Report on Review of Interim Financial Information

PJSC Inter RAO and its subsidiaries

for the three-month period ended 31 March 2019

May 2019

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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 2019, 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.

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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 2019

Details of the entity

Name: PJSC Inter RAO
Record made in the State Register of Legal Entities on 1 November 2002, State Registration Number 1022302933630.
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 2019*	*31 December 2018*
Assets			
Non-current assets			
Property, plant and equipment	6	327,442	322,976
Intangible assets		12,871	13,849
Investments in associates and joint ventures	7	15,393	15,451
Deferred tax assets		5,276	5,753
Securities	8	8,327	7,992
Other non-current assets	9	2,467	2,621
Total non-current assets		**371,776**	**368,642**
Current assets			
Inventories		20,733	20,267
Accounts receivable and prepayments	10	115,106	107,806
Income tax prepaid		1,216	1,070
Cash and cash equivalents	11	105,627	153,747
Other current assets	12	138,160	75,318
		380,842	**358,208**
Assets classified as held-for-sale		1,737	1,737
Total current assets		**382,579**	**359,945**
Total assets		**754,355**	**728,587**
Equity and liabilities			
Equity			
Share capital	13	293,340	293,340
Treasury shares		(86,210)	(86,210)
Share premium		69,312	69,312
Hedge reserve		688	(367)
Actuarial reserve		272	274
Fair value reserve		(5,466)	(5,745)
Foreign currency translation reserve		3,449	4,887
Retained earnings		238,771	207,778
Total equity attributable to shareholders of the Company		**514,156**	**483,269**
Non-controlling interest		2,530	2,209
Total equity		**516,686**	**485,478**
Non-current liabilities			
Loans and borrowings	14	1,221	1,385
Long-term lease liabilities	6	46,124	42,991
Deferred tax liabilities		12,110	11,890
Other non-current liabilities	16	8,132	8,588
Total non-current liabilities		**67,587**	**64,854**
Current liabilities			
Loans and borrowings		6,126	8,353
Short-term portion of long-term lease liabilities	6	7,417	6,712
Accounts payable and accrued liabilities	15	141,362	149,886
Amounts payable to non-controlling shareholders for shares of subsidiary	5	104	373
Other taxes payable		11,580	10,644
Income tax payable		3,493	2,287
Total current liabilities		**170,082**	**178,255**
Total liabilities		**237,669**	**243,109**
Total equity and liabilities		**754,355**	**728,587**

Chairman of the Management Board — Kovalchuk B.Yu.

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

15 May 2019

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* 2019	2018
Revenue	17	281,446	247,484
Other operating income	18	3,480	2,734
Operating expenses	19	(246,546)	(223,221)
Operating income		**38,380**	**26,997**
Finance income	20	3,925	2,918
Finance expenses	20	(4,027)	(1,760)
Share of profit of associates and joint ventures, net	7	501	601
Income before income tax		**38,779**	**28,756**
Income tax expense	21	(7,609)	(6,135)
Income for the period		**31,170**	**22,621**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met			
Gain on securities, net of tax	8	125	537
Net gain/(loss) on hedge instruments, net of tax		1,370	(16)
Exchange (loss)/gain on translation to presentation currency		(1,611)	442
Other comprehensive income/(loss) not to be reclassified subsequently to profit or loss			
Gain on securities, net of tax	8	154	261
Actuarial loss, net of tax		–	(7)
Other comprehensive income, net of tax		**38**	**1,217**
Total comprehensive income for the period		**31,208**	**23,838**
Income attributable to:			
Shareholders of the Company		30,993	22,457
Non-controlling interest		177	164
		31,170	**22,621**
Total comprehensive income attributable to:			
Shareholders of the Company		30,887	23,610
Non-controlling interest		321	228
		31,208	**23,838**

	RUR	*RUR*
Basic income per ordinary share for income attributable to the shareholders of the Company	0.420	0.268
Diluted income per ordinary share for income attributable to the shareholders of the Company	0.420	0.264

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15 May 2019

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Interim consolidated statement of cash flows

(in millions of RUR)

	Note	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Operating activities			
Income before income tax		**38,779**	**28,756**
Adjustments to reconcile income before tax to net cash flows from operating activities			
Depreciation and amortisation	19	7,161	6,267
Provision for impairment of accounts receivable, net	19	1,879	1,864
Unwind of discount of accounts receivable	20	(52)	(64)
Unwind of discount of accounts payable	20	522	–
Release of other provisions	19	(458)	(975)
Share of profit of associates and joint ventures, net	7	(501)	(601)
(Income)/loss from electricity derivatives, net	18, 19	(1,032)	15
Foreign exchange loss/(gain), net	20	1,922	(381)
Interest income	20	(3,763)	(2,237)
Other finance income	20	(101)	(88)
Interest expenses	20	1,567	1,235
Other finance expenses	20	7	377
Shares option plan		–	9
Gain from disposal of Group entities, net	7, 18	(63)	(217)
Other non-cash operations/items		(49)	(213)
Operating cash flows before working capital adjustments and income tax paid		**45,818**	**33,747**
Increase in inventories		(699)	(2,765)
Increase in accounts receivable and prepayments		(11,107)	(8,896)
(Increase)/decrease in value added tax recoverable		(147)	416
Decrease in other current assets		1,766	308
Decrease in accounts payable and accrued liabilities		(5,403)	(7,063)
Increase/(decrease) in taxes other than income tax prepaid/payable, net		1,474	(2,391)
Other working capital adjustments		–	13
		31,702	**13,369**
Income tax paid		(6,125)	(3,825)
Net cash flows from operating activities		**25,577**	**9,544**

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 2019	2018
Investing activities			
Proceeds from disposal of property, plant and equipment		10	44
Purchase of property, plant and equipment and intangible assets		(7,868)	(3,600)
Purchase of controlling interest, net of cash acquired	7	–	722
Settlement of joint venture		(1)	-
Purchase of equity securities		(27)	-
Proceeds from disposal of assets classified as held-for-sale		–	3,125
Proceeds from disposal of an associate	7	103	–
Loans issued		–	(2)
Proceeds from repayment of loans issued		16	110
Bank deposits placed		(87,333)	(31,846)
Bank deposits returned and proceeds from promissory notes repayment		25,391	22,063
Interest proceeds for bank deposits placed		3,331	1,731
Purchase of bonds		(533)	–
Cash flows from other investing activities		28	102
Net cash flows used for investing activities		**(66,883)**	**(7,551)**
Financing activities			
Proceeds from loans and borrowings		3,276	5,537
Repayment of loans and borrowings		(5,363)	(7,968)
Repayment of leases		(1,885)	(558)
Interest paid		(182)	(278)
Dividend paid		(2)	(1)
Purchase of non-controlling interest in subsidiaries	5	(270)	–
Acquisition of treasury shares		(1,956)	–
Proceeds from treasury shares sale	13	–	1,886
Net cash flows used for financing activities		**(6,382)**	**(1,382)**
Effect of exchange rate fluctuations on cash and cash equivalents		(432)	16
Net (decrease)/increase in cash and cash equivalents		**(48,120)**	**627**
Cash and cash equivalents at the beginning of the period		153,747	142,062
Cash and cash equivalents at the end of the period	11	**105,627**	**142,689**

Chairman of the Management Board Kovalchuk B.Yu.

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

15 May 2019

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 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 31 December 2017		**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	–	4,465	–	–	–	–	–	(2,579)	**1,886**	–	**1,886**
Share option plan		–	–	–	–	–	–	–	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**
Balance at 31 December 2018		**293,340**	**(86,210)**	**69,312**	**4,887**	**(5,745)**	**(367)**	**274**	**207,778**	**483,269**	**2,209**	**485,478**
Total comprehensive (loss)/income for the three months ended 31 March 2019		–	–	–	(1,438)	279	1,055	(2)	30,993	**30,887**	321	**31,208**
Balance at 31 March 2019		**293,340**	**(86,210)**	**69,312**	**3,449**	**(5,466)**	**688**	**272**	**238,771**	**514,156**	**2,530**	**516,686**

Chairman of the Management Board — Kovalchuk B.Yu.

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

15 May 2019

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. The main state shareholders of the Parent Company as at 31 March 2019 are Group ROSNEFTEGAZ (27.63%) and PJSC FGC UES (9.24%).

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

This 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 2018.

(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.

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.

(in millions of RUR)

2. Basis of preparation (continued)

(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.

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 2019 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

The following IFRSs and amendments to existing IFRSs that have been published and effective as of 1 January 2019 and did not have any impact on the Group's consolidated financial information

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Annual Improvements 2015-2017 Cycle (issued in December 2017) concerning IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes*, IAS 23 *Borrowing Costs*.

The following IFRSs and amendments to existing IFRSs that have been published but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim financial information are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- IFRS 17 *Insurance Contracts*. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.
- Amendments to IAS 1 and IAS 8 *Definition of Material*. The amendments are effective for reporting periods beginning on or after 1 January 2020, with comparative figures required. Early application is permitted and must be disclosed. The Group will apply these amendments 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 Group activities from both geographical (by countries of the Group entities' jurisdiction) and business perspective (generation, trading, supply, distribution, engineering and other) meaning that each operating segment represents a certain type of business activities or legal entities in a certain country.

(in millions of RUR)

4. Segment information (continued)

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 JSC Mosenergosbyt, LLC MosOblEIRTS, JSC Saint Petersburg Power Supply Company (Group of entities), PJSC Tambov power supply 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 Energosbyt Volga (from March 2018), LLC RT − Energy Trading (equity accounted investee), LLC North Supply Company (from July 2018), LLC ESCB − Development (from December 2018).
- **Electric Power Generation in the Russian Federation** (represented by Group Inter RAO − Electric Power Plants, including JSC Nizhnevartovskaya GRES (equity accounted investee).
- **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).
- **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, JSC Eastern Energy Company, LLC Payments implementation center (till December 2018).
- **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, investments in associates and joint ventures 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 2019:

	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	**185,940**	**53,453**	**12,199**	**18,660**	**20,702**	**2,978**	**1,969**	**1,168**	**4,370**	**(19,993)**	**281,446**
Revenue from external customers	185,350	39,913	10,922	14,940	20,344	2,978	1,969	1,168	3,621	241	**281,446**
Inter-segment revenue	590	13,540	1,277	3,720	358	−	−	−	749	(20,234)	**−**
Operating expenses, including:											
Purchased electricity and capacity	(114,520)	(1,776)	(901)	(1,299)	(13,179)	(2,291)	−	−	−	19,402	**(114,564)**
Transmission fees	(58,934)	−	−	(1)	(1,776)	(463)	(13)	−	−	−	**(61,187)**
Fuel expenses	−	(20,501)	(4,482)	(9,423)	−	−	(993)	(2)	−	842	**(34,559)**
Share in profit/(loss) of joint ventures	−	730	−	−	−	−	−	−	(8)	−	**722**
EBITDA	**7,015**	**25,127**	**4,236**	**4,779**	**6,525**	**(242)**	**555**	**1,002**	**(329)**	**(1,056)**	**47,612**
Depreciation and amortisation	(771)	(3,886)	(435)	(997)	(46)	(153)	(85)	(444)	(38)	(306)	**(7,161)**
Interest income	544	1,540	91	126	4	27	−	8	100	1,323	**3,763**
Interest expense	(113)	(45)	(41)	(1)	(11)	(61)	(3)	(28)	(22)	103	**(222)**
Interest expense on lease liabilities	(124)	(1,084)	(17)	(110)	(1)	(2)	−	−	(1)	(6)	**(1,345)**

(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)

As at 31 March 2019:

	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	**(3,798)**	**(79)**	**(604)**	**–**	**(460)**	**(1,714)**	**(1)**	**(691)**	**–**	**–**	**(7,347)**
Lease liabilities, including:	**(4,249)**	**(43,459)**	**(618)**	**(5,004)**	**(103)**	**(53)**	**–**	**–**	**(66)**	**(383)**	**(53,935)**
Share in lease liabilities of joint ventures	–	(394)	–	–	–	–	–	–	–	–	**(394)**

As at 31 December 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	**(2,973)**	**(60)**	**(1,997)**	**(327)**	**(568)**	**(1,493)**	**–**	**(2,320)**	**–**	**–**	**(9,738)**
Lease liabilities, including:	**(4,267)**	**(38,703)**	**(628)**	**(5,872)**	**(105)**	**(61)**	**–**	**–**	**(69)**	**(388)**	**(50,093)**
Share in lease liabilities of joint ventures	–	(390)	–	–	–	–	–	–	–	–	**(390)**

(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 2019	***For the three months ended 31 March 2018***
EBITDA of the reportable segments	**47,612**	**34,786**
Depreciation and amortisation (Note 19)	(7,161)	(6,267)
Interest income (Note 20)	3,763	2,237
Interest expense (Note 20)	(222)	(341)
Interest expense on lease liabilities (Note 20)	(1,345)	(894)
Foreign currency exchange(loss)/gain, net (Note 20)	(1,922)	381
Other finance expense (Note 20)	(376)	(225)
Provisions charge, including: (Note 19)	(1,234)	(827)
release of other provisions	*458*	*975*
release of VAT provision	*187*	*62*
provision for impairment of account receivables, net	*(1,879)*	*(1,864)*
Gain from disposal of Group entities, net (Note 18)	63	217
Other item	(178)	(240)
Share of loss of associates (Note 7)	(221)	(71)
Income tax expense (Note 21)	(7,609)	(6,135)
Profit for the reporting period in the interim consolidated statement of comprehensive income	**31,170**	**22,621**

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 2019	***As at 31 December 2018***
Loans and borrowings of the reportable segments	**(7,347)**	**(9,738)**
Loans and borrowings in the interim consolidated statement of financial position	**(7,347)**	**(9,738)**
Lease liabilities of the reportable segments	**(53,935)**	**(50,093)**
Less:		
Share in lease liabilities of joint ventures	394	390
Lease liabilities in the interim consolidated statement of financial position	**(53,541)**	**(49,703)**

(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, investments in associates and jointly controlled entities and intangible assets, including goodwill) based on location of assets.

	For the three months ended 31 March 2019			*For the three months ended 31 March 2018*		
	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	257,022	–	**257,022**	229,989	–	**229,989**
Finland	7,955	38	**7,993**	4,247	46	**4,293**
Lithuania	6,264	–	**6,264**	3,439	–	**3,439**
Georgia	2,978	55	**3,033**	3,004	35	**3,039**
Moldavia (incl. Transdniestria Republic)	1,969	–	**1,969**	1,815	–	**1,815**
Turkey	1,168	–	**1,168**	1,381	–	**1,381**
China	–	1,069	**1,069**	–	1,387	**1,387**
Kazakhstan	–	657	**657**	–	469	**469**
Mongolia	–	392	**392**	–	331	**331**
Latvia	296	–	**296**	236	–	**236**
Estonia	203	130	**333**	135	98	**233**
Other	955	295	**1,250**	270	602	**872**
Total	**278,810**	**2,636**	**281,446**	**244,516**	**2,968**	**247,484**

	Total non-current assets based on location of assets[2]	
	As at 31 March 2019	***As at 31 December 2018***
Russian Federation	340,742	335,807
Georgia	8,969	9,503
Moldavia (incl. Transdniestria Republic)	4,140	4,479
Lithuania	1,083	1,202
Turkey	437	935
Other	335	350
Total	**355,706**	**352,276**

5. Acquisitions and disposals

Acquisition of non-controlling interest in PJSC Tomskenergosbyt

As at 31 December 2017 the Group had 93.58% of the shares of PJSC Tomskenergosbyt. In August 2018 PJSC Tomskenergosbyt issued an additional 1,260,000 thousand ordinary shares in favour of one of the Group's companies. As a result of the additional issuance the Group has increased its participation in PJSC Tomskenergosbyt by 1.43% up to 95.01%.

In October 2018 the Group has sold 10% of ordinary shares of PJSC Tomskenergosbyt to third party for the cash consideration of RUR 244 million. Thus, the Group has decreased its participation in PJSC Tomskenergosbyt to 85.01%.

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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 (continued)

Acquisition of non-controlling interest in PJSC Tomskenergosbyt (continued)

On 12 November 2018 the Group announced a voluntary public offer to acquire the ordinary shares of PJSC Tomskenergosbyt held by non-controlling shareholders. The offer price was set at RUB 0.44 per one share. As at 31 December 2018, the Group accrued a liability to purchase the shares of non-controlling shareholders in the amount of RUR 373 million.

In February 2019 the Group bought 11.53% of ordinary shares and 4.71% of preferred shares of PJSC Tomskenergosbyt from non-controlling shareholders (10.83% of the total voting shares of the company) under the voluntary public offer on 12 November 2018 for RUR 270 million. As a result the Group has increased its participation in PJSC Tomskenergosbyt to 95.84%. In accordance with Russian legislation the Group has the obligation to purchase the rest amount of ordinary and preferred shares from non-controlling shareholders at their request at RUB 0.441 per one share. As at 31 March 2019 the Group recognised the liability to the non-controlling shareholders in the amount of RUR 104 million.

6. Property, plant and equipment

	Land and buildings	*Infra-structure assets*	*Plant and equipment*	*Other*	*Const-ruction in progress*	*Total*
Cost						
Balance at 31 December 2018	**133,762**	**103,121**	**343,082**	**10,236**	**12,029**	**602,230**
Reclassification	–	–	1	(1)	–	**–**
Additions	217	137	5,229	5,395	1,969	**12,947**
Disposals	(1,193)	(144)	(242)	(50)	(29)	**(1,658)**
Transfers	177	312	647	151	(1,287)	**–**
Transfer to other accounts	–	–	–	–	(1)	**(1)**
Translation difference	(623)	(996)	(1,240)	(111)	(88)	**(3,058)**
Balance at 31 March 2019	**132,340**	**102,430**	**347,477**	**15,620**	**12,593**	**610,460**
Including right-of-use assets	*10,606*	*1,440*	*42,324*	*1,657*	–	***56,027***
Depreciation and impairment						
Balance at 31 December 2018	**(49,834)**	**(51,811)**	**(169,219)**	**(6,554)**	**(1,836)**	**(279,254)**
Reclassification	–	–	(1)	1	–	**–**
Depreciation charge	(991)	(943)	(4,095)	(239)	–	**(6,268)**
Disposals	165	64	234	47	1	**511**
Transfers	–	(1)	(15)	–	16	**–**
Translation difference	490	501	902	78	22	**1,993**
Balance at 31 March 2019	**(50,170)**	**(52,190)**	**(172,194)**	**(6,667)**	**(1,797)**	**(283,018)**
Including right-of-use assets	*(2,170)*	*(792)*	*(2,388)*	*(920)*	–	***(6,270)***
Net book value						
Balance at 31 December 2018	**83,928**	**51,310**	**173,863**	**3,682**	**10,193**	**322,976**
Balance at 31 March 2019	**82,170**	**50,240**	**175,283**	**8,953**	**10,796**	**327,442**

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 1,205 million as at 31 March 2019 (31 December 2018: RUR 1,174 million).

Additions of right-of-use assets for the three month period ended 31 March 2019 amounted to RUR 4,955 million (for the three month period ended 31 March 2018: RUR 22,817 million.

Depreciation of right-of-use assets for the three month period ended 31 March 2019 amounted to RUR 1,017 million (for the three month period ended 31 March 2018: RUR 618 million).

As at 31 March 2019 net book value of right-of-use assets amounted to RUR 49,757 million (as at 31 December 2018: RUR 47,560 million), including the net book value of right-of-use assets of Kaliningrad Generation LLC in the amount of RUR 39,478 million (as at 31 December 2018: RUR 34,920 million).

The long-term lease liabilities as at 31 March 2019 amounted to RUR 46,124 million (as at 31 December 2018: RUR 42,991 million). The short-term portion of long-term lease liabilities as at 31 March 2019 amounted to RUR 7,417 million (as at 31 December 2018: RUR 6,712 million).

(in millions of RUR)

7. Investments in associates and joint ventures

	Joint ventures		*Associates*			
	JSC Nizhne-vartovskaya GRES	***Other joint ventures***	***RUS Gas Turbines Holding B.V.***	***LLC INVENT***	***Other associates***	***Total***
Carrying value at 31 December 2018	**10,401**	**139**	**1,749**	**2,460**	**702**	**15,451**
Additions	–	1	–	–	–	**1**
Disposals	–	–	(272)	–	(40)	**(312)**
Share of profit/(loss) after tax	730	(8)	(110)	(95)	(16)	**501**
Recognised actuarial loss and past service cost	(2)	–	–	–	–	**(2)**
Forex loss	–	–	(246)	–	–	**(246)**
Carrying value at 31 March 2019	**11,129**	**132**	**1,121**	**2,365**	**646**	**15,393**

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 interim consolidated statement of comprehensive income (Note 18). Cash inflow from the reorganisation of LLC Cosy House in the amount of RUR 722 million was recognised in the interim consolidated statement of cash flows in investing activities.

JSC Kaskad

In January 2019 the Group sold 25% of shares of JSC Kaskad to third parties. As a result the Group recognised gain from disposal in the amount of RUR 63 million in the interim consolidated statement of comprehensive income (Note 18), cash inflow due to sale of JSC Kaskad amounted to RUR 103 million was recognised in the interim consolidated statement of cash flows in investing activities.

8. Securities

	As at 31 March 2019	***As at 31 December 2018***
Equity instruments	**5,174**	**4,962**
FVOCI	3,635	3,450
FVPL	1,539	1,512
Debt instruments	**3,153**	**3,030**
FVOCI	3,153	3,030
Total	**8,327**	7,992

For the three months ended 31 March 2019 and 31 March 2018 there was no impairment loss on securities recognised through profit and loss in the interim consolidated statement of comprehensive income.

For the three months ended 31 March 2019 the amount of RUR 276 million, net of tax RUR 62 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 2018: gain from revaluation in the amount of RUR 798 million, net of tax RUR 200 million).

(in millions of RUR)

9. Other non-current assets

		As at 31 March 2019	As at 31 December 2018
Financial non-current assets		**1,455**	**1,546**
Non-current trade receivables		1,103	1,267
	Less impairment provision	*(152)*	*(180)*
Non-current trade receivables − net		**951**	**1,087**
Other non-current receivables		489	476
	Less impairment provision	*(51)*	*(54)*
Other non-current receivables − net		**438**	**422**
Long-term bank deposits		66	37
Non-financial non-current assets		***1,012***	***1,075***
Non-current advances to suppliers and prepayments		154	174
	Less impairment provision	*(9)*	*(11)*
Non-current advances to suppliers and prepayments − net		**145**	**163**
VAT recoverable		84	84
Other		783	828
		2,467	**2,621**

10. Accounts receivable and prepayments

		As at 31 March 2019	As at 31 December 2018
Financial assets		**102,739**	**93,304**
Trade receivables		104,926	95,511
	Less impairment provision	*(18,888)*	*(18,202)*
Trade receivables − net		**86,038**	**77,309**
Other receivables		13,830	14,444
	Less impairment provision	*(3,521)*	*(3,191)*
Other receivables − net		**10,309**	**11,253**
Short-term loans issued (including interest)		715	724
	Less impairment provision	*(250)*	*(250)*
Short-term loans issued (including interest)		**465**	**474**
Short-term outstanding interest on bank deposits		1,379	1,357
Short-term receivables on construction contracts		4,548	2,911
Non-financial assets		**12,367**	**14,502**
Advances to suppliers and prepayments		9,155	10,938
	Less impairment provision	*(1,456)*	*(1,416)*
Advances to suppliers and prepayments − net		**7,699**	**9,522**
Short-term VAT recoverable		1,656	1,483
Taxes prepaid		3,012	3,497
		115,106	**107,806**

The Group does not hold any collateral as a security.

(in millions of RUR)

11. Cash and cash equivalents

	As at 31 March 2019	As at 31 December 2018
Bank deposits with maturity of three months or less	43,474	99,756
Cash at bank and in hand, national currency	34,561	42,291
Cash at bank and in hand, foreign currency	27,592	11,700
Total	**105,627**	**153,747**

12. Other current assets

	As at 31 March 2019	As at 31 December 2018
Bank deposits with maturity of 3-12 months	134,700	72,790
Restricted cash	796	1,338
Short-term derivative financial instruments	690	14
Other	1,974	1,176
Total	**138,160**	**75,318**

13. Equity

Share capital

	As at 31 March 2019	As at 31 December 2018
Number of ordinary shares issued and fully paid (in units)	104,400,000,000	104,400,000,000
Par value (in RUR)	2.809767	2.809767
Share capital (in million RUR)	293,340	293,340

During the three months ended 31 March 2018 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.

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 2019	As at 31 December 2018
Loans and borrowings			
	GEL	964	1,043
	USD	689	2,279
	EUR	460	568
	JPY	433	446
	RUR	339	1,696
Total long-term loans and borrowings		**2,885**	**6,032**
Less: current portion of long-term loans and borrowings		(1,664)	(4,647)
		1,221	**1,385**

As at 31 March 2019 fair value of loans and borrowings amounts to RUR 3,019 million (as at 31 December 2018: RUR 6,239 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 2019	*As at 31 December 2018*
Financial liabilities		
Trade payables	48,661	46,482
Short-term derivative financial instruments	94	494
Dividends payable	100	102
Call option	763	763
Other payables and accrued expenses	40,718	44,030
Total	**90,336**	**91,871**
Non-financial liabilities		
Advances received	34,312	43,012
Staff payables	12,780	10,713
Provisions, short-term	3,934	4,290
Total	**51,026**	**58,015**
	141,362	**149,886**

As at 31 March 2019 advances received included RUR 17,347 million of advances for construction contracts received from customers of LLC INTER RAO Engineering (31 December 2018: RUR 18,050), RUR 11,998 million of payments for electricity sales from customers of JSC Mosenergosbyt, JSC Saint Petersburg Power Supply Company, LLC RN-Energo, LLC ESC Bashkortostan and Group Bashkir Generation Company (31 December 2018: RUR 19,045 million).

16. Other non-current liabilities

	As at 31 March 2019	*As at 31 December 2018*
Financial liabilities		
Long-term derivative financial instruments	–	1
Other long-term liabilities	680	1,233
Total financial liabilities	**680**	**1,234**
Non-financial liabilities		
Pensions liabilities	3,152	3,158
Restoration provision	3,728	3,611
Government grants	21	26
Other long-term liabilities	551	559
Total non-financial liabilities	**7,452**	**7,354**
Total	**8,132**	**8,588**

17. Revenue

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Electricity and capacity	257,019	223,001
Thermal energy sales	17,746	18,288
Other revenue	6,681	6,195
	281,446	**247,484**

(in millions of RUR)

18. Other operating income

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Penalties and fines received	1,135	1,098
Electricity derivatives	1,032	7
Rental income	176	121
Gain from disposal of Group entities, net	63	217
Other	1,074	1,291
	3,480	**2,734**

19. Operating expenses

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Purchased electricity and capacity	114,564	98,792
Electricity transmission fees	61,187	57,047
Fuel expenses	34,559	32,059
Employee benefit expenses and payroll taxes	12,885	13,074
Depreciation and amortisation	7,161	6,267
Provision for impairment of accounts receivable, net	1,879	1,864
Agency fees	1,372	1,289
Repairs and maintenance	1,187	1,719
Thermal power transmission expenses	918	889
Water supply expenses	807	764
Other materials for production purposes	755	600
Transportation expenses	719	863
Taxes other than income tax	677	1,101
Consulting, legal and auditing services	350	334
Short-term lease	74	46
Lease of low-value assets	14	36
Loss on sale or write-off of inventory	12	8
Cost of equipment for resale	–	22
Loss from electricity derivatives	–	22
Release of VAT provision	(187)	(62)
Release of other provisions	(458)	(975)
Other	8,071	7,462
	246,546	**223,221**

20. Finance income and expenses

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Finance income		
Interest income	3,763	2,237
Foreign currency exchange gain, net	–	381
Unwind of discount of accounts receivable	61	212
Other finance income	101	88
	3,925	**2,918**

(in millions of RUR)

20. Finance income and expenses (continued)

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Finance expenses		
Foreign currency exchange loss, net	1,922	–
Interest expense on lease liabilities	1,345	894
Unwind of discount of accounts payable	522	–
Interest expense	222	341
Discounting of accounts receivable	9	148
Other finance expenses	7	377
	4,027	**1,760**

21. Income tax expense

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Current tax expense	7,238	5,006
Deferred tax expense	352	1,107
Amended tax declaration	(43)	22
Provision for income tax	62	–
Income tax expense	**7,609**	**6,135**

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:

			Fair value hierarchy		
At 31 March 2019	***Note***	***Total fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Electricity derivatives	12	**690**	690	–	–
Securities					
Equity instruments at FVOCI	8	**3,635**	3,635	–	–
Equity instruments at FVPL	8	**1,539**	–	–	1,539
Debt instruments at FVOCI	8	**4,352**	1,199	3,153	–
Debt instruments at amortised cost					
Long-term bank deposits	9	**66**	–	–	66
Total financial assets		**10,282**	**5,524**	**3,153**	**1,605**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	15	**91**	91	–	–
Interest rate SWAP	15	**3**	–	3	–
Financial liabilities designated at fair value through profit or loss					
Call option	15	**763**	–	763	–
Financial liabilities at amortised cost					
Loans and borrowings	14	**3,019**	–	3,019	–
Total financial liabilities		**3,876**	**91**	**3,785**	**–**

			Fair value hierarchy		
At 31 December 2018	***Note***	***Total fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Electricity derivatives	12	**14**	14	–	–
Securities					
Equity instruments at FVOCI	8	**3,450**	3,450	–	–
Equity instruments at FVPL	8	**1,512**	–	–	1,512
Debt instruments at FVOCI	8	**3,030**	–	3,030	–
Debt instruments at amortised cost					
Long-term bank deposits	9	**37**	–	–	37
Bonds issued by financial institutions		**616**	616	–	–
Total financial assets		**8,659**	**4,080**	**3,030**	**1,549**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	15	**487**	487	–	–
Interest rate SWAP	15, 16	**8**	–	8	–
Financial liabilities designated at fair value through profit or loss					
Call option	15	**763**	–	763	–
Financial liabilities at amortised cost					
Loans and borrowings	14	**6,239**	–	6,239	–
Total financial liabilities		**7,497**	**487**	**7,010**	**–**

(in millions of RUR)

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 2019 realisation of investment commitments was in line with schedule for the year 2019.

As at 31 March 2019 capital commitments of subsidiaries of the Company are as follows:

Subsidiary	***RUR, million***
LLC Bashkir Generation Company JSC	2,160
Inter RAO − Electric Power Plants	825
Other	510
Total	**3,495**

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

Capital commitments of JSC Inter RAO − Electric Power Plants as at 31 March 2019 are mainly for modernisation of block No. 8 of Kostromskaya GRES, modernisation of powersupply equipment of Cherepetskaya GRES, modernisation of gas turbines for Kaliningradskaya TEC and supply of equipment for Permskaya GRES.

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 the 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 2019 the guarantees amounted to EUR 9.7 million, or RUR 702 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2019 (as at 31 December 2018: EUR 9.9 million, or RUR 783 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2018). The guarantee amounted to EUR 6.7 million or RUR 484 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2019 will expire in January 2024, the guarantee amounted to EUR 3 million or RUR 218 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2019 will expire in November 2022.
- In December 2010 the Group together with General Electric and State Corporation Russian Technologies established 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 has certain financial obligations to finance the associate.

  In August 2017 the Group entered into the standby letter of credit with BNP Paribas Group in favour of GE ENERGY HOLDINGS VOSTOK B.V. (Beneficiary) with 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 2019 the standby letter of credit outstanding amount was EUR 21 million, or RUR 1,511 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2019 (as at 31 December 2018: EUR 21 million, or RUR 1,651 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2018). 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 at Ghorasal Thermal Power Station. As at 31 March 2019 the guarantees amounted to USD 1.5 million, or RUR 97 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2019 (as at 31 December 2018 the similar guarantee agreements with HSBC Bank amounted to USD 1.5 million, or RUR 104 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2018). The guarantees will expire in December 2019.
- In April 2018 the Group entered into the guarantee agreements with Unicredit Bank for the purpose of financial support of the agreement between the Group and Da Afghanistan Breshna Sherkat for capital repair works at Naglu Hydro Power Plant. As at 31 March 2019 the guarantee amounted to USD 1.1 million, or RUR 69 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2019 (as at 31 December 2018: USD 1.1 million, or RUR 74 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2018). The guarantees will expire in December 2019.

(in millions of RUR)

23. Commitments (continued)

Guarantees (continued)

- In May and in December 2018 the Group issued the letter of guarantees with Gazprom Bank for the purpose of financial support of the agreement between the Group and PJSC Unipro for capital repair of the turbine units at Berezovskaya GRES. As at 31 March 2019 the guarantees amounted to RUR 28 million (as at 31 December 2018: RUR 37.6 million). The guarantee will expire in September 2019.
- In June 2018 the Group entered into the guarantee agreements with Gazprom Bank for the purpose of financial support of the agreement between the Group and PJSC MOESK for construction and installation works and supply of the equipment and materials for Volokolamsk branch of PJSC MOESK. As at 31 March 2019, the guarantees amounted to RUR 88 million (as at 31 December 2018: RUR 88 million). The guarantees will expire in March 2020.

The Group's share in the guarantees issued for the joint ventures which are to be incurred jointly with other investors amounts to RUR 50 million (as at 31 December 2018: RUR 240 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 2019. 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 2019	***As at 31 December 2018***
Legal claims, including	**3,265**	**3,198**
Share in legal claims of joint ventures	51	49

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 2019 would be successfully challenged in the amount of RUR 180 million (as at 31 December 2018: RUR 420 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. 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 0.38432% of ordinary shares of PJSC Inter RAO as at 31 March 2019 (31 December 2018: 0.38432%).

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 2019	***Three months ended 31 March 2018***
Salaries and bonuses	64	57

(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 2019	***Three months ended 31 March 2018***
Revenue		
Joint ventures	151	121
Associates	7	–
Other operating income		
Joint ventures	–	1
	158	**122**

	Three months ended 31 March 2019	***Three months ended 31 March 2018***
Purchased power		
Joint ventures	20	21
Purchased capacity		
Joint ventures	501	676
Other expenses		
Joint ventures	63	87
	584	**784**
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 2019	*31 December 2018*
Accounts receivable		
Joint ventures	86	96
Associates	5	–
Accounts payable		
Joint ventures	136	229
Associates	5	4

(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 2019	*Three months ended 31 March 2018*
Revenue		
Electricity and capacity	82,500	74,833
Other revenues	3,849	3,716
Other operating income	842	568
	87,191	**79,117**
Operating expenses		
Purchased power and capacity	38,754	29,663
Transmission fees	57,569	57,433
Fuel expenses (gas)	26,567	24,919
Fuel expenses (coal)	158	53
Other purchases	42	9
Other expenses	3,338	2,513
	126,428	**114,590**
Capital expenditures	**5,373**	**12**

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Finance income/(expenses)		
Interest income	1,636	827
Other finance income	3	1
Interest expenses	(38)	(110)
Interest expense on lease liabilities	(1,198)	(767)
	403	**(49)**

(in millions of RUR)

25. Related party transactions (continued)

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

	31 March 2019	*31 December 2018*
Securities	**6,535**	**6,321**
Long-term accounts receivable		
Other account receivables	58	43
Less impairment provision	*(18)*	*(17)*
Other receivables − net	**40**	**26**
Short-term accounts receivable		
Trade accounts receivable, gross	31,686	30,053
Less impairment provision	*(6,826)*	*(6,790)*
Trade receivables − net	**24,860**	**23,263**
Advances issued	1,167	1,492
Advances issued for capital construction	126	126
Other receivables	3,166	2,942
	29,319	**27,823**

	31 March 2019	*31 December 2018*
Accounts payable		
Trade accounts payable	25,758	21,915
Payables for capital construction	38	54
Other accounts payable	34,438	35,867
Advances received	20,122	24,872
	80,356	**82,708**
Other long-term liabilities	**20**	**24**

	31 March 2019	*31 December 2018*
Loans and borrowings		
Short-term loans and borrowings	2,157	525
Long-term loans and borrowings	639	663
Interest on loans and borrowings	5	4
	2,801	**1,192**

	31 March 2019	*31 December 2018*
Lease liabilities		
Short-term portion of long term lease liabilities	6,322	5,687
Long-term lease liabilities	41,861	38,503
	48,183	**44,190**

	31 March 2019	*31 December 2018*
Cash and cash equivalents	13,609	19,119

	31 March 2019	*31 December 2018*
Other current assets (bank deposits)	71,817	61,698

(in millions of RUR)

25. Related party transactions (continued)

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

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Financial transactions		
Loans and borrowings received	1,841	3,650
Loans and borrowings repaid	(155)	(2,176)
Repayment of leases	(1,527)	(249)
	159	**1,225**

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 2019	*Three months ended 31 March 2018*
Revenue		
Electricity and capacity	12	26
Operating expenses		
Purchased electricity and capacity	823	844
Other expenses	12	210

	31 March 2019	*31 December 2018*
Short-term accounts receivable		
Trade and other accounts receivable	535	637
Short-term accounts payable		
Trade and other accounts payable	90	71

	31 March 2019	*31 December 2018*
Loans and borrowings payable		
Short-term loans and borrowings	1,030	550
	1,030	**550**

	31 March 2019	*31 December 2018*
Lease liabilities		
Short-term portion of long term lease liabilities	2	3
Long-term lease liabilities	6	5
	8	**8**

(in millions of RUR)

25. Related party transactions (continued)

(e) Transactions with other related parties (continued)

	31 March 2019	*31 December 2018*
Cash and cash equivalents		
Cash in bank	10,327	10,799
Short-term bank deposits	37,384	46,238
	47,711	**57,037**

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Income and expenses		
Interest income	769	675
Interest expenses	(25)	(6)

26. Events after the reporting period

In April 2019 the Group increased its share in RUS Gas Turbines Holding B.V. by 25% to 50%. As a result RUS Gas Turbines Holding B.V. became a joint venture.