Report on Review of Interim Financial Information

PJSC Inter RAO and its subsidiaries

for the three-month period ended 31 March 2018

May 2018

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Совершенствуя бизнес,
улучшая мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827
ОГРН: 1027739707203
ИНН: 7709383532

Report on Review of Interim Financial Information

To the shareholders and Board of Directors of
PJSC Inter RAO

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC Inter RAO and its subsidiaries, which comprise the interim consolidated statement of financial position as at 31 March 2018, interim consolidated statement of comprehensive income, interim consolidated statement of cash flows and interim consolidated statement of changes in equity for the three-month period then ended, and selected explanatory notes (interim financial information). Management of PJSC Inter RAO is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Совершенствуя бизнес,
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Conclusion

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

I.A. Buyan
Partner
Ernst & Young LLC

15 May 2018

Details of the entity

Name: PJSC Inter RAO
Record made in the State Register of Legal Entities on 1 November 2002, State Registration Number 102230933630.
Address: Russia 119435, Moscow, Bolshaya Pirogovskaya street, 27, building 2.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Interim consolidated statement of financial position

(in millions of RUR)

	Note	31 March 2018	1 January 2018 (restated)	1 January 2017 (restated)
Assets				
Non-current assets				
Property, plant and equipment	6	306,615	286,714	291,854
Intangible assets		13,264	13,183	9,908
Investments in associates and joint ventures	7	22,865	22,770	28,886
Deferred tax assets		6,619	7,174	6,057
Securities	8	11,343	10,324	7,810
Other non-current assets	9	3,448	2,986	15,430
Total non-current assets		**364,154**	**343,151**	**359,945**
Current assets				
Inventories		19,699	16,927	14,104
Accounts receivable and prepayments	10	113,580	108,936	106,421
Income tax prepaid		718	873	625
Cash and cash equivalents	11	142,689	142,062	95,988
Other current assets	12	33,537	24,127	4,712
		310,223	**292,925**	**221,850**
Assets classified as held-for-sale		3,000	3,000	3,000
Total current assets		**313,223**	**295,925**	**224,850**
Total assets		**677,377**	**639,076**	**584,795**
Equity and liabilities				
Equity				
Share capital	13	293,340	293,340	293,340
Treasury shares	13	(54,322)	(58,787)	(58,787)
Share premium		69,312	69,312	69,312
Hedge reserve		(6)	2	16
Actuarial reserve		2	7	(182)
Fair value reserve		(2,852)	(3,650)	2,485
Foreign currency translation reserve		2,520	2,152	2,972
Retained earnings		177,427	157,540	109,872
Total equity attributable to shareholders of the Company		**485,421**	**459,916**	**419,028**
Non-controlling interest		1,815	1,587	2,078
Total equity		**487,236**	**461,503**	**421,106**
Non-current liabilities				
Loans and borrowings	14	2,394	4,675	8,604
Long-term lease liabilities		30,505	10,888	10,499
Deferred tax liabilities		11,707	10,957	10,678
Other non-current liabilities	16	8,625	8,152	7,260
Total non-current liabilities		**53,231**	**34,672**	**37,041**
Current liabilities				
Loans and borrowings	14	11,413	11,479	8,108
Short-term portion of long-term lease liabilities		4,746	1,435	1,726
Accounts payable and accrued liabilities	15	108,707	118,314	105,476
Other taxes payable		8,448	9,117	9,005
Income tax payable		3,596	2,556	2,333
Total current liabilities		**136,910**	**142,901**	**126,648**
Total liabilities		**190,141**	**177,573**	**163,689**
Total equity and liabilities		**677,377**	**639,076**	**584,795**

Chairman of the Management Board — Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer — Miroshnichenko E.N.

15 May 2018

The interim consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the interim financial information set out in Notes 1-26.

Interim consolidated statement of comprehensive income

(in millions of RUR)

	Note	*For the three months ended 31 March* 2018	2017 (restated)
Revenue	17	247,484	224,000
Other operating income	18	2,734	1,419
Operating expenses, net	19	(223,221)	(203,654)
Operating income		**26,997**	**21,765**
Finance income	20	2,918	3,064
Finance expenses	20	(1,760)	(2,367)
Share of profit of associates and joint ventures, net	7	601	944
Income before income tax		**28,756**	**23,406**
Income tax expense	21	(6,135)	(4,204)
Income for the period		**22,621**	**19,202**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met			
Gain/(loss) on Securities, net of tax	8	537	(85)
Net loss on hedge instruments, net of tax		(16)	(41)
Exchange gain/(loss) on translation to presentation currency		442	(1,074)
Other comprehensive income/(loss) not to be reclassified subsequently to profit or loss			
Gain on Securities, net of tax	8	261	–
Actuarial loss, net of tax		(7)	(3)
Other comprehensive income/(loss), net of tax		**1,217**	**(1,203)**
Total comprehensive income for the period		**23,838**	**17,999**
Income attributable to:			
Shareholders of the Company		22,457	19,243
Non-controlling interest		164	(41)
		22,621	**19,202**
Total comprehensive income attributable to:			
Shareholders of the Company		23,610	18,090
Non-controlling interest		228	(91)
		23,838	**17,999**
		RUR	***RUR***
Basic income per ordinary share for income attributable to the shareholders of the Company		0.268	0.231
Diluted income per ordinary share for income attributable to the shareholders of the Company		0.264	0.227

Chairman of the Management Board Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer Miroshnichenko E.N.

15 May 2018

The interim consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim financial information set out in Notes 1-26.

Interim consolidated statement of cash flows

(in millions of RUR)

	Note	For the three months ended 31 March 2018	2017 (restated)
Operating activities			
Income before income tax		**28,756**	**23,406**
Adjustments to reconcile income before tax to net cash flows from operating activities			
Depreciation and amortisation	19	6,267	5,168
Provision for impairment of accounts receivable	19	1,864	1,701
Discounting of accounts receivable	20	(64)	(547)
Release of other provisions	19	(975)	(281)
Share of profit of associates and joint ventures	7	(601)	(944)
Loss/(income) from electricity derivatives, net	18, 19	15	(7)
Foreign exchange (gain)/loss, net	20	(381)	1,354
Interest income	20	(2,237)	(2,172)
Other finance income	20	(88)	(328)
Interest expenses	20	1,235	979
Other finance expenses	20	377	19
Share option plan	25	9	411
Gain from acquisition/disposal of controlling interest	5, 18	(217)	(4)
Other non-cash operations/items		(213)	21
Operating cash flows before working capital adjustments and income tax paid		**33,747**	**28,776**
Increase in inventories		(2,765)	(1,091)
Increase in accounts receivable and prepayments		(8,896)	(8,685)
Decrease in value added tax recoverable		416	1,173
Decrease in other current assets		308	619
Decrease in accounts payable and accrued liabilities		(7,063)	(10,632)
Decrease in taxes other than income tax prepaid/payable, net		(2,391)	(1,093)
Other working capital adjustments		13	(4)
		13,369	**9,063**
Income tax paid		(3,825)	(5,097)
Net cash flows from operating activities		**9,544**	**3,966**

The interim consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim financial information set out in Notes 1-26.

Interim consolidated statement of cash flows (continued)

(in millions of RUR)

	Note	For the three months ended 31 March 2018	2017 (restated)
Investing activities			
Proceeds from disposal of property, plant and equipment		44	38
Purchase of property, plant and equipment and intangible assets		(3,600)	(5,947)
Purchase of controlling interest, net of cash acquired	5	722	(500)
Proceeds from disposal assets classified as held-for-sale		3,125	3,125
Loans issued		(2)	(28)
Proceeds from repayment of loans issued		110	70
Bank deposits placed		(31,846)	(4,756)
Bank deposits returned and proceeds from promissory notes repayment		22,063	13
Interest proceeds for bank deposits placed		1,731	1,000
Cash flows from/(used for) other investing activities		102	(11)
Net cash flows used for investing activities		**(7,551)**	**(6,996)**
Financing activities			
Proceeds from loans and borrowings		5,537	9,245
Repayment of loans and borrowings		(7,968)	(7,612)
Repayment of leases		(558)	(483)
Interest paid		(278)	(616)
Dividend paid		(1)	–
Purchase of non-controlling interest in subsidiaries	5	–	25
Proceeds from treasury shares sale	13	1,886	–
Net cash flows (used for) / from financing activities		**(1,382)**	**559**
Effect of exchange rate fluctuations on cash and cash equivalents		16	(244)
Net increase/(decrease) in cash and cash equivalents		**627**	**(2,715)**
Cash and cash equivalents at the beginning of the period		142,062	95,988
Cash and cash equivalents at the end of the period	11	**142,689**	**93,273**

Chairman of the Management Board — Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer — Miroshnichenko E.N.

15 May 2018

Interim consolidated statement of changes in equity

(in millions of RUR)

		Attributable to shareholders of the Company										
	Note	***Share capital***	***Treasury shares***	***Share premium***	***Foreign currency translation reserve***	***Fair value reserve***	***Hedge reserve***	***Actuarial reserve***	***Retained earnings***	***Total***	***Non-controlling interest***	***Total equity***
Balance at 1 January 2017		**293,340**	**(58,787)**	**69,312**	**2,972**	**2,485**	**16**	**(182)**	**107,879**	**417,035**	**2,191**	**419,226**
Effect of adoption of new standards	2	–	–	–	–	–	–	–	1,993	**1,993**	(113)	**1,880**
Balance at 1 January 2017 (restated)		**293,340**	**(58,787)**	**69,312**	**2,972**	**2,485**	**16**	**(182)**	**109,872**	**419,028**	**2,078**	**421,106**
Total comprehensive (loss)/income for the three months ended 31 March 2017		–	–	–	(1,047)	(85)	(19)	(2)	19,242	**18,089**	(90)	**17,999**
Acquisition of non-controlling interest in subsidiary	5	–	–	–	–	–	–	–	202	**202**	(177)	**25**
Share option plan	25	–	–	–	–	–	–	–	411	**411**	–	**411**
Balance at 31 March 2017 (restated)		**293,340**	**(58,787)**	**69,312**	**1,925**	**2,400**	**(3)**	**(184)**	**129,727**	**437,730**	**1,811**	**439,541**
Balance at 1 January 2018		**293,340**	**(58,787)**	**69,312**	**2,152**	**1,825**	**2**	**7**	**149,968**	**457,819**	**1,590**	**459,409**
Effect of adoption of new standards	2	–	–	–	–	(5,475)	–	–	7,572	**2,097**	(3)	**2,094**
Balance at 1 January 2018 (restated)		**293,340**	**(58,787)**	**69,312**	**2,152**	**(3,650)**	**2**	**7**	**157,540**	**459,916**	**1,587**	**461,503**
Total comprehensive income /(loss) for the three months ended 31 March 2018		–	–	–	368	798	(8)	(5)	22,457	**23,610**	228	**23,838**
Sale of treasury shares	13, 25	–	4,465	–	–	–	–	–	(2,579)	**1,886**	–	**1,886**
Share option plan	25	–	–	–	–	–	–	–	9	**9**	–	**9**
Balance at 31 March 2018		**293,340**	**(54,322)**	**69,312**	**2,520**	**(2,852)**	**(6)**	**2**	**177,427**	**485,421**	**1,815**	**487,236**

Chairman of the Management Board Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer Miroshnichenko E.N.

15 May 2018

The interim consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the interim financial information set out in Notes 1-26.

(in millions of RUR)

1. The Group and its operations

General information on the Group

Public Joint Stock Company “Inter RAO UES” (the “Parent Company” or the “Company” or PJSC “Inter RAO”) is incorporated and domiciled in the Russian Federation and whose shares are publicly traded.

The Russian Federation is the ultimate controlling party of PJSC Inter RAO and has a controlling interest in the Company of over 50%.The main state shareholders of the Parent Company as at 31 March 2018 are Group ROSNEFTEGAZ (27.63%) and PJSC FGC UES (18.57%).

The Company has controlling interests in a number of subsidiaries operating in different regions of the Russian Federation and abroad (the Company and its subsidiaries collectively are designated as the “Group”).

The Group is engaged in the following business activities:

- Electricity production, supply and distribution;
- Export and import of electricity;
- Sales of electricity purchased abroad and on the domestic market;
- Engineering services;
- Energy effectiveness research and development.

The Group’s business environment

The governments of the countries where the Group entities operate directly affect the Group’s operations through regulation with respect to energy generation, purchases and sales. Governmental economic, social and other policies in these countries could have a material effect on the operations of the Group.

The Russian Federation, Georgia, Moldavia (including Transdniestria Republic), Turkey, Lithuania, Latvia and Estonia have been experiencing significant (albeit different) political and economic changes that have affected, and may continue to affect, the activities of the Group entities operating in this environment. Consequently, operations in these jurisdictions involve risks that typically do not exist in other mature markets. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The accompanying interim financial information reflects management’s assessment of the impact of the business environment on the operating results and the financial position of the Group in the countries where the Group entities operate. Management is unable to predict all developments which could have an impact on the utilities sector and the wider economy in these countries and consequently, what effect, if any, they could have on the financial position of the Group. Therefore, future business environment may differ from management’s assessment.

2. Basis of preparation

(a) Statement of compliance

These interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2017.

(b) Functional and presentation currency

The national currencies of the countries where the Group entities operate are usually the individual company’s functional currencies, because they generally reflect the economic substance of the underlying transactions and circumstances of those companies.

(in millions of RUR)

2. Basis of preparation (continued)

(b) Functional and presentation currency (continued)

The Group applies judgment in determination of the functional currencies of certain Group entities. The functional currency determination influences foreign exchange gain/losses recognised in profit and loss and translation differences recognised in other comprehensive income.

The interim financial information is presented in millions of the Russian roubles ("RUR"). The main part of the Group is represented by entities operating in the Russian Federation having RUR as their functional currency. All values are rounded to the nearest million, except when otherwise indicated.

(c) Seasonality

Demand for electricity is to some extent influenced by the season of the year. Revenue is usually higher in the period from October to March than in other months of the year. This seasonality does not impact revenue or cost recognition policies of the Group.

(d) Restatement

The Group retrospectively restated comparative information due to implementation of IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*:

Impact on interim consolidated statement of comprehensive income:

For three months ended 31 March 2017	***As previously reported***	***Impact of adoption of IFRS 15***	***Impact of adoption of IFRS 16***	***As restated***
Revenue	238,580	(14,580)	–	224,000
Other operating income	1,419	–	–	1,419
Operating expenses	(218,481)	14,695	132	(203,654)
Operating income	**21,518**	**115**	**–**	**21,765**
Finance income	2,500	564	–	3,064
Finance expenses	(2,056)	(15)	(296)	(2,367)
Share of profit of associates and joint ventures	944	–	–	944
Income before income tax	**22,906**	**664**	**(164)**	**23,406**
Income tax expense	(4,099)	(133)	28	(4,204)
Income for the period	**18,807**	**531**	**(136)**	**19,202**
Other comprehensive (loss)/income				
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss when specific conditions are met				
Loss on available-for-sale financial assets, net of tax	(85)	–	–	(85)
Net loss on hedge instruments, net of tax	(41)	–	–	(41)
Exchange loss on translation to presentation currency	(1,074)	–	–	(1,074)
Other comprehensive loss not to be reclassified subsequently to profit or loss				
Actuarial loss, net of tax	(3)	–	–	(3)
Other comprehensive loss, net of tax	**(1,203)**	**–**	**–**	**(1,203)**
Total comprehensive income for the period	**17,604**	**531**	**(136)**	**17,999**
Income attributable to:				
Shareholders of the Company	18,865	514	(136)	19,243
Non-controlling interest	(58)	17	–	(41)
	18,807	**531**	**(136)**	**19,202**
Total comprehensive income attributable to:				
Shareholders of the Company	17,712	514	(136)	18,090
Non-controlling interest	(108)	17	–	(91)
	17,604	**531**	**(136)**	**17,999**

(in millions of RUR)

2. Basis of preparation (continued)

(d) Restatement (continued)

Impact on interim consolidated statement of financial position:

1 January 2018	*As previously reported*	*Impact of adoption of IFRS 15*	*Impact of adoption of IFRS 16*	*As restated*
Assets				
Non-current assets				
Property, plant and equipment	275,261	–	11,453	286,714
Intangible assets	13,183	–	–	13,183
Investments in associates and joint ventures	22,785	–	(15)	22,770
Deferred tax assets	7,762	(641)	53	7,174
Securities	10,324	–	–	10,324
Other non-current assets	2,986	–	–	2,986
Total non-current assets	**332,301**	**(641)**	**11,491**	**343,151**
Current assets				
Inventories	16,927	–	–	16,927
Accounts receivable and prepayments	105,766	3,206	(36)	108,936
Income tax prepaid	873	–	–	873
Cash and cash equivalents	142,062	–	–	142,062
Other current assets	24,127	–	–	24,127
	289,755	**3,206**	**(36)**	**292,925**
Assets classified as held-for-sale	3,000	–	–	3,000
Total current assets	**292,755**	**3,206**	**(36)**	**295,925**
Total assets	**625,056**	**2,565**	**11,455**	**639,076**
Equity and liabilities				
Equity				
Share capital	293,340	–	–	293,340
Treasury shares	(58,787)	–	–	(58,787)
Share premium	69,312	–	–	69,312
Hedge reserve	2	–	–	2
Actuarial reserve	7	–	–	7
Fair value reserve	1,825	–	–	1,825
Foreign currency translation reserve	2,152	–	–	2,152
Retained earnings	149,968	2,568	(471)	152,065
Total equity attributable to shareholders of the Company	**457,819**	**2,568**	**(471)**	**459,916**
Non-controlling interest	1,590	(3)	–	1,587
Total equity	**459,409**	**2,565**	**(471)**	**461,503**
Non-current liabilities				
Long-term loans and borrowings	4,721	–	10,842	15,563
Deferred tax liabilities	11,016	–	(59)	10,957
Other non-current liabilities	8,152	–	–	8,152
Total non-current liabilities	**23,889**	**–**	**10,783**	**34,672**
Current liabilities				
Short-term loans and borrowings	11,707	–	1,207	12,914
Accounts payable and accrued liabilities	118,378	–	(64)	118,314
Other taxes payable	9,117	–	–	9,117
Income tax payable	2,556	–	–	2,556
Total current liabilities	**141,758**	**–**	**1,143**	**142,901**
Total liabilities	**165,647**	**–**	**11,926**	**177,573**
Total equity and liabilities	**625,056**	**2,565**	**11,455**	**639,076**

(in millions of RUR)

2. Basis of preparation (continued)

(d) Restatement (continued)

Impact on consolidated statement of financial position:

1 January 2017	*As previously reported*	*Impact of adoption of IFRS 15*	*Impact of adoption of IFRS 16*	*As restated*
Assets				
Non-current assets				
Property, plant and equipment	280,499	–	11,355	291,854
Intangible assets	9,908	–	–	9,908
Investments in associates and joint ventures	28,886	–	–	28,886
Deferred tax assets	6,527	(470)	–	6,057
Securities	7,810	–	–	7,810
Other non-current assets	15,430	–	–	15,430
Total non-current assets	**349,060**	**(470)**	**11,355**	**359,945**
Current assets				
Inventories	14,104	–	–	14,104
Accounts receivable and prepayments	104,105	2,348	(32)	106,421
Income tax prepaid	625	–	–	625
Cash and cash equivalents	95,988	–	–	95,988
Other current assets	4,712	–	–	4,712
	219,534	**2,348**	**(32)**	**221,850**
Assets classified as held-for-sale	3,000	–	–	3,000
Total current assets	**222,534**	**2,348**	**(32)**	**224,850**
Total assets	**571,594**	**1,878**	**11,323**	**584,795**
Equity and liabilities				
Equity				
Share capital	293,340	–	–	293,340
Treasury shares	(58,787)	–	–	(58,787)
Share premium	69,312	–	–	69,312
Hedge reserve	16	–	–	16
Actuarial reserve	(182)	–	–	(182)
Fair value reserve	2,485	–	–	2,485
Foreign currency translation reserve	2,972	–	–	2,972
Retained earnings	107,879	1,991	2	109,872
Total equity attributable to shareholders of the Company	**417,035**	**1,991**	**2**	**419,028**
Non-controlling interest	2,191	(113)	–	2,078
Total equity	**419,226**	**1,878**	**2**	**421,106**
Non-current liabilities				
Long-term loans and borrowings	8,886	–	10,217	19,103
Deferred tax liabilities	10,678	–	–	10,678
Other non-current liabilities	7,260	–	–	7,260
Total non-current liabilities	**26,824**	**–**	**10,217**	**37,041**
Current liabilities		–		
Short-term loans and borrowings	8,738	–	1,096	9,834
Accounts payable and accrued liabilities	105,468	–	8	105,476
Other taxes payable	9,005	–	–	9,005
Income tax payable	2,333	–	–	2,333
Total current liabilities	**125,544**	**–**	**1,104**	**126,648**
Total liabilities	**152,368**	**–**	**11,321**	**163,689**
Total equity and liabilities	**571,594**	**1,878**	**11,323**	**584,795**

The Group restated comparative information due to application of IFRS 9 *Financial Instruments*:

As at 1 January 2018 due to implementation of IFRS 9 the Group reclassified the available-for-sale investments in quoted shares to Equity instruments at fair value through other comprehensive income (FVOCI). The accumulated impairment loss of these investments recognised in previous periods through profit and loss in the amount of RUR 5,475 million, net of tax RUR 1,369 million, was reclassified from retained earnings to fair value reserve.

(in millions of RUR)

3. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim financial information for the three months ended 31 March 2018 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption by the Group of new standards, interprtetations and amendments that became effective as of 1 January 2018, listed below:

(a) The new standards, interprtetations and amendments of the standards became effective for the Group's consolidated financial statements as of 1 January 2018

- *IFRS 16 Leases* was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Group applied both exemptions. At the commencement date of a lease, a lessee recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The Group recognise separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group has used the option of early application and applied IFRS 16 from 1 January 2018 using full retrospective approach.

- *IFRS 15 Revenue from Contracts with Customers* was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group applied IFRS 15 from 1 January 2018 using full retrospective approach.

  In accordance with IFRS 15 the Group need to determine whether significant financing components exist in the contracts. As a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, trade and other receivables the Group do not account for a financing component.

  Previously the Group recognised revenue from sale of electricity, capacity and heat is measured at the fair value of the consideration receivable. Revenue from sale of electricity, capacity and heat was recognised in profit and loss on delivery of electricity, capacity and heat. If objective evidence existed that the Group would not be able to collect all amounts receivable according to the initial contractual terms, the Group created a provision within the provision for impairment of account receivable. In accordance with IFRS 15 revenue is recognised in the amount of the consideration to which the Group will be entitled in exchange for the goods or services that will be transferred to the customer. The consideration set in the contract with the customer may contain fixed and variable amounts as a result of price concession. The Group recognises revenue using the expected value method.

  Previously the Group presented revenue from compensation for electricity lost during transmission and expenses for electricity transmission fees on gross basis. After adoption of IFRS 15 the Group presents revenue from compensation for electricity lost during transmission and expenses for electricity transmission fees on net basis.

- *IFRS 9 Financial Instruments.* In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

  Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

(in millions of RUR)

3. Summary of significant accounting policies (continued)

(a) The new standards, interprtetations and amendments of the standards became effective for the Group's consolidated financial statements as of 1 January 2018 (continued)

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Loans included under Other non-current financial assets.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted and unquoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted and unquoted debt instruments were classified as available-for-sale (AFS) financial assets.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its quoted equity instruments as equity instruments at FVOCI and unquoted equity instruments as Equity instruments at Fair value through profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's quoted and unquoted equity instruments were classified as AFS financial assets.
- Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognised through profit and loss, was reclassified from Retained earnings to Fair value reserve.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

- *Under IFRS 9 the Group initially measures a financial asset at its fair value.* The Group has reclassified AFS financial assets to Securities.
- *IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2.* The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018. These amendments did not have any effect on the interim consolidated financial statements.
- *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration.* The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

  Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

  (i) The beginning of the reporting period in which the entity first applies the interpretation; or

  (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Interpretation is effective for annual periods beginning on or after 1 January 2018. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its interim consolidated financial statement.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

(b) The following IFRSs and amendments to existing IFRSs that have been published are not yet effective

- *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment.* The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The Group is in the process of analysis of impact on the financial statements.

The Group has not adopted earlier any other standard, interpretation and amendment that has been issued but is not yet effective.

The Group is considering the implication of the new standards and the impact on the Group's consolidated financial statement and plans to adopt new standards when they become effective.

4. Segment information

Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources and in assessing performance. The Management Board of the Parent Company has been determined as the CODM; the operating segment has been defined as a legal entity or a particular business activity of a legal entity. The Management Board analyses the effectiveness of the operating segments based on IFRS financial reporting.

The Management Board considers the Groups activities from both geographical (by countries of the Group entities' jurisdiction) and business perspective (electric power generation, thermal power generation, trading, supply, engineering and corporate centre) meaning that each operating segment represents a certain type of business activities or legal entities in a certain country.

The following reporting segments have been identified based on the requirements of IFRS 8 *Operating Segments* (taking into consideration aggregation criteria as well as quantitative thresholds on revenue and EBITDA):

- **Supply in the Russian Federation** (represented by PJSC Mosenergosbyt, LLC MosOblEIRTS, JSC Saint Petersburg Power Supply Company (Group of entities), PJSC Tambov Energy Retailing Company, PJSC Saratovenergo, JSC Altayenergosbyt, LLC INTER RAO Orlovskii Energosbyt, JSC Industrial Energetics, LLC RN-Energo, PJSC Tomskenergosbyt, LLC Omsk Energy Retailing Company, JSC EIRTS LO, LLC ESC Bashkortostan, LLC Inter RAO – EIRTS, LLC RT – Energy Trading (equity accounted investee).
- **Electric Power Generation in the Russian Federation** (represented by Group Inter RAO – Electric Power Plants, including NVGRES Holding Limited (till 31 March 2017 – Note 7) and CJSC Nizhnevartovskaya GRES (equity accounted investees).
- **Thermal Power Generation in the Russian Federation** represented by:
  - ***TGC-11*** (represented by JSC TGC-11, JSC Tomsk generation, JSC TomskRTS and JSC OmskRTS);
  - ***Bashkir Generation*** (represented by Group Bashkir Generation Company).

(in millions of RUR)

4. Segment information (continued)

- **Trading in the Russian Federation and Europe** (represented by the trading activities of the Parent Company, RAO Nordic Oy, AB INTER RAO Lietuva and its subsidiaries, Inter Green Renewables and Trading AB (till 16 December 2017 – Note 5), JSC Eastern Energy Company, LLC Payments implementation center).
- **Foreign assets** represented by the following reporting sub-segments:
  - ***Georgia*** (represented by JSC Telasi, JSC Khramhesi I and JSC Khramhesi II);
  - ***Moldavia*** (represented by CJSC Moldavskaya GRES);
  - ***Turkey*** (represented by Trakya Elektrik Uterim Ve Ticaret A.S.).
- **Engineering in the Russian Federation** (represented by LLC INTER RAO Engineering, LLC Quartz Group, LLC Power Efficiency Centre INTER RAO UES (equity accounted investee), LLC INTER RAO – Export, Energy beyond borders Non-for-profit Fund and LLC TCC Energy beyond borders).
- **Corporate centre** includes elimination of transactions among the reporting segments and management expenses, interest income and interest expense of the Parent Company and other subsidiaries, as well as loans and borrowings, obtained by the Parent Company and other subsidiaries, which cannot be allocated to a specific reporting segment on a reasonable basis.

The CODM evaluates performance of the operating segments based on EBITDA, which is calculated as profit/(loss) for the period before finance income and finance expenses; income tax expense; depreciation and amortisation of property, plant and equipment, intangible assets; impairment charge/(release) of property, plant and equipment; impairment of goodwill and other intangible assets; impairment of securities and assets classified as held-for-sale; provisions for doubtful debts and for inventory obsolescence; other provisions; share in profit/(loss) of associates and effects from acquisition and disposal of Group entities; income/(loss) from purchase and sale of securities and assets classified as held-for-sale; and charity expenses, income/(loss) from disposal of non-financial assets and some other included in Other item within the reconciliation between EBITDA of the reporting segments and net income/(loss) for the reporting period. The Group's definition of EBITDA may differ from that of other companies. Information about depreciation and amortisation of property, plant and equipment and intangible assets, interest income and interest expenses is disclosed in segment information as it is regularly reviewed by the CODM.

Revenue of each segment is mainly represented by sales of electricity and capacity and heat-power allocated to the reporting segments.

The CODM analyses leverage of the Group's subsidiaries, joint ventures (equity accounted investees) on a regular basis; loans and borrowings are allocated to the reporting segments excluding inter-segment balances.

Joint ventures (equity accounted investees) are reviewed by the CODM in terms of the Group's share in their profit/(loss) and loan and borrowings.

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the three months ended 31 March 2018:

	Supply	*Electric Power Generation in the Russian Federation*	*Thermal Power Generation in the Russian Federation*		*Trading*	*Foreign assets*			*Engineering*		
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Georgia*	*Moldavia*	*Turkey*	*The Russian Federation*	*Corporate centre*	*Total*
Total revenue	**165,256**	**45,565**	**11,565**	**16,975**	**14,834**	**3,004**	**1,815**	**1,381**	**4,302**	**(17,213)**	**247,484**
Revenue from external customers	164,729	34,232	10,301	13,977	14,213	3,004	1,815	1,381	3,793	39	**247,484**
Inter-segment revenue	527	11,333	1,264	2,998	621	–	–	–	509	(17,252)	**–**
Operating expenses, including:											
Purchased electricity and capacity	(98,816)	(1,759)	(800)	(1,038)	(10,758)	(2,311)	–	–	–	16,690	**(98,792)**
Transmission fees	(55,238)	–	–	(2)	(1,392)	(401)	(14)	–	–	–	**(57,047)**
Fuel expenses	–	(18,662)	(4,431)	(8,512)	–	–	(797)	(581)	–	924	**(32,059)**
Share in (loss)/profit of joint ventures	(89)	782	–	–	–	–	–	–	(21)	–	**672**
EBITDA	**6,000**	**18,405**	**3,733**	**4,309**	**2,406**	**(111)**	**682**	**609**	**(133)**	**(1,114)**	**34,786**
Depreciation and amortisation	(644)	(3,443)	(410)	(879)	(42)	(134)	(64)	(382)	(42)	(227)	**(6,267)**
Interest income	388	674	5	27	3	6	–	5	60	1,069	**2,237**
Interest expense	(142)	(38)	(55)	(4)	(5)	(50)	(7)	(50)	(21)	31	**(341)**
Interest expense on lease liabilities	(99)	(624)	(16)	(137)	(1)	(1)	–	–	(2)	(14)	**(894)**

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the three months ended 31 March 2017 (restated):

	Supply	***Electric Power Generation in the Russian Federation***	***Thermal Power Generation in the Russian Federation***		***Trading***	***Foreign assets***			***Engineering***		
	The Russian Federation	***Inter RAO – Electricity Generation Group***	***TGC-11***	***Bashkir Generation***	***The Russian Federation and Europe***	**Georgia**	***Moldavia***	***Turkey***	***The Russian Federation***	***Corporate centre***	***Total***
Total revenue	**148,188**	**42,181**	**11,147**	**16,957**	**11,717**	**2,613**	**1,068**	**3,902**	**1,992**	**(15,765)**	**224,000**
Revenue from external customers	147,680	31,722	10,068	14,091	11,239	2,613	1,068	3,902	1,584	33	**224,000**
Inter-segment revenue	508	10,459	1,079	2,866	478	–	–	–	408	(15,798)	**–**
Operating expenses, including:											
Purchased electricity and capacity	(89,187)	(1,551)	(794)	(1,133)	(9,191)	(2,117)	–	–	–	15,341	**(88,632)**
Transmission fees	(50,032)	–	–	(2)	(1,211)	(268)	(3)	–	–	–	**(51,516)**
Fuel expenses	–	(19,183)	(4,217)	(8,458)	–	–	(18)	(3,126)	–	584	**(34,418)**
Share in (loss)/profit of joint ventures	(11)	1,025	–	–	–	–	–	–	(20)	14	**1,008**
EBITDA	**4,031**	**16,674**	**3,587**	**4,515**	**1,143**	**(167)**	**624**	**621**	**(263)**	**(1,412)**	**29,353**
Depreciation and amortisation	(637)	(2,706)	(457)	(810)	(42)	(126)	(80)	–	(55)	(255)	**(5,168)**
Interest income	1,011	179	1	69	30	5	–	11	104	762	**2,172**
Interest expense	(379)	(34)	(108)	(3)	(28)	(29)	(34)	(80)	(29)	63	**(661)**
Interest expense on lease liabilities	(108)	(29)	(21)	(135)	(1)	(2)	–	–	(2)	(20)	**(318)**

(in millions of RUR)

4. Segment information (continued)

As at 31 March 2018:

	Supply	*Electric Power Generation in the Russian Federation*	*Thermal Power Generation in the Russian Federation*		*Trading*	*Foreign assets*			*Engineering*		
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Georgia*	*Moldavia*	*Turkey*	*The Russian Federation*	*Corporate centre*	*Total*
Loans and borrowings, including:	**(7,629)**	**–**	**(380)**	**(485)**	**(679)**	**(1,636)**	**–**	**(2,998)**	**–**	**–**	**(13,807)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	–	–	**–**
Lease liabilities, including:	**(3,450)**	**(24,987)**	**(530)**	**(5,993)**	**(98)**	**(46)**	**–**	**–**	**(81)**	**(444)**	**(35,629)**
Share in lease liabilities of joint ventures	–	(378)	–	–	–	–	–	–	–	–	**(378)**

As at 1 January 2018 (restated):

	Supply	*Electric Power Generation in the Russian Federation*	*Thermal Power Generation in the Russian Federation*		*Trading*	*Foreign assets*			*Engineering*		
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Georgia*	*Moldavia*	*Turkey*	*The Russian Federation*	*Corporate centre*	*Total*
Loans and borrowings, including:	**(5,776)**	**–**	**(3,634)**	**(423)**	**(884)**	**(1,612)**	**–**	**(3,825)**	**–**	**–**	**(16,154)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	–	–	**–**
Lease liabilities, including:	**(3,479)**	**(1,833)**	**(593)**	**(5,999)**	**(102)**	**(46)**	**–**	**–**	**(85)**	**(561)**	**(12,698)**
Share in lease liabilities of joint ventures	–	(375)	–	–	–	–	–	–	–	–	**(375)**

(in millions of RUR)

4. Segment information (continued)

As at 1 January 2017 (restated):

	Supply	*Electric Power Generation in the Russian Federation*	*Thermal Power Generation in the Russian Federation*		*Trading*	*Foreign assets*			*Engineering*		
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Georgia*	*Moldavia*	*Turkey*	*The Russian Federation*	*Corporate centre*	*Total*
Loans and borrowings, including:	**(2,036)**	**–**	**(5,238)**	**–**	**(1,732)**	**(1,005)**	**–**	**(6,701)**	**–**	**(151)**	**(16,863)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	–	(151)	**(151)**
Lease liabilities, including:	**(3,780)**	**(1,655)**	**(659)**	**(5,373)**	**(100)**	**(61)**	**–**	**–**	**(29)**	**(1,004)**	**(12,661)**
Share in lease liabilities of joint ventures	–	(436)	–	–	–	–	–	–	–	–	**(436)**

(in millions of RUR)

4. Segment information (continued)

The reconciliation between EBITDA of the reporting segments and net profit for the reporting period in the interim consolidated statement of comprehensive income is presented below:

	For the three months ended 31 March 2018	***For the three months ended 31 March 2017 (restated)***
EBITDA of the reportable segments	**34,786**	**29,353**
Depreciation and amortisation (Note 19)	(6,267)	(5,168)
Interest income (Note 20)	2,237	2,172
Interest expense (Note 20)	(341)	(661)
Interest expense on lease liabilities (Note 20)	(894)	(318)
Foreign currency exchange gain/(loss), net (Note 20)	381	(1,354)
Other finance (expense)/income (Note 20)	(225)	858
Provisions charge, including: (Note 19)	(827)	(1,410)
other provisions release	*975*	*281*
VAT provision release	*62*	*10*
impairment of account receivables	*(1,864)*	*(1,701)*
Gain from acquisition/disposal of controlling interest (Note 18)	217	4
Other item	(240)	(6)
Share of loss of associates (Note 7)	(71)	(64)
Income tax expense (Note 21)	(6,135)	(4,204)
Profit for the reporting period in the interim consolidated statement of comprehensive income	**22,621**	**19,202**

The reconciliation between loans and borrowings of the reportable segments and loans and borrowings for the reporting period in the interim consolidated statement of financial position is presented below:

	As at 31 March 2018	***As at 1 January 2018 (restated)***	***As at 1 January 2017 (restated)***
Loans and borrowings of the reportable segments	**(13,807)**	**(16,154)**	**(16,863)**
Less:			
Share in loans and borrowings of joint ventures	–	–	151
Loans and borrowings in the interim consolidated statement of financial position	**(13,807)**	**(16,154)**	**(16,712)**
Lease liabilities of the reportable segments	**(35,629)**	**(12,698)**	**(12,661)**
Less:			
Share in lease liabilities of joint ventures	378	375	436
Lease liabilities in the interim consolidated statement of financial position	**(35,251)**	**(12,323)**	**(12,225)**

(in millions of RUR)

4. Segment information (continued)

Information about geographical areas

The Management Board also considers revenue of the Group entities generated in their countries of jurisdiction and abroad as well as non-current assets (property, plant and equipment, investment property, investments in associates and jointly controlled entities and intangible assets, including goodwill) based on location of assets.

	For the three months ended 31 March 2018			*For the three months ended 31 March 2017 (restated)*		
	Revenue in the Group entity's jurisdiction[1]	*Revenue in countries other than Group entity's jurisdiction*	*Total revenue based on location of customers*	*Revenue in the Group entity's jurisdiction*	*Revenue in countries other than Group entity's jurisdiction*	*Total revenue based on location of customers*
Russian Federation	229,989	–	**229,989**	207,032	–	**207,032**
Finland	4,247	46	**4,293**	3,155	71	**3,226**
Lithuania	3,439	–	**3,439**	2,353	–	**2,353**
Georgia	3,004	35	**3,039**	2,613	132	**2,745**
Moldavia (incl. Transdniestria Republic)	1,815	–	**1,815**	1,068	–	**1,068**
China	–	1,387	**1,387**	–	1,074	**1,074**
Turkey	1,381	–	**1,381**	3,902	–	**3,902**
Kazakhstan	–	469	**469**	–	577	**577**
Mongolia	–	331	**331**	–	282	**282**
Latvia	236	–	**236**	230	–	**230**
Estonia	135	98	**233**	120	137	**257**
Belarus	–	32	**32**	–	305	**305**
Ukraine	–	20	**20**	–	27	**27**
Other	270	550	**820**	178	744	**922**
Total	**244,516**	**2,968**	**247,484**	**220,651**	**3,349**	**224,000**

	Total non-current assets based on location of assets[2]		
	As at 31 March 2018	*As at 1 January 2018 (restated)*	*As at 1 January 2017 (restated)*
Russian Federation	327,508	307,678	314,240
Georgia	8,397	7,665	7,349
Turkey	1,923	2,321	3,709
Moldavia (incl. Transdniestria Republic)	3,378	3,453	3,735
Lithuania	1,167	1,172	1,209
Other	371	378	406
Total	**342,744**	**322,667**	**330,648**

[1] Revenues are attributable to countries on the basis of the customer's location.

[2] Total non-current assets based on location of assets excludes deferred tax assets, securities and other non-current assets.

(in millions of RUR)

5. Acquisitions and disposals

Acquisition of non-controlling interest in PJSC Tambov Energy Retailing Company

In November 2017 the Group purchased the additional 1.81% of ordinary shares and 6.05% of voting preference shares of PJSC Tambov Energy Retailing Company (calculated from the total number of voting shares) for RUR 14 million. As a result of the acquisition the Group increased its share in PJSC Tambov Energy Retailing Company up to 67.24%.

Acquisition of non-controlling interest in PJSC Saratovenergo

In November 2017 the Group purchased the additional 2.87% of voting preference shares of PJSC Saratovenergo (calculated from the total number of voting shares) for RUR 12 million. As a result of the acquisition the Group increased its share in PJSC Saratovenergo up to 59.84%.

Acquisition of non-controlling interest in PJSC Mosenergosbyt

As at 31 December 2016 the Group had 93.99% of ordinary shares of PJSC Mosenergosbyt. In June 2016 annual shareholders meeting of PJSC Mosenergosbyt decided to increase the Company's share capital through private subscription placement of the Company's ordinary shares. In February 2017 the Group participated in PJSC Mosenergosbyt shares placement in the amount of RUR 3,935 million. The total amount of shares placement was RUR 4,020 million.

On 19 June 2017 the Group announced a voluntary public offer to acquire the ordinary shares of PJSC Mosenergosbyt held by non-controlling shareholders. The offer price was set at RUB 0.405 per one ordinary share. The offer term expired on 28 August 2017. As a result of the voluntary public offer the Group increased its share in PJSC Mosenergosbyt to 100%.

Acquisition of controlling interest in LLC ESC Bashkortostan

In December 2016 the Group acquired 100% of shares of LLC ESC Bashkortostan from entities under common control for the total cash consideration of RUR 4,100 million, including RUR 500 million paid in February 2017. This acquisition was accounted for using the pooling-of-interests method.

Other acquisitions and disposals

In January 2017 the Group purchased from third parties additional share in one of Group's subsidiaries for RUR 60 million.

In December 2017 the Group liquidated Inter Green Renewables and Trading AB.

During the three month period ended 31 March 2017 Group liquidated a number of individually insignificant subsidiaries. The gain of RUR 4 million from the liquidation was recognised in the interim consolidated statement of comprehensive income.

(in millions of RUR)

6. Property, plant and equipment

	Land and buildings	*Infra-structure assets*	*Plant and equipment*	*Other*	*Const-ruction in progress*	*Total*
Cost						
Balance at 1 January 2017 (restated)	**113,439**	**84,004**	**246,292**	**9,004**	**63,375**	**516,114**
Reclassification	4	(3)	–	(1)	–	**–**
Additions	198	118	–	5	5,212	**5,533**
Disposals	(17)	(102)	(150)	(45)	(11)	**(325)**
Transfers	31	123	331	56	(541)	**–**
Transfer (to)/from other accounts	–	–	(5)	(1)	6	**–**
Translation difference	(467)	(133)	(844)	(34)	(28)	**(1,506)**
Balance at 31 March 2017 (restated)	**113,188**	**84,007**	**245,624**	**8,984**	**68,013**	**519,816**
Including right-of-use assets	*10,898*	*963*	*9*	*1,383*	*–*	***13,253***
Balance at 1 January 2018(restated)	**123,865**	**94,597**	**286,462**	**9,359**	**25,450**	**539,733**
Reclassification	1	–	3	(4)	–	**–**
Additions	187	134	22,638	16	2,153	**25,128**
Disposals	(166)	(11)	(154)	(56)	(24)	**(411)**
Transfers	1,755	2,315	11,238	17	(15,325)	**–**
Transfer to other accounts	–	–	–	(38)	(1)	**(39)**
Translation difference	36	571	119	47	37	**810**
Balance at 31 March 2018	**125,678**	**97,606**	**320,306**	**9,341**	**12,290**	**565,221**
Including right-of-use assets	*10,975*	*1,311*	*22,635*	*1,399*	*–*	***36,320***
Depreciation and impairment						
Balance at 1 January 2017 (restated)	**(38,820)**	**(38,312)**	**(132,712)**	**(4,845)**	**(9,571)**	**(224,260)**
Reclassification	(2)	1	–	1	–	**–**
Depreciation charge	(860)	(821)	(2,960)	(229)	–	**(4,870)**
Disposals	4	96	140	34	7	**281**
Transfers	–	–	(3)	(1)	4	**–**
Translation difference	400	151	659	35	22	**1,267**
Balance at 31 March 2017 (restated)	**(39,278)**	**(38,885)**	**(134,876)**	**(5,005)**	**(9,538)**	**(227,582)**
Including right-of-use assets	*(255)*	*(6)*	*–*	*(504)*	*–*	***(765)***
Balance at 1 January 2018 (restated)	**(46,155)**	**(44,167)**	**(155,495)**	**(5,667)**	**(1,535)**	**(253,019)**
Reclassification	–	–	(3)	3	–	**–**
Depreciation charge	(878)	(912)	(3,522)	(220)	–	**(5,532)**
Disposals	9	3	120	47	6	**185**
Transfers	–	(34)	(254)	–	288	**–**
Transfer to other accounts	–	–	–	30	–	**30**
Translation difference	4	(216)	(39)	(21)	2	**(270)**
Balance at 31 March 2018	**(47,020)**	**(45,326)**	**(159,193)**	**(5,828)**	**(1,239)**	**(258,606)**
Including right-of-use assets	*(1,097)*	*(24)*	*(324)*	*(794)*	*–*	***(2,239)***
Net book value						
Balance at 1 January 2017 (restated)	**74,619**	**45,692**	**113,580**	**4,159**	**53,804**	**291,854**
Balance at 1 January 2018 (restated)	**77,710**	**50,430**	**130,967**	**3,692**	**23,915**	**286,714**
Balance at 31 March 2018	**78,658**	**52,280**	**161,113**	**3,513**	**11,051**	**306,615**

Construction in progress is represented by property, plant and equipment that has not yet been ready for operation and advances to suppliers of property, plant and equipment. Such advances amounted to RUR 824 million as at 31 March 2018 (1 January 2018: RUR 763 million, 1 January 2017: RUR 3,084 million).

(in millions of RUR)

6. Property, plant and equipment (continued)

Depreciation of right-of-use assets for the three month period ended 31 March 2018 amounted to RUR 618 million (for the three month period ended 31 March 2017: RUR 298 million). Additions of right-of-use assets for the three month period ended 31 March 2018 amounted to RUR 22,817 million (for the three month period ended 31 March 2017: RUR 243 million.

As at 31 March 2018 net book value of right-of-use assets amounted to RUR 34,081 million (as at 1 January 2018: RUR 12,033 million, 1 January 2017: RUR 12,543 million), including the net book value of right-of-use assets of Kaliningrad Generation LLC in the amount of RUR 22,076 million (as at 1 January 2018: nil, 1 January 2017: nil).

The long-term lease liabilities as at 31 March 2018 amounted to RUR 30,505 million (as at 1 January 2018: RUR 10,888 million, 1 January 2017: RUR 10,499 million) including the long-term lease liabilities of Kaliningrad Generation LLC in the amount of RUR 19,516 million (as at 1 January 2018: nil, 1 January 2017: nil). The short-term portion of long-term lease liabilities as at 31 March 2018 amounted to RUR 4,746 million (as at 1 January 2018: RUR 1,435 million, 1 January 2017: RUR 1,726 million) including the short-term portion of long-term lease liabilities of Kaliningrad Generation LLC in the amount of RUR 2,809 million (as at 1 January 2018: nil, 1 January 2017:nil).

7. Investments in associates and joint ventures

	Joint ventures		***Associates***			
	NVGRES Holding Limited Including CJSC Nizhne-vartovskaya GRES	***Other joint ventures***	***RUS Gas Turbines Holding B.V.***	***LLC INVENT***	***Other associates***	***Total***
Carrying value at 1 January 2017	**22,643**	**846**	**1,522**	**3,194**	**681**	**28,886**
Disposals	(3)	–	–	–	–	**(3)**
Share of profit/(loss) after tax	1,025	(17)	21	(82)	(3)	**944**
Transfer to other accounts	(8,650)	–	–	–	–	**(8,650)**
Translation difference	–	(1)	–	–	–	**(1)**
Carrying value at 31 March 2017	**15,015**	**828**	**1,543**	**3,112**	**678**	**21,176**
Carrying value at 1 January 2018 (restated)	16,691	788	1,519	3,099	673	**22,770**
Disposals	–	(505)	–	–	–	**(505)**
Share of profit/(loss) after tax	782	(110)	69	(130)	(10)	**601**
Translation difference	–	–	–	–	(1)	**(1)**
Carrying value at 31 March 2018	**17,473**	**173**	**1,588**	**2,969**	**662**	**22,865**

As at 31 December 2016 the Group held 75% interest in NVGRES Holding Limited, including its subsidiary CJSC Nizhnevartovskaya GRES accounted for using the equity method. In connection with the liquidation of NVGRES Holding Limited and the liquidator's decision on the distribution of the company's assets, as at 31 March 2017, the Group accounted for a 75% interest in CJSC Nizhnevartovskaya GRES in the amount of RUR 15,015 million, long-term loan issued to CJSC Nizhnevartovskaya GRES in the amount of RUR 150 million (Note 9) and short-term part of long-term loan issued in the amount of RUR 8,483 million and other short-term receivables in the amount of RUR 17 million. In accordance with the term of the Shareholders Agreement between the Group and PJSC Rosneft, CJSC Nizhnevartovskaya GRES is jointly controlled.

JSC Kambarata HPP-1

In December 2017 the Group sold 50% of shares of JSC Kambarata HPP-1 to third parties.

LLC Cosy house

In January 2018 the 50% joint venture LLC Cosy House was reorganised into a 100% subsidiary LLC Uyut. As a result of the reorganisation the Group recognised income in the amount of RUR 217 million in the consolidated statement of comprehensive income, cash inflow due to reorganisation of LLC Cosy House amounted to RUR 722 million was recognised in the consolidation statement of cash flows.

(in millions of RUR)

8. Securities

As at 1 January 2018 due to implementation of IFRS 9 the Group has reclassified the available-for-sale financial assets represented by the investments in quoted instruments to Equity instruments at FVOCI in the amount of RUR 4,841 million and unquoted instruments to Equity instruments at Fair value through profit and loss in the amount of RUR 1,481 million. The available-for-sale financial assets represented by the bonds were reclassified to Debt instruments at OCI in the amount of RUR 4,002 million.

	As at 31 March 2018	*As at 1 January 2018*
Equity instruments	**6,651**	**6,322**
FVOCI	5,168	4,841
FVPL	1,483	1,481
Debt instruments	**4,692**	**4,002**
FVOCI	4,692	4,002
Total	**11,343**	**10,324**

For the three months ended 31 March 2018 and 31 March 2017 there was no impairment loss on securities recognised through profit and loss in the interim consolidated statement of comprehensive income (Note 19).

For the three months ended 31 March 2018 the amount of RUR 798 million, net of tax RUR 200 million was recognised as a gain from revaluation of securities through other comprehensive income in the interim consolidated statement of comprehensive income (for the three months ended 31 March 2017: loss from revaluation in the amount of RUR 85 million, net of tax RUR 21 million).

9. Other non-current assets

		As at 31 March 2018	*As at 1 January 2018*	*As at 1 January 2017*
Financial non-current assets		***2,498***	***2,140***	***11,223***
Non-current trade receivables		2,118	1,669	1,925
	Less impairment provision	*(259)*	*(178)*	*(309)*
Non-current trade receivables – net		**1,859**	**1,491**	**1,616**
Other non-current receivables		681	693	7,545
	Less impairment provision	*(69)*	*(76)*	*(951)*
Other non-current receivables – net		**612**	**617**	**6,594**
Non-current loans issued (including interest)		–	–	3,269
	Less impairment provision	–	–	*(256)*
Non-current loans issued (including interest) – net		**–**	**–**	**3,013**
Long-term derivative financial instruments		2	2	–
Long-term bank deposits		25	30	–
Non-financial non-current assets		***950***	***846***	***4,207***
Non-current advances to suppliers and prepayments		172	19	60
	Less impairment provision	*(5)*	*(4)*	*(19)*
Non-current advances to suppliers and prepayments – net		**167**	**15**	**41**
VAT recoverable		30	30	4
Other		753	801	4,162
		3,448	**2,986**	**15,430**

As at 1 January 2017 other non-current receivables included accounts receivable from LLC Eurosibenergo – Gidrogeneratsia (LLC Telmamskaya HEP) in the amount of RUR 5,408 million, net of discount effect of RUR 842 million.

(in millions of RUR)

9. Other non-current assets (continued)

As at 1 January 2017 the non-current loans issued (including interest) represented the loans issued to CJSC Elektricheskiye seti Armenii in the amount of RUR 3,013 million. During the 3rd quarter of 2017 the loan issued was repaid.

As at 1 January 2017 Other included cash and deposits placed at Peresvet Bank in the amount of RUR 3,260 million, net of discount effect of RUR 12,643 million. In April 2017 the debt was converted into the bonds with the option to convert it into the shares of Peresvet Bank at Bank's discretion and was reclassified to the securities at the fair value of RUR 3,523 million.

10. Accounts receivable and prepayments

		As at 31 March 2018	*As at 1 January 2018 (restated)*	*As at 1 January 2017 (restated)*
Financial assets		***95,058***	***90,153***	***91,058***
Trade receivables		95,544	84,154	79,308
	Less impairment provision	*(13,345)*	*(11,495)*	*(8,405)*
Trade receivables – net		**82,199**	**72,659**	**70,903**
Other receivables		14,662	18,563	21,600
	Less impairment provision	*(2,832)*	*(2,896)*	*(2,841)*
Other receivables – net		**11,830**	**15,667**	**18,759**
Short-term loans issued (including interest)		335	438	557
	Less impairment provision	*(250)*	*(250)*	*(505)*
Short-term loans issued (including interest)		**85**	**188**	**52**
Short-term outstanding interest on bank deposits		647	675	47
	Less impairment provision	*(12)*	*(10)*	*(10)*
Short-term outstanding interest on bank deposits – net		**635**	**665**	**37**
Short-term receivables on construction contracts		309	974	1,307
Non-financial assets		***18,522***	***18,783***	***15,363***
Advances to suppliers and prepayments		14,367	16,159	9,041
	Less impairment provision	*(1,428)*	*(1,419)*	*(1,500)*
Advances to suppliers and prepayments – net		**12,939**	**14,740**	**7,541**
Short-term VAT recoverable		1,671	1,819	3,872
Taxes prepaid		3,912	2,224	3,950
		113,580	**108,936**	**106,421**

The Group does not hold any collateral as a security.

11. Cash and cash equivalents

	As at 31 March 2018	*As at 1 January 2018*	*As at 1 January 2017*
Bank deposits with maturity of three months or less	83,104	72,195	34,477
Cash at bank and in hand, national currency	47,954	54,527	53,985
Cash at bank and in hand, foreign currency	11,631	15,340	7,526
Total	**142,689**	**142,062**	**95,988**

(in millions of RUR)

12. Other current assets

	As at 31 March 2018	*As at 1 January 2018*	*As at 1 January 2017*
Bank deposits with maturity of 3-12 months	32,071	22,285	19
Restricted cash	196	657	3,727
Short-term derivative financial instruments	33	46	72
Other	1,237	1,139	894
Total	**33,537**	**24,127**	**4,712**

13. Equity

Share capital

	As at 31 March 2018	*As at 1 January 2018*	*As at 1 January 2017*
Number of ordinary shares issued and fully paid (in units)	104,400,000,000	104,400,000,000	104,400,000,000
Par value (in RUR)	2.809767	2.809767	2.809767
Share capital (in million RUR)	293,340	293,340	293,340

Movements in outstanding and treasury shares

	Issued shares		*Treasury shares*		*Total*	
	thousand units	*million RUR*	*thousand units*	*million RUR*	*thousand units*	*million RUR*
1 January 2018	**104,400,000**	**293,340**	**(20,922,317)**	**(58,787)**	**83,477,683**	**234,553**
Sale of treasury shares	–	–	1,589,180	4,465	**1,589,180**	**4,465**
31 March 2018	**104,400,000**	**293,340**	**(19,333,137)**	**(54,322)**	**85,066,863**	**239,018**

During the reporting period 1,589,180 thousand of treasury shares (1.52% of its share capital) were redeemed by the management of the Group under share option programme (Note 25 (b)).

14. Loans and borrowings

This note provides information about the Group's loans and borrowings. Certain loan agreements include financial and non-financial covenants.

	Currency	*As at 31 March 2018*	*As at 1 January 2018 (restated)*	*As at 1 January 2017 (restated)*
Loans and borrowings				
	USD	3,329	4,155	7,148
	RUR	2,483	4,002	3,696
	GEL	848	866	77
	EUR	679	720	877
	JPY	445	405	447
Total long-term loans and borrowings		**7,784**	**10,148**	**12,245**
Less: current portion of long-term loans and borrowings		(5,390)	(5,473)	(3,641)
		2,394	**4,675**	**8,604**

As at 31 March 2018 fair value of loans and borrowings amounts to RUR 7,957 million (1 January 2018: RUR 10,343 million, 1 January 2017: RUR 12,505 million), and estimated by discounting of contractual future cash flows at the prevailing current market interest rates available to the Group for similar financial instruments.

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Parent Company has a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. At the time of raising new loans or borrowings management applies the policy to determine whether a fixed or variable rate would be more favorable to the Company over the expected period until maturity. As for other entities of the Group, following the corporate regulative documents, the decisions on raising new loans and borrowings at the subsidiaries level are subject for approval by the Parent Company. Management applies the same policy in making decisions in respect of the conditions of raising loans and borrowings on the subsidiary level.

(in millions of RUR)

15. Accounts payable and accrued liabilities

	As at 31 March 2018	*As at 1 January 2018 (restated)*	*As at 1 January 2017 (restated)*
Financial liabilities			
Trade payables	46,459	46,547	47,832
Short-term derivative financial instruments	64	40	17
Dividends payable	61	61	9
Call option	763	763	–
Other payables and accrued expenses	7,927	8,838	4,836
Total	**55,274**	**56,249**	**52,694**
Non-financial liabilities			
Advances received	36,751	45,760	35,694
Staff payables	12,400	10,179	9,333
Provisions, short-term	4,282	6,126	7,755
Total	**53,433**	**62,065**	**52,782**
	108,707	**118,314**	**105,476**

As at 31 March 2018 advances received included RUR 12,039 million of payments for electricity sales from customers of PJSC Mosenergosbyt (Group of companies), JSC Saint Petersburg Power Supply Company, LLC RN-Energo and Group Bashkir Generation Company (1 January 2018: RUR 19,665 million, 1 January 2017: RUR 18,949 million), RUR 3,227 million of advances received by LLC INTER RAO Export for construction of power station in Ecuador and Cuba (1 January 2018: RUR 3,287 million, 1 January 2017: RUR 3,968 million) and RUR 2,815 million of advances received by the Parent Company from buyers of equipment in Ecuador and Venezuela (1 January 2018: RUR 1,912 million, 1 January 2017: RUR 2,247 million).

16. Other non-current liabilities

	As at 31 March 2018	*As at 1 January 2018*	*As at 1 January 2017*
Financial liabilities			
Long-term derivative financial instruments	4	5	14
Other long-term liabilities	866	602	451
Total financial liabilities	**870**	**607**	**465**
Non-financial liabilities			
Pensions liabilities	3,949	3,927	4,081
Restoration provision	2,776	2,620	1,946
Government grants	36	36	42
Other long-term liabilities	994	962	726
Total non-financial liabilities	**7,755**	**7,545**	**6,795**
Total	**8,625**	**8,152**	**7,260**

17. Revenue

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Electricity and capacity	223,001	201,944
Thermal energy sales	18,288	17,243
Other revenue	6,195	4,813
	247,484	**224,000**

(in millions of RUR)

18. Other operating income

	Three months ended 31 March 2018	*Three months ended 31 March 2017*
Penalties and fines received	1,098	860
Electricity derivatives	7	26
Rental income	121	82
Gain from acquisition/disposal of controlling interest	217	4
Other	1,291	447
	2,734	**1,419**

19. Operating expenses, net

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Purchased electricity and capacity	98,792	88,632
Electricity transmission fees	57,047	51,516
Fuel expenses	32,059	34,418
Employee benefit expenses and payroll taxes	13,074	11,813
Depreciation and amortisation	6,267	5,168
Provision for impairment of accounts receivable, net	1,864	1,701
Repairs and maintenance	1,719	852
Agency fees	1,289	1,138
Taxes other than income tax	1,101	936
Thermal power transmission expenses	889	893
Transportation expenses	863	510
Water supply expenses	764	765
Other materials for production purposes	600	543
Consulting, legal and auditing services	334	242
Short-term lease	46	60
Lease of low-value assets	36	10
Cost of equipment for resale	22	300
Loss from electricity derivatives	22	19
Loss on sale or write-off of inventory	8	18
Release of other provisions	(975)	(281)
Release of VAT provision	(62)	(10)
Other	7,462	4,411
	223,221	**203,654**

20. Finance income and expenses

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Finance income		
Interest income	2,237	2,172
Foreign currency exchange gain, net	381	–
Unwind of discount of accounts receivable	212	564
Other finance income	88	328
	2,918	**3,064**

(in millions of RUR)

20. Finance income and expenses (continued)

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Finance expenses		
Interest expense on lease liabilities	894	318
Interest expense	341	661
Loss on discount of accounts receivable	148	19
Foreign currency exchange loss, net	–	1,354
Other finance expenses	377	15
	1,760	**2,367**

21. Income tax expense

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Current tax expense	5,006	4,888
Deferred tax expense/(benefit)	1,107	(555)
Amended tax returns	22	(129)
Provision for income tax	–	–
Income tax expense	**6,135**	**4,204**

22. Fair value of financial instruments

Fair value is determined either by reference to market or by discounting relevant cash flows using market interest rates for similar instruments. As a result of this exercise management believes that fair value of its financial assets and liabilities approximates their carrying amounts except for loans and borrowings. Fair value of loans and borrowings is disclosed in Note 14.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by observable current market transactions and assets and liabilities for which pricing is obtained via pricing services. In case prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. Non-market observable inputs mean that fair values are determined in whole or partly using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions with the same instrument nor they are based on available market data. Main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, whereby allow situations in which there is little, if any, market activity for the financial instrument at the measurement date. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing of the financial instrument (including risk assumptions). These inputs are developed based on the best information available, which might include the Group's own data.

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(in millions of RUR)

22. Fair value of financial instruments (continued)

Determination of fair value and fair values hierarchy (continued)

The following table shows an analysis of financial instruments by level of the fair value hierarchy:

At 31 March 2018	*Note*	*Total fair value*	*Fair value hierarchy* Level 1	Level 2	Level 3
Financial assets					
Derivative financial instruments					
Electricity derivatives	9, 12	**35**	35	–	–
Securities					
Equity instruments at FVOCI	8	**5,168**	5,168	–	–
Equity instruments at FVPL	8	**1,483**	–	–	1,483
Debt instruments at FVOCI	8	**4,692**	–	4,692	–
Debt instruments at amortised cost					
Long-term bank deposits	9	**25**	–	–	25
Bonds issued by financial institutions		**618**	618	–	–
Total financial assets		**12,021**	**5,821**	**4,692**	**1,508**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	15, 16	**52**	52	–	–
Interest rate SWAP	15, 16	**16**	–	16	–
Financial liabilities designated at fair value through profit or loss					
Call option	15	**763**	–	763	–
Financial liabilities at amortised cost					
Loans and borrowings	14	**7,957**	–	7,957	–
Total financial liabilities		**8,788**	**52**	**8,736**	**–**

At 1 January 2018 (restated)	*Note*	*Total fair value*	*Fair value hierarchy* Level 1	Level 2	Level 3
Financial assets					
Derivative financial instruments					
Electricity derivatives	9, 12	**48**	48	–	–
Securities					
Equity instruments at FVOCI	8	**4,841**	4,841	–	–
Equity instruments at FVPL	8	**1,481**	–	–	1,481
Debt instruments at FVOCI	8	**4,002**	–	4,002	–
Debt instruments at amortised cost					
Long-term bank deposits	9	**30**	–	–	30
Bonds issued by financial institutions		**664**	664	–	–
Total financial assets		**11,066**	**5,553**	**4,002**	**1,511**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	15, 16	**27**	27	–	–
Interest rate SWAP	15, 16	**18**	–	18	–
Financial liabilities designated at fair value through profit or loss					
Call option	15	**763**	–	763	–
Financial liabilities at amortised cost					
Loans and borrowings	14	**10,343**	–	10,343	–
Total financial liabilities		**11,151**	**27**	**11,124**	**–**

(in millions of RUR)

22. Fair value of financial instruments (continued)

Determination of fair value and fair values hierarchy (continued)

At 1 January 2017 (restated)	*Note*	*Total fair value*	*Fair value hierarchy*		
			Level 1	*Level 2*	*Level 3*
Financial assets					
Derivative financial instruments					
Electricity derivatives	12	**72**	72	–	–
Securities					
Equity instruments at FVOCI	8	**6,104**	6,104	–	–
Debt instruments at amortised cost					
Bonds issued by financial institutions		**375**	375	–	–
Total financial assets		**6,551**	**6,551**	**–**	**–**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	15, 16	**3**	3	–	–
Interest rate SWAP	15, 16	**28**	–	28	–
Financial liabilities at amortised cost					
Loans and borrowings	14	**12,505**	–	12,505	–
Total financial liabilities		**12,536**	**3**	**12,533**	**–**

23. Commitments

Investment and capital commitments

In accordance with the memorandum signed between the Group and the Government of Georgia in March 2013, the Group has to invest in realisation of projects aimed to improve the electricity network which belongs to the Group entity JSC Telasi. As at 31 March 2018 realisation of investment commitments was in line with schedule for the year 2018.

As at 31 March 2018 capital commitments of subsidiaries of the Company are as follows:

Subsidiary	*RUR, million*
JSC Inter RAO – Electric Power Plants	2,224
LLC Bashkir Generation Company	2,956
JSC TGC-11	263
Total	**5,443**

Capital commitments of JSC Inter RAO – Electric Power Plants as at 31 March 2018 are mainly for modernisation of block No. 8 of Kostromskaya GRES, for modernisation of gas turbines for Kaliningradskaya TEC and supply of equipment for Permskaya GRES.

Capital commitments of LLC Bashkir Generation Company are mainly for the construction of Zatonskaya TEC and reconstruction of heating networks.

Guarantees

- In December 2017 and May 2016 the Group entered into the new guarantee agreements with State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” for the purpose of financial support of agreement between the Group and Empresa Importadora de Objetivos Electroenergeticos for capacity increase of TPP “East Havana” and TPP “Maximo Gomes” (Cuba). As at 31 March 2018 the guarantee amounted to EUR 11 million, or RUR 775 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2018 (as at 31 December 2017: EUR 11 million, or RUR 757 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2017). The guarantee will expire in January 2024.

(in millions of RUR)

23. Commitments (continued)

Guarantees (continued)

- In December 2010 the Group established together with General Electric and State Corporation Russian Technologies an associate entity, RUS Gas Turbines Holding B.V. The Group's share in the entity is 25%. The entity was established to participate in production and sales of high-performance industrial gas turbines in the Russian Federation. The Group carries certain financial obligations to finance the associate.

  In August 2017 the Group entered into the standby letter of credit with BNP Paribas Group issued a standby letter of credit in favour of GE ENERGY HOLDINGS VOSTOK B.V. (Beneficiary) to the maximum aggregate amount of EUR 30 million in order to fulfill the Group's investment obligations related to the associate.

  As at 31 March 2018 the standby letter of credit outstanding amount was EUR 21 million, or RUR 1,466 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2018 (as at 31 December 2017: EUR 21 million, or RUR 1,431 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2017). The standby letter of credit will expire in September 2020.

- In March 2018 the Group entered into the guarantee agreements with Unicredit Bank for the purpose of financial support of the agreement between the Group and Bangladesh Power Development Board for capital repair works on the Ghorasal Thermal Power Station. As at 31 March 2018 the guarantees amounted to USD 3 million, or RUR 183 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2018 (as at 31 December 2017 the similar guarantee agreements with HSBC Bank amounted to USD 5 million, or RUR 289 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2017). The guarantee will expire in July 2018.

- Guarantees of the Group's share of the joint ventures contingent liabilities in the amount of RUR 749 million which are to be incurred jointly with other investors (as at 31 December 2017: RUR 1,063 million).

24. Contingencies

(a) Operating environment

The operations and earnings of Group entities continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia, Georgia, Moldavia (including Transdniestria Republic) and Lithuania.

A significant drop in crude oil prices and a significant devaluation of the Russian rouble, as well as series of unilateral restrictive political and economic measures imposed on the Russian Federation by several countries occurred in 2014, continued to have a negative impact on the economy of the Russian Federation, primary jurisdiction of the Group, in 2018. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth in the Russian Federation, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

(b) Insurance

The unified corporate standards are established in the Group for insurance coverage, for insurance companies reliability requirements and insurance coverage procedures developed by Parent Company.

There are two types of insurance undertaken by the Group: obligatory (as required by the law or by agreement between parties) and voluntary.

Obligatory insurance includes public liability insurance of owners of dangerous facilities and public liability insurance of car owners. The Group is obligated to insure different types of property, plant and equipment under loan agreements provisions.

Voluntary insurance includes property insurance against certain risks and equipment breakdown insurance, vehicles insurance, insurance against construction and assembly risks, voluntary public liability insurance of owners of dangerous facilities against social and environmental harm risks. The Group also undertakes insurance of directors' and officials' of certain Group entities responsibilities to cover financial losses of third parties.

The Group's assets are insured for its replacement value which is set by valuation reports for insurance purposes considering technical risks. Obligatory condition of the property insurance of foreign subsidiaries is the availability of reliable reinsurance protection, which is done by transferring part of the risk to the foreign reinsurers with high reliability ratings.

In order to optimise insurance protection management performs regular appraisal of efficiency of Group's insurance terms and rationale for new insurance products acquired.

(in millions of RUR)

24. Contingencies (continued)

(c) Litigation

Legal proceedings

In the normal course of business the Group is a party to legal actions and consequently had received a number of legal claims from customers and subcontractors with the likelihood of negative outcome for the Group as not probable, but only possible, and, consequently, no provision has been made in these financial statements:

	As at 31 March 2018	***As at 1 January 2018***	***As at 1 January 2017***
Legal claims, including	6,223	7,390	6,609
Share in legal claims of joint ventures	*50*	–	–

Other than those litigations which have been accrued in the provisions (Note 15) and disclosed above, management of the Group is unaware of any actual, pending or threatened claims as at the date of approval of this interim financial information, which would have a material impact on the Group.

(d) Tax contingencies

The taxation systems in the Russian Federation and in other countries in which the Group operates are relatively new and characterised by frequent changes in legislation, official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges.

A tax year remains open for review by the tax authorities during three to five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Russian Federation and in the other countries in which the Group operates. Management believes that it has adequately provided for tax liabilities based on its interpretations of applicable relevant tax legislation, official pronouncements and court decisions.

However, the interpretations of the relevant authorities could differ and the effect on this interim financial information, if the authorities were successful in enforcing their interpretations, could be significant.

The Group includes a number of operating and investment companies located in a number of different tax jurisdictions across Europe and the CIS. Those entities are subject to a complex variety of tax regimes and the nature of current and past trading and investment activities exposes them to areas of tax legislation involving considerable judgement and, consequently, uncertainty. The Group estimates that possible claims in respect of certain open tax positions of Group entities as at 31 March 2018 would be successfully challenged in the amount of RUR 358 million (as at 31 December 2017: RUR 321 million).

The Parent Company and subsidiaries in the countries where they operate have various transactions with related parties. The pricing policy could give rise to transfer pricing risks. In management’s opinion, the Group is in substantial compliance with the tax laws of the countries where Group entities operate. However, relevant authorities could take different positions with regard to interpretive issues or court practice could develop adversely with respect to the positions taken by the Group and the effect could be significant.

(e) Environmental matters

Group entities operate in the electric power industry in the Russian Federation, Georgia and Moldavia. The enforcement of environmental regulations in these countries is evolving and position of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage, except restoration provision.

Restoration provision liabilities relate to reclamation of land plots, used for ash dumps by generating entities, which use coal for production purposes (Note 16).

(in millions of RUR)

24. Contingencies (continued)

(f) Ownership of land

The current legislation in Georgia is unclear in relation to ownership issues with regard to land over which the Company's equipment for the transmission of electricity is located (JSC Telasi). On further clarification of the law, it is possible that the Company may be required to acquire ownership over certain land plots or to pay rentals to other parties for their use. At the date of approval of these financial statements, management considers that it is not possible to quantify any additional expense, if any, which JSC Telasi might incur and consequently, no provision has been made against such potential liabilities in these financial statements.

25. Related party transactions

(a) Parent Company and control relationships

The Russian Federation is the ultimate controlling party of PJSC Inter RAO and has a controlling interest in the Company of over 50%. Details of operations with entities controlled by the Russian Federation are provided in Note 25 (d).

(b) Transactions with key management personnel

The members of the Management Board own 0.2445% of ordinary shares of PJSC Inter RAO as at 31 March 2018 (31 December 2017: 0.01356%).

Compensation paid to key management and members of the Board of Directors for their service in that capacity is made up of contractual salary and performance bonuses. Key management and members of the Board of Directors received the following remuneration during the period, which is included in employee benefit expenses and payroll taxes (Note 19):

	Three months ended 31 March 2018	***Three months ended 31 March 2017***
Salaries and bonuses	57	73

Employee's Share Option Programme

In February 2016 the Company's Board of Directors approved Share Option Programme (hereinafter referred to as "the Programme") in which members of the Management Board and other key employees of the Group were to be participants (hereinafter referred to as "the Programme participants").

In July 2016 the basic conditions of the Programme were communicated to Programme participants. The total number of shares participating under the Programme, is 2% of the share capital of the Parent company. The Programme participants can exercise the share option at any time from February 2018 to February 2020. As of 31 March 2018 a number of participants of the Programme have exercised their share options (Note 13).

Changes in the amounts of options granted are described in the table below:

	All options granted under the Programme	***Attributed to members of the Management Board***
Number of options outstanding as at 31 December 2017	**2,088,000,000**	**657,720,000**
Options signed during the three months ended 31 March 2018	–	–
Options exercised during the three months ended 31 March 2018	(1,589,180,103)	(438,480,000)
Number of options outstanding as at 31 March 2018	**498,819,897**	**219,240,000**

(in millions of RUR)

25. Related party transactions (continued)

(b) Transactions with key management personnel (continued)

Fair value of services received in return for share options granted to employees is measured by reference to fair value of the share options granted estimated on the Binomial model.

	31 March 2018
Weighted average price (RUR)	3.6999
Expected volatility	42.50%
Option life, years	3.6
Risk-free interest rate	8.60%
Fair value of the option at measurement date (in RUR)	1.653330801

To determine volatility the Group used the historical volatility of the market prices of the Company's publicly traded shares. For the three months ended 31 March 2018 the Group recognised a loss of RUR 9 million (RUR 411 million for the three months ended 31 March 2017) within employee benefit expenses in the interim consolidated statement of comprehensive income related to the fair value of the options agreements signed.

(c) Transactions with associates and joint ventures

Sales to and purchases from joint ventures and associates are made at terms equivalent to those that prevail in arm's length transactions.

The Group's transactions with associates and joint ventures are disclosed below.

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Revenue		
Joint ventures	121	131
Other operating income		
Joint ventures	1	1
Interest income		
Joint ventures	–	3
	122	**135**

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Purchased power		
Joint ventures	21	1
Purchased capacity		
Joint ventures	676	357
Other expenses		
Joint ventures	87	8
	784	**366**
Capital expenditures		
Joint ventures	**1**	**1**

(in millions of RUR)

25. Related party transactions (continued)

(c) Transactions with associates and joint ventures (continued)

	31 March 2018	*1 January 2018*	*1 January 2017*
Accounts receivable			
Joint ventures	53	57	154
Associates	2	2	1
Accounts payable			
Joint ventures	210	221	347
Associates	5	8	–

(d) Transactions with entities controlled by the Russian Federation

Sales to and purchases from entities controlled by the Russian Federation are made at terms equivalent to those that prevail in arm's length transactions.

Information on transactions with entities controlled by the Russian Federation is presented below:

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Revenue		
Electricity and capacity	74,833	66,731
Other revenues	3,716	1,430
Other operating income	568	208
	79,117	**68,369**
Operating expenses		
Purchased power and capacity	29,663	25,207
Transmission fees	57,433	48,393
Fuel expenses (gas)	24,919	26,886
Fuel expenses (coal)	53	258
Other purchases	9	10
Other expenses	2,513	3,096
	114,590	**103,850**
Capital expenditures	**12**	**8**

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Finance income/(expenses)		
Interest income	827	493
Interest expenses	(110)	(168)
Interest expense on lease liabilities	(767)	(174)
	(50)	**151**

(in millions of RUR)

25. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation (continued)

	31 March 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Securities	**9,660**	**8,662**	**5,906**
Long-term accounts receivable			
Other account receivables	34	35	204
Less impairment provision	(17)	(19)	(23)
Other receivables – net	**17**	**16**	**181**
Short-term accounts receivable			
Trade accounts receivable, gross	31,245	27,022	23,111
Less impairment provision	(5,026)	(3,340)	(1,584)
Trade receivables – net	**26,219**	**23,682**	**21,527**
Advances issued	2,271	2,587	918
Advances issued for capital construction	19	(38)	52
Other receivables	1,869	1,681	1,575
	30,378	**27,912**	**24,072**

	31 March 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Accounts payable	24,085	24,956	21,812
Trade accounts payable	34	51	50
Payables for capital construction	1,961	2,852	337
Other accounts payable	17,023	24,260	13,723
Advances received	–	–	–
	43,103	**52,119**	**35,922**

	31 March 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Loans and borrowings			
Short-term loans and borrowings	4,692	1,534	210
Long-term loans and borrowings	640	2,272	–
Interest on loans and borrowings	5	7	1
	5,337	**3,813**	**211**

	31 March 2018	*1 January 2018*	*1 January 2017*
Lease liabilities			
Short-term portion of long term lease liabilities	3,805	439	411
Long-term lease liabilities	26,935	7,461	6,596
	30,740	**7,900**	**7,007**

	31 March 2018	*1 January 2018*	*1 January 2017*
Cash and cash equivalents	7,494	15,670	6,342

	31 March 2018	*1 January 2018*	*1 January 2017*
Other current assets (bank deposits)	37,968	47,548	11,771

(in millions of RUR)

25. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation (continued)

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Financial transactions		
Loans and borrowings received	3,650	1,840
Loans and borrowings repaid	(2,176)	(210)
Repayment of leases	249	85
	1,723	**1,715**

In July 2011 subsidiary of PJSC Inter RAO entered into an agreement with a state-controlled company for sale of electric power under the “take-or-pay” arrangement through 30 June 2026. The sales to and purchases from enterprises controlled by the Russian Federation are made at terms equivalent to those that prevail in arm’s length transactions.

(e) Transactions with other related parties

Sales to and purchases from other related parties are made at terms equivalent to those that prevail in arm’s length transactions. Amounts of transactions with other related parties (except for those controlled by the Russian Federation, equity investees and joint ventures), for each of the reporting periods are provided below:

	Three months ended 31 March 2018	*Three months ended 31 March 2017 (restated)*
Revenue		
Electricity and capacity	26	20
Operating expenses		
Purchased electricity and capacity	844	827
Other expenses	210	21

	31 March 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Short-term accounts receivable			
Trade and other accounts receivable	631	663	624
Short-term accounts payable			
Trade and other accounts payable	68	5	259

	31 March 2018	*1 January 2018*	*1 January 2017*
Loans and borrowings payable			
Short-term loans and borrowings	400	3,400	825
	400	**3,400**	**825**

	31 March 2018	*1 January 2018*	*1 January 2017*
Lease liabilities			
Short-term portion of long term lease liabilities	2	2	1
Long-term lease liabilities	1	1	6
	3	**3**	**7**

(in millions of RUR)

25. Related party transactions (continued)

(e) Transactions with other related parties (continued)

	31 March 2018	*1 January 2018*	*1 January 2017*
Cash and cash equivalents			
Cash in bank	28,050	32,006	28,665
Short-term bank deposits	22,021	15,886	6,080
	50,071	**47,892**	**34,745**

	Three months ended 31 March 2018	*Three months ended 31 March 2017*
Income and expenses		
Interest income	675	358
Interest expenses	(6)	(72)

26. Events after the reporting period

There were no significant events after the reporting period.