**	**45,122**	**75,909**	**38,059**	**114,703**	**56,417**	**214,720**	**26,800**	**122,536**	**347,573**	**1,487,063**	**141,454**	**3,046,756**
Including property, plant and equipment and construction in progress	62,897	148,825	53,972	51,517	28,180	62,535	22,402	82,217	45,020	175,177	23,053	101,461	311,632	1,201,105	75,210	2,445,203
Capital expenditure	13,886	11,468	8,329	7,752	2,205	6,950	1,865	13,735	7,576	20,982	5,272	12,716	31,257	107,210	7,025	258,228
Segment liabilities	**50,593**	**27,844**	**32,022**	**13,969**	**38,163**	**40,670**	**16,515**	**47,748**	**30,714**	**75,018**	**8,236**	**64,105**	**156,081**	**396,669**	**148,766**	**1,147,113**

(in millions of Russian rubles, unless otherwise stated)

As at 31 December 2017 and for the year ended 31 December 2017:

	IDGC of Siberia and Tomskaya DC	**Tyumen-energo**	**IDGC of Urals**	**IDGC of Volga**	**IDGC of South**	**Kuban-energo**	**IDGC of Northern Caucasus**	**IDGC of Centre and Volga**	**IDGC of North-West**	**Len-energo**	**Yantar -energo**	**IDGC of Centre**	**MOESK**	**FGC**	**Other**	**Total**
Revenue from external customers	58,104	57,880	64,147	59,106	34,686	42,249	11,362	90,769	41,154	74,269	3,003	90,961	147,297	76,641	102,038	953,666
Inter-segment revenue	143	13	6 943	33	459	4	4,773	75	3,154	413	4,702	99	75	139,358	60,315	220,559
Segment revenue	**58,247**	**57,893**	**71,090**	**59,139**	**35,145**	**42,253**	**16,135**	**90,844**	**44,308**	**74,682**	**7,705**	**91,060**	**147,372**	**215,999**	**162,353**	**1,174,225**
Including																
Electricity transmission	57,169	56,665	69,873	58,395	33,439	41,486	13,559	83,680	42,710	60,600	4,930	87,623	138,350	192,560	10,781	951,820
Technological connection services	520	1,006	874	519	415	648	99	733	810	13,377	2,618	1,591	7,184	21,412	2,733	54,539
Resale of electricity	–	–	–	–	860	–	1,668	6,011	–	–	–	548	–	–	66,772	75,859
Other revenue	558	222	343	225	431	119	809	420	788	705	157	1,298	1,838	2,027	82,067	92,007
Finance income	129	338	357	190	61	48	104	226	45	548	111	388	117	10,526	645	13,833
Finance costs	(1,997)	(234)	(859)	(495)	(3,070)	(1,907)	(986)	(2,169)	(1,408)	(1,383)	(422)	(4,046)	(5,389)	(3,941)	(1,271)	(29,577)
Depreciation and amortisation	5,077	8,163	4,923	5,276	2,582	3,783	2,198	6,976	4,429	10,603	468	10,699	24,274	81,957	5,819	177,227
EBITDA	**8,597**	**9,388**	**11,495**	**12,025**	**6,287**	**6,858**	**393**	**23,410**	**3,004**	**28,703**	**3,592**	**19,323**	**32,254**	**146,492**	**(2,869)**	**308,952**
Segment assets	**78,479**	**147,816**	**66,359**	**63,291**	**44,461**	**71,857**	**34,548**	**101,518**	**53,951**	**205,678**	**24,109**	**119,666**	**343,040**	**1,425,040**	**148,080**	**2,927,893**
Including property, plant and equipment and construction in progress	55,096	141,268	51,736	49,735	28,697	59,659	22,579	75,889	42,342	168,639	18,863	99,672	304,656	1,158,091	73,680	2,350,602
Capital expenditure	8,829	10,596	6,571	4,101	2,768	7,562	1,320	9,580	6,578	28,710	9,949	11,866	31,479	109,630	7,372	256,911
Segment liabilities	**45,461**	**22,313**	**25,354**	**14,936**	**38,245**	**36,448**	**18,800**	**39,377**	**28,848**	**73,941**	**9,680**	**61,769**	**154,049**	**387,469**	**141,579**	**1,098,269**

(in millions of Russian rubles, unless otherwise stated)

b) Reconciliation of key indicators of reportable segment revenues, EBITDA, assets and liabilities

The reconciliation of key segment items measured as reported to the Management Board of the Group with similar items in these consolidated financial statements is presented below.

The reconciliation of segment revenue is presented below:

	Year ended 31 December 2018	**Year ended 31 December 2017**
Segment revenues	**1,246,012**	**1,174,225**
Intersegment revenue elimination	(218,257)	(220,559)
Reclassification from other income	585	1,748
Other adjustments	(6,750)	(7,080)
Unallocated revenues	12	10
Revenues per consolidated statement of profit or loss and other comprehensive income	**1,021,602**	**948,344**

Reconciliation of reportable segment EBITDA:

	Year ended 31 December 2018	**Year ended 31 December 2017 (restated)**
EBITDA of reportable segments	**310,382**	**308,952**
Adjustment of allowance for expected credit losses and impairment allowance of advances given	7,745	399
Provisions	684	1,614
Adjustments for financial lease	293	439
Adjustment for disposal of property, plant and equipment	(91)	950
Discounting of financial instruments	1,824	1,139
Impairment of property, plant and equipment	(8,475)	(23,260)
Adjustment on assets related to employee benefits	(494)	2
Adjustment for write-off of the other current and non-current assets	370	(369)
Recognition of retirement and other long-term employee benefit obligation	6,741	(509)
Adjustment of impairment of intercompany promissory notes	–	(1,818)
Re-measurement of financial assets measured at fair value through other comprehensive income (transfer of re -measurement to equity)	(5,075)	7,508
Other adjustments	(5,522)	469
Unallocated items	(2,130)	(2,703)
	306,252	**292,813**
Depreciation and amortization	(116,124)	(107,300)
Interest expenses on financial liabilities	(23,747)	(26,690)
Interest expenses on finance lease liabilities	(250)	(140)
Income tax expense	(41,453)	(37,524)
Profit for the year per consolidated statement of profit or loss and other comprehensive income	**124,678**	**121,159**

(in millions of Russian rubles, unless otherwise stated)

The reconciliation of reportable segment total assets is presented below:

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Total segment assets	**3,046,756**	**2,927,893**
Intersegment balances	(134,013)	(142,595)
Intersegment finansial assets	(50,852)	(51,496)
Adjustment for net book value of property, plant and equipment	(102,074)	(107,346)
Impairment of property, plant and equipment	(359,547)	(367,909)
Recognition of assets related to employee benefits	6,216	6,709
Investments accounted for using the equity method	669	153
Adjustment of allowance for expected credit losses and impairment allowance of advances given	39,520	33,299
Adjustment for inventories valuation	(47)	(103)
Deferred tax assets adjustment	(10,343)	(14,277)
Advances given	(1)	(2,095)
Other adjustments	(8,708)	(17,404)
Unallocated items	91,056	81,607
Total assets per consolidated statement of financial position	**2,518,632**	**2,346,436**

The reconciliation of reportable segment total liabilities is presented below:

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Total segment liabilities	**1,147,113**	**1,098,269**
Intersegment balances	(130,659)	(140,279)
Deferred tax adjustment	(38,389)	(38,565)
Accrual of retirement and other long-term employee benefit obligation	23,592	32,715
Finance lease liabilities	780	963
Accrued salaries and wages to employees	139	122
Other provisions and accruals	232	1,355
Other adjustments	(11,709)	(11,070)
Unallocated items	32,571	33,133
Total liabilities per consolidated statement of financial position	**1,023,670**	**976,643**

c) Major customer:

In 2018, the Inter RAO Group (consisting primarily of electricity sales companies within the Inter RAO Group) was a major customer of the Group. Total revenues from companies of Inter RAO Group amounted to RUB 241,350 million for the year ended 31 December 2018 (RUB 216,190 million for the year ended 31 December 2017).

(in millions of Russian rubles, unless otherwise stated)

8. Revenue

	Year ended 31 December	
	2018	**2017**
Electricity transmission	826,241	784,216
Sales of electricity and capacity	119,915	75,740
Technological connection services	52,563	52,379
Other revenue	22,883	36,009
	1,021,602	**948,344**

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

9. Other income, net

	Year ended 31 December	
	2018	**2017 (restated)**
Income in the form of fines and penalties on commercial contracts	14,994	16,475
Income from identified non-contracted electricity consumption	3,083	2,834
Income from compensation of losses in connection with retirement / liquidation of electric grid assets	3,133	2,660
Profit / (loss) from dericognition of subsidiaries	690	(80)
Net other income/(expenses)	1,455	(212)
	23,355	**21,677**

As at 30 June 2018 the Group derecognised investments in OJSC Ingushenergo as a subsidiary due to loss of control (recognition of the company as a bankrupt, the appointment of a liquidator and OJSC Ingushenergo's bankruptcy proceedings); gain on derecognition of OJSC Ingushenergo amounted to RUB 690 million.

For the year ended 31 December 2017 the loss from derecognition of the subsidiary includes the net loss from the regain and loss of control over OJSC Nurenergo in the amount of RUB 68 million.

Net other income/expense includes profit/loss on insurance reimbursement, on disposal of fixed assets and other items.

(in millions of Russian rubles, unless otherwise stated)

10. Operating expenses

	Year ended 31 December 2018	**Year ended 31 December 2017 (restated)**
Personnel costs	187,386	181,530
Depreciation and amortization	116,124	107,300
Impairment of property, plant and equipment	7,688	21,244
Material expenses, including:		
Electricity for compensation of losses	148,070	128,217
Electricity for sale	67,069	42,216
Purchased electricity and heat power for own needs	4,344	4,268
Other material costs	39,679	39,346
Production work and services, including:		
Electricity transmission services	153,261	143,859
Repair and maintenance services	14,420	13,447
Other works and industrial services	13,369	19,543
Taxes and levies other than income tax	31,762	24,832
Rent	7,163	6,266
Insurance	2,325	2,350
Other third-party services, including:		
Communication services	2,485	2,811
Security services	4,891	4,611
Consulting, legal and audit services	3,282	3,170
Software costs and servicing	2,548	2,434
Transportation services	2,877	2,635
Other services	9,088	8,794
Allowance for expected credit losses	25,820	16,159
Provisions	4,952	5,067
Other expenses	20,660	17,526
	869,263	**797,625**

(in millions of Russian rubles, unless otherwise stated)

11. Personnel costs

	Year ended 31 December	
	2018	**2017**
Wages and salaries	145,381	135,142
Social security contributions	41,441	38,452
(Ggains)/expenses related to defined benefit plan	(5,750)	1,677
Expenses related to other long-term employee benefits	13	301
Other	6,301	5,958
	187,386	**181,530**

The amount of contributions to the defined contribution plan was RUB 29,548 million for the year ended 31 December 2018 (for the year ended 31 December 2017: RUB 27,826 million).

The amounts of remuneration to the key management personnel are disclosed in Note 32.

12. Finance income and costs

	Year ended 31 December	
	2018	**2017**
Finance income		
Interest income on loans, bank deposits and accounts, and promissory notes	7,462	7,975
Interest income on assets related to employee benefits plans	20	444
Dividends	2,254	2,507
Depreciation of discount of financial assets	6,837	4,577
Other finance income	1,044	816
	17,617	**16,319**

	Year ended 31 December	
	2018	**2017**
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	23,747	26,690
Interest expenses on finance lease liabilities	250	140
Interest expenses on long-term defined benefit liabilities	2,093	2,031
Other finance costs	1,427	1,173
	27,517	**30,034**

(in millions of Russian rubles, unless otherwise stated)

13. Income tax

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Current income tax		
Accrual of current tax	(27,553)	(29,688)
Adjustment for previous periods tax	153	854
	(27,400)	**(28,834)**
Deferred income tax		
Accrual and reversal of temporary differences	(13,225)	(8,989)
Change in tax base of property, plant and equipment	(828)	299
	(14,053)	**(8,690)**
	(41,453)	**(37,524)**

In 2018 and 2017, some Group companies recalculated income tax for prior periods related to the deductibility for tax purposes of certain operating expenses. As a result, adjusted tax declarations were submitted to the tax authorities and income tax overprovided in prior periods was recognized.

Income tax recognized in other comprehensive income

	Year ended 31 December 2018			Year ended 31 December 2017		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Available-for-sale financial assets	–	–	–	(8,650)	1,728	(6,922)
Financial assets measured at fair value through other comprehensive income	1,667	6,742	8,409	–	–	–
Foreign currency translation differences	178	–	178	(51)	–	(51)
Remeasurements of the defined benefit liability	2,381	(582)	1,799	(3,780)	610	(3,170)
	4,226	**6 160**	**10,386**	**(12,481)**	**2,338**	**(10,143)**

The income tax rate applicable to the Group's entities for the year ended 31 December 2018 is 20 % (for the year ended 31 December 2017: 20 %).

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

	Year ended 31 December 2018	%	Year ended 31 December 2017 (restated)	%
Profit before income tax	**166,131**		**158.683**	
Income tax at the applicable tax rate	**(33,226)**	**(20)**	**(31,737)**	**(20)**
Effect of income taxed at lower rates	14	–	1,363	1
Tax effect on not taxable or non-deductible for tax purposes items	(5,380)	(3)	(7,601)	(5)
Change in tax base of property, plant and equipment	(828)	(1)	299	–
Adjustments for prior years	153	–	854	–
Change in unrecognized deferred tax assets	(2,186)	(1)	(702)	–
	(41,453)	**(25)**	**(37,524)**	**(24)**

(in millions of Russian rubles, unless otherwise stated)

14. Property, plant and equipment

	Land plots and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
Cost/Deemed cost						
At 1 January 2017 (restated)	**253,660**	**1,204,433**	**979,019**	**286,286**	**348,160**	**3,071,558**
Reclassification between groups	(5,211)	(1,594)	7,082	(277)	–	–
Additions	957	15,526	5,239	8,003	227,389	257,114
Transfers	15,360	55,476	82,930	18,494	(172,260)	–
Disposals	(231)	(1,009)	(2,421)	(2,162)	(6,411)	(12,234)
At 31 December 2017 (restated)	**264,535**	**1,272,832**	**1,071,849**	**310,344**	**396,878**	**3,316,438**
Accumulated depreciation and impairment						
At 1 January 2017 (restated)	**(75,850)**	**(538,280)**	**(457,506)**	**(176,308)**	**(70,260)**	**(1,318,204)**
Reclassification between groups	2,565	(455)	(8,664)	(288)	6,842	–
Depreciation charge	(8,615)	(38,173)	(36,644)	(20,791)	–	(104,223)
Disposals	44	616	1,512	2,003	138	4,313
Impairment	(2,208)	(6,365)	(7,176)	(1,189)	(4,308)	(21,246)
At 31 December 2017 (restated)	**(84,064)**	**(582,657)**	**(508,478)**	**(196,573)**	**(67,588)**	**(1,439,360)**
Net book value						
At 1 January 2017 (restated)	**177,810**	**666,153**	**521,513**	**109,978**	**277,900**	**1,753,354**
At 31 December 2017 (restated)	**180,471**	**690,175**	**563,371**	**113,771**	**329,290**	**1,877,078**

(in millions of Russian rubles, unless otherwise stated)

	Land plots and buildings	**Electricity transmission networks**	**Equipment for electricity transmission**	**Other**	**Construction in progress**	**Total**
Cost/Deemed cost						
At 1 January 2018 (restated)	**264,535**	**1,272,832**	**1,071,849**	**310,344**	**396,878**	**3,316,438**
Reclassification between groups	(353)	(24)	354	23	–	–
Additions	625	2,473	1,905	8,202	238,743	251,948
Transfers	13,548	111,818	112,754	28,972	(267,092)	–
Reclassification to assets held for sale	(130)	(14,859)	(14,388)	(1,892)	–	(31,269)
Disposals	(510)	(1,421)	(1,354)	(1,882)	(7,259)	(12,426)
At 31 December 2018	**277,715**	**1,370,819**	**1,171,120**	**343,767**	**361,270**	**3,524,691**
Accumulated depreciation and impairment						
At 1 January 2018 (restated)	**(84,064)**	**(582,657)**	**(508,478)**	**(196,573)**	**(67,588)**	**(1,439,360)**
Reclassification between groups	45	(2,833)	(6,363)	(381)	9,532	–
Depreciation charge	(9,257)	(40,768)	(40,878)	(22,115)	–	(113,018)
Reclassification to assets held for sale	35	6,047	7,684	1,422	–	15,188
Disposals	124	591	983	1,982	381	4,061
Impairment	(767)	(3,408)	(2,015)	(816)	(682)	(7,688)
At 31 December 2018	**(93,884)**	**(623,028)**	**(549,067)**	**(216,481)**	**(58,357)**	**(1,540,817)**
Net book value						
At 1 January 2018 (restated)	**180,471**	**690,175**	**563,371**	**113,771**	**329,290**	**1,877,078**
At 31 December 2018	**183,831**	**747,791**	**622,053**	**127,286**	**302,913**	**1,983,874**

As at 31 December 2018, construction in progress includes advance payments for purchase of property, plant and equipment of RUB 23,187 million (31 December 2017: RUB 26,306 million) and materials for the fixed assets construction of RUB 10,155 million (31 December 2017: RUB 7,096 million).

Capitalized borrowing costs for the year ended 31 December 2018 amounted to RUB 15,385 million (for the year ended 31 December 2017: RUB 17,822 million), with capitalization rates of 5.33 – 10.73% (for the year ended 31 December 2017: 5.85 – 11.64%).

The depreciation charge for the year ended 31 December 2018 in the amount of RUB 91 million (for the year ended 31 December 2017: RUB 82 million) has been capitalized to the cost of the capital construction objects.

As at 31 December 2018 and 31 December 2017 there are no fixed assets pledged as collateral for loans and borrowings.

Leased property, plant and equipment

The property, plant and equipment line includes leased fixed assets with the net book value of RUB 2,302 million as at 31 December 2018 (31 December 2017: RUB 1,290 million).

Impairment of property, plant and equipment

The Group performed an impairment test of the property, plant and equipment as at 31 December 2018 for the cash generating units (CGU) and recognized an impairment loss on property, plant and equipment in the amount of RUB 12,242 million (as at 31 December 2017: RUB 29,683 million), thus loss recognised as at 31 December 2018 and partially amortised was reversed in the amount of RUB 4,554 million (as at 31 December 2017: RUB 8,439 million).

Recoverable amount for all CGU’s, as value in use, was calculated using the discounting rate, determined as the weighted average cost of capital (WACC) within the range of 9.48% - 10.00% (2017: 9.08% - 10.25%).

(in millions of Russian rubles, unless otherwise stated)

15. Intangible assets

	Software	**Licenses, certificates and patents**	**Other**	**Total**
Cost				
At 1 January 2017	**21,564**	**143**	**11,132**	**32,839**
Reclassification between groups	33	40	(73)	–
Additions	2,472	638	962	4,072
Disposals	(896)	(101)	(1,289)	(2,286)
At 31 December 2017	**23,173**	**720**	**10,732**	**34,625**
Accumulated amortization and impairment				
At 1 January 2017	**(12,225)**	**(102)**	**(3,708)**	**(16,035)**
Reclassification between groups	12	(8)	(4)	–
Amortization charge	(2,433)	(71)	(660)	(3,164)
Disposals	799	41	492	1,332
At 31 December 2017	**(13,847)**	**(140)**	**(3,880)**	**(17,867)**
Net book value				
At 1 January 2017	**9,339**	**41**	**7,424**	**16,804**
At 31 December 2017	**9,326**	**580**	**6,852**	**16,758**
Cost				
At 1 January 2018	**23,173**	**720**	**10,732**	**34,625**
Reclassification between groups	166	(2)	(164)	–
Additions	4,730	259	1,180	6,169
Disposals	(2,628)	(74)	(656)	(3,358)
At 31 December 2018	**25,441**	**903**	**11,092**	**37,436**
Accumulated amortization and impairment				
At 1 January 2018	**(13,847)**	**(140)**	**(3,880)**	**(17,867)**
Amortization charge	(2,453)	(76)	(675)	(3,204)
Disposals	2,624	74	82	2,780
At 31 December 2018	**(13,676)**	**(142)**	**(4,473)**	**(18,291)**
Net book value				
At 1 January 2018	**9,326**	**580**	**6,852**	**16,758**
At 31 December 2018	**11,765**	**761**	**6,619**	**19,145**

Capitalized borrowing costs for the year ended 31 December 2018 amounted to RUB 59 million (for the year ended 31 December 2017: RUB 34 million), with capitalization rates of 7.68 – 8.28% (for the year ended 31 December 2017: 8.38 – 9.98%).

(in millions of Russian rubles, unless otherwise stated)

16. Financial investments

	30 December 2018	31 December 2017
Non-current		
Financial assets measured at amortised cost	3,209	–
Financial assets measured at fair value through other comprehensive income	37,922	–
Financial assets measured at fair value through profit or loss	431	–
Available-for-sale financial assets	–	67,024
Financial assets held-to-maturity	–	2,890
	41,562	**69,914**
Current		
Financial assets measured at amortised cost	47,192	–
Financial assets held-to-maturity	–	149
	47,192	**149**

Financial assets measured at fair value through other comprehensive income at 31 December 2018 are mainly represented by the shares of PJSC “Inter RAO UES” (as at 31 December 2017 - financial assets available-for-sale). Fair value of these shares is based on published market quotations and amounted to RUB 37,572 million and RUB 65,947 million respectively.

On 29 June 2018 the Group has concluded sales agreements to sell 10,440,000 thousand shares or 10% out of its 18.57% financial investment in PJSC “Inter RAO UES” to JSC “Inter RAO Capital” (6,608,643 thousand shares or 6.33%), “DVB Leasing” LLC (3,132,000 thousand shares or 3%) and “Praktika” LLC (699,357 thousand shares or 0.67%) for the price of RUB 3.3463 per share. As at 31 December 2018 6,608,643 thousand shares and 3,132,000 thousand shares of PJSC “Inter RAO UES” were transferred to JSC “Inter RAO Capital” and “DVB Leasing” LLC respectively.

During the year ended 31 December 2018 the Group has reclassified 6,608,643 and 3,132,000 thousand shares of PJSC “Inter RAO UES” sold to JSC “Inter RAO Capital” and “DVB Leasing” LLC respectively from Level 1 to Level 3 fair value hierarchy. The fair value of shares sold as single lot has been determined based on independent appraiser report by applying income approach with due account for volume discount and payment by installments in 2019.

During the year ended 31 December 2018 the Group has recognized revaluation loss for financial investments amounted to RUB 2,957 million relating to the part of financial investment in PJSC “Inter RAO UES” shares sold to to JSC “Inter RAO Capital” and “DVB Leasing” LLC on 29 June 2018 and on 31 July 2018 respectively. Accumulated revaluation reserve, net of tax, relating to shares disposed and amounted to RUB 23,247 million has been reclassified from reserves to retained earnings.

(in millions of Russian rubles, unless otherwise stated)

Financial assets measured at amortised cost at 31 December 2018 and financial assets held to maturity at 31 December 2017 are mainly represented by bank deposits with an original maturity of more than three months.

	Interest rate	**Rating**	**Rating agency**	**31 December 2018**	**31 December 2017**
VTB Bank (PJSC)*	7.40-8.30	BBB-	Standard & Poor's	22,231	–
PJSC Sberbank*	8.40	BBB-	Fitch Ratings	14,595	3
Bank GPB (JSC)*	7.22-8.37	BB+	Standard & Poor's	7,443	35
OJSC Bank Tavrichesky	0.51	–	–	2,886	2,664
JSC Russian Agricultural Bank*	6.55-8.35	BB+	Fitch Ratings	1,722	–
JSC Alfa-Bank	7.50-8.15	BB+	Standard & Poor's	1,196	–
JSC AB ROSSIYA	–	A+(RU)	ACRA	–	96
				50,073	**2,798**

*Government-related

(in millions of Russian rubles, unless otherwise stated)

17. Deferred tax assets and liabilities

a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		**Liabilities**		**Net**	
	31 December 2018	**31 December 2017 (restated)**	**31 December 2018**	**31 December 2017 (restated)**	**31 December 2018**	**31 December 2017 (restated)**
Property, plant and equipment	6,489	3,456	(92,249)	(77,261)	(85,760)	(73,805)
Intangible assets	389	516	(282)	(262)	107	254
Available-for-sale investments	–	3,478	–	(8,019)	–	(4,541)
Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost	4,514	–	(2,247)	–	2,267	–
Financial assets measured at fair value through profit or loss	35	–	–	–	35	–
Inventories	218	247	(172)	(98)	46	149
Trade and other receivables and prepayments	19,064	14,519	(989)	(930)	18,075	13,589
Finance lease liabilities	149	185	(3)	–	146	185
Loans and borrowings	–	–	(229)	(229)	(229)	(229)
Provisions	5,457	5,024	(1)	(2)	5,456	5,022
Employee benefit liabilities	1,968	3,415	(126)	(54)	1,842	3,361
Trade and other payables	2,317	2,338	(173)	(59)	2,144	2,279
Tax loss carry-forwards	4,919	4,395	–	–	4,919	4,395
Asset held for sale	–	–	(4,293)	–	(4,293)	–
Other	1,394	773	(1,152)	(728)	242	45
Tax assets/(liabilities)	**46,913**	**38,346**	**(101,916)**	**(87,642)**	**(55,003)**	**(49,296)**
Set-off of tax	(25,276)	(21,799)	25,276	21,799	–	–
Unrecognized deferred tax assets	(11,547)	(9,361)	–	–	(11,547)	(9,361)
Net tax assets/(liabilities)	**10,090**	**7,186**	**(76,640)**	**(65,843)**	**(66,550)**	**(58,657)**

(in millions of Russian rubles, unless otherwise stated)

b) Unrecognized deferred tax liabilities

At 31 December 2018, a deferred tax liability for temporary differences of RUB 225,034 million (31 December 2017: RUB 189,155 million) related to an investment in subsidiaries was not recognized as the Group is able to control the timing of the reversal of this temporary difference and the implementation of this temporary difference in the foreseeable future is not expected.

c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to tax losses and temporary differences as it is not probable that future taxable profit will be available, against which the loss-making Group's companies can utilize the relevant temporary differences and tax losses.

Deferred tax assets have not been recognized with respect to the following:

	31 December 2018	31 December 2017 (restated)
Deductible temporary differences	37,286	28,291
Tax losses	20,449	18,513
Total	**57,735**	**46,804**
Unrecognized deferred tax assets at the applicable tax rate	**11,547**	**9,361**

d) Movement in temporary differences during the year

	1 January 2018 (restated)	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2018
Property, plant and equipment	(73,805)	(11,955)	–	(85,760)
Intangible assets	254	(147)	–	107
Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost	(4,541)	66	6,742	2,267
Financial assets measured at fair value through profit or loss	–	35	–	35
Inventories	149	(103)	–	46
Trade and other receivables and prepayments	13,589	4,486	–	18,075
Finance lease liabilities	185	(39)	–	146
Loans and borrowings	(229)	–	–	(229)
Provisions	5,022	434	–	5,456
Employee benefit liabilities	3,361	(937)	(582)	1,842
Trade and other payables	2,279	(135)	–	2,144
Tax loss carry-forwards	4,395	524	–	4,919
Asset held for sale	–	(4,293)	–	(4,293)
Other	45	197	–	242
Unrecognized deferred tax assets	(9,361)	(2,186)	–	(11,547)
	(58,657)	**(14,053)**	**6,160**	**(66,550)**

(in millions of Russian rubles, unless otherwise stated)

	1 January 2017 (restated)	Additions on acquisition of subsidiaries	Recognized in profit or loss	Recognized in other comprehensive income	Disposal of subsidiaries and other movement	31 December 2017 (restated)
Property, plant and equipment	(61,069)	–	(12,736)	–	–	(73,805)
Intangible assets	210	–	44	–	–	254
Available-for-sale investments	(6,850)	–	581	1,728	–	(4,541)
Inventories	353	–	(204)	–	–	149
Trade and other receivables and prepayments	9,775	–	3,814	–	–	13,589
Finance lease liabilities	216	–	(31)	–	–	185
Loans and borrowings	(194)	–	(35)	–	–	(229)
Provisions	4,549	–	473	–	–	5,022
Employee benefit liabilities	2,855	–	(104)	610	–	3,361
Trade and other payables	2,666	–	(387)	–	–	2,279
Tax loss carry-forwards	3,395	5	993	–	2	4,395
Other	396	–	(396)	–	45	45
Unrecognized deferred tax assets	(8,659)	–	(702)	–	–	(9,361)
	(52,357)	**5**	**(8,690)**	**2,338**	**47**	**(58,657)**

18. Inventories

	31 December 2018	31 December 2017
Raw materials and supplies	20,082	18,380
Allowance for impairment of raw materials and supplies	(439)	(215)
Other inventories	17,783	16,906
Allowance for impairment of other inventories	(317)	(21)
	37,109	**35,050**

As at 31 December 2018 and 31 December 2017, the Group has no pledged inventories in accordance with loan or other agreements as collateral.

(in millions of Russian rubles, unless otherwise stated)

19. Trade and other receivables

	31 December 2018	31 December 2017 (restated)
Non-current trade and other accounts receivable		
Trade receivables	76,825	69,415
Allowance for expected credit losses on trade receivables	(409)	(742)
Other receivables	1,773	609
Allowance for expected credit losses on other receivables	(240)	–
Loans given	119	144
Total financial assets	**78,068**	**69,426**
Advances given	7,299	7,309
Advances given impairment allowance	(6,922)	(6,635)
VAT on advances from customers	4,076	4,383
	82,521	**74,483**
Current trade and other accounts receivable		
Trade receivables	219,200	200,448
Allowance for expected credit losses on trade receivables	(100,307)	(85,608)
Other receivables	62,810	29,630
Allowance for expected credit losses on other receivables	(20,368)	(14,739)
Loans given	284	339
Allowance for expected credit loss on current loans given	(154)	(180)
Total financial assets	**161,465**	**129,890**
Advances given	13,375	17,113
Advances given impairment allowance	(7,430)	(8,858)
VAT recoverable	3,464	2,339
VAT on advances from customers and VAT on advances given for purchase of property, plant and equipment	8,725	10,035
Prepaid taxes, other than income tax	1,020	1,125
	180,619	**151,644**

Long-term trade receivables mainly relate to the contracts of technological connection that imply deffered inflow of cash for the provided services (as at 31 Decemeber 2018: RUB 67,994 million, as at 31 December 2017: RUB 56,577 million) and to restructured receivable balances for electricity transmission services.

As at 31 December 2018 other receivables includes RUB 28,389 million due from JSC “Inter RAO Capital” and “DVB Leasing” LLC under the share sales agreement.

(in millions of Russian rubles, unless otherwise stated)

20. Cash and cash equivalents

	31 December 2018	31 December 2017
Cash at banks and in hand	53,063	44,234
Cash equivalents	30.993	57,820
	84,056	**102,054**

	Rating	Rating agency	31 December 2018	31 December 2017
Bank GPB (JSC)*	BB+	Standard & Poor’s	13,915	11 425
JSC AB ROSSIYA	A+(RU)	ACRA	12,578	5 322
VTB Bank (PJSC)*	BBB-	Standard & Poor’s	10,571	1,183
PJSC Sberbank*	BBB-	Fitch Ratings	7,545	16,945
UFK*	–	–	4,234	4,464
PJSC RNCB*	A(RU)	ACRA	2,234	3,354
VBRR	Ba2	Moody’s	896	–
JSC «Alfa-Bank»	BB+	Standard & Poor’s	840	815
Other banks	–	–	210	670
Cash in hand			40	56
			53,063	**44,234**

*Government-related

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

	Interest rate	Rating	Rating agency	31 December 2018	31 December 2017
VTB Bank (PJSC)*	6.00-8.30	BBB-	Standard & Poor’s	12,837	11,712
PJSC Sberbank*	4.50-7.90	BBB-	Fitch Ratings	7,193	8,759
Bank GPB (JSC)*	4.50-8.05	BB+	Standard & Poor’s	6,615	21,263
VBRR	7.35-8.00	Ba2	Moody’s	2,739	–
JSC Russian Agricultural Bank*	6.31-7.45	BB+	Fitch Ratings	617	3,282
JSC AB ROSSIYA	7.35	A+(RU)	ACRA	474	9,228
JSC «Alfa-Bank»	–	BB+	Standard & Poor’s	–	3,302
Other banks	–	–		–	43
				30,475	**57,589**

* Government-related

As at 31 December 2018 and as at 31 December 2017 all cash and cash equivalents balances were RUB nominated.

(in millions of Russian rubles, unless otherwise stated)

21. Equity

a) Share capital

	Ordinary shares		Preference shares	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Par value	RUB 1	RUB 1	RUB 1	RUB 1
On issue at 1 January	198,827,865,141	195,995,579,707	2,075,149,384	2,075,149,384
On issue at the end of the year and fully paid	198,827,865,141	198,827,865,141	2,075,149,384	2,075,149,384

b) Ordinary and preference shares

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

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

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

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

c) Dividends

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

On 29 June 2018 the annual General meeting of shareholders decided not to pay dividends on preference and ordinary shares of PJSC "ROSSETI" on the results of 2017 and to pay dividends on preference and ordinary shares of PJSC "ROSSETI" for the first quarter of 2018 in the amount of RUB 2,468 million (for preference shares in the amount of RUB 0.04287 per one preferrence share and on ordinary shares in the amount of RUB 0.011965 per one ordinary share).

d) Treasury shares

Information regarding treasury shares is presented below:

31 December 2018			**31 December 2017**		
Number of shares, mln.		Cost,	Number of shares, mln.		Cost,
Ordinary	Preference	mln. RUB	Ordinary	Preference	mln. RUB
3	308	109	1,486	308	2,702

Due to completion of the shares repurchase period by the participants of the option program approved by the Company’s Board of Directors on 9 November 2010, the Group has sold 402,185,598 own shares as at 31 December 2018.

On 28 August 2018 the Group concluded sales agreement to sell 1,080,646,965 own shares to “GENNORD PROJECTS LIMITED” company. The transaction price amounted to RUB 900 million. As at 31 December 2018 shares were transferred to the buyer.

e) Changes in shares in subsidiaries

On 5 September 2016, the extraordinary General Meeting of Shareholders of JSC Chechenenergo, a subsidiary of the Group, approved an increase in the authorized capital of JSC Chechenenergo by issuing additional 5,068,551,655 ordinary shares with a par value of 1 RUB each, under closed subscription. The placement price was 1 RUB per share. In 2018, the Group acquired 1,030,515,558 ordinary shares and, taking into account the actually placed shares of the current issue, the Group's share was 71.73%.

On 23 August 2016, at an extraordinary General Meeting of Shareholders of IDGC of Northern Caucasus, PJSC, it was decided to increase the authorized capital by placing additional ordinary registered uncertified shares in the amount of 3,258,695,653 pieces with a par value of 1 ruble each. The placement price was 17.45 rubles per share. In 2018 the Group acquired 462,235,043 shares and, taking into account the actually placed shares of the current issue, the Group's share was 98.71%.

22. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the earnings attributable to ordinary shareholders in the amount of RUB 90,985 million (for the year ended 31 December 2017: RUB 89,828 million), and a weighted average number of ordinary shares outstanding of 198,825 million (for the year ended 31 December 2017: 197,087 million). The Company has no dilutive financial instruments.

In millions of shares	**2018**	**2017**
Issued shares at 1 January	198,828	195,996
Effect of own shares held	(3)	(1,486)
Effect of issued shares	–	2,577
Weighted average number of shares for the period ended 31 December	**198,825**	**197,087**

	Year ended 31 December 2018	**Year ended 31 December 2017 (restated)**
Weighted average number of ordinary shares for the period ended 31 December (in millions of shares)	198,825	197,087
Profit for the period attributable to holders of ordinary shares	90,985	89,828
Earnings per ordinary share (in RUB) – basic and diluted	**0.46**	**0.46**

(in millions of Russian rubles, unless otherwise stated)

23. Loans and borrowings

	31 December 2018	31 December 2017
Non-current liabilities		
Unsecured loans and borrowings	217,421	220,682
Unsecured bonds	327,387	333,193
Finance lease liabilities	1,952	984
Less: current portion of long-term finance lease liabilities	(467)	(400)
Less: current portion of long-term loans and borrowings	(28,442)	(22,269)
Less: current portion of long-term bonds	(36,862)	(25,200)
	480,989	**506,990**
Current liabilities		
Unsecured loans and borrowings	21,138	3,016
Promissory notes	359	359
Current portion of long-term finance lease liabilities	467	400
Current portion of long-term loans and borrowings	28,442	22,269
Current portion of long-term bonds	36,862	25,200
	87,268	**51,244**
Including:		
Interests payable on loans and borrowings	332	233
Interests payable on bonds	4,378	4,849
	4,710	**5,082**

(in millions of Russian rubles, unless otherwise stated)

		Effective interest rate		Carrying value	
	Year of maturity	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Unsecured loans and borrowings					
Unsecured bank loans*	2018-2021	7.15-9.80%	7.70-12.00%	131,489	97,847
Unsecured bank loans*	2018-2021	7.50-11.00%	8.20-11.70%	47,290	52,452
Unsecured bank loans*	2019-2021	7.20-9.80%	7.65-10.65%	28,283	55,742
Unsecured bank loans*	2019-2021	7.75-10.00%	8.18-10.00%	10,973	7,503
Unsecured bank loans	2019-2021	7.75-11.25%	8.62-11.75%	6,946	3,568
Unsecured bank loans	2021-2021	8.11-8.11%	–	3,609	–
Unsecured bank loans*	2019-2020	8.27-8.27%	–	3,180	–
Unsecured bank loans	2021-2021	Key rate of CB RF+0.58%	–	3,002	–
Unsecured bank loans	2020-2020	7.49%	–	2,001	–
Unsecured bank loans	2021-2021	8.10%	–	700	–
Unsecured bank loans	2019-2020	10.99-11.00%	11.75%	400	400
Unsecured bank loans	2019-2019	11.00%	11.50%	230	230
Unsecured loans	2019-2026	0.00-3.00%	0.00-3.00%	223	297
Unsecured bank loans	2020-2020	10.00%	–	200	–
Unsecured loans	2019	Key rate of CB RF	–	31	–
Unsecured bank loans	2019	12.5-15.5%	15.50%	2	1
Unsecured bank loans	2018	–	Key rate of CB RF +0.00-0.44%	–	3,103
Unsecured bank loans*	2018	–	Key rate of CB RF +0.80%	–	1,845
Unsecured bank loans*	2018	–	Key rate of CB RF +0.00%	–	501
Unsecured bank loans	2018	–	11.75%	–	200
Unsecured bank loans	2018	–	15.00%	–	9
				238,559	**223,698**

(in millions of Russian rubles, unless otherwise stated)

		Effective interest rate		Carrying value	
	Year of maturity	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Bonds					
Unsecured bonds	2022-2048	(CPI**-100%) +1.00% – (CPI -100%) + 2.50%	(CPI**-100%) +1.00% – (CPI -100%) + 2.50%	110,732	110,756
Unsecured bonds	2019-2022	8.30-10.30%	8.30-10.30%	43,907	43,872
Unsecured bonds	2045-2050	(CPI -100%) + 1.00%	(CPI -100%) + 1.00%	40,294	40,263
Unsecured bonds	2021-2052	7.60-9.35%	7.60-9.35%	36,424	26,259
Unsecured bonds	2019-2028	7.40-9.00%	7.40-9.00%	22,782	43,839
Unsecured bonds	2020	0.10-8.25%	0.10-8.25%	18,204	18,200
Unsecured bonds	2019	8.45%	8.45%	17,943	17,943
Unsecured bonds	2019-2025	11.25%	11.25%	10,117	10,114
Unsecured bonds	2019-2045	10.29%	10.29%	6,046	6,044
Unsecured bonds	2019-2022	8.15%	8.15%	5,192	5,192
Unsecured bonds	2019-2026	9.15%	9.15%	5,157	5,155
Unsecured bonds	2019-2026	9.15%	9.15%	5,157	5,155
Unsecured bonds	2021	6.95%	–	5,071	–
Unsecured bonds	2019-2024	–	–	361	401
				327,387	**333,193**
Financial lease liabilities		10.14-42.31%	9.50-42.31%	**1,952**	**984**
Promissory notes*	on demand	0.00%	0.00%	**359**	**359**
Total debt				**568,257**	**558,234**

* State-controlled entities

** Consumer price index – CPI

As at 31 December 2018 and 31 December 2017, loans and borrowings are denominated in roubles.

The Group has not entered into any hedging arrangements with respect to interest rate exposures. Information about the Group’s exposure to interest rate risk is disclosed in Note 28.

(in millions of Russian rubles, unless otherwise stated)

Financial lease liabilities by repayment term are disclosed below:

	31 December 2018		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	702	235	467
Between one and five years	2,572	1,634	938
More than five years	1,233	686	547
	4,507	**2,555**	**1,952**

	31 December 2017		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	497	97	400
Between one and five years	608	223	385
More than five years	249	50	199
	1,354	**370**	**984**

The financial lease liabilities are secured by leased assets.

(in millions of Russian rubles, unless otherwise stated)

24. Changes in liabilities arising from financing activities

	Principal amount of finance liabilities except finance lease and dividends payable			Interest on finance liabilities except finance lease and dividends payable	Finance lease	Dividends payable	Total
	Total	**Non-current**	**Current**				
At 1 January 2017	**552,155**	**471,125**	**81,030**	**5,585**	**1,146**	**156**	**559,042**
Net cash flows	(70)	70,943	(71,013)	–	(275)	(9,642)	(9,987)
Interests paid (cash flow from operating activities, for reference)	–	–	–	(45,024)	(140)	–	(45,164)
Acquisition - finance lease	–	–	–	–	71	–	71
Discounting, net	62	62	–	–	–	–	62
Interest and dividends payable accruals	–	–	–	26,690	140	9,763	35,593
Interest capitalized	–	–	–	17,856	–	–	17,856
Change in classification	–	(35,745)	35,745	–	–	–	–
Other non-cash movements, net	21	21	–	(25)	42	69	107
At 31 December 2017	**552,168**	**506,406**	**45,762**	**5,082**	**984**	**346**	**558,580**
At 1 January 2018	**552,168**	**506,406**	**45 762**	**5,082**	**984**	**346**	**558 580**
Net cash flows	9,362	37,667	(28,305)	–	(145)	(12,684)	(3,476)
Interests paid (cash flow from operating activities, for reference)	–	–	–	(39,457)	(250)	–	(39,707)
Acquisition - finance lease	–	–	–	–	1,117	–	1,117
Discounting, net	46	2	44	–	–	–	46
Interest and dividends payable accruals	–	–	–	23,747	250	12,903	36,900
Interest capitalized	–	–	–	15,444	–	–	15,444
Change in classification	–	(64,596)	64,596	–	–	–	
Other non-cash movements, net	19	25	(6)	(106)	(4)	59	(32)
At 31 December 2018	**561,595**	**479,504**	**82,091**	**4,710**	**1,952**	**624**	**568,881**

(in millions of Russian rubles, unless otherwise stated)

25. Employee benefits

The Group has a defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of several unfunded plans providing for lump-sum payments upon retirement, financial support for current pensioners, death benefits, and anniversary benefits.

On 3 Ocotber 2018 President of the Russian Federation signed the Federal Law *«About modification of separate legal act of the Russian Federation concerning payment and pensions assignment».* The law becomes effective from 1 January 2019 and stipulates gradual increase of a retirement age.

As at 31 December 2018 the net amount of pension liabilities is recorded taking into account the impact of change in pension legislation.

Amounts of defined benefit obligations recognized in the consolidated statement of financial position are presented below:

	31 December 2018	31 December 2017
Present value of post-employment benefits obligation	21,934	31,181
Present value of other long-term employee benefit obligation	1,658	1,536
Total present value of employee benefit obligation	**23,592**	**32,717**

Change in the value of assets related to employee benefit obligations:

	Year ended 31 December 2018	Year ended 31 December 2017
Value of assets at 1 January	**6,709**	**6,708**
Return on plan assets	20	444
Employer contributions	1,763	2,319
Other movements in the accounts	18	174
Payment of remuneration	(2,294)	(2,936)
Value of assets at 31 December	**6,216**	**6,709**

Assets related to pension plans and defined benefit plans are administrated by non-state pension funds NPF Otkritie, Professionalny and Gazfond - Pensionnie nakoplenia. These assets are not the defined benefit plans' assets, because under the terms of agreements between the Group and the funds the Group has the right to use the contributions paid under defined benefit plans to fund its defined contribution pension plans or transfer to another fund on the Group’s own initiative.

Movements in the present value of defined benefit liabilities:

(in millions of Russian rubles, unless otherwise stated)

	Year ended 31 December 2018		Year ended 31 December 2017	
	Post-employment benefits obligation	**Other long-term employee benefit obligation**	**Post-employment benefits obligation**	**Other long-term employee benefit obligation**
Defined benefit plan obligations as at 1 January	**31,181**	**1,536**	**27,208**	**1,217**
Current service cost	1,130	80	1,463	111
Past service cost	(7,106)	68	126	(23)
Interest expense	1,989	104	2,031	87
Remeasurement arising from:				
– Actuarial gain arising from demographic assumptions	(323)	(13)	(895)	(4)
– Actuarial (gain)/loss arising from financial assumptions	(3,909)	(188)	2,686	135
– Actuarial loss arising from experience adjustment	1,851	214	1,989	170
Contributions to the plan	(2,879)	(143)	(3,427)	(157)
Defined benefit plan obligations as at 31 December	**21,934**	**1,658**	**31,181**	**1,536**

(Expenses)/income recognized in profit or loss for the period:

	Year ended 31 December 2018	**Year ended 31 December 2019**
Employees service cost	(5,750)	1,677
Remeasurement of other long-term employee benefit obligation	13	301
Interest expenses	2,093	2,118
Total (expenses)/income recognized in profit or loss	**(3,644)**	**4,096**

Amounts recognized in other comprehensive income for the period:

	Year ended 31 December 2018	**Year ended 31 December 2017**
Actuarial gain arising from demographic assumptions	(323)	(895)
Actuarial (gain)/loss arising from financial assumptions	(3,909)	2,686
Actuarial loss arising from experience adjustment	1,851	1,989
Total actuarial (gain)/loss recognized in other comprehensive income	**(2,381)**	**3,780**

(in millions of Russian rubles, unless otherwise stated)

Movements in remeasurement of employee benefit obligations in other comprehensive income during the year are as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Remeasurements at 1 January	**14,688**	**10,908**
Movement of remeasurements	(2,381)	3,780
Remeasurements at 31 December	**12,307**	**14,688**

The significant actuarial assumptions are as follows:

	31 December 2018	31 December 2017
Financial assumptions		
Discount rate	8.7%	7.5%
Future salary increase	4.6%	4.5%
Inflation rate	4.1%	4.0%
Demographic assumptions		
Expected age of retirement:		
Men	65	60
Women	60	57
Average level of staff movement	6.4%	6.7%

A sensitivity of total employee benefits obligations to changes in the key actuarial assumptions is as follows:

	Change in the assumption	Impact on obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 6.2%
Future salary growth	Increase/decrease by 0.5%	Increase/decrease by 5.1%
Future growth of benefits (inflation)	Increase/decrease by 0.5%	Increase/decrease by 1.3%
Level of staff movement	Increase/decrease by 10%	Decrease/increase by 2.2%
Mortality level	Increase/decrease by 10%	Decrease/increase by 1.3%

	31 December 2018	31 December 2017
Defined benefit liability	(23,592)	(32,717)
Assets related to the employee benefit plans	6,216	6,709
Total	**(17,376)**	**(26,008)**

Expected payments under the defined long-term employee benefit plans to employees in 2019 are RUB 2,527 million, including:

- RUB 2,379 million under the defined benefit plans, including non-state pension schemes;
- RUB 148 million under the other long-term employee benefit schemes.

(in millions of Russian rubles, unless otherwise stated)

26. Trade and other payables

	31 December 2018	31 December 2017 (restated)
Non-current accounts payable		
Trade payables	15,849	14,651
Other payables	1,976	587
Total financial liabilities	**17,825**	**15,238**
Advances from customers	26,221	24,602
	44,046	**39,840**
Current accounts payable		
Trade payables	158,241	136,357
Other payables and accrued expenses	22,397	16,124
Payables to employees	21,306	19,872
Dividends payable	624	346
Total financial liabilities	**202,568**	**172,699**
Advances from customers	68,832	71,264
	271,400	**243,963**
Taxes payable		
Value-added tax	11,422	9,170
Property tax	7,085	5,304
Social security contributions	3,975	3,476
Other taxes payable	1,242	1,177
	23,724	**19,127**
	295,124	**263,090**

As at 31 December 2018 and 31 December 2017 long-term trade accounts payable mainly relate to contracts for the purchase of property, plant and equipment in instalments.

As at 31 December 2018 and 31 December 2017 advances from customers mainly include advances from technological connection services to electricity gird networks.

The Group’s exposure to liquidity risk related to payables is disclosed in Note 28.

27. Provisions

	2018	2017
Balance at 1 January	**10,561**	**14,305**
Increase for the year	8,847	11,876
Decrease due to reversal of provisions	(3,845)	(6,767)
Provisions used	(4,662)	(8,853)
Balance at 31 December	**10,901**	**10,561**

Provisions relate mainly to legal proceedings and claims against the Group in the day-to-day terms of business.

(in millions of Russian rubles, unless otherwise stated)

28. Financial risk and capital management

The Group's ordinary financial and business activities expose it to a variety of financial risks, including but not limited to the following: market risk (foreign exchange risk, interest rate risks related to changes in the fair value of the interest rate and the cash flow interest rate, and price risk), credit risk, and liquidity risk. Such risks give rise to the fluctuations of profit, reserves and equity and cash flows from one period to another.

The Group's financial management policy aims to minimise or eliminate possible negative consequences of the risks for the financial results of the Group. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group monitors existing debt on a regular basis and takes steps to collect the debt and to mitigate losses.

To manage credit risk, the Group attempts, to the extent possible, to demand prepayments from customers. As a rule, prepayment for connection services is stipulated by a contract and depends on the amount of capacity to be connected.

The Group does not require collateral with respect to receivables.

The Group establishes an allowance for impairment that represents its estimate of anticipated losses with respect to receivables that relate to individually significant exposures.

(ii) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2018	**31 December 2017**
Available-for-sale financial assets	–	67,024
Financial assets measured at fair value through profit or loss	431	–
Financial assets measured at fair value through other comprehensive income	37,922	–
Loans given (less allowance for expected credit losses/allowance for impairment)	578	303
Trade and other receivables (less allowance for expected credit losses/ allowance for impairment)	239,284	199,013
Cash and cash equivalents	84,056	102,054
Bank deposits	50,074	2,798
	412,345	**371,192**

(in millions of Russian rubles, unless otherwise stated)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	31 December 2018	**31 December 2017**
North-West region	12,572	12,735
Central region	117,846	109,716
Ural and Volga region	31,155	26,623
South region	22,684	21,523
Siberian region	10,948	12,856
Other regions	104	60
	195,309	**183,513**

The Group’s ten most significant debtors account for RUB 116,799 million of the trade receivables carrying amount at 31 December 2018 (at 31 December 2017: RUB 100,556 million).

Impairment losses of trade and other receivables

The aging of trade and other receivables is provided below:

	31 December 2018		**31 December 2017**	
	Gross	**Impairment**	**Gross**	**Impairment**
Not past due	202,900	(21,548)	159,525	(5,244)
Past due less than 3 months	21,152	(3,489)	20,452	(4,303)
Past due more than 3 months and less than 6 months	12,139	(5,760)	11,618	(6,123)
Past due more than 6 months and less than 1 year	27,898	(15,050)	19,123	(9,783)
Past due more than 1 year	96,519	(75,477)	89,384	(75,636)
	360,608	**(121,324)**	**300,102**	**(101,089)**

The Group analysed that not impaired past due accounts receivable are recoverable with the high level of probability at the reporting date.

The movement от allowance for expected credit losses of trade and other receivables was as follows:

	2018	**2017**
Balance at 1 January	**(101,089)**	**(89,495)**
Increase for the period	(40,769)	(36,881)
Allowance utilized	5,585	4,565
Decrease due to reversal	14,949	20,722
Balance at 31 December	**(121,324)**	**(101,089)**

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Management of liquidity risk involves maintaining sufficient cash and the availability of financial resources by securing credit lines. The Group adheres to a balanced model of financing working capital by using both short-term and long-term sources. Free funds are invested in the short-term financial instruments such as bank deposits.

The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This approach is used to analyse payment dates associated with financial assets, and also to forecast cash flows from operating activities.

As of 31 December 2018, the amount of free limit on open but unused credit lines of the Group was RUB 589,516 million (31 December 2017: RUB 437,473 million). The Group has opportunity to attract additional financing within the corresponding limits, including for the purpose of execution of the short-term liabilities.

(in millions of Russian rubles, unless otherwise stated)

Information about the contractual maturities of financial liabilities, including estimated interest payments, is provided below:

31 December 2018	**Carrying amount**	**Contractual cash flows**	**0-1 years**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**
Non-derivative financial liabilities								
Loans and borrowings	238,559	273,158	58,615	95,078	115,824	2,488	972	181
Bonds	327,387	577,687	55,773	70,671	35,362	56,197	26,841	332,843
Promissory notes	359	359	359	–	–	–	–	–
Finance lease liabilities	1,952	4,507	702	683	606	724	559	1,233
Trade and other payables	220,393	221,630	206,070	5,678	5,844	1,053	1,227	1,758
	788,650	**1,077,341**	**321,519**	**172,110**	**157,636**	**60,462**	**29,599**	**336,015**

31 December 2017 (restated)	**Carrying amount**	**Contractual cash flows**	**0-1 years**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**
Non-derivative financial liabilities								
Loans and borrowings	223,698	268,644	41,312	103,176	95,595	11,495	16,393	673
Bonds	333,193	583,057	44,327	53,055	66,795	33,477	55,765	329,638
Promissory notes	359	359	359	–	–	–	–	–
Finance lease liabilities	984	1,353	496	178	164	149	117	249
Trade and other payables	187,937	193,098	173,857	4,006	4,862	5,834	919	3,620
	746,171	**1,046,511**	**260,351**	**160,415**	**167,416**	**50,955**	**73,194**	**334,180**

c) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, prices of goods and equity prices that will affect the Group's financial results or the value of its financial instruments owned. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(i) Currency risk

The majority of the Group's revenues and expenditures, monetary assets and liabilities are denominated in RUB, and as such financial results are insignificantly impacted by changes in exchange rates.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (floating rate debt). Management of the Group does not have a formal policy of determining how much of the Group's exposure should be to fixed or floating rates. However, making a decision about new loans and borrowings, the Group management gives priority to loans and borrowings with fixed interest rates.

Fair value sensitivity analysis for financial instruments with fixed interest rate

The Group does not account for any financial assets and liabilities with fixed interest rate at fair value through profit or loss for the period. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for financial instruments with floating interest rate

As at 31 December 2018 the Group's financial liabilities at floating interest rate amounted to RUB 156,600 million (31 December 2017: RUB 156,444 million). A reasonably possible change of 100 basis points in interest rates would have increased (decreased) equity and profit or loss (net of taxes) for 2018 by RUB 1,253 million (2017: RUB 1,252 million). This analysis assumes that all other variables remain constant and interest expenses are not capitalized.

(iii) Price risk

Equity price risk arises from available-for-sale equity securities. The Management of the Group monitors its investment portfolio based on market indices. Significant investments within the portfolio are managed on an individual basis and all buy and sell decisions are taken by the management of the Group. As at 31 December 2018, available-for-sale financial assets exposed to equity price risk amounted to RUB 37,804 million (31 December 2017: RUB 66,415 million). If equity prices had been 10% higher (lower), with all other variables held constant, the other comprehensive income would increase (decrease) by RUB 3,780 million.

(in millions of Russian rubles, unless otherwise stated)

d) Fair values and carrying amounts

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

	Note	31 December 2018		Level of fair value hierarchy		
		Carrying amount	**Fair value**	**1**	**2**	**3**
Other financial assets measured at amortized cost	16	50,401	52,422	–	–	52,422
Financial assets measured at fair value through profit or loss	16	431	431	–	–	431
Financial assets measured at fair value through other comprehensive income	16	37,922	37,922	37,804	–	118
Current and non-current loans and borrowings	23	(568,257)	(563,641)	(103,251)	(319,133)	(141,257)
Total:		**(479,503)**	**(472,866)**	**(65,447)**	**(319,133)**	**(88,286)**

	Note	31 December 2017		Level of fair value hierarchy		
		Carrying amount	**Fair value**	**1**	**2**	**3**
Available-for-sale financial assets	16	67,024	67,024	66,298	–	726
Financial assets held to maturity	16	3,039	6,495	–	–	6,495
Current and non-current loans and borrowings	23	(558,234)	(552,494)	(114,057)	(297,113)	(141,324)
Total:		**(488,171)**	**(478,975)**	**(47,759)**	**(297,113)**	**(134,103)**

The interest rate used to discount the expected future cash flows for long-term and short-term loans borrowings for the purpose of determining the fair value disclosed as at 31 December 2018 was 7.35 – 9.27% (as at 31 December 2017: 7.90 – 9.80%).

During 2018, there were no transfers between the levels of the fair value hierarchy.

(in millions of Russian rubles, unless otherwise stated)

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

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income
At 1 January 2018	**609**	**66,415**
Selling	–	(30,160)
Change in fair value recognized in other comprehensive income	–	1,667
Change in fair value recognized in profit or loss	(178)	–
At 31 December 2018	**431**	**37,922**

e) Capital management

The primary objectives of the Group's capital management policy are to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions and to maintain investor, market and creditor confidence to support its business activities.
The Group monitors equity structure dynamics (own and borrowed capital), including gearing ratio, calculated on the data presented in its statutory financial statements prepared in accordance with the Regulations on Accounting and Reporting of the Russian Federation. According to the Group's credit policy, the Group should ensure that its gearing ratio, being the total debt divided by the total equity, does not exceed 1.

The company and its subsidiaries are required to comply with the statutory requirements for the adequacy of own capital, according to which the value of its net assets, determined in accordance with the Regulations on Accounting and Reporting of the Russian Federation , must exceed the amount of the share capital.

The Group's debt-to-equity ratio was as follows:

	Carrying amount	
	31 December 2018	**31 December 2017 (restated)**
Total liabilities	1,023,670	976,643
Less: cash and cash equivalents	(84,056)	(102,054)
Net debt	**939,614**	**874,589**
Equity	1,494,962	1,369,793
Debt-to-equity ratio	**62.85%**	**63.85%**

29. Capital commitments

As at 31 December 2018, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 256,644 million, including VAT (as at 31 December 2017: RUB 261,598 million including VAT).

30. Contingencies

a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage, including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and the financial position of the Group in case of damage caused to third parties, and also as a result of damage or loss of assets, insurance protection of which is non-existent or not fully implemented.

b) Taxation contingencies

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

Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant regional and federal authorities. Russian tax administration is gradually strengthening. In particular there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties.
Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of decision to perform tax review. Under certain circumstances reviews may cover longer periods.

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

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

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

Depending on the further practice of applying the property tax rules by the tax authorities and courts the classification of moveable and immoveable property set by the Group could be argued. The management of the Group is unable to assess the ultimate outcome and the outflow of financial resources to settle potential tax claims.

As at 31 December 2018 management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency and customs positions will be sustained.

c) Legal proceedings

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

d) Environmental matters

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

(in millions of Russian rubles, unless otherwise stated)

e) Guarantees

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

31. Operating leases

The Group leases a number of land plots owned by local governments under operating leases. Lease agreements were entered into in prior periods and consist of land plots on which power lines, equipment for electricity transmission and other assets are located. The above lease agreements are usually signed for a period of 1 to 49 years and may be extended for a longer period.

Non-cancellable operating lease rentals are payable as follows:

	31 December 2018	31 December 2017 (restated)
Less than one year	4,825	4,391
Between one and five years	12,605	10,696
More than five years	47,115	47,468
	64,545	**62,555**

Operating lease expenses for the year ended 31 December 2018 amounted to RUB 7,163 million were included in operating expenses (for the year ended 31 December 2017: RUB 6,266 million).

32. Related party transactions

a) Control relationships

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

b) Transactions with the key management personnel

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

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

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

	Year ended 31 December 2018	Year ended 31 December 2017
Short-term remuneration to employees	777	765
Post-employment benefits	(20)	10
Total	**757**	**775**

As of 31 December 2018, the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the consolidated statement of financial position includes liabilities related to the key management personnel for RUB 57 million (31 December 2017: RUB 77 million).

c) Transactions with government-related entities

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

Revenues from government-related entities for the year ended 31 December 2018 constitute 36% (for the year ended 31 December 2017: 44%) of total Group revenues, including 38% (for the year ended 31 December 2017: 45%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the year ended 31 December 2018 constitute 34% (for the year ended 31 December 2017: 33%) of total electricity transmission costs.

For the year ended 31 December 2018 interest expenses on government-related banks loans amounted to RUB 13,632 million (for the nine months ended 31 December 20178: RUB 17,839 million).

As at 31 December 2018 cash and cash equivalents held in government-related banks amounted to RUB 65,812 million (as at 31 December 2017: RUB 82,506 million).

As at 31 December 2018 deposits with an original maturity of more than three months placed in government-related banks amounted to RUB 45,991 million (as at 31 December 2017: RUB 38 million).

Loans and borrowings received from state-controlled entities are disclosed in Note 23.

33. Assets held for sale

On 26 December 2018, as a part of UNEG asset consolidation process the Group has concluded the exchange contract with JSC "Far Eastern Energy Management Company" (government-controlled entity). The Group exchanges property, plant and equipment with the carrying value of RUB 16,081 million as at 31 December 2018, accounts receivable with the carrying value of RUB 5,386 million as at 31 December 2018 and cash amounted to RUB 6,648 million and to be paid by instalments up to 2024 for UNEG property plant and equipment appraised by independent appraiser and valued in the amount of RUB 34,564 million. The exchange has been completed on 1 January 2019.

34. Events after the reporting period

On 13 March 2019 the Group fully re-deemed loan participation notes amounted RUB 17,943 million.