Report on Review of Interim Financial Information

PJSC Inter RAO and its subsidiaries

for the three and nine months ended 30 September 2018

November 2018

Contents

Совершенствуя бизнес,
улучшаем мир

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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 30 September 2018, interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim consolidated statement of cash flows and interim consolidated statement of changes in equity for the nine-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.

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

14 November 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 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	30 September 2018	1 January 2018 (restated)	1 January 2017 (restated)
Assets				
Non-current assets				
Property, plant and equipment	6	307,767	286,714	291,854
Intangible assets		12,890	13,183	9,908
Investments in associates and joint ventures	7	20,036	22,770	28,886
Deferred tax assets		5,043	7,174	6,057
Securities	8	9,942	10,324	7,810
Other non-current assets	9	2,977	2,986	15,430
Total non-current assets		**358,655**	**343,151**	**359,945**
Current assets				
Inventories		23,281	16,927	14,104
Accounts receivable and prepayments	10	105,752	108,936	106,421
Income tax prepaid		2,365	873	625
Cash and cash equivalents	11	127,921	142,062	95,988
Other current assets	12	68,139	24,127	4,712
		327,458	**292,925**	**221,850**
Assets classified as held-for-sale		3,000	3,000	3,000
Total current assets		**330,458**	**295,925**	**224,850**
Total assets		**689,113**	**639,076**	**584,795**
Equity and liabilities				
Equity				
Share capital	13	293,340	293,340	293,340
Treasury shares	13	(86,219)	(58,787)	(58,787)
Share premium		69,312	69,312	69,312
Hedge reserve		267	2	16
Actuarial reserve		200	7	(182)
Fair value reserve		(4,112)	(3,650)	2,485
Foreign currency translation reserve		4,080	2,152	2,972
Retained earnings		191,963	157,540	109,872
Total equity attributable to shareholders of the Company		**468,831**	**459,916**	**419,028**
Non-controlling interest		2,294	1,587	2,078
Total equity		**471,125**	**461,503**	**421,106**
Non-current liabilities				
Loans and borrowings	14	1,313	4,675	8,604
Long-term lease liabilities		29,547	10,888	10,499
Deferred tax liabilities		12,816	10,957	10,678
Other non-current liabilities	16	32,069	8,152	7,260
Total non-current liabilities		**75,745**	**34,672**	**37,041**
Current liabilities				
Loans and borrowings	14	11,727	11,479	8,108
Short-term portion of long-term lease liabilities		4,518	1,435	1,726
Accounts payable and accrued liabilities	15	117,599	118,314	105,476
Other taxes payable		7,246	9,117	9,005
Income tax payable		1,153	2,556	2,333
Total current liabilities		**142,243**	**142,901**	**126,648**
Total liabilities		**217,988**	**177,573**	**163,689**
Total equity and liabilities		**689,113**	**639,076**	**584,795**

Chairman of the Management Board — Kovalchuk B.Yu.

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

14 November 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 30 September 2018	For the three months ended 30 September 2017 (restated)	For the nine months ended 30 September 2018	For the nine months ended 30 September 2017 (restated)
Revenue	17	227,482	207,229	688,228	621,078
Other operating income	18	2,273	1,867	7,351	5,309
Operating expenses, net	19	(209,446)	(197,005)	(631,814)	(584,995)
Operating income		**20,309**	**12,091**	**63,765**	**41,392**
Finance income	20	4,181	2,709	11,216	9,038
Finance expenses	20	(1,766)	(1,446)	(4,867)	(4,268)
Share of profit of associates and joint ventures, net	7	156	200	988	2,065
Income before income tax		**22,880**	**13,554**	**71,102**	**48,227**
Income tax expense	21	(5,489)	(2,878)	(15,415)	(6,770)
Income for the period		**17,391**	**10,676**	**55,687**	**41,457**
Other comprehensive income/(loss)					
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met					
(Loss)/gain on securities, net of tax	8	(634)	373	(338)	(225)
Net gain/(loss) on hedge instruments, net of tax		759	9	276	(27)
Exchange gain/(loss) on translation to presentation currency		410	(281)	2,138	(402)
Other comprehensive income/(loss) not to be reclassified subsequently to profit or loss					
Loss on securities, net of tax	8	–	–	(124)	–
Actuarial gain, net of tax		1	5	193	24
Other comprehensive income/(loss), net of tax		**536**	**106**	**2,145**	**(630)**
Total comprehensive income for the period		**17,927**	**10,782**	**57,832**	**40,827**
Income attributable to:					
Shareholders of the Company		16,938	10,473	54,948	40,916
Non-controlling interest		453	203	739	541
		17,391	**10,676**	**55,687**	**41,457**
Total comprehensive income attributable to:					
Shareholders of the Company		17,309	10,606	56,872	40,215
Non-controlling interest		618	176	960	612
		17,927	**10,782**	**57,832**	**40,827**
		RUR	*RUR*	*RUR*	*RUR*
Basic income per ordinary share for income attributable to the shareholders of the Company		0.229	0.125	0.679	0.490
Diluted income per ordinary share for income attributable to the shareholders of the Company		0.229	0.124	0.675	0.482

Chairman of the Management Board — Kovalchuk B.Yu.

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

14 November 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 nine months ended 30 September 2018	2017 (restated)
Operating activities			
Income before income tax		**71,102**	**48,227**
Adjustments to reconcile income before tax to net cash flows from operating activities			
Depreciation and amortisation	19	19,675	16,565
Provision for impairment of accounts receivable, net	19	4,343	4,071
Discounting of accounts receivable	20	(184)	(1,362)
Discounting of accounts payable	20	406	213
(Release)/charge of other provisions	19	(1,767)	841
Impairment of property, plant and equipment and intangible assets – charge	19	–	2,436
Share of profit of associates and joint ventures, net	7	(988)	(2,065)
Loss/(income) from electricity derivatives, net	18, 19	443	(124)
Foreign exchange (gain)/loss, net	20	(2,373)	919
Interest income	20	(7,639)	(6,528)
Other finance income	20	(250)	(632)
Interest expenses	20	3,597	2,984
Other finance expenses	20	452	53
Dividend income	20	(358)	(417)
Shares option plan	25	(168)	844
Gain from disposal of controlling interest	5, 18	(226)	(17)
Other non-cash operations/items		(871)	(214)
Operating cash flows before working capital adjustments and income tax paid		**85,194**	**65,794**
Increase in inventories		(5,855)	(2,269)
Increase in accounts receivable and prepayments		(5)	(8,131)
Decrease in value added tax recoverable		1,072	3,925
(Increase)/decrease in other current assets		(90)	3,249
Decrease in accounts payable and accrued liabilities		(12,395)	(8,541)
Decrease in taxes other than income tax prepaid/payable, net		(4,863)	(3,512)
Other working capital adjustments		64	71
		63,122	**50,586**
Income tax paid		(14,349)	(12,077)
Net cash flows from operating activities		**48,773**	**38,509**

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 nine months ended 30 September 2018	2017 (restated)
Investing activities			
Proceeds from disposal of property, plant and equipment		102	89
Purchase of property, plant and equipment and intangible assets		(17,828)	(21,718)
Purchase of controlling interest, net of cash acquired	5, 7	724	(500)
Purchase of equity securities		(13)	–
Proceeds from disposal of assets classified as held-for-sale		6,250	9,375
Loans issued		(360)	(108)
Proceeds from repayment of loans issued		113	12,636
Bank deposits placed		(86,363)	(25,746)
Bank deposits returned and proceeds from promissory notes repayment		42,649	5,061
Interest proceeds for bank deposits placed		5,053	2,979
Purchase of bonds		(86)	(44)
Dividends received		3,585	427
Cash flows from / (used for) other investing activities		123	(279)
Net cash flows used for investing activities		**(46,051)**	**(17,828)**
Financing activities			
Proceeds from loans and borrowings		16,583	35,952
Repayment of loans and borrowings		(20,425)	(26,682)
Repayment of leases		(3,227)	(1,517)
Interest paid		(747)	(1,816)
Dividend paid		(11,101)	(12,214)
Purchase of non-controlling interest in subsidiaries	5	–	(1,582)
Proceeds from disposal of non-controlling interest		–	1,568
Acquisition of treasury shares		(834)	–
Proceeds from treasury shares sale	13	2,346	–
Net cash flows used for financing activities		**(17,405)**	**(6,291)**
Effect of exchange rate fluctuations on cash and cash equivalents		542	(42)
Net (decrease)/increase in cash and cash equivalents		**(14,141)**	**14,348**
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	**127,921**	**110,336**

Chairman of the Management Board Kovalchuk B.Yu.

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

14 November 2018

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 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 nine months ended 30 September 2017		–	–	–	(486)	(225)	(14)	24	40,916	**40,215**	612	**40,827**
Dividends to shareholders	13	–	–	–	–	–	–	–	(12,656)	**(12,656)**	(461)	**(13,117)**
Acquisition of non-controlling interest in subsidiary	5	–	–	–	–	–	–	–	244	**244**	(200)	**44**
Disposal of non-controlling interest in subsidiary	5	–	–	–	–	–	–	–	(259)	**(259)**	(546)	**(805)**
Share option plan	25	–	–	–	–	–	–	–	844	**844**	–	**844**
Balance at 30 September 2017 (restated)		**293,340**	**(58,787)**	**69,312**	**2,486**	**2,260**	**2**	**(158)**	**138,961**	**447,416**	**1,483**	**448,899**
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 nine months ended 30 September 2018		–	–	–	1,928	(462)	265	193	54,948	**56,872**	960	**57,832**
Acquisition of non-controlling interest in subsidiary	5	–	–	–	–	–	–	–	(27)	**(27)**	27	**–**
Dividends to shareholders	13	–	–	–	–	–	–	–	(11,458)	**(11,458)**	(280)	**(11,738)**
Sale of treasury shares	13, 25	–	5,556	–	–	–	–	–	(3,210)	**2,346**	–	**2,346**
Acquisition of treasury shares	13, 25	–	(32,988)	–	–	–	–	–	(5,662)	**(38,650)**	–	**(38,650)**
Share option plan	25	–	–	–	–	–	–	–	(168)	**(168)**	–	**(168)**
Balance at 30 September 2018		**293,340**	**(86,219)**	**69,312**	**4,080**	**(4,112)**	**267**	**200**	**191,963**	**468,831**	**2,294**	**471,125**

Chairman of the Management Board Kovalchuk B.Yu.

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

14 November 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. The main state shareholders of the Parent Company as at 30 September 2018 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

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.

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.

(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 nine months ended 30 September 2017	***As previously reported***	***Impact of adoption of IFRS 15***	***Impact of adoption of IFRS 16***	***As restated***
Revenue	653,686	(32,608)	–	621,078
Other operating income	5,096	213	–	5,309
Operating expenses	(618,049)	32,639	415	(584,995)
Operating income	**40,733**	**244**	**415**	**41,392**
Finance income	7,577	1,461	–	9,038
Finance expenses	(3,050)	(312)	(906)	(4,268)
Share of profit of associates and joint ventures	2,078	–	(13)	2,065
Income before income tax	**47,338**	**1,393**	**(504)**	**48,227**
Income tax expense	(6,588)	(279)	97	(6,770)
Income for the period	**40,750**	**1,114**	**(407)**	**41,457**
Other comprehensive (loss)/income				
Other comprehensive loss that will be reclassified subsequently to profit or loss when specific conditions are met				
Loss on available-for-sale financial assets, net of tax	(225)	–	–	(225)
Net loss on hedge instruments, net of tax	(27)	–	–	(27)
Exchange loss on translation to presentation currency	(402)	–	–	(402)
		–	–	
Other comprehensive gain not to be reclassified subsequently to profit or loss				
Actuarial gain, net of tax	24	–	–	24
Other comprehensive loss, net of tax	**(630)**	**–**	**–**	**(630)**
Total comprehensive income for the period	**40,120**	**1,114**	**(407)**	**40,827**
Income attributable to:				
Shareholders of the Company	40,302	1,021	(407)	40,916
Non-controlling interest	448	93	–	541
	40,750	**1,114**	**(407)**	**41,457**
Total comprehensive income attributable to:				
Shareholders of the Company	39,601	1,021	(407)	40,215
Non-controlling interest	519	93	–	612
	40,120	**1,114**	**(407)**	**40,827**

(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**

(in millions of RUR)

2. Basis of preparation (continued)

(d) Restatement (continued)

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.

3. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim financial information for the nine months ended 30 September 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, interpretations and amendments that became effective as of 1 January 2018, listed below:

(a) The new standards, interpretations 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. 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 used the option of early adoption and applied IFRS 16 from 1 January 2018 using full retrospective approach. 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 recognises 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 recognises separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

- *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 Group expects, at contract inception, that the period between when the Group 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 does not account for a financing component.

  Previously the Group recognised revenue from sale of electricity, capacity and heat that was 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 compensation for electricity lost during transmission as revenue. After adoption of IFRS 15 the Group presents such compensation as reduction of fees for electricity transmission.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

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

- *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').

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 FVPL. 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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

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

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 statements.

(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 statements 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.

(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).
- **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).
- **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 30 September 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	**147,463**	**42,979**	**3,996**	**10,613**	**22,326**	**3,282**	**2,408**	**2,335**	**8,572**	**(16,492)**	**227,482**
Revenue from external customers	147,251	31,226	3,442	8,102	21,881	3,282	2,408	2,335	7,465	90	**227,482**
Inter-segment revenue	212	11,753	554	2,511	445	–	–	–	1,107	(16,582)	**–**
Operating expenses, including:											
Purchased electricity and capacity	(82,288)	(1,795)	(397)	(893)	(14,042)	(981)	–	–	–	15,424	**(84,972)**
Transmission fees	(53,370)	–	–	(1)	(2,230)	(460)	(19)	–	–	–	**(56,080)**
Fuel expenses	–	(19,977)	(1,809)	(5,220)	–	–	(1,274)	(1,360)	–	618	**(29,022)**
Share in profit/(loss) of joint ventures	–	216	–	–	–	–	–	–	(5)	–	**211**
EBITDA	**7,044**	**13,667**	**(887)**	**799**	**5,546**	**1,272**	**784**	**760**	**267**	**(1,215)**	**28,037**
Depreciation and amortisation	(725)	(3,473)	(411)	(1,101)	(47)	(157)	(75)	(439)	(41)	(289)	**(6,758)**
Interest income	407	865	20	66	5	19	–	9	81	1,392	**2,864**
Interest expense	(126)	(39)	(39)	–	(5)	(67)	(11)	(51)	(25)	74	**(289)**
Interest expense on lease liabilities	(108)	(608)	(26)	(128)	(2)	(2)	–	–	(1)	(7)	**(882)**

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the nine months ended 30 September 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	**458,698**	**125,817**	**22,067**	**39,828**	**53,057**	**9,117**	**6,275**	**4,751**	**17,254**	**(48,636)**	**688,228**
Revenue from external customers	457,660	93,162	19,415	31,646	51,309	9,117	6,275	4,751	14,756	137	**688,228**
Inter-segment revenue	1,038	32,655	2,652	8,182	1,748	–	–	–	2,498	(48,773)	**–**
Operating expenses, including:											
Purchased electricity and capacity	(262,073)	(5,162)	(1,773)	(2,746)	(36,035)	(4,322)	–	–	–	46,141	**(265,970)**
Transmission fees	(163,155)	–	–	(4)	(5,281)	(1,263)	(48)	–	–	–	**(169,751)**
Fuel expenses	–	(54,705)	(8,965)	(19,521)	–	–	(3,157)	(2,128)	–	2,134	**(86,342)**
Share in (loss)/profit of joint ventures	(89)	1,348	–	–	–	–	–	–	(30)	–	**1,229**
EBITDA	**18,510**	**44,070**	**3,625**	**7,894**	**10,333**	**2,038**	**2,091**	**1,977**	**150**	**(3,267)**	**87,421**
Depreciation and amortisation	(2,038)	(10,440)	(1,234)	(3,067)	(131)	(444)	(208)	(1,236)	(123)	(754)	**(19,675)**
Interest income	1,153	2,268	36	129	12	32	–	19	246	3,744	**7,639**
Interest expense	(419)	(115)	(117)	(6)	(13)	(176)	(24)	(154)	(71)	158	**(937)**
Interest expense on lease liabilities	(298)	(1,853)	(57)	(404)	(3)	(5)	–	–	(6)	(34)	**(2,660)**

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the three months ended 30 September 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	**138,081**	**41,028**	**4,302**	**9,771**	**17,858**	**2,626**	**2,162**	**3,007**	**3,708**	**(15,314)**	**207,229**
Revenue from external customers	137,863	30,460	3,620	7,543	17,185	2,626	2,162	3,007	2,745	18	**207,229**
Inter-segment revenue	218	10,568	682	2,228	673	–	–	–	963	(15,332)	**–**
Operating expenses, including:											
Purchased electricity and capacity	(78,280)	(2,010)	(501)	(884)	(13,810)	(821)	–	–	–	14,323	**(81,983)**
Transmission fees	(49,629)	–	–	–	(1,712)	(270)	(14)	–	–	–	**(51,625)**
Fuel expenses	–	(19,969)	(1,984)	(5,542)	–	–	(870)	(2,400)	–	660	**(30,105)**
Share in (loss)/profit of joint ventures	(17)	338	–	–	–	–	–	–	–	13	**334**
EBITDA	**5,511**	**12,062**	**(740)**	**(244)**	**2,216**	**1,080**	**968**	**253**	**100**	**(1,307)**	**19,899**
Depreciation and amortisation	(632)	(3,013)	(432)	(819)	(51)	(139)	(77)	(526)	(60)	(187)	**(5,936)**
Interest income	896	443	–	60	11	4	–	8	72	571	**2,065**
Interest expense	(410)	(39)	(102)	–	(7)	(57)	(27)	(77)	(33)	54	**(698)**
Interest expense on lease liabilities	(111)	(32)	(18)	(135)	(2)	(2)	–	–	(3)	(18)	**(321)**

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the nine months ended 30 September 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	**416,974**	**117,680**	**21,044**	**38,012**	**43,724**	**7,482**	**3,952**	**8,837**	**8,688**	**(45,315)**	**621,078**
Revenue from external customers	415,938	87,631	18,528	30,408	41,910	7,482	3,952	8,837	6,323	69	**621,078**
Inter-segment revenue	1,036	30,049	2,516	7,604	1,814	–	–	–	2,365	(45,384)	–
Operating expenses, including:											
Purchased electricity and capacity	(241,598)	(5,098)	(1,826)	(2,895)	(33,848)	(3,969)	–	–	–	42,875	**(246,359)**
Transmission fees	(146,709)	–	–	(3)	(4,073)	(762)	(23)	–	–	–	**(151,570)**
Fuel expenses	–	(54,920)	(8,559)	(19,832)	–	–	(1,132)	(6,994)	–	1,795	**(89,642)**
Share in (loss)/profit of joint ventures	(42)	1,952	–	–	–	–	–	–	(23)	37	**1,924**
EBITDA	**14,507**	**39,473**	**3,053**	**6,105**	**5,074**	**1,390**	**1,742**	**1,046**	**(176)**	**(4,235)**	**67,979**
Depreciation and amortisation	(1,885)	(8,455)	(1,359)	(2,442)	(139)	(396)	(231)	(826)	(177)	(655)	**(16,565)**
Interest income	2,711	1,171	7	187	55	13	–	26	243	2,115	**6,528**
Interest expense	(1,181)	(106)	(310)	(7)	(51)	(136)	(89)	(230)	(95)	174	**(2,031)**
Interest expense on lease liabilities	(326)	(91)	(58)	(406)	(3)	(6)	–	–	(8)	(55)	**(953)**

(in millions of RUR)

4. Segment information (continued)

As at 30 September 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:	**(6,637)**	**–**	**(2,036)**	**–**	**(608)**	**(1,605)**	**–**	**(2,154)**	**–**	**–**	**(13,040)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	–	–	**–**
Lease liabilities, including:	**(3,696)**	**(23,320)**	**(642)**	**(6,228)**	**(101)**	**(62)**	**–**	**–**	**(70)**	**(332)**	**(34,451)**
Share in lease liabilities of joint ventures	–	(386)	–	–	–	–	–	–	–	–	**(386)**

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)**

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 30 September		*For the nine months ended 30 September*	
	2018	***2017 (restated)***	***2018***	***2017 (restated)***
EBITDA of the reportable segments	**28,037**	**19,899**	**87,421**	**67,979**
Depreciation and amortisation (Note 19)	(6,758)	(5,936)	(19,675)	(16,565)
Interest income (Note 20)	2,864	2,065	7,639	6,528
Interest expense (Note 20)	(289)	(698)	(937)	(2,031)
Interest expense on lease liabilities (Note 20)	(882)	(321)	(2,660)	(953)
Foreign currency exchange gain/(loss), net (Note 20)	1,191	(274)	2,373	(919)
Other finance (expense)/income (Note 20)	(469)	491	(66)	2,145
Provisions charge, including: (Note 19)	(679)	(1,147)	(2,458)	(7,424)
impairment of intangible assets	–	–	–	*(68)*
impairment of property, plant and equipment	–	–	–	*(2,368)*
other provisions release/(charge)	*828*	*(248)*	*1,767*	*(841)*
VAT provision release/(charge)	*202*	*(41)*	*118*	*(76)*
impairment of account receivables	*(1,709)*	*(858)*	*(4,343)*	*(4,071)*
Gain from acquisition/disposal of controlling interest (Note 18)	9	1	226	17
Other item	(89)	(392)	(520)	(691)
Share of (loss)/profit of associates (Note 7)	(55)	(134)	(241)	141
Income tax expense (Note 21)	(5,489)	(2,878)	(15,415)	(6,770)
Profit for the reporting period in the interim consolidated statement of comprehensive income	**17,391**	**10,676**	**55,687**	**41,457**

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 30 September 2018	***As at 1 January 2018 (restated)***	***As at 1 January 2017 (restated)***
Loans and borrowings of the reportable segments	**(13,040)**	**(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	**(13,040)**	**(16,154)**	**(16,712)**
Lease liabilities of the reportable segments	**(34,451)**	**(12,698)**	**(12,661)**
Less:			
Share in lease liabilities of joint ventures	386	375	436
Lease liabilities in the interim consolidated statement of financial position	**(34,065)**	**(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 30 September 2018			*For the three months ended 30 September 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	199,644	–	**199,644**	184,972	–	**184,972**
Finland	7,374	91	**7,465**	2,666	72	**2,738**
Lithuania	5,876	–	**5,876**	2,339	–	**2,339**
Georgia	3,282	451	**3,733**	2,626	292	**2,918**
Moldavia (incl. Transdniestria Republic)	2,409	–	**2,409**	2,162	–	**2,162**
China	–	3,106	**3,106**	–	2,877	**2,877**
Turkey	2,335	–	**2,335**	3,007	–	**3,007**
Kazakhstan	–	1,006	**1,006**	–	839	**839**
Mongolia	–	541	**541**	–	501	**501**
Latvia	179	–	**179**	200	–	**200**
Estonia	168	132	**300**	113	276	**389**
Belarus	–	33	**33**	–	3,859	**3,859**
Ukraine	–	16	**16**	–	27	**27**
Other	341	498	**839**	215	186	**401**
Total	**221,608**	**5,874**	**227,482**	**198,300**	**8,929**	**207,229**

	For the nine months ended 30 September 2018			*For the nine months ended 30 September 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	624,988	–	**624,988**	566,211	–	**566,211**
Finland	16,266	226	**16,492**	7,933	209	**8,142**
Lithuania	12,261	–	**12,261**	6,458	–	**6,458**
Georgia	9,117	574	**9,691**	7,482	431	**7,913**
Moldavia (incl. Transdniestria Republic)	6,276	–	**6,276**	3,952	–	**3,952**
China	–	6,800	**6,800**	–	5,883	**5,883**
Turkey	4,751	–	**4,751**	8,837	–	**8,837**
Kazakhstan	–	1,954	**1,954**	–	2,073	**2,073**
Mongolia	–	1,321	**1,321**	–	1,119	**1,119**
Latvia	613	–	**613**	626	–	**626**
Estonia	433	344	**777**	345	588	**933**
Belarus	–	101	**101**	–	6,789	**6,789**
Ukraine	–	59	**59**	–	90	**90**
Other	877	1,267	**2,144**	594	1,458	**2,052**
Total	**675,582**	**12,646**	**688,228**	**602,438**	**18,640**	**621,078**

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

(in millions of RUR)

4. Segment information (continued)

Information about geographical areas (continued)

	Total non-current assets based on location of assets[1]		
	As at 30 September 2018	*As at 1 January 2018 (restated)*	*As at 1 January 2017 (restated)*
Russian Federation	324,768	307,678	314,240
Georgia	9,103	7,665	7,349
Turkey	1,323	2,321	3,709
Moldavia (incl. Transdniestria Republic)	3,952	3,453	3,735
Lithuania	1,189	1,172	1,209
Other	358	378	406
Total	**340,693**	**322,667**	**330,648**

5. Acquisitions and disposals

Acquisition of non-controlling interest in PJSC Tambov power supply company

In November 2017 the Group purchased the additional 1.81% of ordinary shares and 6.05% of voting preference shares of PJSC Tambov power supply 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 power supply 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 JSC Mosenergosbyt

As at 31 December 2016 the Group had 93.99% of ordinary shares of JSC Mosenergosbyt. In June 2016 annual shareholders meeting of JSC 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 JSC 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 JSC 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 JSC Mosenergosbyt to 100%.

[1] 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 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.

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 company. As a result of the additional issuance the Group has increased its participation in PJSC Tomskenergosbyt by 1.43% up to 95.01%.

Other acquisitions and disposals

In June 2018 the Group purchased from third parties the shares of an individually insignificant subsidiary resulting in net cash inflow of RUR 2 million.

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

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

During the nine months ended 30 September 2018 Group liquidated a number of individually insignificant subsidiaries. The gain of RUR 9 million from the liquidation was recognised in the interim consolidated statement of comprehensive income.

During the nine months ended 30 September 2017 Group liquidated a number of individually insignificant subsidiaries. The gain of RUR 17 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	57	(57)	–	–	(2)	**(2)**
Additions	494	794	37	6	17,858	**19,189**
Disposals	(199)	(178)	(331)	(97)	(82)	**(887)**
Transfers	9,192	7,642	36,582	317	(53,733)	**–**
Transfer (to)/from other accounts	(2)	5	(10)	11	(2)	**2**
Translation difference	(232)	57	(341)	(2)	(9)	**(527)**
Balance at 30 September 2017 (restated)	**122,749**	**92,267**	**282,229**	**9,239**	**27,405**	**533,889**
Including right-of-use assets	*11,153*	*1,137*	*5*	*1,399*	*–*	***13,694***
Balance at 1 January 2018 (restated)	**123,865**	**94,597**	**286,462**	**9,359**	**25,450**	**539,733**
Reclassification	(16)	22	14	(20)	–	**–**
Additions	818	22	22,654	453	14,678	**38,625**
Disposals	(732)	(92)	(1,479)	(354)	(58)	**(2,715)**
Transfers	7,458	3,759	14,281	362	(25,860)	**–**
Transfer to other accounts	–	–	–	(38)	(20)	**(58)**
Translation difference	1,023	1,533	1,946	176	146	**4,824**
Balance at 30 September 2018	**132,416**	**99,841**	**323,878**	**9,938**	**14,336**	**580,409**
Including right-of-use assets	*11,242*	*1,437*	*21,610*	*1,641*	*–*	***35,930***
Depreciation and impairment						
Balance at 1 January 2017 (restated)	**(38,820)**	**(38,312)**	**(132,712)**	**(4,845)**	**(9,571)**	**(224,260)**
Reclassification	(163)	47	116	–	–	**–**
Depreciation charge	(2,615)	(2,528)	(9,011)	(673)	–	**(14,827)**
Impairment loss charge	(408)	(678)	(1,208)	(3)	(71)	**(2,368)**
Additions	–	(1)	(35)	(4)	–	**(40)**
Disposals	40	148	311	79	–	**578**
Transfers	(2,107)	(613)	(5,573)	(8)	8,301	**–**
Transfer (from)/to other accounts	(49)	(18)	–	–	67	**–**
Translation difference	225	38	326	12	17	**618**
Balance at 30 September 2017 (restated)	**(43,897)**	**(41,917)**	**(147,786)**	**(5,442)**	**(1,257)**	**(240,299)**
Including right-of-use assets	*(709)*	*(20)*	*(1)*	*(647)*	*–*	***(1,377)***
Balance at 1 January 2018 (restated)	**(46,155)**	**(44,167)**	**(155,495)**	**(5,667)**	**(1,535)**	**(253,019)**
Reclassification	–	11	(6)	(5)	–	**–**
Depreciation charge	(2,755)	(2,767)	(11,123)	(657)	–	**(17,302)**
Disposals	97	35	382	334	8	**856**
Transfers	–	(34)	(352)	–	386	**–**
Transfer (from)/to other accounts	–	–	(5)	29	5	**29**
Translation difference	(812)	(793)	(1,439)	(124)	(38)	**(3,206)**
Balance at 30 September 2018	**(49,625)**	**(47,715)**	**(168,038)**	**(6,090)**	**(1,174)**	**(272,642)**
Including right-of-use assets	*(1,539)*	*(28)*	*(1,101)*	*(739)*	*–*	***(3,407)***
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 30 September 2018	**82,791**	**52,126**	**155,840**	**3,848**	**13,162**	**307,767**

(in millions of RUR)

6. Property, plant and equipment (continued)

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 1,332 million as at 30 September 2018 (1 January 2018: RUR 763 million, 1 January 2017: RUR 3,084 million).

Additions of right-of-use assets for the nine month period ended 30 September 2018 amounted to RUR 23,594 million (for the nine month period ended 30 September 2017: RUR 712 million).

Depreciation of right-of-use assets for the nine month period ended 30 September 2018 amounted to RUR 2,024 million (for the nine month period ended 30 September 2017: RUR 895 million).

As at 30 September 2018 net book value of right-of-use assets amounted to RUR 32,523 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 20,005 million (as at 1 January 2018: nil, 1 January 2017: nil).

The long-term lease liabilities as at 30 September 2018 amounted to RUR 29,547 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 17,918 million (as at 1 January 2018: nil, 1 January 2017: nil). The short-term portion of long-term lease liabilities as at 30 September 2018 amounted to RUR 4,518 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 3,090 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 Nizhnevartovskaya 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**
Recognized actuarial loss and past service cost	(5)	–	–	–	–	**(5)**
Disposals	(3)	–	–	–	–	**(3)**
Unrealised gain	–	–	–	2	–	**2**
Share of profit/(loss) after tax	1,952	(28)	248	(94)	(13)	**2,065**
Dividends received	–	(10)	–	–	–	**(10)**
Transfer to other accounts	(8,650)	–	–	–	–	**(8,650)**
Translation difference	–	(1)	–	–	–	**(1)**
Carrying value at 30 September 2017	**15,937**	**807**	**1,770**	**3,102**	**668**	**22,284**
Carrying value at 1 January 2018 (restated)	**16,691**	**788**	**1,519**	**3,099**	**673**	**22,770**
Recognized actuarial gain and past service cost	9	–	–	–	–	**9**
Disposals	–	(505)	–	–	–	**(505)**
Share of profit/(loss) after tax	1,348	(119)	157	(435)	37	**988**
Dividends received	(3,225)	–	–	–	(1)	**(3,226)**
Carrying value at 30 September 2018	**14,823**	**164**	**1,676**	**2,664**	**709**	**20,036**

(in millions of RUR)

7. Investments in associates and joint ventures (continued)

As at 1 January 2017 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 the Group accounted for a 75% interest in CJSC Nizhnevartovskaya GRES, 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. As at 30 September 2017 the long-term loan was fully repaid by the CJSC Nizhnevartovskaya GRES in cash. 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 (Note 18). Cash inflow from the reorganisation of LLC Cosy House in the amount of RUR 722 million was recognised in the interim consolidation statement of cash flows.

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 fair value through OCI in the amount of RUR 4,002 million.

	As at 30 September 2018	***As at 1 January 2018***
Equity instruments	**5,759**	**6,322**
FVOCI	4,266	4,841
FVPL	1,493	1,481
Debt instruments	**4,183**	**4,002**
FVOCI	4,183	4,002
Total	**9,942**	**10,324**

For the nine months ended 30 September 2018 and 30 September 2017 there was no impairment loss on securities recognised through profit and loss in the interim consolidated statement of comprehensive income.

For the nine months ended 30 September 2018 the amount of RUR 462 million, net of tax RUR 115 million, was recognised as a loss from revaluation of securities through other comprehensive income in the interim consolidated statement of comprehensive income (for the nine months ended 30 September 2017: loss from revaluation in the amount of RUR 225 million, net of tax RUR 57 million).

(in millions of RUR)

9. Other non-current assets

		As at 30 September 2018	As at 1 January 2018	As at 1 January 2017
Financial non-current assets		***1,934***	***2,140***	***11,223***
Non-current trade receivables		1,629	1,669	1,925
	Less impairment provision	*(210)*	*(178)*	*(309)*
Non-current trade receivables – net		**1,419**	**1,491**	**1,616**
Other non-current receivables		528	693	7,545
	Less impairment provision	*(64)*	*(76)*	*(951)*
Other non-current receivables – net		**464**	**617**	**6,594**
Non-current loans issued (including interest)		15	–	3,269
	Less impairment provision	–	–	*(256)*
Non-current loans issued (including interest) – net		**15**	**–**	**3,013**
Long-term derivative financial instruments		9	2	–
Long-term bank deposits		*27*	30	–
Non-financial non-current assets		***1,043***	***846***	***4,207***
Non-current advances to suppliers and prepayments		165	19	60
	Less impairment provision	*(8)*	*(4)*	*(19)*
Non-current advances to suppliers and prepayments – net		**157**	**15**	**41**
VAT recoverable		84	30	4
Other		802	801	4,162
		2,977	**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.

As at 1 January 2017 the non-current loans issued (including interest) represented the loans issued to CJSC Elektric Networks of Armenia 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.

(in millions of RUR)

10. Accounts receivable and prepayments

		As at 30 September 2018	*As at 1 January 2018 (restated)*	*As at 1 January 2017 (restated)*
Financial assets		***88,400***	***90,153***	***91,058***
Trade receivables		89,582	84,154	79,308
	Less impairment provision	*(15,101)*	*(11,495)*	*(8,405)*
Trade receivables – net		**74,481**	**72,659**	**70,903**
Other receivables		13,668	18,563	21,600
	Less impairment provision	*(3,338)*	*(2,896)*	*(2,841)*
Other receivables – net		**10,330**	**15,667**	**18,759**
Short-term loans issued (including interest)		702	438	557
	Less impairment provision	*(250)*	*(250)*	*(505)*
Short-term loans issued (including interest)		**452**	**188**	**52**
Short-term outstanding interest on bank deposits		1,485	675	47
	Less impairment provision	*(12)*	*(10)*	*(10)*
Short-term outstanding interest on bank deposits – net		**1,473**	**665**	**37**
Short-term receivables on construction contracts		1,664	974	1,307
Non-financial assets		***17,352***	***18,783***	***15,363***
Advances to suppliers and prepayments		12,497	16,159	9,041
	Less impairment provision	*(1,420)*	*(1,419)*	*(1,500)*
Advances to suppliers and prepayments – net		**11,077**	**14,740**	**7,541**
Short-term VAT recoverable		1,715	1,819	3,872
Taxes prepaid		4,560	2,224	3,950
		105,752	**108,936**	**106,421**

The Group does not hold any collateral as a security.

11. Cash and cash equivalents

	As at 30 September 2018	*As at 1 January 2018*	*As at 1 January 2017*
Bank deposits with maturity of three months or less	73,519	72,195	34,477
Cash at bank and in hand, national currency	39,838	54,527	53,985
Cash at bank and in hand, foreign currency	14,564	15,340	7,526
Total	**127,921**	**142,062**	**95,988**

(in millions of RUR)

12. Other current assets

	As at 30 September 2018	As at 1 January 2018	As at 1 January 2017
Bank deposits with maturity of 3-12 months	66,004	22,285	19
Restricted cash	969	657	3,727
Short-term derivative financial instruments	143	46	72
Other	1,023	1,139	894
Total	**68,139**	**24,127**	**4,712**

13. Equity

Share capital

	As at 30 September 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**
Acquisition of treasury shares	–	–	(11,740,313)	(32,988)	**(11,740,313)**	**(32,988)**
Sale of treasury shares	–	–	1,977,537	5,556	**1,977,537**	**5,556**
30 September 2018	**104,400,000**	**293,340**	**(30,685,093)**	**(86,219)**	**73,714,907**	**207,121**

During the reporting period 1,977,535 thousand of treasury shares (1.89% of its share capital) were purchased by the management of the Group under share option programme (Note 25 (b)).

In June 2018 the Group has acquired 6,608,643 thousand shares of the Parent company (6.33% of its share capital) from the PJSC FGC UES for the price of RUR 3.3463 (Note 15, 16).

In July 2018 the Group has acquired 5,131,669 thousand shares of the Parent company (4.92% of its share capital) from the RusHydro Group for the price of RUR 3.3463 (Note 15, 16).

In 2018 the Group has acquired 1 thousand shares of the Parent company (0.000000958% of its share capital) from the JSC Russian Regional Development Bank (RRDB) for the price of RUR 3.6970 per share.

In 2018 the Group has sold 2 thousand shares of the Parent company (0.0000024% of its share capital) to the third parties.

Dividends

On 21 May 2018 the Parent Company declared dividends for the year 2017 of RUR 0.130383141762452 per share in the amount of RUR 13,612 million (including dividends to third parties in the amount of RUR 11,458 million).

On 9 June 2017 the Parent Company declared dividends for the year 2016 of RUR 0.14681992337 per share in the amount of RUR 15,328 million (including dividends to third parties in the amount of RUR 12,656 million).

(in millions of RUR)

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 30 September 2018*	*As at 1 January 2018 (restated)*	*As at 1 January 2017 (restated)*
Loans and borrowings				
	USD	2,471	4,155	7,148
	RUR	1,052	4,002	3,696
	GEL	820	866	77
	EUR	608	720	877
	JPY	456	405	447
Total long-term loans and borrowings		**5,407**	**10,148**	**12,245**
Less: current portion of long-term loans and borrowings		(4,094)	(5,473)	(3,641)
		1,313	**4,675**	**8,604**

As at 30 September 2018 fair value of loans and borrowings amounts to RUR 5,585 million (1 January 2018: RUR 10,343 million, 1 January 2017: RUR 12,505 million), and assessed 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 appropriate 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.

15. Accounts payable and accrued liabilities

	As at 30 September 2018	*As at 1 January 2018 (restated)*	*As at 1 January 2017 (restated)*
Financial liabilities			
Trade payables	42,694	46,547	47,832
Short-term derivative financial instruments	115	40	17
Dividends payable	102	61	9
Call option	763	763	–
Other payables and accrued expenses	22,613	8,838	4,836
Total	**66,287**	**56,249**	**52,694**
Non-financial liabilities			
Advances received	39,319	45,760	35,694
Staff payables	8,225	10,179	9,333
Provisions, short-term	3,768	6,126	7,755
Total	**51,312**	**62,065**	**52,782**
	117,599	**118,314**	**105,476**

As at 30 September 2018 advances received included RUR 17,585 million of payments for construction received from customers of LLC INTER RAO Engineering (1 January 2018: RUR 17,310 million, 1 January 2017: RUR 7,817 million), RUR 12,205 million of payments for electricity sales from customers of JSC Mosenergosbyt, 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 3,228 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 3,144 million of advances received by the Parent Company from buyers of equipment in South America (1 January 2018: RUR 1,912 million, 1 January 2017: RUR 2,247 million).

As at 30 September 2018 other payables and accrued expenses included payables to PJSC FGC UES and RusHydro Group in the total amount of RUR 14,862 million under the terms of treasury shares agreement.

(in millions of RUR)

16. Other non-current liabilities

	As at 30 September 2018	*As at 1 January 2018*	*As at 1 January 2017*
Financial liabilities			
Long-term derivative financial instruments	9	5	14
Other long-term liabilities	24,709	602	451
Total financial liabilities	**24,718**	**607**	**465**
Non-financial liabilities			
Pensions liabilities	3,809	3,927	4,081
Restoration provision	2,579	2,620	1,946
Government grants	28	36	42
Other long-term liabilities	935	962	726
Total non-financial liabilities	**7,351**	**7,545**	**6,795**
Total	**32,069**	**8,152**	**7,260**

As at 30 September 2018 other long-term liabilities included payables to PJSC FGC UES and RusHydro Group in the total amount of RUR 23,443 million under the terms of treasury shares agreement.

17. Revenue

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	*2017 (restated)*	*2018*	*2017 (restated)*
Electricity and capacity	212,396	197,440	634,035	577,382
Thermal energy sales	4,717	4,407	31,489	29,325
Other revenue	10,369	5,382	22,704	14,371
	227,482	**207,229**	**688,228**	**621,078**

18. Other operating income

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	*2017 (restated)*	*2018*	*2017 (restated)*
Penalties and fines received	1,316	1,248	4,059	3,840
Electricity derivatives income/(loss)	(25)	98	4	124
Rental income	148	74	402	230
Gain from disposal of controlling interest	9	1	226	17
Other	825	446	2,660	1,098
	2,273	**1,867**	**7,351**	**5,309**

(in millions of RUR)

19. Operating expenses, net

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	***2017 (restated)***	***2018***	***2017 (restated)***
Purchased electricity and capacity	84,972	81,983	265,970	246,359
Electricity transmission fees	56,080	51,625	169,751	151,570
Fuel expenses	29,022	30,105	86,342	89,642
Employee benefit expenses and payroll taxes	12,294	11,423	37,397	34,910
Depreciation and amortisation	6,758	5,936	19,675	16,565
Repairs and maintenance	3,383	3,188	7,741	6,307
Provision for impairment of accounts receivable, net	1,709	858	4,343	4,071
Agency fees	1,316	1,202	3,899	3,606
Taxes other than income tax	1,014	977	3,245	2,721
Water supply expenses	1,089	974	2,684	2,481
Transportation expenses	685	525	2,336	1,476
Other materials for production purposes	871	854	2,284	2,063
Thermal power transmission expenses	81	75	1,353	1,216
Consulting, legal and auditing services	258	284	850	769
Loss/(gain) from electricity derivatives	249	(13)	447	–
Lease expense	29	96	194	301
Loss/(gain) on sale or write-off of inventory	21	(5)	48	24
Cost of equipment for resale	26	39	48	538
Impairment of property, plant and equipment (Note 6)	–	–	–	2,368
Impairment of intangible assets	–	–	–	68
(Release)/charge of VAT provision	(202)	41	(118)	76
(Release)/charge of other provisions	(828)	248	(1,767)	841
Other	10,619	6,590	25,092	17,023
	209,446	**197,005**	**631,814**	**584,995**

20. Finance income and expenses

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	***2017 (restated)***	***2018***	***2017 (restated)***
Finance income				
Interest income	2,864	2,065	7,639	6,528
Foreign currency exchange gain, net	1,191	–	2,373	–
Unwind of discount of accounts receivable	62	419	400	1,461
Dividend income	10	128	358	417
Other finance income	54	97	446	632
	4,181	**2,709**	**11,216**	**9,038**

(in millions of RUR)

20. Finance income and expenses (continued)

	Three months ended 30 September		***Nine months ended 30 September***	
	2018	***2017 (restated)***	***2018***	***2017 (restated)***
Finance expenses				
Interest expense on lease liabilities	882	321	2,660	953
Interest expense	289	698	937	2,031
Loss on discount of accounts receivable	13	62	216	99
Foreign currency exchange loss, net	–	274	–	919
Other finance expenses	582	91	1,054	266
	1,766	**1,446**	**4,867**	**4,268**

21. Income tax expense

	Three months ended 30 September		***Nine months ended 30 September***	
	2018	***2017 (restated)***	***2018***	***2017 (restated)***
Current tax expense	3,748	871	11,450	6,473
Deferred tax expense	1,817	2,020	4,010	806
Amended tax returns	(76)	(13)	(45)	(509)
Income tax expense	**5,489**	**2,878**	**15,415**	**6,770**

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 30 September 2018	***Note***	***Total fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Electricity derivatives	9, 12	**152**	152	–	–
Securities					
Equity instruments at FVOCI	8	**4,266**	4,266	–	–
Equity instruments at FVPL	8	**1,493**	–	–	1,493
Debt instruments at FVOCI	8	**4,183**	–	4,183	–
Debt instruments at amortised cost					
Long-term bank deposits	9	**27**	–	–	27
Bonds issued by financial institutions		**638**	638	–	–
Total financial assets		**10,759**	**5,056**	**4,183**	**1,520**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	15, 16	**115**	115	–	–
Interest rate SWAP	15, 16	**9**	–	9	–
Financial liabilities designated at fair value through profit or loss					
Call option	15	**763**	–	763	–
Financial liabilities at amortised cost					
Loans and borrowings	14	**5,585**	–	5,585	–
Total financial liabilities		**6,472**	**115**	**6,357**	**–**

			Fair value hierarchy		
At 1 January 2018 (restated)	***Note***	***Total fair value***	***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 the projects aimed to improve the effectiveness of electricity network of JSC Telasi. As at 30 September 2018 the investments made under the memorandum were in line with schedule for the year 2018.

As at 30 September 2018 the capital commitments of the Company's subsidiaries are as follows:

Subsidiary	***RUR, million***
JSC Inter RAO – Electric Power Plants	1,367
LLC Bashkir Generation Company	2,353
Other	430
Total	**4,150**

As at 30 September 2018 the capital commitments of JSC Inter RAO – Electric Power Plants primary related to modernisation of block No. 8 of Kostromskaya GRES, to modernisation of gas turbines for Kaliningradskaya TEC and supply of equipment for Permskaya GRES.

Capital commitments of LLC Bashkir Generation Company primary related to the construction of Zatonskaya TEC and reconstruction of heating networks.

(in millions of RUR)

23. Commitments (continued)

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 30 September 2018 the guarantee amounted to EUR 10 million, or RUR 775 million at the Central Bank of the Russian Federation exchange rate as of 30 September 2018 (as at 1 January 2018: EUR 11 million, or RUR 757 million at the Central Bank of the Russian Federation exchange rate as of 1 January 2018). The guarantee will expire in January 2024.
- 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 30 September 2018 the standby letter of credit outstanding amount was EUR 21 million, or RUR 1,584 million at the Central Bank of the Russian Federation exchange rate as of 30 September 2018 (as at 1 January 2018: EUR 21 million, or RUR 1,431 million at the Central Bank of the Russian Federation exchange rate as of 1 January 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 30 September 2018 the guarantees amounted to USD 1.5 million, or RUR 98 million at the Central Bank of the Russian Federation exchange rate as of 30 September 2018 (as at 1 January 2018 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 1 January 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 30 September 2018 the guarantees amounted to USD 2 million, or RUR 131 million at the Central Bank of the Russian Federation exchange rate as of 30 September 2018. The guarantee amounted to USD $ 0.9 million, or RUR 59 million at the Central Bank of the Russian Federation exchange rate as of 30 September, will expire in December 2018, the guarantee amounted to USD $ 1.1 million, or RUR 72 million at the Central Bank of the Russian Federation exchange rate as of 30 September, will expire in December 2019.
- In May 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 Unipro for capital repair of the turbine units at Berezovskaya GRES. As at 30 September 2018 the guarantees amounted to RUR 56 million. The guarantee in the amount of RUR 28 million will expire in November 2018, the guarantee in the amount of RUR 28 million 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 30 September 2018 the guarantees amounted to RUR 88 million. The guarantees will expire in March 2020.
- In September 2018 the Group entered into the guarantee agreements with Gazprom Bank for the purpose of financial support of the agreement between the Group and JSC SIBEKO for modernisation works at Novosibirskaya TEC-5. As at 30 September 2018 the guarantees amounted to RUR 134 million. The guarantees will expire in April 2019.

The Group’s share in the guarantees issued for the joint ventures which are to be incurred jointly with other investors amounts to RUR 244 million (as at 1 January 2018: RUR 1,063 million).

24. Contingencies

(a) Operating environment

The operations and earnings of Group’s 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.

(in millions of RUR)

24. Contingencies (continued)

(a) Operating environment (continued)

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 the 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's 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.

(c) Litigation

Legal proceedings

In the normal course of business the Group is a party to legal actions and consequently has 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 30 September 2018	***As at 31 December 2017***	***As at 31 December 2016***
Legal claims, including:	**4,615**	**7,390**	**6,609**
Share in legal claims of joint ventures	118	–	–

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.

(in millions of RUR)

24. Contingencies (continued)

(d) Tax contingencies (continued)

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's entities as at 30 September 2018 would be successfully challenged in the amount of RUR 314 million (as at 1 January 2018: 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's 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's 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's 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).

(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 0.4182% of ordinary shares of PJSC Inter RAO as at 30 September 2018 (1 January 2018: 0.01356%).

(in millions of RUR)

25. Related party transactions (continued)

(b) Transactions with key management personnel (continued)

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):

	Nine months ended 30 September 2018	*Nine months ended 30 September 2017*
Salaries and bonuses	1,075	767

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 up to 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 30 September 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 1 January 2018	**2,088,000,000**	**657,720,000**
Options disposed during the nine months ended 30 September 2018	(107,384,897)	–
Options provided during the nine months ended 30 September 2018	–	196,987,140
Options exercised during the nine months ended 30 September 2018	(1,977,535,103)	(854,707,140)
Number of options outstanding as at 30 September 2018	**3,080,000**	**–**

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.

	30 September 2018
Weighted average price (RUR)	3.9282
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 nine months ended 30 September 2018 the Group recognised a gain of RUR 168 million (loss of RUR 844 million for the nine months ended 30 September 2017) within employee benefit expenses in the interim consolidated statement of comprehensive income related to the fair value of the options agreements.

(in millions of RUR)

25. Related party transactions (continued)

(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.

	Nine months ended 30 September 2018	*Nine months ended 30 September 2017*
Revenue		
Joint ventures	406	575
Associates	14	3
Other operating income		
Joint ventures	7	3
Associates	67	–
Interest income		
Joint ventures	–	77
	494	**658**

	Nine months ended 30 September 2018	*Nine months ended 30 September 2017 (restated)*
Purchased power		
Joint ventures	160	61
Purchased capacity		
Joint ventures	1,776	1,475
Other expenses		
Joint ventures	83	22
Associates	–	2
	2,019	**1,560**
Capital expenditures		
Joint ventures	1	1

	30 September 2018	*1 January 2018*	*1 January 2017*
Accounts receivable			
Joint ventures	43	57	154
Associates	2	2	1
Accounts payable			
Joint ventures	185	221	347
Associates	6	8	–

(in millions of RUR)

25. Related party transactions (continued)

(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:

	Nine months ended 30 September 2018	***Nine months ended 30 September 2017 (restated)***
Revenue		
Electricity and capacity	193,068	188,055
Other revenues	14,639	6,131
Other operating income	2,339	1,240
	210,045	**195,426**
Operating expenses		
Purchased power and capacity	78,800	71,692
Transmission fees	157,453	141,003
Fuel expenses (gas)	65,846	69,560
Fuel expenses (coal)	382	708
Other purchases	101	101
Other expenses	8,588	10,600
	311,170	**293,664**
Capital expenditures	**52**	**326**

	Nine months ended 30 September 2018	***Nine months ended 30 September 2017 (restated)***
Finance income/(expenses)		
Interest income	2,132	1,687
Other finance income	6	7
Dividend income	119	122
Interest expenses	(262)	(562)
Interest expense on lease liabilities	(2,276)	(531)
	(281)	**723**

	30 September 2018	***1 January 2018 (restated)***	***1 January 2017 (restated)***
Securities	**8,281**	**8,662**	**5,906**
Long-term accounts receivable			
Other account receivables	48	35	204
Less impairment provision	(21)	(19)	(23)
Other receivables – net	**27**	**16**	**181**
Short-term accounts receivable			
Trade accounts receivable, gross	28,641	27,022	23,111
Less impairment provision	(5,109)	(3,340)	(1,584)
Trade receivables – net	**23,532**	**23,682**	**21,527**
Advances issued	1,449	2,587	918
Advances issued/(received) for capital construction	19	(38)	52
Other receivables	2,816	1,681	1,575
	27,815	**27,912**	**24,072**

(in millions of RUR)

25. Related party transactions (continued)

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

	30 September 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Accounts payable			
Trade accounts payable	21,418	24,956	21,812
Payables for capital construction	76	51	50
Other accounts payable	15,768	2,852	337
Advances received	20,706	24,260	13,723
	57,969	**52,119**	**35,922**
Other long-term liabilities	**23,468**	**9**	**4**

	30 September 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Loans and borrowings			
Short-term loans and borrowings	2,426	1,534	210
Long-term loans and borrowings	528	2,272	–
Interest on loans and borrowings	2	7	1
	2,957	**3,813**	**211**

	30 September 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Lease liabilities			
Short-term portion of long term lease liabilities	3,498	439	411
Long-term lease liabilities	25,672	7,461	6,596
	29,170	**7,900**	**7,007**

	30 September 2018	*1 January 2018*	*1 January 2017*
Cash and cash equivalents	14,497	15,670	6,342

	30 September 2018	*1 January 2018*	*1 January 2017*
Other current assets (bank deposits)	34,467	47,548	11,771

	Nine months ended 30 September 2018	*Nine months ended 30 September 2017 (restated)*
Financial transactions		
Loans and borrowings received	8,350	16,209
Loans and borrowings repaid	(9,306)	(8,871)
Repayment of leases	(2,192)	(327)
	(3,148)	**7,011**

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.

(in millions of RUR)

25. Related party transactions (continued)

(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:

	Nine months ended 30 September 2018	*Nine months ended 30 September 2017 (restated)*
Revenue		
Electricity and capacity	32	48
Operating expenses		
Purchased electricity and capacity	2,226	2,079
Other (income)/expenses	(193)	25

	30 September 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Short-term accounts receivable			
Trade and other accounts receivable	483	663	624
Short-term accounts payable			
Trade and other accounts payable	28	5	259

	30 September 2018	*1 January 2018*	*1 January 2017*
Loans and borrowings payable			
Short-term loans and borrowings	650	3,400	825
	650	**3,400**	**825**

	30 September 2018	*1 January 2018 (restated)*	*1 January 2017 (restated)*
Lease liabilities			
Short-term portion of long term lease liabilities	3	2	1
Long-term lease liabilities	6	1	6
	9	**3**	**7**

	30 September 2018	*1 January 2018*	*1 January 2017*
Cash and cash equivalents			
Cash in bank	12,416	32,006	28,665
Short-term bank deposits	33,473	15,886	6,080
	45,889	**47,892**	**34,745**

(in millions of RUR)

25. Related party transactions (continued)

(e) Transactions with other related parties (continued)

	Nine months ended 30 September 2018	***Nine months ended 30 September 2017***
Income and expenses		
Interest income	2,002	2,004
Interest expenses	(40)	(223)

26. Events after the reporting period

There were no significant events after the reporting period.