

**PJSC MOSENERGO**

**IFRS INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(UNAUDITED)**

**30 June 2018  
Moscow | 2018**

## Contents

Report on review of interim consolidated financial statements .....	3
Interim consolidated statement of financial position .....	4
Interim consolidated statement of comprehensive income .....	5
Interim consolidated statement of cash flows .....	6
Interim consolidated statement of changes in equity .....	7

### Notes to the interim consolidated financial statements:

1 The Group and its operations.....	9
2 Basis of preparation .....	11
3 Significant accounting policies.....	13
4 Segment information .....	26
5 Cash and cash equivalents .....	28
6 Financial assets .....	28
7 Trade and other receivables .....	29
8 Inventories .....	29
9 Other current and non-current assets .....	30
10 Assets held for sale .....	30
11 Property, plant and equipment.....	31
12 Investment property .....	33
13 Intangible assets.....	34
14 Investments in associates.....	35
15 Borrowings .....	36
16 Trade and other payables .....	37
17 Taxes receivable and payable .....	38
18 Provisions .....	38
19 Profit tax .....	38
20 Employee benefits .....	40
21 Equity .....	41
22 Revenue .....	42
23 Operating expenses.....	42
24 Charge for impairments and other provisions .....	43
25 Finance income and expense .....	43
26 Basic and diluted earnings per share, attributable to PJSC Mosenergo.....	44
27 Subsidiaries.....	44
28 Acquisition and sale of subsidiaries .....	45
29 Related parties .....	47
30 Commitments and contingencies .....	50
31 Financial risk factors .....	52
32 Fair value of financial instruments .....	58



# Report on Review of Interim Consolidated Financial Statements

To the Shareholders of PJSC Mosenergo

## Introduction

We have reviewed the accompanying interim consolidated statement of financial position of PJSC Mosenergo and its subsidiaries (hereinafter – the Group) as at 30 June 2018 and the related interim consolidated statement of comprehensive income for the three and six months ended 30 June 2018, the interim consolidated statements of cash flows and changes in equity for the six months ended 30 June 2018 and notes to the interim consolidated financial statements.

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

## Scope of Review

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

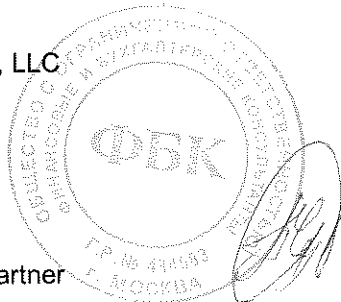
# ФБК

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements is not present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018 and its financial performance for the three and six months ended 30 June 2018 and its consolidated cash flows for the six months ended 30 June 2018 in accordance with International Accounting Standard 34, Interim Financial Reporting.



Partner of FBK, LLC



Engagement partner

A.O. Birin  
(on the ground of power of attorney  
№ 66/14, dated 1 June 2017,  
audit qualification certificate  
01-000696, ORNZ 21606043318)

P.V. Sungurova  
(audit qualification certificate  
01-001300, ORNZ 21606047673)

Date of the Report on Review:

13 August 2018

Audited entity

Name:

Public Joint Stock Company Mosenergo (PJSC Mosenergo).

Address of the legal entity within its location:

101/3 Vernadskogo Pr., Moscow, 119526, Russian Federation.

Official registration:

State Registration Certificate No. 012.473, issued by Moscow Registration Chamber on 06 April 1993. The registration entry was made in the Unified State Register of Legal Entities on 11 October 2002 under principal state registration (OGRN) number 1027700302420.

Auditor

Name:

Limited Liability Company "Accountants and business advisors" (FBK, LLC).

Address of the legal entity within its location:

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

Official registration:

State Registration Certificate series YZ 3 No. 484.583 RP issued by Moscow Registration Chamber on 15 November 1993. The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number (OGRN) 1027700058286.

Membership in self-regulatory organization of auditors:

Self-regulatory organization of auditors Association "Sodruzhestvo".

Number in the register of self-regulatory organization of auditors:

Certificate of membership in the self-regulatory organization of auditors Association "Sodruzhestvo" No. 7198, principal number of registration entry (ORNZ) – 11506030481.

**PJSC MOSENERGO**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS OF 30 JUNE 2018**  
(in millions of Russian Rubles)

	Notes	30 June 2018	31 December 2017
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	25 851	20 627
Trade and other receivables	7	38 001	51 630
Inventories	8	13 065	13 499
Income tax receivable	17	436	-
Other current assets	9	2 141	1 455
		<u>79 494</u>	<u>87 211</u>
Assets held for sale	10	43	43
<b>Total current assets</b>		<b>79 537</b>	<b>87 254</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	212 184	215 994
Investment property	12	1 547	2 359
Goodwill	13.1	187	187
Other intangible assets	13.2	382	306
Investments in associates	14	181	314
Long-term financial assets	6	1 490	3 154
Trade and other receivables	7	18 257	12 582
Advances for assets under construction		3 654	3 804
Other non-current assets	9	10 220	8 893
		<u>248 102</u>	<u>247 593</u>
<b>Total non-current assets</b>		<b>248 102</b>	<b>247 593</b>
<b>Total assets</b>		<b>327 639</b>	<b>334 847</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	15	2 519	14 561
Trade and other payables	16	7 575	8 674
Profit tax payable	17	136	64
Other taxes payable	17	2 476	2 775
Provisions	18	3 255	3 078
		<u>15 961</u>	<u>29 152</u>
<b>Total current liabilities</b>		<b>15 961</b>	<b>29 152</b>
<b>Non-current liabilities</b>			
Long-term borrowings	15	8 620	9 027
Deferred tax liabilities	19	29 549	29 810
Employee benefits	20	350	352
Trade and other payables	16	177	154
		<u>38 696</u>	<u>39 343</u>
<b>Total non-current liabilities</b>		<b>38 696</b>	<b>39 343</b>
<b>Total liabilities</b>		<b>54 657</b>	<b>68 495</b>
<b>Equity</b>			
Share capital	21	166 124	166 124
Treasury shares	21	(871)	(871)
Share premium	21	49 213	49 213
Revaluation reserve	21	106 455	107 206
Accumulated loss and other reserves		(47 939)	(55 320)
		<u>272 982</u>	<u>266 352</u>
<b>Total equity</b>		<b>272 982</b>	<b>266 352</b>
<b>Total equity and liabilities</b>		<b>327 639</b>	<b>334 847</b>

A.A. Butko  
Managing director

«10» August 2018

E.Y. Novenkova  
Chief Accountant

«10» August 2018

The accompanying notes on the pages 9 to 58 are an integral part of these interim consolidated financial statements.

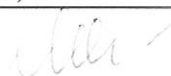
**PJSC MOSENERGO**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**  
(in millions of Russian Rubles)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
Revenue	22	35 471	38 125	107 668	104 181
Operating expenses	23	(32 337)	(32 967)	(88 491)	(85 039)
Impairment loss on financial assets	24	(126)	(533)	(625)	(1 227)
<b>Operating profit</b>		<b>3 008</b>	<b>4 625</b>	<b>18 552</b>	<b>17 915</b>
Share of loss of associates	14	(115)	(52)	(133)	(19)
<b>Profit before finance income (expense) and profit tax</b>		<b>2 893</b>	<b>4 573</b>	<b>18 419</b>	<b>17 896</b>
Finance income	25	1 254	951	2 423	2 721
Finance expense	25	(939)	(1 630)	(1 689)	(2 522)
<b>Profit before profit tax</b>		<b>3 208</b>	<b>3 894</b>	<b>19 153</b>	<b>18 095</b>
Profit tax expense	19	(718)	(728)	(3 921)	(3 567)
<b>Profit for the period</b>		<b>2 490</b>	<b>3 166</b>	<b>15 232</b>	<b>14 528</b>
<b>Other comprehensive income (loss):</b>					
Effect of acquisition under common control	28,29	-	(187)	-	(187)
<b>Total items that will not be reclassified subsequently</b>		<b>-</b>	<b>(187)</b>	<b>-</b>	<b>(187)</b>
<b>Other comprehensive loss for the period, net of tax</b>		<b>-</b>	<b>(187)</b>	<b>-</b>	<b>(187)</b>
<b>Total comprehensive income for the period</b>		<b>2 490</b>	<b>2 979</b>	<b>15 232</b>	<b>14 341</b>
<b>Profit attributable to:</b>					
Owners of PJSC Mosenergo		2 490	3 166	15 232	14 528
		<b>2 490</b>	<b>3 166</b>	<b>15 232</b>	<b>14 528</b>
<b>Total comprehensive income attributable to:</b>					
Owners of PJSC Mosenergo		2 490	2 979	15 232	14 341
		<b>2 490</b>	<b>2 979</b>	<b>15 232</b>	<b>14 341</b>
<b>Basic and diluted earnings per share for profit attributable to the owners of PJSC Mosenergo (in Russian Rubles)</b>					
	26	<b>0,06</b>	<b>0,08</b>	<b>0,38</b>	<b>0,37</b>

\_\_\_\_\_  
A.A. Butko  
Managing director  
«10» August 2018



\_\_\_\_\_  
E.Y. Novenkova  
Chief Accountant  
«10» August 2018

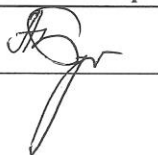


The accompanying notes on the pages 9 to 58 are an integral part of these interim consolidated financial statements.

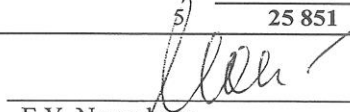
**PJSC MOSENERGO**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**  
(in millions of Russian Rubles)

	Notes	Six months ended 30 June	
		2018	2017
<b>Cash flow from operating activities</b>			
<b>Profit before finance income (expense) and profit tax</b>		<b>18 419</b>	<b>17 896</b>
<b>Adjustments to profit before profit tax for:</b>			
Depreciation and amortisation	23	7 443	7 389
Share of loss of associates	14	133	19
Impairment loss on financial assets	24	625	1 227
Change in provisions	24	177	605
Loss on disposal of property, plant and equipment	23	411	232
<b>Total effect of adjustments</b>		<b>8 789</b>	<b>9 472</b>
<b>Cash flows from operations before working capital changes</b>		<b>27 208</b>	<b>27 368</b>
<b>Changes in working capital:</b>			
Change in trade and other receivables		(2 457)	5 010
Change in inventories		434	(1 745)
Change in other current assets		(686)	(335)
Change in trade and other payables		(828)	(2 043)
Change in other taxes payables (other than profit tax)		(689)	(867)
Change in employee benefit liabilities		(2)	(3)
<b>Total effect of working capital changes</b>		<b>(4 228)</b>	<b>17</b>
Income tax paid		(4 039)	(5 601)
Interest paid		(528)	(1 186)
<b>Net cash from operating activities</b>		<b>18 413</b>	<b>20 598</b>
<b>Cash flows from investing activities</b>			
Capital expenditures		(5 431)	(4 153)
Net changes in loans issued	7	10 356	(72)
Proceeds from sale of property, plant and equipment		-	50
Interest received		1 459	1 662
Repayment of short-term deposits		-	15 054
<b>Net cash from investing activities</b>		<b>6 384</b>	<b>12 541</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	15	-	50
Repayment of borrowings	15	(13 030)	(20 924)
Dividend paid		(6 549)	(3 347)
<b>Net cash used in financing activities</b>		<b>(19 579)</b>	<b>(24 221)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		6	(16)
<b>Increase in cash and cash equivalents</b>		<b>5 224</b>	<b>8 902</b>
Cash and cash equivalents at the beginning of the period	5	20 627	10 097
<b>Cash and cash equivalents at the end of the period</b>		<b>25 851</b>	<b>18 999</b>

A.A. Butko  
Managing director  
«10» August 2018



E.Y. Novenkova  
Chief Accountant  
«10» August 2018



The accompanying notes on the pages 9 to 58 are an integral part of these interim consolidated financial statements.

**PJSC MOSENERGO**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**  
(in millions of Russian Rubles)

	Equity attributable to owners of the PJSC Mosenergo						
	Notes	Share capital	Treasury shares	Share premium	Revaluation reserve	Accumulated loss and other reserves	Total
<b>Six months ended 30 June 2017</b>							
<b>Balance as of 1 January 2017</b>		<b>166 124</b>	<b>(871)</b>	<b>49 213</b>	<b>107 442</b>	<b>(76 475)</b>	<b>245 433</b>
Profit for the period		-	-	-	-	14 528	14 528
Other comprehensive income (loss):							
Effect of acquisition under common control		-	-	-	-	(187)	(187)
Transfers from revaluation surplus on property, plant and equipment to accumulated loss and other reserves		-	-	-	(400)	400	-
<b>Total comprehensive income (loss) for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(400)</b>	<b>14 741</b>	<b>14 341</b>
<b>Transaction with owners of PJSC Mosenergo</b>							
Dividends declared		-	-	-	-	(3 360)	(3 360)
<b>Balance as of 30 June 2017</b>		<b>166 124</b>	<b>(871)</b>	<b>49 213</b>	<b>107 042</b>	<b>(65 094)</b>	<b>256 414</b>
<b>Six months ended 30 June 2018</b>							
<b>Balance as of 1 January 2018</b>		<b>166 124</b>	<b>(871)</b>	<b>49 213</b>	<b>107 206</b>	<b>(55 320)</b>	<b>266 352</b>
Effect of changes in accounting policies	3.21	-	-	-	-	(2 036)	(2 036)
<b>Balance as of 1 January 2018 (restated)</b>		<b>166 124</b>	<b>(871)</b>	<b>49 213</b>	<b>107 206</b>	<b>(57 356)</b>	<b>264 316</b>
Profit for the period		-	-	-	-	15 232	15 232
Other comprehensive income (loss):							
Transfers from revaluation surplus of property, plant and equipment to accumulated loss and other reserves		-	-	-	(751)	751	-
<b>Total comprehensive income (loss) for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(751)</b>	<b>15 983</b>	<b>15 232</b>
<b>Transaction with owners of PJSC Mosenergo</b>							
Dividends declared		-	-	-	-	(6 566)	(6 566)
<b>Balance as of 30 June 2018</b>		<b>166 124</b>	<b>(871)</b>	<b>49 213</b>	<b>106 455</b>	<b>(47 939)</b>	<b>272 982</b>

A.A. Butko  
Managing director

« 10 » August 2018

E.Y. Novenkova  
Chief Accountant

« 10 » August 2018

The accompanying notes on the pages 9 to 58 are an integral part of these interim consolidated financial statements.



## **1 The Group and its operations**

### **1.1 Organisation and operations**

Public Joint Stock Company Mosenergo (PJSC Mosenergo) and its subsidiaries (together referred to as the “Group” or the “Mosenergo Group”) are primarily involved in the generation of heat and electric power and heat distribution services in Moscow and the Moscow region.

The Group’s electric and heat generation base includes 15 power plants with operational electricity and heat capacity of 12 798 MW and 43 136 GCal/h, respectively.

PJSC Mosenergo was incorporated under the legislation of the Russian Federation on 6 April 1993 in accordance with the State Property Management Committee Decree 169-R dated 26 March 1993 as a result of privatisation of electricity and heat power generation, transmission and distribution assets formerly under control of the Ministry of Energy of the Russian Federation.

PJSC Mosenergo registered office is located at 101/3, Prospekt Vernadskogo, Moscow, 119526, the Russian Federation.

### **1.2 Group formation**

On 1 April 2005 PJSC Mosenergo was reorganised through a spin-off following the reorganisation process within the Russian Federation electric power industry aimed to introduce competition into the electricity market and to enable the companies of the electricity sector to maintain and further expand production capacity. Restructuring of PJSC Mosenergo was approved by General Shareholder’s Meeting on 28 June 2004. Before the restructuring took place PJSC Mosenergo operated an integrated utility model, which included generation, transmission and distribution activities. As a result of the restructuring 13 new entities were separated from PJSC Mosenergo and each shareholder of PJSC Mosenergo received ordinary shares of each of the separated entities pro rata to shares held by them prior to spin-off.

The General Shareholders’ Meeting held on 20 December 2006 approved a closed subscription for the additional shares issued in favour of PJSC Gazprom and its affiliates (together referred to as the “Gazprom Group”). As a result the majority shareholder of PJSC Mosenergo changed from RAO UES of Russia to Gazprom Group holding 53.49% of ordinary shares. Following the reorganisation process, the Extraordinary General Shareholder’s Meeting of RAO UES of Russia on 26 October 2007 approved the spin-off of several holding companies to which shares in electricity generation companies, including PJSC Mosenergo, held by RAO UES of Russia, were transferred. Holdings separated from RAO UES of Russia were merged with generation companies by means of shares conversion, which enabled the shareholders of RAO UES of Russia to receive direct shares in generation companies after reorganisation. Accordingly, upon spin-off from RAO UES of Russia OJSC Mosenergo Holding received the share in PJSC Mosenergo held by RAO UES of Russia. Simultaneously with the spin-off OJSC Mosenergo Holding was merged with PJSC Mosenergo and its shares were converted into the shares of PJSC Mosenergo.

In February 2009 the Board of Directors of PJSC Mosenergo approved the program to improve the organisational structure of PJSC Mosenergo, which was aimed at concentrating production resources and optimising the labour capacity and supply chain. Organisational structure optimisation included the merger of several production branches situated geographically close to each other and reallocation and outsourcing of non-core functions.

In April 2009 PJSC Gazprom transferred its 53.49% share in PJSC Mosenergo to its 100% subsidiary LLC Gazprom energoholding which became the parent company of PJSC Mosenergo.

In May 2015 the General Shareholders Meeting decided to transfer the powers of the sole executive body of PJSC Mosenergo to management organisation LLC Gazprom energoholding.

### **1.3 Business environment**

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation continues to develop and are a subject to varying interpretations (Note 30). During the six months ended 30 June 2018 the Russian Federation economy was impacted by a fluctuation in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

The financial markets continue to be volatile and are characterized by frequent significant price movements and increased trading spreads.

These and other events may have a significant impact on the Group's operations, its further financial position, operational results and business perspectives. The management believes it takes all the necessary measures to support the sustainability and development of the Group's business.

The interim consolidated financial statements reflect the management's assessment of the impact of the business environment in the Russian Federation on the operations and financial position of the Group. The future economic situation and regulatory environment may differ from the current expectations of the management.

### **1.4 Relations with the Government and influence on the Group activities**

At the date of interim consolidated financial statements the Russian Federation owned (both directly and indirectly) over 50% in PJSC Gazprom, which holds 53,49% of PJSC Mosenergo through its 100% subsidiary LLC Gazprom energoholding (immediate parent company). Thus PJSC Gazprom is the parent company of the Group and the Russian Federation is the ultimate controlling party of the Group.

The Government of the Russian Federation directly affects the Group's operations through regulations of wholesale and retail sales of electricity and heat exercised by the Federal Antimonopoly Service (the "FAS") and the Department of economic policy and development of Moscow and the Committee on the prices and tariffs of the Moscow region. JSC SO UPS, which is controlled by the Russian Federation, regulates operations of generating assets of the Group.

The Group's customer base, as well as its supply chain, includes a large number of entities controlled by or related to the Government.

The Government's economic, social and other policies could materially affect operations of the Group.

### **1.5 Industry restructuring**

Following the restructuring of the Russian Federation electric utility sector aimed to introduce competition into the electricity (capacity) market, the New Wholesale Electric Power (capacity) Market Rules of the Transitional period, approved by Resolution of the Government of the Russian Federation № 529 dated 31 August 2006, were adopted. Under these rules, electricity and capacity purchase-sales transactions in the regulated market sector are to be governed by a regulated bilateral contract system. From 1 September 2006 regulated contracts covered all volumes of electricity and capacity produced and consumed.

Starting from 2007 the volumes of electricity and capacity traded in the wholesale market applying regulated prices are to be substantially reduced pursuant to the Russian Federation Government Resolution No. 205 dated 7 April 2007 "On amending certain resolutions of the Russian Federation Government related to the calculation of electricity volumes sold at free (competitive) prices". The Resolution states that electricity and capacity supplied at regulated prices will gradually decrease.

Electricity volumes produced, not covered by the regulated contracts are traded at unregulated prices on the basis of free bilateral contracts or on a day-ahead market.

Under free bilateral contracts market participants have the right to choose contracting parties, prices and volumes. The day-ahead market is based on competitive selection of bids submitted by suppliers and buyers the day before the electricity is supplied.

Starting from 2011 electricity and capacity (except for supplies to the population and equivalent consumer categories under regulated contracts) has been supplied at unregulated prices. Electricity is supplied at free prices on the day-ahead market and balancing market while capacity is supplied based on competitive capacity selection under the contracts for sales of capacity. Furthermore, separate contracts are concluded for

capacity, which is generated by assets operating under forced mode and traded at tariffs approved by the FAS. Non-regulated bilateral contracts for supply of electricity and capacity may be also concluded. Agreements for the provision of facilities provide on the one hand the obligations for suppliers to implement approved investment programs, and on the other hand give a guarantee of payment capacity of the new (upgraded) generating facilities from the Government of the Russian Federation.

## **2 Basis of preparation**

### **2.1 Statement of compliance**

These interim consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (“IFRS”).

### **2.2 Basis of measurement**

The interim consolidated financial statements are prepared on the historical cost basis except for property, plant and equipment revalued periodically; investment property and assets held for sale are measured at fair value; and the carrying amounts of equity items in existence at 31 December 2002 included adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency. The economy of the Russian Federation ceased to be hyperinflationary for purposes of preparing the interim consolidated financial statements at 1 January 2003.

The methods used to measure fair values are described below (Note 2.4).

### **2.3 Functional and presentation currency**

The national currency of the Russian Federation is the Russian Ruble (RUB), which is the Group’s functional currency and the presentation currency of these interim consolidated financial statements. All financial information presented in RUB has been rounded to the nearest million unless otherwise stated.

### **2.4 Use of estimates and judgment**

In the preparation of the interim consolidated financial statements the management applied a number of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, recognised in the interim consolidated financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimates were revised and in each subsequent period such changes have an impact on the interim consolidated financial statements.

Information about the most significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the interim consolidated financial statements is included in the following Notes:

- Note 4 – segment information;
- Note 6 – lack of significant influence on the activities of organisation.
- Note 11 – impairment of property, plant and equipment: key assumptions underlying recoverable amounts;
- Note 20 – measurement of defined benefit obligation: key actuarial assumptions;
- Notes 18, 30 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow.

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

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

---

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised 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 or indirectly;

Level 3 – unobservable inputs for the asset or liability.

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

Information about the assumptions made in measuring fair values is disclosed in the following Notes:

- Note 6 – Financial assets;
- Note 10 – Assets held for sale;
- Note 11 – Property, plant and equipment;
- Note 12 – Investment property;
- Note 32 – Fair value of financial instruments.

### **3 Significant accounting policies**

#### **3.1 Basis of consolidation**

##### **3.1.1 Subsidiaries**

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.

For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation, on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by PJSC Mosenergo. Non-controlling interest forms a separate component of the Group's equity.

##### **3.1.2 Acquisition of subsidiaries under common control**

Acquisition of subsidiaries between parties under common control is accounted for using the predecessor basis of accounting method. Under this method the assets and liabilities of the subsidiary transferred under common control are recognised at the predecessor entity's carrying amounts. The interim consolidated financial statements incorporate the acquired entity's results from the acquisition date. The corresponding figures of the previous period are not restated. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's financial information was consolidated. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in the consolidated financial statements within other comprehensive income.

##### **3.1.3 Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the period as share of income (loss) of associates, the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of income (loss) of associates. When the Group's share of losses of associates 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.

### **3.1.4 Transactions eliminated on consolidation**

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

### **3.2 Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency of the Group entities at exchange rates effective at the dates of their commission. Monetary items in foreign currency are translated at the exchange rate at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rate at the date of the fair value measurement.

Foreign exchange differences arising on translation are recognized in profit or loss, except for exchange differences arising from the translation of the value of financial assets that are subsequently measured at fair value, the changes of which are recognized in other comprehensive income. Such exchange differences are recognized in other comprehensive income.

### **3.3 Financial instruments**

#### **3.3.1 Classification and measurement of financial assets**

Financial assets and financial liabilities admit when the Group becomes party to the contractual provisions of the instrument.

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or when the entity transfers substantially all the risks and rewards of ownership of the financial asset.

The Group derecognises a financial liability when and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

Except for trade receivables do not contain a significant financing component in accordance with IFRS 15 Revenue from Contracts with Customers at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

The Group classifies financial assets into three measurement categories:

- those measured subsequently at amortised cost,
- those measured subsequently at fair value with changes recognised in other comprehensive income,
- and those measured subsequently at fair value with changes recognised in profit or loss.

Classification of financial assets one or another category takes place on the basis of the business model used by Group for management of the financial assets connected with the cash flows provided by the contract.

#### *Financial assets measured subsequently at amortised cost*

Such category of financial assets includes assets held to obtain contractual cash flows and it is expected that they will result in cash flows being payments of principal and interest.

The loans issued, receivables, deposits, cash and cash equivalents belong to this category of financial assets of the Group. The loans issued and receivables include financial assets with the fixed or determinable payments that are not quoted in an active market. After initial recognition the loans issued and receivables are estimated at the amortised cost using the effective interest method.

Cash and cash equivalents include cash on hand, banks accounts and highly liquid financial assets with original maturity no more than three months.

*Financial assets measured subsequently at fair value with changes recognised in other comprehensive income*

Such category of financial assets includes debt-type assets held within business models whose objective is achieved by both collecting contractual cash flows and selling financial assets and it is expected that they will result in cash flows being payments of principal and interest. Gains and losses associated with this category of financial assets are recognised in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When a financial asset is disposed of, cumulative previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss in the consolidated statement of comprehensive income. Interest income from these financial assets is calculated using the effective interest method and included in financial income.

The Group's management has made a decision to recognise changes in fair value of equity instruments in other comprehensive income as such assets are considered to be long-term strategic investments which are not expected to be sold in the short and medium term. Other comprehensive income (loss) from changes in fair value of such instruments shall not be subsequently reclassified to profit or loss in the consolidated statement of comprehensive income.

*Financial assets measured subsequently at fair value with changes recognised through profit or loss*

Financial assets that do not meet the criteria of recognition as financial assets measured at amortised cost or measured at fair value through other comprehensive income are measured at fair value through profit or loss.

### **3.3.2 Impairment of financial assets**

The Group applies the expected credit loss model to financial assets measured at amortised cost or at fair value through other comprehensive income, except for investments in equity instruments, and to contract assets.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset is measured at an amount equal to 12-month expected credit losses.

For trade receivables or contract assets, whether they contain a significant financing component or not, measurement based on lifetime expected credit losses are applied.

The applying of the new model resulted in insignificant increase in the amount of the allowance for expected credit losses.

The expected credit losses represent calculation appraisal of the credit losses throughout the expected period of validity of a financial instrument measured on degree of probability of approach of a default. As the expected credit losses consider the amount and date of disbursement, the credit loss also arises if the Group expects to receive all amounts in full, than it is provided by the contract.

The Group estimates the expected credit losses in this way:

- the impartial and measured based on probability amount determined by the analysis of range of possible results,
- time value of money,
- and the proved and confirmed information on previous events, the current conditions and the predicted future business environment available for reporting date without excessive costs.

### **3.3.3 Classification and measurement of financial liabilities**

The Group classifies all financial liabilities as measured subsequently at amortised cost. The Group's financial liabilities include trade and other payables and borrowings.

### **3.4 Share capital**

**Ordinary shares.** Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Evaluation of own repurchased shares is made at cost.

**Repurchase of share capital (treasury shares).** When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are disclosed in the consolidated statement of financial position in the line Treasury shares in the amount of the consideration paid, including the costs directly related to this transaction.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to retained earnings (accumulated loss).

### **3.5 Property, plant and equipment**

#### **3.5.1 Recognition and measurement**

Property, plant and equipment are stated at revalued amounts, which are the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses.

Property, plant and equipment are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the reporting date. Increase in the carrying amount of property, plant and equipment as a result of revaluation is credited directly to other comprehensive income under the heading “Change in revaluation reserve”, unless the decrease of the reserve was previously recognised in profit or loss. Decrease in the carrying amount shall be debited to other comprehensive income to the extent of any credit balance existing in the revaluation reserve. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The tax effects from the revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in equity.

Cost of acquired assets includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, staff costs and any other expenses 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs, and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the funding cost of PJSC Mosenergo (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

When 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.

Gains and losses on disposal of an item of property, plant and equipment are recognised net in the line “Other operating expenses (income)” in profit or loss. Increase in the carrying amount as a result of



**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

---

revaluation is transferred from the revaluation surplus to retained earnings (accumulated loss) when the assets are disposed.

### **3.5.2 Reclassification to investment property**

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses previous impairment loss on a specific property, with any remaining gain recognised in the revaluation reserve directly in other comprehensive income. Any revaluation loss is recognised in the revaluation reserve directly in other comprehensive income to the extent that an amount of revaluation is included in other comprehensive income relating to a specific property, with any remaining loss recognised immediately in profit or loss.

### **3.5.3 Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised 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 derecognised. The costs of ordinary maintenance of property, plant and equipment are recognised in the profit or loss as incurred.

### **3.5.4 Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of lease term. Depreciation of an asset begins when it is available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

As part of revaluation as of 31 December 2013 useful lives of certain classes of property, plant and equipment were revised and were as follows:

Types of property, plant and equipment	Useful life, years
Buildings and constructions	30 - 70
Plant and equipment	25 - 40
Transmission networks	30
Other	5 - 25

## **3.6 Intangible assets**

### **3.6.1 Goodwill**

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from

the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

### **3.6.2 Other intangible assets**

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

### **3.6.3 Subsequent expenditures**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### **3.6.4 Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives of the software for the current and comparative periods equal to 7 years.

### **3.7 Investment property**

Investment property is property or construction in progress held or constructed either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of each reporting period. Any change in fair value is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

When the carrying amount of property is to be recovered principally through a sale transaction rather than through continuing use the property is remeasured to fair value and reclassified as assets held for sale. A gain or loss on the remeasurement recognised in profit or loss.

### **3.8 Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance 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 lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

### **3.9 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads.

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

### **3.10 Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit"). To calculate the recoverable amount in respect of a specific group of assets, the Group uses the fair value method, based on the possibility of alternative use. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in other comprehensive income if revaluation reserve existing to such assets, otherwise in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (groups of units) on a pro rata basis.

#### *Assets held for sale*

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Before classification as held-for-sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group of assets is allocated to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses are recognised in the revaluation reserve directly in other comprehensive income to the extent that an amount of revaluation is included in other comprehensive income relating to a specific property, with any remaining loss recognised immediately in profit or loss. Revaluation gains cannot exceed accumulated impairment loss.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the line "Liabilities held for sale" of the consolidated statement of financial position.

### **3.11 Employee benefits**

#### **3.11.1 Defined contribution pension plans**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

#### **3.11.2 Defined benefit plans**

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The net value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Current service cost, interest on employee benefit obligations, past service cost, effect of curtailment and settlement are recognised in profit or loss.

#### **3.11.3 Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits other than pension plans is 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, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Russian government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

#### **3.11.4 Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

#### **3.11.5 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 recognised 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.

### **3.12 Provisions**

Provisions are recognised 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.

### **3.13 Segment reporting**

Operating segments are reported in the consolidated financial statements in a manner consistent with the internal reporting provided to the Chief operating decision-maker. The Chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors including Managing Director who makes strategic decisions.

### **3.14 Revenues**

Revenue is recognized when the Group fulfils the obligation to perform by transferring the promised product or service to the customer. An asset is transferred when the buyer receives control of such an asset.

Revenues are recognized in the amount of reimbursement that the Group expects to receive in return for the transfer of the promised goods or services to the customer.

Revenue from the sale of electricity and heat is recognized at the time the electricity and heat are supplied to consumers.

Revenue under contracts for the provision of services and performance of work is recognized in profit or loss in the part that relates to the completed stage of services and works under the contract as of the reporting date. The stage of completeness is defined as the share of expenses under the contract incurred in connection with the performance of services and works completed at the reporting date in the total planned amount of the contract costs.

The proceeds from the leasing of property are recognized evenly throughout the term of the lease in profit or loss.

Revenue from the sale of goods other than electrical and heat energy is recognized at the time of delivery. The ordinary conditions for settlements with customers include payment upon delivery.

### **3.15 Government subsidies**

Government subsidies are assistance by the Government in the form of transfers of resources to PJSC Mosenergo in return for past or future compliance with certain conditions relating to the operating activities of PJSC Mosenergo.

Government subsidies are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the subsidy. Subsidies that compensate the Group for expenses incurred are recognised in consolidated statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised. Government subsidies that compensate PJSC Mosenergo for the cost of an asset are the recognised in the profit or loss on a systematic basis over the useful life of the asset. Unconditional government subsidies are recognised in profit or loss when subsidy becomes receivable. Government subsidies for the compensation of the difference between tariffs set to the urban population and the tariffs of PJSC Mosenergo are recognised as income in other operating income under the line “Operating expenses”.

### **3.16 Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received reduce the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the financial 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.

### **3.17 Finance income and expense**

Finance income comprises interest income on funds invested, dividend income and gains on the disposal of financial assets at fair value through other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions. All borrowing costs are recognised in profit or loss using the effective interest method except for those which are capitalised.

Gains and losses on exchange differences on operating items are reflected in the operating expenses on net basis, and others – are separately in financial income and expenses.

### **3.18 Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for 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 recognised for the following temporary differences: 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, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, 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 realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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 realised.

### **3.19 Uncertain tax positions**

The Group's uncertain tax positions are reassessed by the Management of the Group at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on the Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

### **3.20 Earnings per share**

The Group presents basic and diluted earnings (loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit (loss) attributable to ordinary shareholders of PJSC Mosenergo by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting profit (loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. There are no dilutive potential ordinary shares in the Group as of 30 June 2018 and 31 December 2017.

### **3.21 Adoption of new or revised standards and interpretations**

#### **3.21.1 Application of new IFRSs**

##### **IFRS 9 Financial Instruments**

Application of this standard resulted in an increase in the allowance for impairment loss on financial assets (see Note 7), as well as a decrease in the fair value of the investment in equity instruments (see Note 6), so the opening balance of the accumulated loss and other reserves as of 1 January 2018 was restated.

	<b>Balance as of 1 January 2018</b>	<b>Effect of application of IFRS 9</b>	<b>Adjusted balance as of 1 January 2018</b>
Accumulated loss and other reserves	(55 320)	(2 036)	(57 356)
<b>Accumulated loss and other reserves</b>	<b>266 352</b>	<b>(2 036)</b>	<b>264 316</b>

##### **IFRS 15 Revenue from Contracts with Customers**

Application of this standard has not had a significant impact on the Group's interim consolidated financial statements. Accordingly, the comparative data and the opening balance of the accumulated loss and other reserves as of 1 January 2018 have not been restated.

### **3.21.2 Application of Interpretations and Amendments to existing Standards**

A number of interpretations and amendments to current IFRSs became effective for the periods beginning on or after 1 January 2018:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) provides requirements for recognising a non-monetary asset or a non-monetary obligation arising from a result of committing or receiving prepayment until the recognition of the related asset, income or expense.
- The amendments to IFRS 2 Share-based Payment (issued in June 2016). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.
- The amendments to IAS 40 Investment Property (issued in December 2016). These amendments clarify the criteria for the transfer of objects in the category or from the category of investment property.

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



### **3.21.3 Standards, Interpretations and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group**

Certain new standards, interpretations and amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2019. In particular, the Group has not early adopted the standards and amendments:

- IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard replaces the previous IAS 17 Leases and establishes a general accounting model for all types of lease agreements in financial statements. All leases should be accounted in accordance with applicable principles of the financial lease accounting. Lessees are required to recognise assets and liabilities under lease agreements except cases specifically mentioned. Insignificant changes in the applicable accounting required IAS 17 Leases are implemented for lessors.
- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.
- Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). The changes specify how control (or joint control) should be taken into account for a business that is a joint operation if the organization already participates in this business.

The Group is currently assessing the impact of the amendments on its financial position and results of operations.

#### **4 Segment information**

The Board of Directors and Managing Director is the Chief operating decision-maker. The decision-maker reviews the Group's internal management report in order to assess performance of the Group and allocate resources.

The operating segments are aggregated into two primary reportable segments - electric and heat energy, that generate revenue from manufacturing and sale of electric and heat energy respectively. The other segments consist of services and products sold by the Group such as rental services, feed water sales and maintenance services. All reportable segments are located in the Russian Federation.

The segment information is prepared in accordance with IFRS. Differences in items between those reported in the segment information and those reported in the Group's interim consolidated financial statements are due to the unallocated items of income and expense (such as financial income and expense, share of income (loss) of associates, income tax) that cannot be directly allocated to identifiable reportable segments as these are managed on an overall group basis.

Considering that the management responsible for decision-making does not review assets and liabilities by each reportable segment not least because of the lack of technical capabilities to present such information, the Group does not disclose assets and liabilities by segments.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**4.1 Financial results of segments**

The segment information for the three and six months ended 30 June 2018 and March 2017 is as follows:

	Notes	Electric energy	Heat energy	All other segments	Total	Intra-group transactions	Total
<b><u>Six months ended 30 June 2018</u></b>							
<b>Segment revenue</b>		<b>60 589</b>	<b>45 899</b>	<b>1 483</b>	<b>107 971</b>	<b>(303)</b>	<b>107 668</b>
Revenue from external customers	22	60 589	45 889	1 190	107 668	-	107 668
Intra-group revenue		-	10	293	303	(303)	-
<b>Segment result</b>		<b>17 975</b>	<b>1 192</b>	<b>(470)</b>	<b>18 697</b>	<b>-</b>	<b>18 697</b>
Depreciation and amortisation	23	(3 453)	(3 333)	(657)	(7 443)	-	(7 443)
Impairment gain (loss) on financial assets	24	(1 117)	572	(80)	(625)	-	(625)
<b><u>Six months ended 30 June 2017</u></b>							
<b>Segment revenue</b>		<b>59 468</b>	<b>43 515</b>	<b>1 407</b>	<b>104 390</b>	<b>(209)</b>	<b>104 181</b>
Revenue from external customers	22	59 468	43 505	1 208	104 181	-	104 181
Intra-group revenue		-	10	199	209	(209)	-
<b>Segment result</b>		<b>18 918</b>	<b>(536)</b>	<b>(693)</b>	<b>17 689</b>	<b>-</b>	<b>17 689</b>
Depreciation and amortisation	23	(3 292)	(3 330)	(767)	(7 389)	-	(7 389)
Impairment loss on financial assets	24	(671)	(241)	(315)	(1 227)	-	(1 227)
<b><u>Three months ended 30 June 2018</u></b>							
<b>Segment revenue</b>		<b>24 967</b>	<b>9 936</b>	<b>733</b>	<b>35 636</b>	<b>(165)</b>	<b>35 471</b>
Revenue from external customers	22	24 967	9 936	568	35 471	-	35 471
Intra-group revenue		-	-	165	165	(165)	-
<b>Segment result</b>		<b>5 442</b>	<b>(1 836)</b>	<b>(294)</b>	<b>3 312</b>	<b>-</b>	<b>3 312</b>
Depreciation and amortisation	23	(2 083)	(1 386)	(333)	(3 802)	-	(3 802)
Impairment gain (loss) on financial assets	24	(495)	436	(67)	(126)	-	(126)
<b><u>Three months ended 30 June 2017</u></b>							
<b>Segment revenue</b>		<b>25 595</b>	<b>12 013</b>	<b>636</b>	<b>38 244</b>	<b>(119)</b>	<b>38 125</b>
Revenue from external customers	22	25 595	12 011	519	38 125	-	38 125
Intra-group revenue		-	2	117	119	(119)	-
<b>Segment result</b>		<b>6 675</b>	<b>(2 032)</b>	<b>(364)</b>	<b>4 279</b>	<b>-</b>	<b>4 279</b>
Depreciation and amortisation	23	(1 930)	(1 505)	(422)	(3 857)	-	(3 857)
Impairment loss on financial assets	24	(339)	(35)	(159)	(533)	-	(533)

Reconciliation of the segment result to consolidated profit (loss) before income tax in the consolidated statement of comprehensive income for the three and six months ended 30 June 2018 and March 2017 is provided as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
Segment result for reportable segments		3 606	4 643	19 167	18 382
Segment result for other segments		(294)	(364)	(470)	(692)
<b>Segment result</b>		<b>3 312</b>	<b>4 279</b>	<b>18 697</b>	<b>17 689</b>
Change in provisions	24	(181)	(120)	(177)	(120)
Net financial income (expense)	25	315	(679)	734	199
Share of loss of associates	14	(115)	(52)	(133)	(19)
Other items		(123)	466	32	346
<b>Profit before profit tax</b>		<b>3 208</b>	<b>3 894</b>	<b>19 153</b>	<b>18 095</b>

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**4.2 Core customers**

The revenue presented within the heat energy segment includes the customer with the revenue exceeding 10% of the Group's revenue for three and six months ended 30 June 2018 and amounting to RUB 9 343 million and RUB 42 846 million, respectively (for three and six months ended 30 June 2017: the revenue of the same customer exceeded 10% of the Group's revenue and amounted to RUB 10 700 million and RUB 37 884 million, respectively).

The revenue presented within the electric energy segment includes two customers with the total revenue exceeding 10% of the Group's revenue for three the six months ended 30 June 2018 and amounting to RUB 13 262 million and RUB 36 345 million, respectively (for three and the six months ended 30 June 2017: the total revenue of the same two customers exceeded 10% of the Group's revenue and amounted to RUB 16 480 million and RUB 40 082 million, respectively).

**5 Cash and cash equivalents**

	<b>30 June 2018</b>	<b>31 December 2017</b>
Cash on hand and bank balances payable on demand	136	391
Deposits with original maturity of three months or less	25 715	20 236
<b>Total cash and cash equivalents</b>	<b>25 851</b>	<b>20 627</b>

**6 Financial assets**

	<b>30 June 2018</b>	<b>31 December 2017 (restated)</b>	<b>Effect of IFRS 9</b>	<b>31 December 2017</b>
<b>Financial assets at fair value through other comprehensive income:</b>				
Equity securities	1 490	1 490	(1 664)	3 154
<b>Total long-term financial assets</b>	<b>1 490</b>	<b>1 490</b>	<b>(1 664)</b>	<b>3 154</b>

The Group's exposure to credit, currency and interest risks is disclosed in Note 31.

Financial assets at fair value through other comprehensive income include investment in LLC GAZEKS-Management in the amount of RUB 1 485 million as of 30 June 2018 that was received in settlement for accounts receivable in October 2013 (as of 31 December 2017: RUB 3 149 million).

In connection with the entry into force of the new IFRS 9, the investment in LLC GAZEKS-Management was impaired in the amount of RUB 1 664 million based on an analysis of net assets and the present value of future cash flows.

The management assessed the level of the Group's influence on LLC GAZEKS-Management, and concluded that despite holding 33,3% of shares the Group has no significant influence due to the following factors:

- The Group does not have any representative in the LLC GAZEKS-Management Board of Directors and does not have a right to appoint them;
- The Group does not participate in LLC GAZEKS-Management policy-making decisions including participate in managerial decisions;
- The Group does not enter into significant transactions with LLC GAZEKS-Management, there is no interchange of managing personnel between the PJSC Mosenergo and LLC GAZEKS-Management and there is no sharing of technical information between the companies.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**7 Trade and other receivables**

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Current assets</b>		
Trade receivables	44 026	41 413
Loans issued	2 202	11 358
Advances to suppliers and prepaid expenses	2 266	2 324
VAT recoverable	146	61
Tax prepayments other than income tax	553	164
Accounts receivable on investments	1 365	6 965
Accounts receivable on disposal of property, plant and equipment	2 516	2 078
Other receivables	1 532	2 411
	<b>54 606</b>	<b>66 774</b>
Allowance for impairment loss on financial and non-financial assets	(16 605)	(15 144)
<b>Total</b>	<b>38 001</b>	<b>51 630</b>
<b>Non-current assets</b>		
Loans issued	9 294	10 494
Advances to suppliers and prepaid expenses	133	139
Accounts receivable from sale of property, plant and equipment	1 631	1 781
Accounts receivable on investments	5 600	-
Other receivables	1 599	168
<b>Total</b>	<b>18 257</b>	<b>12 582</b>

Allowance for impairment loss on financial and non-financial assets includes allowance for impairment loss on trade receivables (as of 30 June 2018: RUB 15 439 million, as of 31 December 2017: RUB 13 936 million), other receivables (as of 30 June 2018: RUB 286 million; as of 31 December 2017: RUB 330 million) and advances paid to suppliers (as of 30 June 2018: RUB 880 million; as of 31 December 2017: RUB 878 million).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 31.

**8 Inventories**

	<b>30 June 2018</b>	<b>31 December 2017</b>
Materials and supplies	13 507	13 995
Other inventories	113	59
	<b>13 620</b>	<b>14 054</b>
Allowance for inventory obsolescence	(555)	(555)
<b>Total</b>	<b>13 065</b>	<b>13 499</b>

The Group does not have pledged inventories.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**9 Other current and non-current assets**

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Other current assets</b>		
Service contracts and other assets	1 508	822
Grid connection	633	633
<b>Total</b>	<b>2 141</b>	<b>1 455</b>
<b>Other non-current assets</b>		
Grid connection	6 963	7 276
Service contracts and other assets	3 257	1 617
<b>Total</b>	<b>10 220</b>	<b>8 893</b>

**10 Assets held for sale**

	<b>2018</b>	<b>2017</b>
<b>Balance as of 1 January</b>	<b>43</b>	<b>445</b>
Transfer to (from) assets classified as held for sale	(0)	(130)
Sale	-	(4)
Other disposals	0	(219)
<b>Balance as of 30 June</b>	<b>43</b>	<b>92</b>

As of 30 June 2018 and as of 31 December 2017 the Group was in the process of disposing of non-core assets, comprising property, plant and equipment and investment property classified as held for sale.

The Group expects to sale these items until the end of 2018.

The fair value measurement for assets held for sale is categorised as a Level 3 fair value (Note 2).

The following table shows the valuation technique used in measuring the fair value, as well as the significant unobservable inputs used.

Valuation method	Observable indicators
Cost approach	Replacement cost and index method
Income approach	Forecast profit and loss, and cash flows

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**11 Property, plant and equipment**

	<b>Buildings and construc- tions</b>	<b>Machinery and equipment</b>	<b>Transmis- sion networks</b>	<b>Other</b>	<b>Construc- tion in progress</b>	<b>Total</b>
<b>Revalued amount</b>						
<b>Balance as of 1 January 2017</b>	<b>123 548</b>	<b>129 718</b>	<b>1 234</b>	<b>16 823</b>	<b>27 853</b>	<b>299 176</b>
Additions	7	-	2	-	2 425	2 434
Disposals and other	(45)	(3)	(44)	(6)	-	(98)
Transfers	791	2 832	53	654	(4 330)	-
Transfer from (to) other accounts	181	43	(54)	341	-	511
Acquisition of subsidiaries	451	9	-	19	-	479
<b>Balance as of 30 June 2017</b>	<b>124 933</b>	<b>132 599</b>	<b>1 191</b>	<b>17 831</b>	<b>25 948</b>	<b>302 502</b>
<b>Balance as of 1 January 2018</b>	<b>126 485</b>	<b>138 621</b>	<b>4 986</b>	<b>21 531</b>	<b>15 850</b>	<b>307 473</b>
Additions	153	12	-	119	2 892	3 176
Disposals and other	(20)	(664)	(7)	(24)	(15)	(730)
Transfers	1 430	2 283	-	558	(4 271)	-
Transfer from (to) other accounts	(55)	2	818	-	-	765
<b>Balance as of 30 June 2018</b>	<b>127 993</b>	<b>140 254</b>	<b>5 797</b>	<b>22 184</b>	<b>14 456</b>	<b>310 684</b>
<b>Depreciation and impairment</b>						
<b>Balance as of 1 January 2017</b>	<b>(27 202)</b>	<b>(38 895)</b>	<b>(322)</b>	<b>(6 425)</b>	<b>(3 673)</b>	<b>(76 517)</b>
Depreciation charge	(2 436)	(3 977)	(28)	(852)	-	(7 293)
Transfers	(139)	(551)	(10)	(58)	758	-
Disposals and other	17	2	27	4	-	50
Transfer from (to) other accounts	(30)	(49)	6	(72)	-	(145)
Acquisition of subsidiaries	(4)	(2)	-	(2)	-	(8)
<b>Balance as of 30 June 2017</b>	<b>(29 794)</b>	<b>(43 472)</b>	<b>(327)</b>	<b>(7 405)</b>	<b>(2 915)</b>	<b>(83 913)</b>
<b>Balance as of 1 January 2017</b>	<b>(32 339)</b>	<b>(47 975)</b>	<b>(1 044)</b>	<b>(8 873)</b>	<b>(1 248)</b>	<b>(91 479)</b>
Depreciation charge	(2 402)	(3 834)	(290)	(802)	-	(7 328)
Transfers	(22)	(34)	-	(10)	66	-
Disposals and other	18	272	3	10	-	303
Transfer from (to) other accounts	5	(1)	-	-	-	4
<b>Balance as of 30 June 2018</b>	<b>(34 740)</b>	<b>(51 572)</b>	<b>(1 331)</b>	<b>(9 675)</b>	<b>(1 182)</b>	<b>(98 500)</b>
<b>Net book value</b>						
Balance as of 1 January 2017	<b>96 346</b>	<b>90 823</b>	<b>912</b>	<b>10 398</b>	<b>24 180</b>	<b>222 659</b>
Balance as of 30 June 2017	<b>95 139</b>	<b>89 127</b>	<b>864</b>	<b>10 426</b>	<b>23 033</b>	<b>218 589</b>
Balance as of 1 January 2018	<b>94 146</b>	<b>90 646</b>	<b>3 942</b>	<b>12 658</b>	<b>14 602</b>	<b>215 994</b>
Balance as of 30 June 2018	<b>93 253</b>	<b>88 682</b>	<b>4 466</b>	<b>12 509</b>	<b>13 274</b>	<b>212 184</b>
<b>Net book value of property, plant and equipment had no revaluation taken place</b>						
Balance as of 1 January 2017	<b>52 835</b>	<b>64 578</b>	<b>610</b>	<b>8 319</b>	<b>23 517</b>	<b>149 859</b>
Balance as of 30 June 2017	<b>52 641</b>	<b>63 414</b>	<b>572</b>	<b>8 405</b>	<b>23 363</b>	<b>148 395</b>
Balance as of 1 January 2018	<b>52 685</b>	<b>66 322</b>	<b>3 625</b>	<b>10 928</b>	<b>13 773</b>	<b>147 333</b>
Balance as of 30 June 2018	<b>52 814</b>	<b>66 056</b>	<b>3 760</b>	<b>10 878</b>	<b>12 478</b>	<b>145 986</b>

Other property, plant and equipment include motor vehicles, land, office furniture and other equipment.

There were no properties pledged as security for the Group's bank borrowings as of 30 June 2018 and of 31 December 2017.

### **11.1 Revaluation**

The Group changed its accounting policy in respect of property, plant and equipment measurement from a cost model to a revaluation model starting from 1 January 2007 in order to provide users of the interim consolidated financial statements with more reliable information about the value of the Group's property, plant and equipment.

In 2013 the Group contracted an independent appraiser to estimate the fair value of the Group's property, plant and equipment and investment property as of 31 December 2013. The fair value of property, plant and equipment was determined to be RUB 273 766 million.

As a result of revaluation, the Group's equity increased by RUB 46 771 million, comprising net increase in the carrying value of property, plant and equipment of RUB 58 464 million net of respective deferred tax of RUB 11 693 million.

Net increase in the carrying value of property, plant and equipment amounted to RUB 57 562 million consisting of increase in the amount of RUB 67 597 million related to revaluation recognised within the equity and decrease of RUB 10 035 million related to impairment charge out of which RUB 9 133 million were recognised within the equity and RUB 902 million were recognised in the profit or loss.

No revaluations were performed as of 30 June 2018 as the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The fair value of property, plant and equipment was categorised as a Level 3 of fair value (Note 2).

### **11.2 Impairment**

As of 31 December 2017, the Group performed a test for impairment of property, plant and equipment at the cash-generating unit level of individual stations. The recoverable amount of each cash-generating unit was determined on the basis of the value in use indicator. The value of use in use was determined by discounting future cash flows that would result from the continued use of the unit. In determining the recoverable amount of future cash flows, the following key assumptions were used:

- These calculations used cash flow projections based on the organization's budgets for a three-year period. Cash flows beyond the three-year period have been extrapolated to account for projected growth rates. The growth rate does not exceed the long-term average growth rates projected for the energy sector.
- The forecast of gas prices was based on the approved tariffs by the Federal Tariff Service and the growth rate forecasted by the parent company Gazpromenergoholding. Power generation of PJSC Mosenergo is carried out at generating facilities, the main type of fuel is gas, in connection with which the increase in gas prices affects the growth of electricity prices.
- The forecast of generation volumes was based on forecast calculations in industry reports.
- A post-tax discount rate of 10.66% was applied for the purpose of determining the value of use. The discount rate was calculated on the basis of the industry average weighted average cost of capital.

As of 31 December 2017 there was no impairment of property, plant and equipment.

### **11.3 Leased assets**

The Group leases operating buildings and equipment under a number of finance lease agreements. All leases provide the Group with the option to purchase the buildings and equipment at a beneficial price (Note 15). As of 30 June 2018 the net carrying amount of leased buildings and equipment was RUB 48 million (as of 31 December 2017: RUB 53 million).



**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**12 Investment property**

	<b>2018</b>	<b>2017</b>
<b>Balance as of 1 January</b>	<b>2 359</b>	<b>3 180</b>
Transfer to (from) property, plant and equipment	(769)	(237)
Disposals	(43)	(10)
<b>Balance as of 30 June</b>	<b>1 547</b>	<b>2 933</b>

The fair value of investment property as of 30 June 2018 amounted to RUB 1 547 million (as of 31 December 2017: RUB 2 359 million). The calculation of the fair value was based on the trends in the commercial real estate market in 2018.

The fair value measurement for investment property was categorised as a Level 3 fair value (Note 2).

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Method of evaluation	Observable indicators
Income approach	The forecast of income and expenses and cash flows
Market approach	Market prices for identical assets

Rental income for the six months ended 30 June 2018 amounted to RUB 155 million (for the six months ended 30 June 2017 amounted to RUB 291 million), was recognised in other revenue in the interim consolidated statement of comprehensive income.

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	<b>2018</b>	<b>2017</b>
<b>As of 30 June</b>		
Less than one year	10	30
Later than one year but not later than 5 years	16	16
Later than 5 years	190	294
<b>Total</b>	<b>216</b>	<b>340</b>

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

### 13 Intangible assets

#### 13.1 Goodwill

Goodwill relates to the acquisition of LLC Mosenergoproject (Note 28).

	<b>2018</b>	<b>2017</b>
<b>Balance as of 1 January</b>	<b>187</b>	-
Acquisition of Mosenergoproject LLC	-	187
<b>Balance as of 30 June (31 December)</b>	<b>187</b>	<b>187</b>

#### *Impairment testing of goodwill of Mosenergoproject LLC*

The recoverable amount of Mosenergoproject LLC was calculated on the basis of the value in use. The value in use was determined by discounting future cash flows that would result from the continued use of the organization. In determining the recoverable amount of future cash flows for the company, the following key assumptions were used:

- Cash flows were determined on the basis of actual operating results for the reporting year by applying consumer price indices.
- To determine cash flows beyond the forecasting period, the Gordon model was used, applying the growth rate of 3,7%, equal to the long-term forecast of the inflation rate.
- A post-tax discount rate of 18,7% was applied for the purpose of determining the value in use. The discount rate was calculated on the basis of the industry average weighted average cost of capital.

As of 31 December 2017 no impairment of goodwill from the acquisition of Mosenergoproject LLC was detected.

#### 13.2 Other intangible assets

	<b>Software</b>	<b>Other intan- gible assets</b>	<b>Total</b>
<b>Cost</b>			
<b>Balance as of 1 January 2017</b>	-	-	-
Reclassification from other non-current assets	807	3	810
Additions	40	-	40
<b>Balance as of 30 June 2017</b>	<b>847</b>	<b>3</b>	<b>850</b>
<b>Balance as of 1 January 2018</b>	<b>973</b>	<b>66</b>	<b>1 039</b>
Additions	174	17	191
<b>Balance as of 30 June 2018</b>	<b>1 147</b>	<b>83</b>	<b>1 230</b>
<b>Amortisation</b>			
<b>Balance as of 1 January 2017</b>	-	-	-
Reclassification from other non-current assets	(535)	(2)	(537)
Amortisation charge	(96)	-	(96)
<b>Balance as of 30 June 2017</b>	<b>(631)</b>	<b>(2)</b>	<b>(633)</b>
<b>Balance as of 1 January 2018</b>	<b>(731)</b>	<b>(2)</b>	<b>(733)</b>
Amortisation charge	(108)	(7)	(115)
<b>Balance as of 30 June 2018</b>	<b>(839)</b>	<b>(9)</b>	<b>(848)</b>
<b>Net book value</b>			
Balance as of 1 January 2017	-	-	-
Balance as of 30 June 2017	<b>216</b>	<b>1</b>	<b>217</b>
Balance as of 1 January 2018	<b>242</b>	<b>64</b>	<b>306</b>
Balance as of 30 June 2018	<b>308</b>	<b>74</b>	<b>382</b>

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**14 Investments in associates**

	<u>2018</u>	<u>2017</u>
<b>Balance as of 1 January</b>	<b>314</b>	<b>669</b>
Share of loss of associates	(133)	(19)
<b>Balance as of 30 June</b>	<b>181</b>	<b>650</b>

The Group`s investments in associates are as follows:

	<u>TSK Mosenergo Group</u>	
	<u>2018</u>	<u>2017</u>
Ownership interest	22,51%	22,51%
<b>Balance as of 30 June (31 December)</b>		
Current assets	8 508	8 352
Non-current assets	8 503	8 282
Current liabilities	12 750	11 859
Non-current liabilities	1 126	1 079
<b>For six months ended 30 June</b>		
Revenue	7 083	5 464
Loss for the period	(589)	(84)
Total comprehensive loss for the period	(589)	(84)
<b>For six months ended 30 June</b>		
Revenue	2 055	1 812
Loss for the period	(509)	(231)
Total comprehensive loss for the period	(509)	(231)

The table below summarises information about country of incorporation and place of business and nature of business of the Group`s investments in associates:

Name of organisation	Country of incorporation	Nature of business
TSK Mosenergo Group	Russia	Production, transmission and distribution of heat and hot water (heat energy)

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

## 15 Borrowings

The note provides information about the contractual terms of the Group's borrowings, which are measured at amortised cost.

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Short-term borrowings</b>		
Bank borrowings	2 012	13 899
Finance lease liability	6	1
Interest payable	117	277
Other debt financing	384	384
<b>Total short-term borrowings</b>	<b>2 519</b>	<b>14 561</b>
<b>Long - term borrowings</b>		
Bank borrowings	8 424	8 830
Finance lease liability	196	197
<b>Total long-term borrowings</b>	<b>8 620</b>	<b>9 027</b>
<b>Total borrowings</b>	<b>11 139</b>	<b>23 588</b>

The terms and conditions of outstanding liabilities at the reporting date are as follows:

	Cur- rency	Nominal interest rate	Year of matu- rity	30 June 2018		31 December 2017	
				Face value	Carrying amount	Face value	Carrying amount
<b>Unsecured bank financing</b>							
Credit Agricole Bank CIB	EUR	EURIBOR 6M+1,95%	2024	5 453	5 325	5 541	5 395
BNP Paribas S.A.	EUR	EURIBOR 6M+2,00%	2022	5 282	5 111	5 538	5 334
				<b>10 735</b>	<b>10 436</b>	<b>11 079</b>	<b>10 729</b>
PJSC Sberbank	RUB	8,14%	2018	-	-	3 750	3 750
PJSC VTB Bank	RUB	8,14%	2018	-	-	8 250	8 250
				-	-	<b>12 000</b>	<b>12 000</b>
<b>Total unsecured bank financing</b>				<b>10 735</b>	<b>10 436</b>	<b>23 079</b>	<b>22 729</b>
<b>Other financing</b>							
LLC TER	RUB	6,53%-12%	2018	271	271	271	271
JSC Gazprom energoremont	RUB	14,00%	2018	103	103	103	103
PJSC TGC-1	RUB	5,82%	2018	10	10	10	10
<b>Total other financing</b>				<b>384</b>	<b>384</b>	<b>384</b>	<b>384</b>
<b>Interest payable</b>				<b>117</b>	<b>117</b>	<b>277</b>	<b>277</b>
<b>Finance lease liability</b>		8,14%	2048	<b>202</b>	<b>202</b>	<b>198</b>	<b>198</b>
<b>Total</b>				<b>11 438</b>	<b>11 139</b>	<b>23 938</b>	<b>23 588</b>

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

The lease payments are due as follows:

	<b>Less than one year</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>Total</b>
<b>30 June 2018</b>				
Future minimum lease payments	22	72	451	<b>545</b>
Interests	(16)	(64)	(263)	<b>(343)</b>
<b>Present value of minimum lease payments</b>	<b>6</b>	<b>8</b>	<b>188</b>	<b>202</b>
<b>31 December 2017</b>				
Future minimum lease payments	17	72	461	<b>550</b>
Interests	(16)	(65)	(271)	<b>(352)</b>
<b>Present value of minimum lease payments</b>	<b>1</b>	<b>7</b>	<b>190</b>	<b>198</b>

Finance lease liability as of 31 December 2017 is presented in the line «Trade and other payables» of the consolidated statement of financial position.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	<b>Borrowings</b>	<b>Dividends payable</b>	<b>Total</b>
<b>As of 31 December 2017</b>	<b>23 588</b>	<b>13</b>	<b>23 601</b>
<b>Cash-flows changes</b>			
Repayment of borrowings	(13 030)	-	(13 030)
Dividend paid	-	(6 549)	(6 549)
<b>Net cash used in financing activities</b>	<b>(13 030)</b>	<b>(6 549)</b>	<b>(19 579)</b>
Interest paid	(528)	-	(528)
<b>Total cash-flows changes</b>	<b>(13 558)</b>	<b>(6 549)</b>	<b>(20 107)</b>
<b>Foreing exchange result</b>	742	-	742
<b>Interest accrued</b>	371	-	371
<b>Dividends declared</b>	-	6 566	6 566
<b>Other changes</b>	(4)	(4)	(8)
<b>As of 30 June 2018</b>	<b>11 139</b>	<b>26</b>	<b>11 165</b>

## 16 Trade and other payables

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Current liabilities</b>		
Trade payables	3 762	4 594
Advances received	841	911
Accounts payable for acquisition of property, plant and equipment	1 233	1 669
Other payables	1 739	1 500
<b>Total</b>	<b>7 575</b>	<b>8 674</b>
<b>Non-current liabilities</b>		
Advances received	1	1
Accounts payable for acquisition of property, plant and equipment	176	153
<b>Total</b>	<b>177</b>	<b>154</b>

Information about the Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 31.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**17 Taxes receivable and payable**

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Income tax receivable</b>	<b>436</b>	<b>-</b>
<b>Income tax payable</b>	<b>136</b>	<b>64</b>
<b>Other taxes payable</b>		
VAT payable	1 354	2 087
Property tax payable	595	540
Social contributions payable	185	144
Other taxes payable	342	4
<b>Total other taxes payable</b>	<b>2 476</b>	<b>2 775</b>
<b>Total taxes payable (net)</b>	<b>2 176</b>	<b>2 839</b>

**18 Provisions**

	<b>Income tax</b>	<b>Property tax</b>	<b>Litigations and claims</b>	<b>Total</b>
<b>Balance as of 1 January 2017</b>	<b>1 407</b>	<b>1 376</b>	<b>9</b>	<b>2 792</b>
Provisions made during the period	-	120	-	120
<b>Balance as of 30 June 2017</b>	<b>1 407</b>	<b>1 496</b>	<b>9</b>	<b>2 912</b>
<b>Balance as of 1 January 2018</b>	<b>1 407</b>	<b>1 664</b>	<b>7</b>	<b>3 078</b>
Provisions made during the period	-	177	-	177
<b>Balance as of 30 June 2018</b>	<b>1 407</b>	<b>1 841</b>	<b>7</b>	<b>3 255</b>

**19 Profit tax**

**19.1 Reconciliation of profit before tax to profit tax**

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

	<b>2018</b>	<b>2017</b>
<b>Six months ended 30 June</b>		
Profit before profit tax	19 153	18 095
Theoretical tax expense calculated at applicable tax rates	(3 831)	(3 619)
Adjustments to current profit tax of previous periods	-	749
Tax effect on other non-taxable expenses	(90)	(697)
<b>Profit tax expense</b>	<b>(3 921)</b>	<b>(3 567)</b>
Current profit tax expense	(3 673)	(1 426)
Deffered profit tax expense	(248)	(2 141)
<b>Three months ended 30 June</b>		
Profit before profit tax	3 208	3 894
Theoretical tax expense calculated at applicable tax rates	(642)	(779)
Adjustments to current profit tax of previous periods	-	749
Tax effect on other non-taxable expenses	(76)	(698)
<b>Profit tax expense</b>	<b>(718)</b>	<b>(728)</b>
Current profit tax expense	(426)	334
Deffered profit tax expense	(292)	(1 062)

Differences between the recognition criteria in the Russian Federation statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates in the Russian Federation.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**19.2 Tax effects of taxable and deductible temporary differences**

Tax effects of taxable and deductible temporary differences for the six months ended 30 June 2018 and 30 June 2017 are as follows:

	<b>Opening balance</b>	<b>Effect of IFRS 9</b>	<b>Recog- nised in P/L<sup>1)</sup></b>	<b>Recog- nised in OCI<sup>2)</sup></b>	<b>Acquisi- tion of subsi- diaries</b>	<b>Closing balance</b>
<b>Six months ended 30 June 2018</b>						
Property, plant and equipment	(28 070)	-	(96)	-	-	(28 166)
Investment property	(257)	-	122	-	-	(135)
Trade and other receivables	(401)	176	(473)	-	-	(698)
Assets held for sale	43	-	(8)	-	-	35
Trade and other payables	119	-	581	-	-	700
Employee benefit liabilities	70	-	-	-	-	70
Tax losses carried forward	135	-	17	-	-	152
Provisions	631	-	-	-	-	631
Borrowings	(30)	-	10	-	-	(20)
Other assets	(2 050)	333	(401)	-	-	(2 118)
<b>Total</b>	<b>(29 810)</b>	<b>509</b>	<b>(248)</b>	<b>-</b>	<b>-</b>	<b>(29 549)</b>
<b>Six months ended 30 June 2017</b>						
Property, plant and equipment	(29 340)	-	(496)	-	-	(29 836)
Investment property	71	-	(36)	-	-	35
Investments in associates	141	-	-	-	-	141
Trade and other receivables	2 135	-	(1 831)	47	-	351
Assets held for sale	(13)	-	65	-	-	52
Trade and other payables	105	-	12	-	-	117
Employee benefit liabilities	73	-	(1)	-	-	72
Tax losses carried forward	30	-	29	-	19	78
Provisions	598	-	16	-	-	614
Borrowings	(90)	-	13	-	-	(77)
Other assets	(1 748)	-	88	-	-	(1 660)
<b>Total</b>	<b>(28 038)</b>	<b>-</b>	<b>(2 141)</b>	<b>47</b>	<b>19</b>	<b>(30 113)</b>

<sup>1)</sup>P/L – profit or loss, <sup>2)</sup>OCI – other comprehensive income.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**20 Employee benefits**

The Group sponsors a post-employment benefit plan and other long-term benefit program that covers the majority of the Group's employees.

The post-employment benefit plan is a defined contribution plan enabling employees to contribute a portion of their salary to the plan and equivalent portion of contribution from the Group. The plan is administrated by non-state pension fund.

To be entitled for participation in this defined contribution pension plan an employee should meet certain age and past service requirements. Maximum possible amount of employer's contribution is limited and depends on employee's position in the Group.

In addition to defined contribution pension plan the Group maintains several plans of a defined benefit nature which are provided in accordance with collective bargaining agreement and other documents. The main benefits provided under this agreement are a lump sum upon retirement and material assistance.

	<b>Post employ- ment benefits</b>	<b>Other long-term benefits</b>	<b>Total</b>
<b>Six months ended 30 June 2018</b>			
<b>Balance as of 1 January</b>	<b>266</b>	<b>86</b>	<b>352</b>
Current service cost	5	3	8
Net interest expense	10	3	13
<b>Total included in operating and finance expenses</b>	<b>15</b>	<b>6</b>	<b>21</b>
<b>Total recognised in other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>
Benefits paid	(23)	-	(23)
<b>As of 30 June</b>	<b>258</b>	<b>92</b>	<b>350</b>
<b>Six months ended 30 June 2017</b>			
<b>Balance as of 1 January</b>	<b>278</b>	<b>90</b>	<b>368</b>
Current service cost	5	3	8
Net interest expense	11	4	15
<b>Total included in operational and financial expenses</b>	<b>16</b>	<b>7</b>	<b>23</b>
<b>Total recognised in other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>
Benefits paid	(26)	-	(26)
<b>As of 30 June</b>	<b>268</b>	<b>97</b>	<b>365</b>

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Financial assumptions</b>		
Discount rate	7,5%	7,5%
Inflation rate	4,0%	4,0%
Salaries increase	6,0%	6,0%
Duration of liabilities, years	5,4	5,4
<b>Demographic assumptions</b>		
Withdrawal rates for employees with 1 year of past service	21,0%	21,0%
Withdrawal rates for employees who have 20 or more years of service	5,0%	5,0%
Retirement ages for men	62	62
Retirement ages for women	59	59



## **21 Equity**

### **21.1 Share capital and share premium**

As of 30 June 2018 and 31 December 2017 the declared share capital comprised 39 749 359 700 ordinary shares of RUB 1 par value each. All issued ordinary shares are fully paid.

The share capital includes the translation of the interim consolidated financial statements to bring it equal to the purchasing power of the Russian Ruble as of 31 December 2002 in accordance with IAS 29 Accounting in Hyperinflationary Economies.

The holders of ordinary shares are entitled to receive dividends as declared in due time and are entitled to one vote per share at meetings of Shareholders of the PJSC Mosenergo. In respect of the PJSC Mosenergo's shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

Share premium amounted to RUB 49 213 million represents excess of the cash proceeds from the issue of share capital over its par value net of the transaction costs amounted to RUB 7 million.

### **21.2 Treasury shares**

Treasury shares as of 30 June 2018 and as of 31 December 2017 amounted to RUB 871 million. No decisions regarding further operations with treasury shares were made by the PJSC Mosenergo's management.

### **21.3 Dividends**

On 31 May 2017 the Annual General Shareholders' Meeting of the PJSC Mosenergo made the decision to pay dividends for the results of Group's activity for 2016. The amount of declared dividends on the issuer shares was RUB 0,08482 per share, total amount of dividends is RUB 3 360 million.

On 31 May 2018 the Annual General Shareholders' Meeting of the PJSC Mosenergo made the decision to pay dividends for the results of Group's activity for 2017. The amount of declared dividends on the issuer shares was RUB 0,16595 per share, total amount of dividends is RUB 6 573 million. The amount of unclaimed dividends for the result of financial years 2012 to 2013 is RUB 7 million.

### **21.4 Revolution reserve**

As of 30 June 2018 in the line "Revaluation reserve" there were disclosed revaluation reserve for property, plant and equipment in the amount of RUB 106 455 million (as of 31 December 2017: RUB 107 206 million). In 2017 the reserve deficit for remeasurement of post-employment benefit obligations was transferred to accumulated loss.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

## 22 Revenue

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Electricity	24 967	25 595	60 589	59 468
Heat	9 936	12 011	45 889	43 505
Other revenue	568	519	1 190	1 208
<b>Total</b>	<b>35 471</b>	<b>38 125</b>	<b>107 668</b>	<b>104 181</b>

Other revenue was primarily received from rent and water usage services.

## 23 Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
<b>Materials</b>				
Fuel	18 414	19 890	61 304	57 895
Purchased electricity and capacity	2 072	2 205	5 194	4 980
Other materials	473	525	964	1 108
	<b>20 959</b>	<b>22 620</b>	<b>67 462</b>	<b>63 983</b>
<b>Services</b>				
Heat transmission	76	294	480	1 500
Electricity market administration fees	361	364	732	739
Rent	248	283	516	523
Security and fire safety	232	234	460	468
Grid connection	158	158	316	316
Legal, consulting and data processing services	25	80	51	137
Transportation services	90	127	174	250
Cleaning services	121	95	202	181
Agency fee	40	48	81	92
Insurance expenses, excluding medical insurance	52	53	103	105
Communication services	23	23	46	44
Other professional services	435	318	646	523
	<b>1 861</b>	<b>2 077</b>	<b>3 807</b>	<b>4 878</b>
<b>Depreciation and amortisation</b>	3 802	3 857	7 443	7 389
<b>Staff costs</b>	2 737	2 662	5 589	5 462
<b>Maintenance and repairs expenses</b>	2 036	1 611	3 040	2 402
<b>Taxes other than profit tax</b>	644	495	1 024	1 095
<b>Other expenses on ordinary activities</b>	(7)	2	(20)	1
<b>Total of production, selling and administration expenses</b>	<b>32 032</b>	<b>33 324</b>	<b>88 345</b>	<b>85 210</b>
<b>Change in provisions</b>	181	120	177	120
<b>Other operating expenses (income)</b>				
(Gain) loss on disposal of property, plant and equipment	5	(15)	411	232
Expense (income) on fines and penalties	120	(400)	(438)	(469)
Other operating expense (income)	(1)	(62)	(4)	(54)
<b>Total other operating expense (income)</b>	<b>124</b>	<b>(477)</b>	<b>(31)</b>	<b>(291)</b>
<b>Total operating expenses</b>	<b>32 337</b>	<b>32 967</b>	<b>88 491</b>	<b>85 039</b>

Electricity market administration fees include payments to JSC TSA and JSC FSC for arrangement of settlements between parties on electricity market and payments to JSC SO UES for regulation of generating assets operation of the Group.

For the six months ended 30 June 2018 the average number of employees of the Group was 8 351 (for the six months ended 30 June 2017: 8 479).

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**24 Charge for impairments and other provisions**

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
<b>Impairment loss on financial assets</b>				
Charge for allowance for accounts receivable	(126)	(533)	(625)	(1 227)
	<b>(126)</b>	<b>(533)</b>	<b>(625)</b>	<b>(1 227)</b>
<b>Change in provisions</b>				
Change in tax provision	(178)	(120)	(178)	(120)
Change in provisions on claims	1	-	1	-
Change in other provisions	(4)	-	-	1
	<b>(181)</b>	<b>(120)</b>	<b>(177)</b>	<b>(119)</b>
<b>Charge for impairment and other provisions, net</b>	<b>(307)</b>	<b>(653)</b>	<b>(802)</b>	<b>(1 346)</b>

**25 Finance income and expense**

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
<b>Finance income</b>				
Interest income on bank deposits	424	411	822	961
Interest income on loans issued	339	410	812	817
Foreign exchange gain	419	25	561	751
Other interest income	72	105	228	192
<b>Total finance income</b>	<b>1 254</b>	<b>951</b>	<b>2 423</b>	<b>2 721</b>
<b>Finance expense</b>				
Foreign exchange loss	(838)	(1 247)	(1 254)	(1 368)
Interest expense on borrowings	(65)	(343)	(363)	(1 060)
Lease expense	(4)	(4)	(8)	(8)
Other interest expense	(32)	(36)	(64)	(86)
<b>Total finance expense</b>	<b>(939)</b>	<b>(1 630)</b>	<b>(1 689)</b>	<b>(2 522)</b>
<b>Total net finance income (expense)</b>	<b>315</b>	<b>(679)</b>	<b>734</b>	<b>199</b>

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**26 Basic and diluted earnings per share, attributable to PJSC Mosenergo**

Earnings per share attributable to owners of PJSC Mosenergo have been calculated by dividing the profit for the period, attributable to the owners of PJSC Mosenergo by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (Note 21.2). The calculation of basic and diluted earnings per share is presented in the table below.

	<b>2018</b>	<b>2017</b>
<b>Three months ended 30 June</b>		
Issued shares (thousand of pieces)	39 749 360	39 749 360
Effect of treasury shares (thousand of pieces)	(140 229)	(140 229)
Weighted average number of ordinary shares (thousand of pieces)	<b>39 609 130</b>	<b>39 609 130</b>
Profit attributable to the owners of PJSC Mosenergo (in RUB mln)	2 490	3 166
Profit per ordinary share (basic and diluted) (in Russian Roubles)	<b>0,06</b>	<b>0,08</b>
<b>Six months ended 30 June</b>		
Issued shares (thousand of pieces)	39 749 360	39 749 360
Effect of treasury shares (thousand of pieces)	(140 229)	(140 229)
Weighted average number of ordinary shares (thousand of pieces)	<b>39 609 130</b>	<b>39 609 130</b>
Profit attributable to the owners of PJSC Mosenergo (in RUB mln)	15 232	14 528
Profit per ordinary share (basic and diluted) (in Russian Roubles)	<b>0,38</b>	<b>0,37</b>

There are no dilutive financial instruments outstanding in the Group.

**27 Subsidiaries**

PJSC Mosenergo and its following subsidiaries form the Mosenergo Group:

	<b>Nature of business</b>	<b>Percentage of ownership</b>	
		<b>30 June 2018</b>	<b>31 December 2017</b>
LLC Centralny remontno-mekhanicheskiy zavod	Repair and reconstruction services	100,00%	100,00%
LLC Mosenergoproject	Design	100,00%	100,00%
LLC Remontproject	Design	99,00%	99,00%

No preference shares are held by the Group.

## **28 Acquisition and sale of subsidiaries**

### **28.1 Acquisition of subsidiaries**

#### *Acquisition of LLC Mosenergoproject*

In January 2017 the Group acquired 100% of share capital of LLC Mosenergoproject for cash consideration of RUB 650 million.

According to IFRS 3 Business combinations the Group recognized the acquired assets and liabilities assumed based upon their provisional fair values that equal their carrying amounts as of the date of acquisition.

The goodwill of RUB 187 million represents the fair value of the expected synergies from combining the operations of the Group and LLC Mosenergoproject.

The gross contractual amount for trade and other receivables due is RUB 20 million. The trade and other receivables were not impaired and are expected to be collectible in full amounts.

#### *Acquisition of LLC Remontproject*

On 28 September 2017 the Group acquired 80% of share capital of LLC Remontproject for cash consideration of RUB 15 million, and then in 4 October 2017 the additional 19% of share capital was acquired for cash consideration of RUB 4 million. Therefore the total share in LLC Remontproject amounted to 99%. The Group accounted for the acquisition as a transfer of subsidiary between entities under common control. According to the accounting policy of the Group, the assets and liabilities of LLC Remontproject transferred between entities under common control were recognised at the predecessor entity's carrying amounts. The difference between the considerations for acquisition and the carrying amounts of assets and liabilities was accounted for as an adjustment within equity in the line "Accumulated loss and other reserves" in the amount of RUB 328 million. Financial result of the acquired entity was included from the date of acquisition in the consolidated financial statement for the year ended 31 December 2017.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

The information about the assets and liabilities of acquired entities is presented below:

	<b>LLC Mosenergo- project</b>	<b>LLC Remont- project</b>
	<u>                    </u>	<u>                    </u>
<b>Current assets</b>		
Cash and cash equivalents	1	2
Trade and other receivables	20	243
Other current assets	-	5
<b>Total current assets</b>	<u>21</u>	<u>250</u>
<b>Non-current assets</b>		
Property, plant and equipment	470	1
Deferred tax assets	19	67
<b>Total non-current assets</b>	<u>489</u>	<u>68</u>
<b>Total assets</b>	<b>510</b>	<b>318</b>
<b>Current liabilities</b>		
Short-term borrowings	8	437
Trade and other payables	23	187
Other taxes payables (other than profit tax)	16	2
<b>Total current liabilities</b>	<u>47</u>	<u>626</u>
<b>Total liabilities</b>	<b>47</b>	<b>626</b>
Net assets at the acquisition date	463	(308)
Share of net assets at the acquisition date	463	(308)
Consideration paid	650	19
<b>Goodwill</b>	<u>187</u>	<u>-</u>
<b>Effect of acquisition under common control</b>	<u>-</u>	<u>327</u>

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**29 Related parties**

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

PJSC Gazprom is an ultimate parent company of PJSC Mosenergo. The Russian Federation is the ultimate controlling party of the Group.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the three and six months ended 30 June 2018 and 30 June 2017, or had significant balances outstanding as of 30 June 2018 and as of 31 December 2017 are detailed below.

**29.1 Transactions with Gazprom Group and its associates**

The Group's transactions and balances outstanding with Gazprom Group and its associates are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
<b>Revenue</b>	<b>10 966</b>	<b>12 497</b>	<b>46 772</b>	<b>42 091</b>
Heat	9 448	10 807	43 203	38 237
Electricity	1 322	1 370	2 866	2 999
Other revenue	196	321	703	855
<b>Operating expenses</b>	<b>(7 715)</b>	<b>(8 848)</b>	<b>(44 275)</b>	<b>(42 703)</b>
Fuel	(6 024)	(6 845)	(40 891)	(38 137)
Maintenance and repair expenses	(968)	(1 097)	(1 517)	(1 694)
Heat transmission	(72)	(292)	(455)	(1 488)
Purchased electricity and capacity	(118)	(148)	(434)	(437)
Rent	(79)	(77)	(157)	(153)
Transportation services	(62)	(77)	(138)	(154)
Cleaning services	(98)	(69)	(158)	(135)
Insurance expenses, excluding medical insurance	(52)	(53)	(103)	(105)
Medical insurance including in staff costs	(50)	(50)	(100)	(99)
Agency fee	(41)	(49)	(81)	(92)
Security and fire safety	(50)	(36)	(78)	(73)
Legal, consulting and data processing services	(5)	(15)	(11)	(15)
Other external services and works	(86)	(78)	(224)	(163)
Other operating income (expenses)	(10)	38	72	42
<b>Impairment gain on financial assets</b>	<b>174</b>	<b>-</b>	<b>174</b>	<b>-</b>
<b>Finance income and expense</b>	<b>418</b>	<b>470</b>	<b>1 031</b>	<b>1 039</b>
Finance income	423	474	1 040	1 047
Finance expense	(5)	(4)	(9)	(8)
<b>Purchase of assets</b>	<b>1 211</b>	<b>1 901</b>	<b>2 447</b>	<b>2 499</b>
Purchase of property, plant and equipment	790	19	1 267	617
Purchase of other assets	421	1 882	1 180	1 882
			<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Outstanding balance</b>				
Cash and cash equivalents			1 511	303
Trade and other receivables			53 425	51 753
Allowance for impairment of receivables			(705)	-
Advances for assets under construction			3 291	3 433
<b>Total assets</b>			<b>57 522</b>	<b>55 489</b>
Short-term borrowings			(474)	(464)
Long-term borrowings			-	(197)
Trade and other payables			(1 585)	(3 006)
<b>Total liabilities</b>			<b>(2 059)</b>	<b>(3 667)</b>

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

As of 30 June 2018, Gazprom Group and its associated companies entered into contracts for the construction and acquisition of property, plant and equipment in the amount of RUB 5 817 million (31 December 2017: RUB 6 484 million).

Comparative data for three and six months ended 30 June 2017 was adjusted in relation with disclosing transactions with associates in Note 29.2.

**29.2 Transactions with associates**

The Group's transactions and balances outstanding with associates are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
<b>Revenue</b>	<b>215</b>	<b>436</b>	<b>1 022</b>	<b>1 031</b>
Heat	190	427	989	1 013
Other revenue	25	9	33	18
<b>Operating expenses</b>	<b>(3)</b>	<b>-</b>	<b>(16)</b>	<b>-</b>
Heat transmission	(3)	-	(16)	-
Impairment gain on financial assets	160	-	195	-
<b>Finance income and expense</b>	<b>8</b>	<b>4</b>	<b>17</b>	<b>7</b>
Finance income	8	4	17	7
			<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Outstanding balance</b>				
Trade and other receivables			1 951	2 202
Allowance for impairment of receivables			(199)	(395)
<b>Total assets</b>			<b>1 752</b>	<b>1 807</b>



**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**29.3 Transactions with key management and management organisation**

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Wages and salaries	(8)	(5)	(14)	(11)
Social taxes and contributions	(1)	(1)	(2)	(2)
<b>Total</b>	<b>(9)</b>	<b>(6)</b>	<b>(16)</b>	<b>(13)</b>

There are no outstanding balances as of 30 June 2018 and as of 31 December 2017 as for transactions with key management.

Remuneration to management organisation LLC Gazprom energoholding for the three and six months ended 30 June 2018 was in the amount of RUB 30 million and RUB 67 million respectively (for the three and six months ended 30 June 2017: RUB 36 million and RUB 73 million respectively).

**29.4 Transactions with other state-controlled entities**

Information below excludes transactions and outstanding balances with Gazprom Group and its associates as disclosed in Note 29.1.

The Group's transactions and balances outstanding with other state-controlled entities are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
<b>Revenue</b>	<b>5 006</b>	<b>6 131</b>	<b>12 215</b>	<b>14 778</b>
Electricity	4 775	5 869	11 246	13 326
Heat	157	193	825	1 310
Other revenue	74	70	144	142
<b>Operating expenses</b>	<b>(923)</b>	<b>(724)</b>	<b>(2 026)</b>	<b>(1 729)</b>
Electricity market administration fees	(350)	(363)	(720)	(736)
Other materials	(224)	(299)	(557)	(618)
Rent	(158)	(192)	(333)	(345)
Security and fire safety	(120)	(118)	(236)	(232)
Fuel	(19)	(18)	(66)	(60)
Purchased electricity and capacity	(11)	(20)	(63)	(39)
Other external services and works	(46)	(37)	(89)	(77)
Other operating income (expenses)	5	323	38	378
<b>Impairment loss on financial assets</b>	<b>(180)</b>	<b>(267)</b>	<b>(763)</b>	<b>(736)</b>
<b>Finance income and expense</b>	<b>386</b>	<b>72</b>	<b>467</b>	<b>(489)</b>
Finance income	391	363	711	468
Finance expense	(5)	(291)	(244)	(957)

	30 June 2018	31 December 2017
<b>Outstanding balance</b>		
Cash and equivalents	23 301	14 394
Trade and other receivables	16 490	14 947
Allowance for impairment of receivables	(9 902)	(10 011)
Advances for assets under construction	7	9
<b>Total assets</b>	<b>29 896</b>	<b>19 339</b>
Short-term borrowings	-	(12 180)
Trade and other payables	(1 325)	(1 429)
<b>Total liabilities</b>	<b>(1 325)</b>	<b>(13 610)</b>

Comparative data for three and six months ended 30 June 2017 was adjusted in relation with disclosing transactions with JSC FSC in Note 29.5.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

## 29.5 Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market OREM are conducted through commission agreements with JSC Financial Settling Centre (JSC FSC). Current financial system of JSC FSC does not provide the final counterparty with automated information about transactions and outstanding balances with the ultimate consumers. State-controlled entities and Gazprom Group and its associates may also act as counterparties.

The Group's transactions and balances outstanding with JSC FSC are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
<b>Revenue</b>	<b>12 317</b>	<b>12 714</b>	<b>32 073</b>	<b>31 201</b>
Electricity	12 317	12 714	32 073	31 201
<b>Expenses</b>	<b>(1 936)</b>	<b>(2 023)</b>	<b>(4 659)</b>	<b>(4 473)</b>
Purchased electricity and capacity	(1 936)	(2 023)	(4 659)	(4 473)

	30 June 2018	31 December 2017
<b>Outstanding balance</b>		
Trade and other receivables	1 399	2 579
<b>Total assets</b>	<b>1 399</b>	<b>2 579</b>
Trade and other payables	(221)	(470)
<b>Total liabilities</b>	<b>(221)</b>	<b>(470)</b>

## 30 Commitments and contingencies

### 30.1 Operating leases

Operating leases refer mainly to long-term rental agreements for land rent where generation facilities of the Group are located. The leases typically run for periods from 5 to 45 years with an option to prolong the lease. For the three and the six months ended 30 June 2018, operating lease expenses in amounts of RUB 249 million and RUB 516 million, respectively, were recognised in profit or loss (for the three and the six months ended 30 June 2017: RUB 283 million and RUB 523 million, respectively) (Note 23).

Non-cancellable operating lease liabilities are presented in the table below:

	30 June 2018	31 December 2017
Less than one year	691	637
Between one and five years	2 338	2 372
More than five years	21 943	21 753
<b>Total</b>	<b>24 972</b>	<b>24 762</b>

### 30.2 Capital commitments

As of 30 June 2018, the Group was involved in a number of contracts for construction and purchase of property, plant and equipment for RUB 7 215 million excluding VAT (31 December 2017: RUB 8 031 million).

### **30.3 Taxation**

The Russian Federation tax legislation is subject to varying interpretation and changes, which can occur frequently. The management's interpretation of legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise.

In the Russian Federation fiscal periods remain open to review by the authorities in respect of taxes for three calendar years succeeding the year of review. Under certain circumstances review may cover longer periods.

Management believes that as of 30 June 2018 its interpretation of the relevant legislation was appropriate and the Group's tax position would be sustained.

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. The management has implemented internal controls to be in compliance with the new transfer pricing legislation.

### **30.4 Environmental liabilities**

Environmental regulations are currently in the process of development in the Russian Federation. The Group evaluates on a regular basis its obligations due to new and amended legislation. As liabilities in respect of environmental obligations can be measured, they are immediately recognised in profit or loss. Currently the likelihood and amount of potential environmental liabilities cannot be estimated reliably but could be significant. However, the management believes that under existing legislation there are no significant unrecorded liabilities or contingencies, which could have a significant adverse effect on the operating results or financial position of the Group.

### **30.5 Insurance**

The insurance industry in the Russian Federation is in the process of development and many forms of insurance protection common in other countries are not generally available. The management believes that the Group has adequate property damage coverage for its main production assets. The Group does not have full coverage for business interruption and third party liability. Until the Group obtains adequate insurance coverage, there is a risk that the loss from business interruption and third party liability could have a significant adverse effect on the Group's operations and financial position.

### **30.6 Guarantees**

The Group has issued direct guarantees to third parties which require the Group to make contingent payments based on the occurrence of certain events consisting primarily of guarantees for mortgages of the Group employees amounting to RUB 2 million as of 30 June 2018 (31 December 2017: RUB 3 million).

### **31 Financial risk factors**

The use of financial instruments exposes the Group to the following types of risk: market risk relating to foreign currency exchange rates and interest rates, credit risk and liquidity risk.

The Group's overall risk management focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

The Managing Director has overall responsibility for proper functioning of the Group's internal controls system. The Board of Directors establishes and oversees the Group's risk management system. The Audit Committee as part of the Board of Directors evaluates the internal controls system effectiveness. The Group's Audit Committee is assisted in its oversight role by the Department of Internal Audit, who oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management system in relation to the risks faced by the Group. The Department of Internal Audit undertakes both regular and unscheduled reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The risk management functions are performed by the department of the Group and managing company LLC Gazprom energoholding. Credit risk of investment securities is considered by the managing company. Credit risk in respect of receivables from customers is assessed by the Group. Liquidity risk is considered by the Efficiency and Control department.

The Group's risk management policies are summarised in the Group's Regulations on Risk Management which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and control mechanisms to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The procedures carried out in relation to the Group's risk analysis include examination of the customers reliability, analysis of bank guarantees for prepayments given to suppliers, bank currency position analysis, sensitivity analysis of exchange and interest rates for borrowings, budget implementation analysis and others.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive internal control system where all employees understand their roles and obligations.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**31.1 Market risk**

**31.1.1 Foreign exchange risk**

The Group is exposed to foreign currency exchange risk in the event of transactions and the existence of debt in a currency other than its functional currency. Part of the Group's assets and liabilities are denominated in foreign currency. Currency risk arises when the value of assets actually available or planned to receive assets expressed in foreign currency is higher or lower than the amount of liabilities in that currency. The currency in which these transactions are predominantly denominated is Euro.

	Note	Euro	
		30 June 2018	31 December 2017
<b>Financial assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1	1
<b>Total financial assets</b>		<b>1</b>	<b>1</b>
<b>Financial liabilities</b>			
<b>Current liabilities</b>			
Current borrowings	15	(2 028)	(1 916)
Trade and other payables	16	(331)	(234)
<b>Non-current liabilities</b>			
Long-term borrowings	15	(8 424)	(8 830)
<b>Total financial liabilities</b>		<b>(10 783)</b>	<b>(10 980)</b>
<b>Net financial liabilities</b>		<b>(10 782)</b>	<b>(10 979)</b>

The table below provides information on the Group's sensitivity to strengthening the Euro against the Russian Ruble by 20%. This analysis is based on changes in the foreign exchange rate that the Group applies at the end of the reporting period. For this purpose, the monetary items available at the balance sheet date, expressed in the respective currencies, were analysed.

	Euro impact	
	30 June 2018	31 December 2017
<b>Decrease in profit</b>	<b>(2 156)</b>	<b>(2 196)</b>

The weakening of the currencies considered above by 20% relative to the functional currency as of 30 June 2018 would have the same effect, but with the opposite sign, on the basis that all other variables remain constant.

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

**31.1.2 Interest risk**

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new borrowings the management uses its judgment to decide that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The Group constantly analyses dynamics of variable interest rates. To minimise interest rate risk the Group prepares budgets taking into account possible changes of interest rates and creates special reserves to cover contingent expenses and losses.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Fixed rate instruments</b>		
Financial assets	81 531	86 136
Financial liabilities	<u>(5 858)</u>	<u>(19 379)</u>
<b>Total</b>	<b><u>75 673</u></b>	<b><u>66 757</u></b>
<b>Variable rate instruments</b>		-
Financial liabilities	<u>(10 452)</u>	<u>(10 746)</u>
<b>Total</b>	<b><u>(10 452)</u></b>	<b><u>(10 746)</u></b>

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore any change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 30 June 2018 and 31 December 2017.

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Decrease in profit</b>	<b><u>(105)</u></b>	<b><u>(107)</u></b>

### 31.2 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, and arises principally from the Group's receivables.

#### 31.2.1 Loans and receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically credit risk is concentrated in the city of Moscow and Moscow Region as most of sales are made in this area. Creditworthiness of existing customers is periodically evaluated based on internal and external information regarding history of settlements with these customers. The Group constantly analyses accounts receivable turnover ratios, maturity dates and takes appropriate measures on collection of debts due. Approximately 90-95% of the customers are the clients of the Group for a period longer than 2-3 years.

There are standard contract terms for any customer purchasing energy under regulated contracts, the day-ahead market or the balancing market. Special conditions are envisaged by the Russian Federation legislation on Power industry for some heat consumers such as state companies, housing organisations and entities, which may not be limited or refused energy supply because it can lead to casualties or other harmful aftermath (hospitals, schools etc.). Currently no upper limits for debt due from each customer are established.

The Group is working on minimising the number of contracts with advance payment conditions, if advance payment is necessary, requests bank guarantees from counterparties to return advances.

The credit risk for loans and receivables based on the information provided to key management is as follows:

	<b>30 June 2018</b>	<b>31 December 2017</b>
Trade and other receivables	42 513	40 501
Loans issued	11 496	21 852
<b>Total</b>	<b>54 009</b>	<b>62 353</b>

Debtors within two main classes of accounts receivable electricity and heat energy are quite homogenous regarding their credit quality and concentration of credit risk.

The account receivables are primarily comprised of a few large reputed customers who purchase electric and heat energy. Historical data, including payment history during the recent credit crisis, would suggest that the risk of default of such customers is very low.

Loans issued and accounts receivables as of reporting date fall due as follows:

	<b>30 June 2018</b>		<b>31 December 2017</b>			
	<b>Carrying amount</b>	<b>Impair- ment</b>	<b>Carrying amount</b>	<b>Impairment (restated)</b>	<b>Effect of IFRS 9</b>	<b>Impair- ment</b>
Not past due	29 087	512	49 284	614	614	-
Past due 0-30 days	2 569	71	8 267	256	256	-
Past due 31-120 days	19 439	1 041	1 487	546	(50)	596
Past due 121-365 days	3 580	1 561	3 572	1 667	(148)	1 815
More than one year	14 772	12 253	13 681	11 733	208	11 525
<b>Total</b>	<b>69 447</b>	<b>15 438</b>	<b>76 291</b>	<b>14 816</b>	<b>880</b>	<b>13 936</b>

**PJSC MOSENERGO**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) - 30 JUNE 2018**  
**(in millions of Russian Rubles)**

The movement in the allowance for impairment on financial assets in respect of loans given and receivables during the reporting period was as follows:

	<b>2018</b>	<b>2017</b>
<b>Balance as of 1 January</b>	<b>13 936</b>	<b>12 176</b>
Effect of application of IFRS 9	880	-
<b>Balance as of 1 January (restated)</b>	<b>14 816</b>	<b>12 176</b>
Allowance for impairment loss accrued during the period	1 768	652
Allowance used and written off	(1 146)	(57)
<b>Balance as of 30 June</b>	<b>15 438</b>	<b>12 771</b>

### 31.2.2 Cash in banks and on-demand deposits

All bank balances and on-demand deposits are neither past due nor impaired. The Group pursues the policy of cooperation with banks that have a high rating, which is approved by the Board of Directors of PJSC Mosenergo.

### 31.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, 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.

The liquidity risk management is performed on three different levels. Long-term risk management is incorporated in the overall financial model of the Group. Middle-term monitoring is fulfilled during the quarterly and monthly planning of the Group's budgets. Short-term actions include planning and control of daily cash receipts and payments of the Group.

Liquidity management system includes also drawing up monthly, quarterly and yearly cash budgets, comparing actual amounts to planned and explaining any discrepancies found.

In the table below, the Group's financial liabilities are grouped by maturity based on the period at the reporting date remaining until the maturity date, in accordance with the terms of the contract.

	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>Less than 6 months</b>	<b>Between 6 and 12 months</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
<b>As of 30 June 2018</b>							
Borrowings	11 139	13 328	1 595	1 099	2 173	6 309	2 152
Trade and other payables	5 171	5 171	4 995	-	176	-	-
<b>Total</b>	<b>16 310</b>	<b>18 499</b>	<b>6 590</b>	<b>1 099</b>	<b>2 349</b>	<b>6 309</b>	<b>2 152</b>
<b>Balance as of 31 December 2017</b>							
Borrowings	23 588	25 698	2 001	13 539	2 068	6 011	2 079
Trade and other payables	6 537	6 537	6 384	-	153	-	-
<b>Total</b>	<b>30 125</b>	<b>32 235</b>	<b>8 385</b>	<b>13 539</b>	<b>2 221</b>	<b>6 011</b>	<b>2 079</b>



### **31.4 Capital risk management**

The following capital requirements for joint stock companies established by the legislation of the Russian Federation:

- share capital cannot be lower than 1,000 minimum shares at the date of the joint stock company registration;
- if the share capital of the entity is greater than net assets of the entity in accordance with Russian Accounting Standards, such entity must decrease its share capital to the value not exceeding its net assets;
- if the minimum allowed share capital is greater than net assets of the entity in accordance with Russian Accounting Standards, such entity is subject to liquidation.

As of 30 June 2018 and 31 December 2017 PJSC Mosenergo was in compliance with the above share capital requirements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating profit divided by total shareholders' equity. The Board of Directors also controls the level of dividends attributable to ordinary shareholders.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (borrowings, finance lease liabilities) less cash and cash equivalents and balances of restricted cash and cash equivalents under the terms of certain borrowings and other contractual obligations.

Adjusted EBITDA is calculated as operating profit adjusted for depreciation and amortization, and impairment losses on financial assets.

The net debt to adjusted EBITDA ratios as of 30 June 2018 and 31 December 2017 were as follows:

	<b>30 June 2018</b>	<b>30 June 2017</b>
Total debt	11 139	23 615
Less: cash and cash equivalents	<u>(25 851)</u>	<u>(18 999)</u>
Net (cash) debt	(14 712)	4 616
Adjusted EBITDA	26 620	26 531
<b>Net debt / Adjusted EBITDA ratio</b>	<b>(0,55)</b>	<b>0,17</b>

### **32 Fair value of financial instruments**

The fair value of financial assets and liabilities is determined as follows:

#### *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

#### *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

#### *Financial instruments in Level 3*

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3. The fair value of financial instruments, such as short-term trade and other receivables and trade and other payables are classified as Level 3 and are not disclosed, because their fair value is slightly different from their present value.

There was no change in the fair value measurement methods attributed to Level 2 and Level 3 for the six months ended 30 June 2018 (31 December 2017: there was no change). There were no transfers between levels for the six months ended 30 June 2018 (31 December 2017: there were no transfers).

As of 30 June 2018 and 31 December 2017 the Group had the following assets and liabilities that are measured at fair value:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as of 30 June 2018</b>				
Financial assets at fair value through other comprehensive income (Note 6)	-	-	1 490	1 490
<b>Balance as of 31 December 2017</b>				
Financial assets at fair value through other comprehensive income (Note 6)	-	-	3 154	3 154