RUSHYDRO GROUP

Consolidated Financial Statements prepared in accordance with IFRS with independent auditor's report

As at and for the year ended 31 December 2018

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Independent Auditor's Report

To the Shareholders and Board of Directors of Public joint stock company Federal Hydro-Generating Company – RusHydro:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public joint stock company Federal Hydro-Generating Company (PJSC RusHydro) and its subsidiaries (together – the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

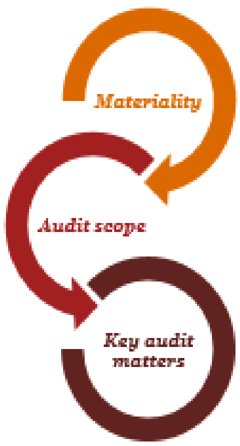
Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

PJSC RusHydro's shares are listed on the Moscow Exchange. The Group's principal business operations are generation and sales of electricity, capacity and heat energy in the Russian wholesale and retail markets. The Group companies are also involved in other operations, including electricity transmission and distribution, construction, repairs and provision of other services.



- Overall group materiality: Russian Roubles ("RUB") 4,000 million, which represents 1% of total revenues and government grants.

- We conducted audit procedures in respect of those companies of the Group that were considered significant components based on their individual share in the Group's aggregate revenue: PJSC RusHydro, JSC DGK, and also in respect of individual balances and types of operations for other components of the Group where necessary.
- Our audit scope covered *inter alia* 70% of the Group's revenues and 77% of the Group's total carrying value of property, plant and equipment.

Key audit matters

- Transition to the model of accounting for property, plant and equipment at cost less accumulated depreciation and impairment losses
- Assessment of impairment of property, plant and equipment
- Assessment of expected credit losses in relation to trade receivables
- Treatment of the non-deliverable forward contract for shares

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of the concept of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	RUB 4,000 million
How we determined it	1% of total revenues and government grants
Rationale for the materiality benchmark applied	We chose total revenues and government grants as the benchmark because, in our view, it is the benchmark which best represents the Group's performance. We chose 1% as the materiality level, which falls within the range of quantitative materiality thresholds used for companies in this sector.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Transition to the model of accounting for property, plant and equipment at cost less accumulated depreciation and impairment losses	
For matters requiring disclosure and related significant accounting policies see Notes 2, 3 and 8 to these consolidated financial statements. As of 1 January 2018 the Group changed its accounting policy and now property, plant and equipment are reported in the consolidated financial statements at cost less accumulated depreciation and impairment losses (where necessary). The Group management believes that the transition from the revaluation model to the cost model provides more relevant and reliable information on the financial position and financial performance of the Group to the users as it improves comparability of items in the consolidated financial statements of the Group between the reporting periods considering information needs of the users, as well as against the Group's industry peers. The retrospective application of the new policies led to changes in the comparative information included in these consolidated financial statements. The Group's aggregate carrying amount of property, plant and	We obtained and analysed the recalculated registers of the Group's property, plant and equipment. We engaged our valuation experts to form our conclusion on the methodology and approaches that were used in the recalculation of the value of property, plant and equipment. Our audit procedures to address the change in the accounting policy implemented by the Group management and recalculation of the historical cost of property, plant and equipment less accumulated depreciation and impairment losses (where necessary) included: • analysis of management's judgements made when changing the accounting policy for property, plant and equipment, for reasonableness; • evaluation of whether the Group management used reasonable and relevant methodology for the transition to the new property, plant and equipment accounting model; • assessment of competence, skills, experience and objectivity of the management's experts;

Key audit matter	How our audit addressed the Key audit matter
equipment was RUB 643,150 million at 31 December 2017 and RUB 604,197 at 1 January 2017 as compared to the initially recorded amounts (prior to the change in the accounting policies) of RUB 799,855 million and RUB 765,047 million at 31 December 2017 and 1 January 2017, respectively. Thus, the change in the accounting policy for property, plant and equipment led to a reduction in the carrying amount of property, plant and equipment in the statement of financial position by RUB 156,705 million and RUB 160,850 million at 31 December 2017 and 1 January 2017, respectively. The impact of the change in the accounting policy on other items in the Group's consolidated financial statements is disclosed in detail in Note 3 to the consolidated financial statements. We focused on the change in the Group's accounting policy for property, plant and equipment as the transition to another model of accounting for property, plant and equipment is a complicated process and such change in accounting policies has a significant impact on the Group's consolidated financial statements.	• examination, on a sample basis, of the recalculated registers of property, plant and equipment for compliance with the chosen transition methodology, as well as the mathematical accuracy of the calculations made; • obtaining and analysing written representations from the management with regard to the change in the accounting policy for property, plant and equipment and its impact on the consolidated financial statements. Based on the above procedures we believe that the methodology used by the management to obtain the recalculation results when transferring to the model of accounting for property, plant and equipment at cost less accumulated depreciation and impairment losses is appropriate for the purposes of the accompanying consolidated financial statements. In addition, we verified compliance of disclosures in Notes 2, 3 and 8 to the consolidated financial statements with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and IAS 16 'Property, plant and equipment'. As a result of our procedures, we have not identified any evidence that would require significant adjustments to the carrying amounts of property, plant and equipment and other recalculated items or related disclosures in the accompanying consolidated financial statements.
Assessment of impairment of property, plant and equipment	
For matters requiring disclosure and related significant accounting policies, judgements and accounting estimates see Notes 2 and 8 to the consolidated financial statements. At 31 December 2018, the Group's aggregate carrying amount of property, plant and	We obtained and examined the financial models that management used for assessing impairment of property, plant and equipment. We engaged our valuation experts to form our conclusion on the assumptions and methodology that were used in the impairment assessment.

Key audit matter	How our audit addressed the Key audit matter
equipment was RUB 669,424 million. This is the most significant asset on the Group's balance sheet, accounting for 72% of the total assets. The Group management analysed the Group's financial performance, industry outlook and operational plans, and assessed whether there are indicators of impairment of property, plant and equipment or potential release of previously recognised impairment losses, by cash generating unit. For cash generating units where such indicators were identified, the management assessed the recoverable amounts of property, plant and equipment. As a result of management's impairment test, the Group accrued an impairment loss of RUB 24,221 million in the consolidated income statement for the year ended 31 December 2018. The impairment test is sensitive to reasonably possible changes in assumptions. The most significant judgements are related to the applied discount rate together with the assumptions supporting the relevant forecast cash flows, in particular those concerning the electricity and capacity tariff rates and volumes of investments. We focused on the property, plant and equipment impairment assessment as this process is complicated, requires significant management's judgements and is based on assumptions that are affected by the projected future market and economic conditions that are inherently uncertain.	Our audit procedures related to the management's assessment of impairment of property, plant and equipment, included the following: • evaluation of the methodology used by the Group management for the impairment test; • examination, on a sample basis, of key assumptions used in financial models and whether they are in line with the approved budgets and business plans, available reliable external sources (including macroeconomic forecasts, information on regulated and market electricity and capacity prices, etc.) and our industry-specific expertise; • assessment of competence, skills, experience and objectivity of the management's experts; • examination, on a sample basis, of accuracy and relevance of inputs that management incorporated in the financial models for assessing the impairment of property, plant and equipment; • examination, on a sample basis, of mathematical accuracy of financial models used by management to assess the impairment of property, plant and equipment ; • consideration of potential impact of reasonably possible changes in key assumptions; • obtaining and reviewing management's written representations related to their property, plant and equipment impairment test. As a result of the above procedures, we believe that the key assumptions used by the management are acceptable for the purposes of preparing the accompanying consolidated financial statements. Acceptability of management's current estimates regarding the property, plant and equipment impairment for the purpose of preparing the financial statements for the year ended 31 December 2018 does not guarantee that

Key audit matter	How our audit addressed the Key audit matter
	future events that are inherently uncertain would not lead to a significant change in these estimates. We note that management's financial models are to a significant extent sensitive to the changes in key assumptions. It could reasonably be expected, that if actual results differ from assumptions made, accordingly, there could arise either additional losses from impairment in the future or gains from the release of previously recognised impairment. We also assessed the compliance of disclosures in Notes 2 and 8 to the consolidated financial statements with the disclosure requirements of IAS 36 'Impairment of Assets'. As a result of our procedures, we have not identified any evidence that would require significant adjustments to the recorded amount of impairment of property, plant and equipment or to the respective disclosures in the consolidated financial statements.
Assessment of expected credit losses in relation to trade receivables *For matters requiring disclosure, and related significant accounting policies, judgements and accounting estimates see Notes 2 and 13 to the consolidated financial statements.* At 31 December 2018, the carrying amount of the Group's trade receivables was RUB 36,256 million (RUB 65,147 million less the credit loss allowance of RUB 28,891 million). Thus, at 31 December 2018, the allowance for credit losses is significant and accounts for 44% of the total trade receivables. In accordance with IFRS 9 'Financial Instruments', starting from 1 January 2018, the Group management assesses expected credit losses in relation to trade receivables prospectively and recognises an allowance for credit losses at each reporting date. The estimate of expected credit losses represents an unbiased and probability weighted amount	Our audit procedures in respect of the management's assessment of expected credit losses in relation to trade receivables included: • evaluation of the methodology used by the Group's management to assess expected credit losses in relation to trade receivables, including definition of default; • examination, on a sample basis, of accuracy of management's classification of trade receivables for their further assessment on a collective or individual basis depending on the credit risk characteristics and the length of payment delinquency; • examination, on a sample basis, of the ageing of trade receivables to confirm the length of payment delinquency; • examination, on a sample basis, of the models and calculations used for the

Key audit matter	How our audit addressed the Key audit matter
that is determined by evaluating a range of possible outcomes, and reflects all reasonable and supportable information that is available at each reporting date about past events, current conditions and forecasts of future economic conditions. The degree of accuracy of the management's estimate will be confirmed or rebutted depending on the future developments that are inherently uncertain. We focused on assessing the allowance for credit losses in relation to trade receivables as the estimation process is complicated and requires significant management's judgements, and the amount of allowance is significant.	assessment of credit losses on a collective or individual basis; • examination, on a sample basis, of prior period payments, if the information on such payments was used in the calculation of expected credit losses; • analysis of external information from the regulators of the electricity (capacity) market, including the Supervisory Board of NP Market Council, which regularly makes decisions on excluding companies from the register of participants of the wholesale electricity (capacity) market; among these excluded companies there are buyers of the Group's electricity (capacity) whose balances of receivables bear an increased credit risk; • obtaining and analysing written representations from the management with regard to the assessment of the allowance for credit losses in relation to trade receivables. In addition, we assessed compliance of the disclosures in Notes 2, 13 and 31 to the consolidated financial statements with the presentation and disclosure requirements of IFRS 7 'Financial Instruments: Disclosures'. Acceptability of the current estimates of the Group management regarding the credit losses on trade receivables for the purpose of preparing the consolidated financial statements for the year ended 31 December 2018 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates. As a result of our procedures, we have not identified any evidence that would require significant adjustments to the amount of allowance for credit losses in relation to trade receivables or related disclosures in the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the Key audit matter
Treatment of the non-deliverable forward contract for shares	
For matters requiring disclosure, and related significant accounting policies, judgements and accounting estimates see Notes 2, 20 and 33 to the consolidated financial statements. In March 2017, PJSC RusHydro simultaneously signed a contract with Bank VTB (PJSC) under which the Bank acquired 55 billion ordinary shares of PJSC RusHydro, and a non-deliverable forward contract for these shares for a five-year period. Following the analysis performed, the Group management decided to treat the above transactions separately and to recognise the sale of shares in equity and a derivative financial instrument. As at 31 December 2018, the liability under the forward contract of RUB 31,896 million is recorded as a long-term derivative financial instrument at fair value through profit or loss. Loss from change of fair value of the non-deliverable forward contract for shares of RUB 13,993 million was accounted within finance costs in the consolidated income statement for the year ended 31 December 2018. We focused on the treatment of this non-deliverable forward contract in the consolidated financial statements due to the complexity of its accounting and of the assessment of the instrument's fair value, which requires management to exercise professional judgement, and because the liability recognised under the forward contract and the corresponding effects on the consolidated income statement are material.	We obtained and reviewed the model that was used to measure the fair value of the non-deliverable forward contract at 31 December 2018. We engaged our valuation experts in order to form a conclusion on the assumptions and the methodology used in the fair value assessment. Our audit procedures in respect of the recognition of the non-deliverable forward contract for shares included: • evaluation of the reasonableness of the judgements that the Group management applied to determine the treatment of the non-deliverable forward contract in the consolidated financial statements; • evaluation of the validity and appropriateness of the methodology used by the Group management to develop the fair value model for the non-deliverable forward contract; • testing accuracy and relevance of the key assumptions and source data used in the model, and their consistency with available reliable external information, including market value of the Company's shares, and our expert knowledge of industry specifics; • assessment of competence, skills, experience and objectivity of the management's experts; • testing the mathematical accuracy of the financial instrument fair value calculation; • consideration and assessment of the potential impact of reasonably possible changes in the key assumptions; • obtaining and analysing management's written representations related to the treatment of the non-deliverable forward contract. As a result of the above procedures, we believe that the estimates and judgements made by management with regard to the treatment of the non-deliverable forward contract are appropriate for the purposes of preparation of

Key audit matter	How our audit addressed the Key audit matter
	the accompanying consolidated financial statements. In addition we assessed compliance of the disclosures in Notes 2, 20 and 33 to the consolidated financial statements with the presentation and disclosure requirements of IFRS 9 'Financial Instruments', IFRS 7 'Financial Instruments: Disclosures' and IFRS 13 'Fair Value Measurement". As a result of our procedures, we have not identified any evidence that would require significant adjustments in respect of the treatment of the non-deliverable forward contract or the respective disclosures in the accompanying consolidated financial statements.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which the Group operates.

The Group's consolidated financial statements are prepared based on the financial information of its components, i.e. individual companies of the Group. If we considered a component to be significant, we audited its financial information based on the materiality level established for each such component.

Similar to the determination of the overall materiality, significance of components was assessed based on the component's individual share in the Group's revenue. We determined the following significant components: PJSC RusHydro and JSC DGK.

If we did not consider that the procedures performed at the level of significant components provided adequate audit evidence for expressing our opinion on the consolidated financial statements as a whole, we performed analytical procedures at the Group level and audit procedures in respect of individual balances and types of operations for other components of the Group.

We chose other components of the Group for audit procedures in respect of individual balances and types of operations separately for each financial statement line item included in the scope of our audit, and our choice depended inter alia on the following factors: level of audit evidence obtained from the audit of significant components and level of concentration of balances and types of operations in the Group's structure. We also change our selection of a number of other components on a rotation basis.

On the whole, our audit procedures that were performed at the level of significant and other components of the Group and included, in particular, detailed testing and testing of controls on a sample basis, in our opinion, provided adequate coverage of individual line items in the consolidated financial statements. Thus, for example, our procedures covered 70% of the Group's revenue and 77% of the total carrying value of the Group's property, plant and equipment.

When performing the audit procedures the audit team engaged specialists in taxation, IFRS methodology, as well as experts in valuation of property, plant and equipment, financial instruments and pension liabilities.

We believe that the results of procedures performed on a sample basis at the level of the Group's components, analytical procedures at the Group's level and procedures over the consolidated financial reporting have provided sufficient and appropriate audit evidence for expressing our opinion on the Group's consolidated financial statements as a whole.

Other information

Management is responsible for the other information. Other information includes PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019, but does not include the consolidated financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above, when it becomes available, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The certified auditor responsible for the audit resulting in this independent auditor's report, is Alexey Sergeevich Ivanov.

AO PricewaterhouseCoopers Audit

14 March 2019
Moscow, Russian Federation

A. S. Ivanov, certified auditor (licence no. 01-000531), AO PricewaterhouseCoopers Audit

Audited entity: Public joint stock company Federal Hydro-Generating Company – RusHydro

Record made in the Unified State Register of Legal Entities on 26 December 2004 under State Registration Number 1042401810494

660017, Russian Federation, Krasnoyarsk Region, Krasnoyarsk, Dubrovinskogo str. 43, bld. 1

Independent auditor:
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

RusHydro Group
Consolidated Statement of Financial Position
(in millions of Russian Rubles unless noted otherwise)

	Note	31 December 2018	31 December 2017 (restated)	1 January 2017 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	8	669,424	643,150	604,197
Investments in associates and joint ventures	9	19,828	20,018	20,174
Financial assets at fair value through profit or loss	10	656	-	-
Financial assets at fair value through other comprehensive income		594	-	-
Available-for-sale financial assets	10	-	18,493	21,149
Deferred income tax assets	17	9,999	9,592	6,918
Other non-current assets	11	22,028	25,331	21,847
Total non-current assets		**722,529**	**716,584**	**674,285**
Current assets				
Cash and cash equivalents	12	65,432	70,156	67,354
Income tax receivable		3,737	3,839	889
Accounts receivable and prepayments	13	75,189	51,201	47,076
Inventories	14	30,721	25,523	24,037
Other current assets	15	33,873	4,400	9,097
		208,952	**155,119**	**148,453**
Non-current assets classified as held for sale	9	450	-	-
Total current assets		**209,402**	**155,119**	**148,453**
TOTAL ASSETS		**931,931**	**871,703**	**822,738**
EQUITY AND LIABILITIES				
Equity				
Share capital	16	426,289	426,289	386,255
Treasury shares	16	(4,613)	(4,613)	(22,578)
Share premium		39,202	39,202	39,202
Retained earnings and other reserves		115,523	99,624	108,197
Equity attributable to the shareholders of PJSC RusHydro		**576,401**	**560,502**	**511,076**
Non-controlling interest		9,818	9,106	10,505
TOTAL EQUITY		**586,219**	**569,608**	**521,581**
Non-current liabilities				
Non-current debt	19	157,948	90,912	158,046
Non-deliverable forward contract for shares	20	31,896	20,716	-
Deferred income tax liabilities	17	13,803	11,103	7,729
Other non-current liabilities	21	21,987	28,116	18,726
Total non-current liabilities		**225,634**	**150,847**	**184,501**
Current liabilities				
Current debt and current portion of non-current debt	19	38,899	78,613	41,757
Accounts payable and accruals	22	64,633	55,625	58,784
Current income tax payable		1,191	976	858
Other taxes payable	23	15,355	16,034	15,257
Total current liabilities		**120,078**	**151,248**	**116,656**
TOTAL LIABILITIES		**345,712**	**302,095**	**301,157**
TOTAL EQUITY AND LIABILITIES		**931,931**	**871,703**	**822,738**

Chairman of Management Board – General Director N. G. Shulginov

Chief Accountant IU. G. Medvedeva

14 March 2019

(in millions of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Revenue	24	358,770	348,119
Government grants	25	41,648	32,745
Other operating income		5,452	690
Operating expenses (excluding impairment losses)	26	(314,850)	(299,662)
Operating profit excluding impairment losses		**91,020**	**81,892**
Impairment of property, plant and equipment	8	(24,221)	(25,301)
Impairment of financial assets, net		(5,379)	-
Impairment of accounts receivable, net		-	(5,957)
Operating profit		**61,420**	**50,634**
Finance income	27	7,667	8,443
Finance costs	27	(23,088)	(21,133)
Share of results of associates and joint ventures	9	1,860	442
Profit before income tax		**47,859**	**38,386**
Income tax expense	17	(16,022)	(13,612)
Profit for the year		**31,837**	**24,774**
Attributable to:			
Shareholders of PJSC RusHydro		31,229	26,403
Non-controlling interest		608	(1,629)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	28	0.0739	0.0656
Weighted average number of shares outstanding – basic and diluted (thousands of shares)	28	422,436,552	402,655,108

(in millions of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Profit for the year		31,837	24,774
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurement of pension benefit obligations	18	388	344
Gain arising on financial assets at fair value through other comprehensive income		70	-
Total items that will not be reclassified to profit or loss		**458**	**344**
Items that may be reclassified subsequently to profit or loss			
Loss arising on available-for-sale financial assets	10	-	(2,532)
Reclassification of accumulated loss on available-for-sale financial assets to profit or loss	10	-	(19)
Other comprehensive income / (loss)		71	(8)
Total items that may be reclassified subsequently to profit or loss		**71**	**(2,559)**
Total other comprehensive income / (loss)		**529**	**(2,215)**
Total comprehensive income for the year		**32,366**	**22,559**
Attributable to:			
Shareholders of PJSC RusHydro		31,556	24,059
Non-controlling interest		810	(1,500)

(in millions of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**47,859**	**38,386**
Depreciation of property, plant and equipment and amortisation of intangible assets	8, 26	22,310	21,340
Loss on disposal of property, plant and equipment, net	26	1,757	688
Share of results of associates and joint ventures	9	(1,860)	(442)
Other operating income		(5,452)	(690)
Finance income	27	(7,667)	(8,443)
Finance costs	27	23,088	21,133
Impairment of property, plant and equipment	8	24,221	25,301
Impairment of financial assets, net		5,379	-
Impairment of accounts receivable, net		-	5,957
Other (income) / loss		(236)	326
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		**109,399**	**103,556**
Working capital changes:			
Increase in accounts receivable and prepayments		(10,027)	(13,483)
(Increase) / decrease in other current assets		(299)	859
Increase in inventories		(4,848)	(1,604)
Increase / (decrease) in accounts payable and accruals		5,705	(2,236)
(Decrease) / increase in other taxes payable		(703)	891
Increase in other non-current assets		(1,739)	(1,592)
Increase in other non-current liabilities		573	7,674
Income tax paid		(13,510)	(15,940)
Net cash generated by operating activities		**84,551**	**78,125**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(67,423)	(71,693)
Proceeds from sale of property, plant and equipment		977	213
Investment in bank deposits and purchase of other investments		(44,545)	(19,837)
Redemption of bank deposits and proceeds from sale of other investments		15,374	23,428
Proceeds from sale of subsidiaries, net of disposed cash		-	28
Proceeds from sale of investment in joint venture		871	-
Proceeds from sale of shares of PJSC Inter RAO		2,160	-
Interest received		5,545	7,848
Net cash used in investing activities		**(87,041)**	**(60,013)**

(in millions of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share issue	16	-	40,000
Proceeds from sale of treasury shares	16	-	15,000
Payments for non-deliverable forward for shares	19, 20	(2,813)	(3,243)
Proceeds from current debt	19	41,267	55,773
Proceeds from non-current debt	19	127,760	63,499
Repayment of debt	19	(142,102)	(149,976)
Interest paid		(14,217)	(15,794)
Dividends paid to the shareholders of PJSC RusHydro		(11,113)	(19,673)
Dividends paid by subsidiaries to non-controlling interest holders		(172)	(127)
Other payments		(746)	-
Finance lease payments		(155)	(523)
Net cash used in financing activities		**(2,291)**	**(15,064)**
Effect of foreign exchange differences on cash and cash equivalents balances		57	(246)
(Decrease) / increase in cash and cash equivalents		**(4,724)**	**2,802**
Cash and cash equivalents at the beginning of the year		**70,156**	**67,354**
Cash and cash equivalents at the end of the year	**12**	**65,432**	**70,156**

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve on property, plant and equipment	Revaluation reserve on available-for-sale financial assets	Reserve for remeasu-rement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2017		**386,255**	**(22,578)**	**39,202**	**(135,075)**	**(538)**	**182,968**	**16,909**	**459**	**179,067**	**646,669**	**4,263**	**650,932**
Effect of changes in accounting policy	3	-	-	-	-	132	(182,968)	(32)	-	47,275	(135,593)	6,242	(129,351)
As at 1 January 2017 (restated)		**386,255**	**(22,578)**	**39,202**	**(135,075)**	**(406)**	**-**	**16,877**	**459**	**226,342**	**511,076**	**10,505**	**521,581**
Profit for the year		-	-	-	-	-	-	-	-	26,403	26,403	(1,629)	24,774
Loss arising on available-for-sale financial assets	10	-	-	-	-	-	-	(2,505)	-	-	(2,505)	(27)	(2,532)
Accumulated loss on available for-sale financial assets recycled to profit or loss	10	-	-	-	-	-	-	(19)	-	-	(19)	-	(19)
Remeasurement of pension benefit obligations	18	-	-	-	-	-	-	-	188	-	188	156	344
Other comprehensive loss		-	-	-	-	(9)	-	-	-	1	(8)	-	(8)
Total other comprehensive loss		-	-	-	-	(9)	-	(2,524)	188	1	(2,344)	129	(2,215)
Total comprehensive income		**-**	**-**	**-**	**-**	**(9)**	**-**	**(2,524)**	**188**	**26,404**	**24,059**	**(1,500)**	**22,559**
Share issue	16	40,034	-	-	-	-	-	-	-	-	40,034	-	40,034
Sale of treasury shares	16	-	17,965	-	-	-	-	-	-	(2,965)	15,000	-	15,000
Dividends	16	-	-	-	-	-	-	-	-	(19,696)	(19,696)	(127)	(19,823)
Non-deliverable forward contract for shares	20	-	-	-	-	-	-	-	-	(10,013)	(10,013)	-	(10,013)
Effect of changes in non-controlling interest due to disposal of subsidiaries	16	-	-	-	-	-	-	-	-	-	-	228	228
Other movements		-	-	-	-	-	-	-	-	42	42	-	42
As at 31 December 2017 (restated)		**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(415)**	**-**	**14,353**	**647**	**220,114**	**560,502**	**9,106**	**569,608**
Reference:													
As at 31 December 2017		**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(547)**	**181,163**	**14,356**	**647**	**171,423**	**692,845**	**2,719**	**695,564**
Effect of changes in accounting policy	3	-	-	-	-	132	(181,163)	(3)	-	48,691	(132,343)	6,387	(125,956)

RusHydro Group
Consolidated Statement of Changes in Equity
(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve on available-for-sale financial assets	Reserve for remeasu-rement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2018 (restated)	3	**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(415)**	**14,353**	**647**	**220,114**	**560,502**	**9,106**	**569,608**
Application of IFRS 9	3,13,16	-	-	-	-	-	(13,894)	-	14,562	668	55	723
As at 1 January 2018 (restated)		**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(415)**	**459**	**647**	**234,676**	**561,170**	**9,161**	**570,331**
Profit for the year		-	-	-	-	-	-	-	31,229	31,229	608	31,837
Gain arising on financial assets at fair value through other comprehensive income	10	-	-	-	-	-	70	-	-	70	-	70
Remeasurement of pension benefit obligations	18	-	-	-	-	-	-	186	-	186	202	388
Other comprehensive income		-	-	-	-	71	-	-	-	71	-	71
Total other comprehensive income	-	-	-	-	-	71	70	186	-	327	202	529
Total comprehensive income		**-**	**-**	**-**	**-**	**71**	**70**	**186**	**31,229**	**31,556**	**810**	**32,366**
Dividends	16	-	-	-	-	-	-	-	(11,124)	(11,124)	(172)	(11,296)
Sale of shares of PJSC Inter RAO	16	-	-	-	-	-	-	-	(5,223)	(5,223)	-	(5,223)
Other movements		-	-	-	-	-	-	-	22	22	19	41
As at 31 December 2018		**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(344)**	**529**	**833**	**249,580**	**576,401**	**9,818**	**586,219**

Note 1. The Group and its operations

PJSC RusHydro (hereinafter referred to as "the Company") was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by value of shares and was set up in accordance with Russian regulations.

The primary activities of the Company and its subsidiaries (hereinafter together referred to as "the Group") are generation and sale of electricity, capacity and heat.

Economic environment in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The tax, currency and customs legislation continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018.

This economic environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Relations with the Government and current regulation. As at 31 December 2018 the Russian Federation owned 60.56 percent of the total voting ordinary shares of the Company (31 December 2017: 60.56 percent). As at 31 December 2018 PJSC Bank VTB that is controlled by the Russian Federation owned 13.34 percent of the Company's shares (31 December 2017: 13.34 percent).

The Group's major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group's fuel and other suppliers (Note 7).

In addition, the Government influences the Group's operations through:

- participation of its representatives in the Company's Board of Directors;
- regulation of tariffs for electricity, capacity and heating;
- approval and monitoring of the Group's investment programme, including volume and sources of financing.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

Overview of the electricity and capacity market. In 2018 the following significant changes were made to the rules of electricity and capacity wholesale and retail markets, their operation procedures and pricing mechanisms:

- In order to provide for the connection of Western and Central Regions of Sakha Republic (Yakutia) into the unified energy system of the Russian Federation, Federal Law No.172-FZ of 29 June 2018 established a special regulation for situations when one energy system gets connected to another. Russian Government Resolutions No. 1496 of 8 December 2018 and No. 761 of 30 June 2018 introduced the terms and timing of connection of these territories to the unified energy system of the Russian Federation as well as the specifics of electricity and capacity trading on them. Since 1 January 2019 these territories became a part of non-pricing zone of the Far East.
- Federal Law No.254-FZ of 29 July 2018 established the possibility of concluding bilateral electricity sale-purchase contracts in technologically isolated territorial energy systems at prices determined by the parties' agreement but not exceeding the threshold levels approved by regulatory authorities for the term of not less than five years.

Note 2. Summary of significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the financial instruments initially recognised at fair value, financial instruments categorised at fair value through profit or loss and at fair value through other comprehensive income. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes concerning accounting for property, plant and equipment and those resulting from the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018 (Note 3), these policies have been consistently applied to all the periods presented.

Each company of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with Russian standards of accounting (hereinafter referred to as "RSA"). These consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency. The functional currency of the Company and its subsidiaries, and the presentation currency for these consolidated financial statements is the national currency of the Russian Federation, the Russian Ruble.

Foreign currency translation. Monetary assets and liabilities, which are held by the Group's entities and denominated in foreign currencies at the end of the reporting period, are translated into Russian Rubles at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within finance income/costs.

As at 31 December 2018, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between Russian Ruble and US Dollar (hereinafter referred to as "USD") was RR 69.47 : USD 1.00 (31 December 2017: RR 57.60 : USD 1.00), between Russian Ruble and Euro was RR 79.46 : EUR 1.00 (31 December 2017: RR 68.87 : EUR 1.00), between Russian Ruble and China Yuan was RR 10.10 : CNY 1.00.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

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

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

Intercompany transactions, balances and unrealised gains on transactions between the Group's entities are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

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

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest, that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the Consolidated statement of changes in equity.

Acquisition of subsidiaries from parties under common control. Acquisitions of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or the date when the combining entities were first brought under common control if later. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to merger reserve within equity.

Investments in associates and joint ventures. Investments in associates and joint ventures are accounted for using the equity method of accounting, based upon the percentage of ownership held by the Group. Associates are entities over which the Company has significant influence (directly or indirectly) but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as profit or loss in respect of associates and joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, and (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates and joint ventures.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is defined by the making of decisions about the relevant activities requiring the unanimous consent of the parties sharing control.

The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence on joint ventures and associates.

Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity, unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is highly probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is written off.

Social assets are not capitalised if they are not expected to result in future economic benefits to the Group. Maintenance costs of social assets are expensed as incurred.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation. Depreciation on items of property, plant and equipment (except for land and assets under construction) is calculated using the straight-line method over their estimated useful lives.

The useful lives of property, plant and equipment are subject to annual assessment by the Group management and if expectations differ from previous estimates, the changes of useful lives are accounted for as a change in an accounting estimate prospectively.

The average useful lives of property, plant and equipment by type of facility, in years, were as follows:

Type of facility	Average useful lives
Production buildings	25–80
Facilities	10–100
Plant and equipment	5–40
Other	3–30

Depreciation is charged once an asset is available for use. Land and assets under construction are not depreciated.

Impairment of property, plant and equipment. Impairment testing of property, plant and equipment is carried out when there is an indication that impairment may have occurred, or where it is otherwise required to ensure that property, plant and equipment are not carried above their estimated recoverable amounts (Note 8). If any such indication exists, the Group management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs of disposal and its value in use. Fair value less costs of disposal represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the cash-generating unit.

The carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognised in Consolidated Income Statement for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a positive change in the estimates used to determine the asset's recoverable amount.

Intangible assets and goodwill. The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software. Intangible assets are amortised using the straight-line method over their useful lives. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Key measurement terms for financial instruments. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received upon sale of the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. The Group uses such valuation techniques of fair value which are the most acceptable in the circumstances and as much as possible use the observable basic data.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

For disclosure of information on fair value the Group classified assets and liabilities on the basis of an appropriate level of hierarchy of fair value as it is stated above (Note 33).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Classification of financial assets. The Group classifies financial assets in the following measurement categories: to be measured at fair value through profit or loss (FVPL), to be measured at fair value through other comprehensive income (FVOCI), and those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For *investments in equity instruments* that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

There are three measurement categories into which the Group classifies its *debt instruments*:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

Subsequent measurement of financial assets. The Group subsequently measures all equity investments at fair value. Where the Group management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of such investments. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised as other operating income or expense. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

All the Group's debt instruments are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

Reclassification of financial assets. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current period and did not make any reclassifications.

Impairment of financial assets: allowance for expected credit losses (ECL). The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (a) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (b) time value of money and (c) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

In accordance with IFRS 9, the Group applied a simplified approach to determining ECL in relation to trade accounts receivable that requires that full lifetime ECL are to be recognised. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Write-off of financial assets. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Derivative financial instruments Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Classification of financial liabilities. Financial liabilities are classified as subsequently measured at amortised costs, except for financial liabilities at FVPL: this classification is applied to derivatives and other financial liabilities designated as such at initial recognition.

Derecognition of financial liabilities. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because: (a) they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest, and (b) they are not designated at FVPL.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Trade and other payables. Trade and other payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised costs using the effective interest method.

Debt. Debt is recognised initially at fair value, net of transaction costs incurred and is subsequently carried at amortised cost using the effective interest method. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

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

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group’s average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Interest payments capitalised as part of the cost of an assets are classified as cash outflows from financing activities in Consolidated Statement of Cash Flows.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is highly probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Cost of inventory that is expensed is determined on the weighted average basis.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantially enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is highly probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

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

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Defined benefit plans. The Group operates defined benefit plans that cover the majority of its employees. Defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, minimum tariff rate of remuneration and others.

The net liability recognised in the Consolidated statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the end of the reporting period less fair value of plan assets.

The defined benefit obligations are calculated by independent actuary using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses resulting from changes in the actuarial assumptions in the measurement of defined benefit plans are recognised in other comprehensive income as they arise within remeasurement of pension benefit obligations. Past service cost is immediately recognised in profit or loss within operating expenses.

Defined contribution plans. For defined contribution plans, the Group pays contributions and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in the consolidated income statement.

Other benefit obligations. The Group pays a one-off financial aid on occasion of an employee's jubilee. The amount of the benefit depends on one or more factors, such as the age, length of service in the company, salary and others.

For the purpose of calculating benefit obligations of these types, actuarial gains and losses arising as a result of adjustments or changes in actuarial assumptions are recognised within profit or loss in the consolidated statement of income in the period when they arise. All other aspects of accounting for these obligations are similar to those of accounting for defined benefit obligations.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including payments in relation to expected rent cancellation, are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Environmental liabilities. Liabilities for environmental remediation are recorded where there is a present obligation, the payment is highly probable and reliable estimates exist.

Revenue recognition. Revenue is recognised in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for the transfer of goods or services promised to the customer, when (or as) control is transferred.

The Group defines the following performance obligations: sales of electricity in the wholesale market, sales of capacity in the wholesale market, sales of electricity and capacity in the retail market, sales of heat and hot water, rendering services for electricity transportation, rendering services for connections to the grid, other revenue.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time for the following revenue: sales of electricity and capacity in the retail and wholesale markets, sales of heat and hot water and rendering services for electricity transportation. Revenue is recognised in the amount which the Group has the right to invoice, as this amount represents the value the customer receives upon fulfillment of the contract. Other revenue is recognised at a point in time.

Contracts for all types of revenue do not contain a significant financing component as the terms of payments agreed by contracting parties do not provide to the customers or to the Group significant benefit of financing. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Contract assets are not significant. Accounts receivable are recognised when the Group receives the unconditional right to get the remuneration under the contract.

Contract liabilities are represented by advances received included in accounts payable and accruals and other non-current liabilities.

Government grants. Government grants are a compensation for the incurred expenses, losses and reduced tariffs to the guarantying suppliers – Group companies, in relation to the achievement of basic rates (tariffs). Government grants are accounted for within operating income and if the there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions and are recognised at fair value. Grants are recognised during the period so as to match costs with respective compensation or, if grants are compensating for the losses incurred previously, they are recognised when receipt of the grant becomes probable. Government grants are included in cash flows from operating activities.

Earnings per share. The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, excluding the average number of treasury shares held by the Group.

Share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the placement value over the par value of shares issued is recorded as share premium in equity.

***Treasury shares*.** Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. In case the consideration paid is non-cash asset, the treasury shares received are recognised at the fair value of this asset. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing of amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Social expenditure. To the extent that the Group's contributions to social programmes benefit the community at large without creating constructive obligations to provide such benefits in the future they are recognised in the income statement as incurred.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement. Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk, probability of default. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual losses on accounts receivable.

In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the reporting date. The Group considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular groups of customers. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporates appropriate forward looking information into the credit risk assessment, either for an individual counterparty, or for groups of counterparties.

The ECL rates are based on the payment profiles of sales over a period of 48 months before 31 December 2018 and 36 months before 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified inflation to be the most significant factor, and accordingly adjusts the historical loss rates based on expected changes in the inflation rate. A change of the inflation rate by +/- 0.5% would result in the expected level of losses changing by +/- 0.7% respectively.

Method of accounting for and valuation of a non-deliverable forward contract for the shares. The management treats the transaction on acquisition by PJSC Bank VTB (the “Bank”) of 55 billion of the Company’s ordinary shares – 40 billion of additionally issued shares and 15 billion of treasury shares carried on the Group subsidiaries’ balance sheet (Note 16) and entering into a non-deliverable forward contract for these shares (Note 20) in March 2017 as two separate transactions. The sale of shares was recorded in equity and a derivative financial instrument was recognised.

The terms and conditions of the share sale imply transfer of risks and rewards in connection with these shares, such as dividend payments received by the Bank and participation in the Company’s management. No obligations for their repurchase and conversion into a different financial instrument, guarantees or binding agreements arise for the Company. Given the above and the fact that the international financial reporting standards do not prescribe accounting treatment for the risks and rewards transfer procedure for treasury shares, the Group management concluded that the transaction should be presented on the basis that the Bank is the beneficial owner of the Company’s shares.

In the Group management’s opinion, the decrease in the prepaid forward value by the amounts equivalent to dividends received by the Bank does not directly represent return of dividends, and, therefore, does not limit the Bank in terms of obtaining rewards from share ownership. According to the forward contract, there will be significant delays in the offset of cash flows (for a period exceeding three months from the date when dividends are received by the Bank), and the Bank will be able to place the received dividends not only in cash and cash equivalents but other instruments for the period exceeding three months as well, and it will be able to receive income and subsequently reinvest it multiple times.

As the issue of shares is recorded in equity and also as both the issue of shares and the conclusion of the non-deliverable forward contract are carried out by decision and in the interests of the state as the ultimate controlling party, the initial recognition of the non-deliverable forward contract for these shares is also recorded in equity as a shareholder transaction.

The effect of these critical accounting estimates in respect of a non-deliverable forward contract fair value and the key assumptions are disclosed in Note 20.

Recognition of a premium to the price of capacity with subsequent transfer of the collected amounts to the budgets of the respective regions. In July 2017, Resolution of the Russian Government No. 895 “On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region” became effective. This Resolution stipulates the application of a premium to the price of capacity provided by the Group in the price zones of the wholesale electricity and capacity market with subsequent transfer of the amounts collected to the constituent budgets of the Far East Federal region in the form of free-of-charge targeted contributions.

Constituent regions are obliged to use these contributions to compensate the guaranteeing suppliers of the Far East Federal region for the reduction in tariffs to the basic levels. According to the Resolution tariffs were reduced retrospectively starting from 1 January 2017.

The amount of the premium that should be transferred to the regional budgets in the form of free-of-charge targeted contributions is stipulated by the Resolution of the Russian Government and for the year ended 31 December 2018 was RR 35,032 million (for the year ended 31 December 2017: RR 23 995 million). Taking into account that the Group collects the premium and subsequently transfers it to the respective regional budgets on behalf of the Russian Government, the management of the Group concluded that the Group's revenue from the sale of capacity in the amount of the premium should be presented in the consolidated income statement net of related free-of-charge targeted contributions.

Government subsidies receivable by the Group's companies – guaranteeing suppliers under the rules of the Resolution of the Russian Government No. 895 are recognised in government grants (Note 25). Government grants are recognised when there is a reasonable assurance that the grant will be received and the Group will be able to comply with all attached conditions (Note 13).

Impairment of non-financial assets. Accounting for impairment of non-financial assets includes impairment of property, plant and equipment and impairment of investments in associates and joint ventures.

The effect of these critical accounting estimates and assumptions is disclosed in Notes 8 and 9.

Recognition of deferred tax assets. At each reporting date management assesses recoverability of deferred tax assets arising from operating losses and asset impairments in the context of the current economic environment, particularly when current and expected future profits have been adversely affected by market conditions. Management considers first the future reversal of existing deferred tax liabilities and then considers future taxable profits when evaluating deferred tax assets. The assessment is made on a taxpayer basis. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium-term business plans of the Group companies prepared by management and extrapolated results thereafter.

Management considered the recoverability of recognised deferred tax assets, including those on tax losses carried forward, as probable due to existence of taxable temporary differences which recoverability is expected in future and of high probability of deferred tax assets being recoverable through future taxable profits (Note 17).

Useful life of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets, and other factors. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear, warranty terms as well as the environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates which can affect the reported income and the carrying value of property, plant and equipment.

In 2018, management of the Group reassessed the useful life of some items of property plant and equipment due to modernisation of these items and actualisation of the expected useful lives. As a result, the depreciation charge for 2018 decreased by approximately RR 905 million (4 percent) compared to the depreciation charge that would have been charged if the useful lives were not reassessed.

Note 3. Changes in accounting policies and adoption of new or revised standards and interpretations

Changes in accounting policies. With effect from 1 January 2018, the Group changed its accounting policy to measuring property, plant and equipment at cost less accumulated depreciation and impairment losses (where required). Management of the Group believes that transition from revaluation model to cost model results in a more relevant and reliable presentation to the users of the Group's financial position and financial performance due to greater comparability of the Group's consolidated financial statements between reporting periods considering information needs of the users as well as with other companies in the industry. Accounting policies in respect of the Group's office buildings, land and assets under construction did not change. As before office buildings owned by the Group are stated at historical cost less accumulated depreciation and accumulated impairment; land and assets under construction are stated at historical cost less accumulated impairment.

The changes to the comparative figures in these consolidated financial statements as a result of the retrospective application of the change in the accounting policy in respect of property, plant and equipment are presented below.

(in millions of Russian Rubles unless noted otherwise)

Impact on the Consolidated Statement of Financial Position and Statement of Changes in Equity:

	31 December 2017			1 January 2017		
	As reported	Changes in accounting policies in respect of property, plant and equipment	Restated	As reported	Changes in accounting policies in respect of property, plant and equipment	Restated
Property, plant and equipment	799,855	(156,705)	643,150	765,047	(160,850)	604,197
Investments in associates and joint ventures	20,097	(79)	20,018	20,278	(104)	20,174
Available-for-sale financial assets	18,495	(2)	18,493	21,181	(32)	21,149
Deferred income tax assets	9,354	238	9,592	6,640	278	6,918
Total non-current assets	**873,132**	**(156,548)**	**716,584**	**834,993**	**(160,708)**	**674,285**
TOTAL ASSETS	**1,028,251**	**(156,548)**	**871,703**	**983,446**	**(160,708)**	**822,738**
Retained earnings and other reserves	231,967	(132,343)	99,624	243,790	(135,593)	108,197
Equity attributable to the shareholders of PJSC RusHydro	**692,845**	**(132,343)**	**560,502**	**646,669**	**(135,593)**	**511,076**
Non-controlling interest	2,719	6,387	9,106	4,263	6,242	10,505
TOTAL EQUITY	**695,564**	**(125,956)**	**569,608**	**650,932**	**(129,351)**	**521,581**
Deferred income tax liabilities	41,695	(30,592)	11,103	39,086	(31,357)	7,729
Total non-current liabilities	**181,439**	**(30,592)**	**150,847**	**215,858**	**(31,357)**	**184,501**
TOTAL LIABILITIES	**332,687**	**(30,592)**	**302,095**	**332,514**	**(31,357)**	**301,157**
TOTAL EQUITY AND LIABILITIES	**1,028,251**	**(156,548)**	**871,703**	**983,446**	**(160,708)**	**822,738**

(in millions of Russian Rubles unless noted otherwise)

Impact on the Consolidated Income Statement, Statement of Comprehensive Income and Statement of Cash Flows:

	Year ended 31 December 2017 (as reported)	**Changes in accounting policies in respect of property, plant and equipment**	**Year ended 31 December 2017 (restated)**
Operating expenses (excluding impairment losses), including	(303,805)	4,143	(299,662)
Depreciation of property, plant and equipment and amortisation of intangible assets	(25,023)	3,683	(21,340)
Loss on disposal of property, plant and equipment, net	(1,006)	318	(688)
Other loss	(468)	142	(326)
Operating profit excluding impairment losses	**77,749**	**4,143**	**81,892**
Impairment of property, plant and equipment	(24,000)	(1,301)	(25,301)
Operating profit	**47,792**	**2,842**	**50,634**
Share of results of associates and joint ventures	417	25	442
Profit before income tax	**35,519**	**2,867**	**38,386**
Income tax expense	(13,068)	(544)	(13,612)
Profit for the year	**22,451**	**2,323**	**24,774**
Attributable to:			
Shareholders of PJSC RusHydro	24,013	2,390	26,403
Non-controlling interest	(1,562)	(67)	(1,629)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.0596	0.006	0.0656
Impairment of revalued property, plant and equipment	(1,043)	1,043	-
Total items that will not be reclassified to profit or loss	**(699)**	**1,043**	**344**
Loss arising on available-for-sale financial assets	(2,561)	29	(2,532)
Total items that may be reclassified subsequently to profit or loss	**(2,588)**	**29**	**(2,559)**
Other comprehensive loss	**(3,287)**	**1,072**	**(2,215)**
Total comprehensive income for the year	**19,164**	**3,395**	**22,559**
Attributable to:			
Shareholders of PJSC RusHydro	20,809	3,250	24,059
Non-controlling interest	(1,645)	145	(1,500)

Adoption of new or revised standards and interpretations

- **Adoption of IFRS 9, Financial Instruments.** The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat disclosures made in the Consolidated financial statements for the year ended 31 December 2017.

(in millions of Russian Rubles unless noted otherwise)

The table below provides a reconciliation of carrying value of each class of equity financial assets under IAS 39 with new measurement categories of IFRS 9 Financial instruments, adopted from 1 January 2018:

	Available-for-sale financial assets / measured at fair value through OCI (FVOCI)	Financial assets / measured at fair value through PL (FVPL)	Total
As at 31 December 2017 – IAS 39	**18,493**	**-**	**18,493**
Reclassification of available-for-sale financial assets to FVPL	(17,953)	17,953	-
As at 1 January 2018 – IFRS 9	**540**	**17,953**	**18,493**

Investments in shares of listed companies are reclassified from available-for-sale financial assets which were included in non-current assets as at 31 December 2017 to financial assets at fair value through profit or loss. The gains from revaluation at fair value of the shares of listed companies accumulated as at 1 January 2018 in revaluation reserve on available-for-sale financial assets in the amount of RR 13,894 million were transferred to retained earnings as at 1 January 2018. Subsequent revaluations of the fair value of these shares after reclassification are reported in profit or loss as “Other operating income/expense”.

Other investments in shares of unquoted companies are reclassified to financial assets at fair value through other comprehensive income due to the fact that management of the Group treats them as long-term strategic investments and does not expect to sell them in the short to medium term. The accumulated gain from their revaluation in the amount of RR 459 million as at 1 January 2018 is recognised in the revaluation reserve for financial assets.

The total impact of the change of classification and measurement on the Group’s retained earnings as at 1 January 2018:

Retained earnings as at 31 December 2017 (restated)	**220,114**
Non-controlling interest as at 31 December 2017 (restated)	**9,106**
Reclassification of accumulated gains on available-for-sale financial assets to retained earnings	13,894
Reversal of impairment of financial assets measured at amortised cost in accounts receivable due to transfer to ECL model	749
Change in deferred taxes relating to impairment provisions of financial assets measured at amortised cost in accounts receivable due to transfer to ECL model	(26)
Total change in retained earnings	**14,562**
Total change in non-controlling interest	**55**
Retained earnings as at 1 January 2018	**234,676**
Non-controlling interest as at 1 January 2018	**9,161**

- **Adoption of IFRS 15, Revenue from Contracts with Customers.** The Group applied the simplified method of transition to IFRS 15, and elected to apply the practical expedient available for the simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018). The Group analysed the effect of the retrospective application of the standard in relation to such contracts and concluded that it was immaterial.

Received compensation of losses in grids. From 1 January 2018, the Group recognises revenue from compensation of transmission losses and expenses on power distribution under contracts with grid companies on a net basis. Compensation of transmission losses that the Group receives from grid companies is not treated as a separate performance obligation in accordance with IFRS 15. Therefore, this compensation cannot be recognised within revenues as the contract on compensation of losses is not a contract with a customer in the context of IFRS 15 and is outside the scope of IFRS 15. The compensation of transmission losses that entities of the Group received in the year ended 31 December 2018 amounted to RR 8,458 million (for the year ended 31 December 2017: RR 8,153 million).

Purchase of electricity for own needs. The cost of electricity that the Group buys at WEM to support the technological process and for other own needs, in accordance with IFRS 15 represents compensation to be paid to the customer. From 1 January 2018 this compensation is recognised as a reduction of the transaction price and, therefore, of revenue, unless the payment to the customer is in exchange for distinct goods or services that the customer transfers to the Group. The cost of electricity purchased to support the technological process and for other own needs for the year ended 31 December 2018 totalled RR 619 million (for the year ended 31 December 2017: RR 583 million).

The significant new accounting policies applied in the current period are described in Note 2. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 36.

The following new standards, amendments to standards and interpretations became effective from 1 January 2018 but did not have any material impact on the Group's consolidated financial statements:

- Amendments to IFRS 2, Share-based Payments (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22, Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40, Transfers of Investment Property (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Reclassifications. In addition to the changes in accounting policies as described above, certain reclassifications have been made to prior year data to conform to the current year presentation. These reclassifications are not material.

Note 4. New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted. These standards and interpretations have been approved for adoption in the Russian Federation unless noted otherwise.

IFRS 16, Leases *(issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).* The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives which presumes recognition of cumulative effect of initial application at the date of the initial application. According to preliminary estimates made by the Group, one-off recognition of non-current assets and financial liabilities as at 1 January 2019 will amount to RR 4,200–6,200 million.

IFRIC 23, Uncertainty over Income Tax Treatments *(issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).* IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The new interpretation will have no significant impact on the Group's consolidated financial statements.

Definition of a business – Amendments to IFRS 3 *(issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).* The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019.
- Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- IFRS 17, Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

(in millions of Russian Rubles unless noted otherwise)

Note 5. Principal subsidiaries

All principal subsidiaries are incorporated and operate in the Russian Federation. Differences between the ownership interest and voting interest held by some subsidiaries represent the effect of preference shares and / or effects of indirect ownership, or shares of limited liability companies (LLC).

The Group operates in the three main reportable segments one of which is represented by the Group's parent company – PJSC RusHydro (Note 6). The principal subsidiaries are presented below according to their allocation to the reportable segments as at 31 December 2018 and 31 December 2017.

ESC RusHydro subgroup segment

ESC RusHydro subgroup segment includes the Group's subsidiaries which sell electricity to final customers. All the entities included in this segment with the exception of JSC ESC RusHydro have the guaranteeing supplier status and are obliged to sign contracts on supplies with all final consumers of their region upon their request.

	31 December 2018		31 December 2017	
	% of ownership	% of voting	% of ownership	% of voting
JSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
PJSC Krasnoyarskenergosbyt	65.81%	69.40%	65.81%	69.40%
PJSC Ryazanenergosbyt	90.52%	90.52%	90.52%	90.52%
JSC Chuvashskaya Electricity Sales Company	100.00%	100.00%	100.00%	100.00%

RAO ES East subgroup segment

RAO ES East subgroup segment consists of JSC RAO ES East and its subsidiaries that generate, distribute and sell electricity and heat in the Far East region of the Russian Federation and render transportation, construction, repair and other services.

Principal subsidiaries of this segment are presented below:

	31 December 2018		31 December 2017	
	% of ownership	% of voting	% of ownership	% of voting
JSC RAO ES East	99.98%	99.98%	99.98%	99.98%
PJSC DEK	52.11%	52.17%	52.11%	52.17%
JSC DGK	52.11%	100.00%	52.11%	100.00%
JSC DRSK	52.11%	100.00%	52.11%	100.00%
PJSC Kamchatskenergo	98.72%	98.74%	98.72%	98.74%
PJSC Magadanenergo*	48.99%	49.00%	48.99%	49.00%
PJSC Sakhalinenergo	57.80%	57.82%	57.80%	57.82%
PJSC Yakutskenergo	79.15%	79.16%	79.15%	79.16%

** Control over PJSC Magadanenergo is achieved by the majority of votes on the shareholders meeting because the remaining part of the shares not owned by the Group are distributed among a large number of shareholders the individual stakes of which are insignificant.*

Other segments

Other segments include:

- the Group's subsidiaries engaged in production and sale of electricity and capacity;
- the Group's subsidiaries primarily engaged in research and development related to the utilities industry and construction of hydropower facilities;
- the Group's subsidiaries engaged in repair, upgrade and reconstruction of equipment and hydropower facilities;
- the Group's subsidiaries engaged primarily in hydropower plants construction;
- minor segments which do not have similar economic characteristics.

(in millions of Russian Rubles unless noted otherwise)

Principal subsidiaries included in other segments are presented below:

	31 December 2018		31 December 2017	
	% of ownership	% of voting	% of ownership	% of voting
JSC Blagoveschensk TPP	100.00%	100.00%	100.00%	100.00%
JSC VNIIG named after B. E. Vedeneev	100.00%	100.00%	100.00%	100.00%
JSC Geotherm	99.74%	99.74%	99.65%	99.65%
JSC Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
JSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
JSC Zaramag HS	99.75%	99.75%	99.75%	99.75%
JSC Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
PJSC Kolimaenergo	98.76%	98.76%	98.76%	98.76%
JSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
JSC NIIES	100.00%	100.00%	100.00%	100.00%
JSC Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
JSC Sakhalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC TPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
JSC Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
JSC Ust'-Srednekanskaya HPP named after A. F. Dyakov	99.63%	100.00%	99.63%	100.00%
JSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
JSC Yakutskaya GRES-2	100.00%	100.00%	100.00%	100.00%

(in millions of Russian Rubles unless noted otherwise)

Non-controlling interest

Summarised financial information related to subsidiaries with significant amount of non-controlling interest before elimination of operations between the Group's subsidiaries is presented below:

	RAO ES East subgroup		including DEK subgroup	
Financial position	**31 December 2018**	**31 December 2017 (restated)**	**31 December 2018**	**31 December 2017 (restated)**
Share of non-controlling interest	0.02%	0.02%	47.89%	47.89%
Share of voting rights, attributable to non-controlling interest	0.02%	0.02%	47.83%	47.83%
Non-current assets	126,987	117,525	63,618	66,170
Current assets	83,725	64,971	44,565	28,543
Non-current liabilities	(114,492)	(89,604)	(70,153)	(61,946)
Current liabilities	(88,971)	(89,500)	(50,474)	(40,998)
Net assets / (liabilities)	**7,249**	**3,392**	**(12,444)**	**(8,231)**
Calculated value of non-controlling interest	**13,226**	**12,354**	**5,183**	**6,949**
Adjustment to non-controlling interest due to recognition of loan received from the parent company of the Group at fair value	(4,309)	(4,309)	(3,438)	(3,438)
Carrying value of non-controlling interest	**8,917**	**8,045**	**1,745**	**3,511**
Financial results	**Year ended 31 December 2018**	**Year ended 31 December 2017 (restated)**	**Year ended 31 December 2018**	**Year ended 31 December 2017 (restated)**
Revenue	177,877	168,714	124,929	123,406
Loss for the year	(207)	(14,129)	(4,043)	(3,086)
Total comprehensive income / (loss) for the year	236	(13,856)	(3,694)	(2,827)
Profit / (loss) for the year, attributable to non-controlling interest	566	(1,763)	(1,936)	(1,461)
Changes in other comprehensive income, attributable to non-controlling interest	202	156	166	124
Cash flows				
Cash generated by operating activities	17,051	14,481	3,880	2,499
Cash used in investing activities	(23,643)	(19,208)	(6,070)	(8,052)
Cash generated by financing activities	11,701	7,562	6,139	6,899
Increase in cash and cash equivalents	**5,109**	**2,835**	**3,949**	**1,346**

The rights of the non-controlling shareholders of the presented subgroups are determined by the Federal Law "On Joint Stock Companies" and the charter documents of JSC RAO ES East and PJSC DEK.

Note 6. Segment information

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the operating segments, which based on the same principles as the present consolidated financial statements, is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated to the segments and the performance of the segments' operating activities.

The CODM analyses the information concerning the Group by the groups of operations which are aggregated in operating segments presented by the following separate reportable segments: PJSC RusHydro (the Group's parent company), ESC RusHydro subgroup, RAO ES East subgroup and other segments (Note 5). Transactions of other segments are not disclosed as reportable segments based on quantitative indicators for the periods presented.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

The segments' operational results are assessed on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment and amortisation of intangible assets, gains on changes in the carrying value of financial assets at fair value through profit or loss, impairment of property, plant and equipment, impairment of accounts receivable, gain / loss on disposal of property, plant and equipment, gain / loss on disposal of subsidiaries and joint ventures, and other non-monetary items of operating income and expenses. This definition of EBITDA may differ from the methods applied by other companies. Management believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Group's operating segments, as it reflects the earnings trends excluding the impact of the above charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt balances are eliminated from these disclosures.

Other information provided to the CODM is consistent with the information presented in the Group's consolidated financial statements.

Intersegment sales are carried out at market prices.

Segment information as at and for the years ended 31 December 2018 and 31 December 2017 is presented below.

(in millions of Russian Rubles unless noted otherwise)

Year ended 31 December 2018	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	**127,386**	**58,176**	**177,877**	**39,228**	**402,667**	**(43,897)**	**358,770**
including:							
from third parties	*116,131*	*58,124*	*177,398*	*7,117*	***358,770***	-	***358,770***
sales of electricity	*81,866*	*57,021*	*103,666*	*815*	***243,368***	-	***243,368***
sales of capacity	*33,955*	-	*9,306*	*572*	***43,833***	-	***43,833***
sales of heat and hot water	*166*	-	*39,982*	*2*	***40,150***	-	***40,150***
other revenue	*144*	*1,103*	*24,444*	*5,728*	***31,419***	-	***31,419***
from intercompany operations	*11,255*	*52*	*479*	*32,111*	***43,897***	*(43,897)*	**-**
Government grants	-	37	41,378	233	**41,648**	-	**41,648**
Operating expenses (excluding depreciation and other non-monetary items)	(45,165)	(58,091)	(195,535)	(36,224)	**(335,015)**	44,270	**(290,745)**
EBITDA	**82,221**	**122**	**23,720**	**3,237**	**109,300**	**373**	**109,673**
Other operating income	601	-	66	940	**1,607**	-	**1,607**
Depreciation of property, plant and equipment and amortisation of intangible assets	(12,071)	(140)	(7,194)	(3,080)	**(22,485)**	175	**(22,310)**
Other non-monetary items of operating income and expenses	**(7,885)**	**(581)**	**(8,425)**	**(10,684)**	**(27,575)**	**25**	**(27,550)**
including:							
gain / (loss) arising on financial assets at fair value through profit or loss	*1,551*	-	*(37)*	*2,331*	***3,845***	-	***3,845***
impairment of property, plant and equipment	*(7,430)*	-	*(4,788)*	*(12,003)*	***(24,221)***	-	***(24,221)***
impairment of accounts receivable, net	*(936)*	*(531)*	*(3,661)*	*(251)*	***(5,379)***	-	***(5,379)***
(loss) / profit on disposal of property, plant and equipment, net	*(1,163)*	*(19)*	*39*	*(639)*	***(1,782)***	*25*	***(1,757)***
profit / (loss) on disposal of subsidiaries and joint venture, net	*93*	*(31)*	*22*	*(122)*	***(38)***	-	***(38)***
Operating profit / (loss)	**62,866**	**(599)**	**8,167**	**(9,587)**	**60,847**	**573**	**61,420**
Finance income							7,667
Finance costs							(23,088)
Share of results of associates and joint ventures							1,860
Profit before income tax							**47,859**
Income tax expense							(16,022)
Profit for the year							**31,837**
Capital expenditure	**18,016**	**150**	**26,845**	**31,994**	**77,005**	**-**	**77,005**
31 December 2018							
Non-current and current debt	**144,751**	**1,769**	**44,759**	**5,568**	**196,847**	**-**	**196,847**

(in millions of Russian Rubles unless noted otherwise)

Year ended 31 December 2017 (restated)	**PJSC RusHydro**	**ESC RusHydro subgroup**	**RAO ES East subgroup**	**Other segments**	**Total segments**	**Unallocated adjustments and intercompany operations**	**TOTAL**
Revenue	**120,493**	**61,817**	**168,714**	**29,039**	**380,063**	**(31,944)**	**348,119**
including:							
from third parties	*111,091*	*61,799*	*168,398*	*6,831*	***348,119***	*-*	***348,119***
sales of electricity	*77,059*	*60,657*	*102,867*	*826*	***241,409***	*-*	***241,409***
sales of capacity	*33,723*	*-*	*6,856*	*302*	***40,881***	*-*	***40,881***
sales of heat and hot water	*158*	*-*	*38,747*	*2*	***38,907***	*-*	***38,907***
other revenue	*151*	*1,142*	*19,928*	*5,701*	***26,922***	*-*	***26,922***
from intercompany operations	*9,402*	*18*	*316*	*22,208*	***31,944***	*(31,944)*	***-***
Government grants	-	-	32,567	178	**32,745**	-	**32,745**
Other operating income (excluding non-monetary items)	259	-	-	431	**690**	-	**690**
Operating expenses (excluding depreciation and other non-monetary items)	(44,075)	(60,239)	(177,768)	(27,174)	**(309,256)**	31,882	**(277,374)**
EBITDA	**76,677**	**1,578**	**23,513**	**2,474**	**104,242**	**(62)**	**104,180**
Depreciation of property, plant and equipment and amortisation of intangible assets	(11,213)	(162)	(7,867)	(2,308)	**(21,550)**	210	**(21,340)**
Other non-monetary items of operating income and expenses	**(3,588)**	**(1,020)**	**(14,529)**	**(13,064)**	**(32,201)**	**(5)**	**(32,206)**
including:							
impairment of property, plant and equipment	*(2,414)*	*-*	*(10,128)*	*(12,759)*	***(25,301)***	*-*	***(25,301)***
impairment of accounts receivable, net	*(1,324)*	*(1,011)*	*(3,385)*	*(237)*	***(5,957)***	*-*	***(5,957)***
profit / (loss) on disposal of property, plant and equipment, net	*110*	*(9)*	*(706)*	*(78)*	***(683)***	*(5)*	***(688)***
profit / (loss) on disposal of subsidiaries and associates, net	*40*	*-*	*(310)*	*10*	***(260)***	*-*	***(260)***
Operating profit / (loss)	**61,876**	**396**	**1,117**	**(12,898)**	**50,491**	**143**	**50,634**
Finance income							8,443
Finance costs							(21,133)
Share of results of associates and joint ventures							442
Profit before income tax							**38,386**
Income tax expense							(13,612)
Profit for the year							**24,774**
Capital expenditure	**25,559**	**156**	**23,332**	**38,321**	**87,368**	-	**87,368**
31 December 2017							
Non-current and current debt	**120,070**	**1,268**	**43,348**	**4,839**	**169,525**	**-**	**169,525**

(in millions of Russian Rubles unless noted otherwise)

Note 7. Related party transactions

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

The Group's principal related parties for the years ended 31 December 2018 and 31 December 2017 were joint ventures, associates of the Group (Note 9) and government-related entities.

Joint ventures

The Group had the following balances with its joint ventures:

	Note	31 December 2018	31 December 2017
Promissory notes	11	7,551	6,880
Advances to suppliers		8	172
Loans received		-	750

The Group had the following transactions with its joint ventures:

	Year ended 31 December 2018	Year ended 31 December 2017
Sales of electricity and capacity	293	337
Other revenue	468	622
Purchased electricity and capacity	517	2,835

Associates

The Group had the following balances with its associates:

	31 December 2018	31 December 2017
Trade and other receivables	513	456
Accounts payable	1,593	1,277

The Group had the following transactions with its associates:

	Year ended 31 December 2018	Year ended 31 December 2017
Sales of electricity and capacity	2,857	2,673
Other revenue	111	153
Rent	615	605

Government-related entities

In the normal course of business the Group enters into transactions with the entities related to the Government.

The Group had transactions during the years ended 31 December 2018 and 31 December 2017 and balances outstanding as at 31 December 2018 and 31 December 2017 with the government-related banks (Notes 11, 12, 15, 19). All transactions with the banks are carried out at market rates. The Company had an additional issue of shares and sold treasury shares of its subsidiaries (Note 16). The Company also entered into a non-deliverable forward contract for its treasury shares and cross-currency and interest rate swap arrangement with PJSC VTB Bank (Notes 11 and 20).

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 20 percent of total sales of electricity, capacity and heat for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately 30 percent). Sales of electricity and capacity under the regulated contracts are made directly to the consumers, within the day-ahead market (DAM) – through commission agreements with JSC Centre of Financial Settlements (CFS). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants.

During the year ended 31 December 2018 the Group received government subsidies of RR 41,648 million (in 2017: RR 32,745 million) (Note 25).

Government subsidies receivable comprised RR 2 539 million as at 31 December 2018 (31 December 2017: RR 3,401 million) (Note 13). There were no accounts payable on free-of-charge targeted contributions of the Group as at 31 December 2018 and 31 December 2017.

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 30 percent of total expenses on purchased electricity, capacity and fuel for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately 30 percent).

Grid companies services on electricity distribution provided to the Group by government-related entities comprised approximately 80 percent of total electricity distribution expenses for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately 80 percent). The distribution of electricity is subject to tariff regulations.

Key management of the Group. Key management of the Group includes members of the Board of Directors of the Company, members of the Management Board of the Company, heads of the business subdivisions of the Company and their deputies, key management of subsidiaries of RAO ES East subgroup segment.

Remuneration to the members of the Board of Directors of the Company for their services in their capacity and for attending Board meetings is paid depending on the results for the year and is calculated based on specific remuneration policy approved by the Annual General Shareholders Meeting of the Company.

Remuneration to the members of the Management Board and to other key management of the Group is paid for their services in full time management positions and is made up of a contractual salary and performance bonuses depending on the results of the work for the period based on key performance indicators approved by the Board of Directors of the Company.

Main compensation for Key management of the Group generally is short-term excluding future payments under pension plans with defined benefits. Pension benefits for key management of the Group are provided on the same terms as for the rest of employees.

Short-term remuneration paid to the key management of the Group for the year ended 31 December 2018 comprised RR 1,623 million including an accrual for bonuses in the amount of RR 398 million (for the year ended 31 December 2017: RR 1,877 million including accrual for bonuses in the amount of RR 400 million). The accrual for bonuses for the year ended 31 December 2018 includes remuneration under the Company's top management long-term motivation program as expected based on the 2018 results.

(in millions of Russian Rubles unless noted otherwise)

Note 8. Property, plant and equipment

Cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2017 (restated)	**83,938**	**308,921**	**358,685**	**296,572**	**15,100**	**1,063,216**
Reclassification	51	(735)	153	402	129	-
Additions	143	355	1,913	73,196	1,398	77,005
Transfers	3,938	14,472	38,650	(57,257)	197	-
Disposals of subsidiaries	(30)	(5)	(3)	-	(1)	(39)
Disposals and write-offs	(572)	(780)	(2,899)	(3,914)	(1,480)	(9,645)
Balance as at 31 December 2018	**87,468**	**322,228**	**396,499**	**308,999**	**15,343**	**1,130,537**
Accumulated depreciation (including impairment)						
Balance as at 31 December 2017 (restated)	**(39,986)**	**(173,658)**	**(164,391)**	**(32,609)**	**(9,422)**	**(420,066)**
Reclassification	(11)	47	67	2	(105)	-
Impairment charge	(2,062)	(8,743)	(16,767)	(13,752)	(59)	(41,383)
Reversal of impairment	2,470	4,524	8,565	1,557	46	17,162
Depreciation charge	(1,402)	(5,961)	(14,253)	-	(1,110)	(22,726)
Transfers	(307)	(1,353)	(1,157)	2,828	(11)	-
Disposals of subsidiaries	18	2	3	-	1	24
Disposals and write-offs	442	598	2,592	2,041	203	5,876
Balance as at 31 December 2018	**(40,838)**	**(184,544)**	**(185,341)**	**(39,933)**	**(10,457)**	**(461,113)**
Net book value as at 31 December 2018	**46,630**	**137,684**	**211,158**	**269,066**	**4,886**	**669,424**
Net book value as at 31 December 2017 (restated)	**43,952**	**135,263**	**194,294**	**263,963**	**5,678**	**643,150**

Cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2016 (restated)	**74,091**	**282,313**	**316,881**	**292,837**	**14,875**	**980,997**
Reclassification	68	4,895	(5,121)	265	(107)	-
Additions	111	173	1,281	84,843	960	87,368
Transfers	10,221	23,011	47,442	(80,759)	85	-
Disposals of subsidiaries	(272)	(87)	(176)	(27)	(127)	(689)
Disposals and write-offs	(281)	(1,384)	(1,622)	(587)	(586)	(4,460)
Balance as at 31 December 2017 (restated)	**83,938**	**308,921**	**358,685**	**296,572**	**15,100**	**1,063,216**
Accumulated depreciation (including impairment)						
Balance as at 31 December 2016 (restated)	**(34,266)**	**(155,610)**	**(145,496)**	**(32,937)**	**(8,491)**	**(376,800)**
Impairment charge	(4,349)	(8,517)	(9,128)	(3,855)	(49)	(25,898)
Reversal of impairment	-	-	-	597	-	597
Depreciation charge	(1,532)	(6,326)	(12,668)	-	(1,143)	(21,669)
Transfers	(226)	(3,929)	1,175	3,127	(147)	-
Disposals of subsidiaries	267	86	167	6	85	611
Disposals and write-offs	120	638	1,559	453	323	3,093
Balance as at 31 December 2017 (restated)	**(39,986)**	**(173,658)**	**(164,391)**	**(32,609)**	**(9,422)**	**(420,066)**
Net book value as at 31 December 2017 (restated)	**43,952**	**135,263**	**194,294**	**263,963**	**5,678**	**643,150**
Net book value as at 31 December 2016 (restated)	**39,825**	**126,703**	**171,385**	**259,900**	**6,384**	**604,197**

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including power plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 31 December 2018 such advances amounted to RR 33,281 million (31 December 2017: RR 36,577 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 8,370 million, the capitalisation rate was 8.31 percent (for the year ended 31 December 2017: RR 11,584 million, the capitalisation rate was 9.50 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 342 million (for the year ended 31 December 2017: RR 696 million).

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

(in millions of Russian Rubles unless noted otherwise)

Impairment of property, plant and equipment as at 31 December 2018 and 31 December 2017

The following key assumptions were used in the impairment testing for the years ended 31 December 2018 and 31 December 2017:

Key assumptions used in the impairment testing	Year ended 31 December 2018	Year ended 31 December 2017
Information used	Actual operating results of generating units for the respective period and business plans for 5 years (2019–2023)	Actual operating results of generating units for the respective period and business plans for 5 years (2018–2022)
Forecast period*	For the generating units operating hydro- and geothermal power plants and for units dealing with electricity transmission – 10 years (2019–2028)	For the generating units operating hydro- and geothermal power plants and for units dealing with electricity transmission – 10 years (2018–2027)
	For the generating units supplying capacity under capacity sale contracts at new hydropower plants, including hydro-accumulating power plants – until the completion of the capacity sale contracts 14–17 years (2019–2035)	For the generating units supplying capacity under capacity sale contracts at new hydropower plants, including hydro-accumulating power plants – until the completion of the capacity sale contracts 15–18 years (2018–2035)
	For the generating units operating thermal power plants – based on the remaining useful life of the key equipment 11–35 years (2019–2053)	For the generating units operating thermal power plants – based on the remaining useful life of the key equipment 11–35 years (2018–2052)
Forecasted growth rates in terminal period	4.3 percent	4.2 percent
Discount rate before tax (based on weighted average cost of capital)	14.2–16.8 percent	14.4–17.0 percent
Forecast of electricity and capacity tariffs in the isolated energy systems and in non-pricing zone of the Far East	Based on methodology of tariffs calculation adopted by regulatory authority	Based on methodology of tariffs calculation adopted by regulatory authority
Forecast of electricity and capacity prices in competitive market	Based on the forecast of JSC TSA and forecast rates on energy prices growth prepared by the Ministry of Economic Development of RF	Based on the forecast of JSC TSA and forecast rates on energy prices growth prepared by the Ministry of Economic Development of RF
Forecast of capacity prices related to competitive capacity selection	For 2019–2021 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used For 2022-2025 - in accordance with the Decree of the Government of the Russian Federation from 25.01.2009 №43 For 2026 and after – adjusted on consumer index price	For 2018–2021 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used For 2022 and after – adjusted on consumer index price
Forecast of electricity and capacity volumes	Based on the Company's management assessment of future trends in the business	Based on the Company's management assessment of future trends in the business
Forecast of capital expenditures	Based on the management valuation of capital expenditures on modernisation and reconstruction programme	Based on the management valuation of capital expenditures on modernisation and reconstruction programme

** Management considers that a forecast period greater than five years is appropriate as it is expected that cash flow projections will not be stabilised within five years. However a forecast period of cash flows was mainly defined by remaining useful life of assets tested. For hydroelectric power plants this period may amount up to 100 years due to the fact that key asset is a dam. In this regard the recoverable amount of assets was defined based on cash flows during the forecast period and terminal values.*

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

Management of the Group analysed the current economic situation, in which the Group operates, in order to detect the indicators of impairment of property, plant and equipment or indicators that an impairment loss recognised in prior periods no longer exists or decreased.

As a result of the impairment test of property, plant and equipment as at 31 December 2018 the impairment loss of RR 41,383 million was recognised in the Consolidated Income Statement, mainly related to the following cash-generating units:

(in millions of Russian Rubles unless noted otherwise)

- "Kolymaenergo" (Ust'-Srednekanskaya HPP and Kolymskaya HPP) – in the amount of RR 14,808 million and "TPP Vostochnaya" in the amount of RR 7,176 million due to the fact that the economically feasible tariffs being set at the assets commissioning date allow recovering capital expenditure without required return on investment.
- "Saratovskaya HPP" – in the amount of RR 12,405 million due to the fact that a significant increase in the carrying amount of property, plant and equipment, given that the complex modernisation programme is implemented, is limited to the recoverable amount, which is the present value of the future cash flows from the operation of this generating unit.

In addition, impairment loss of RR 17,162 million recognised in respect of property, plant and equipment in previous reporting periods was reversed in the Consolidated Income Statement, mainly related to the following cash-generating units:

- "Zagorskaya GAES", "Novosibirskaya HPP", "Karachaevo-Cherkessky branch" – in the amount of RR 8,150 million due to the faster growth of the competitive capacity selection price index for 2022-2025 under Resolution of the Russian Government No. 43 dated 25.01.2019 as compared to the earlier expected one.
- "Kamchatskenergo", "Sakhalinenergo", "Sakhaenergo" – in the amount of RR 4,747 million due to the due to the fact that the maximum growth of economically feasible tariffs is not restricted by the growth index of fees collected from the population.
- "Blagoveshchenskaya CHP" – in the amount of RR 3,619 million due to the update of data on the power plant loading, taking into account the priority given to loading more efficient power plants when distributing required production volumes.

The table below shows the sensitivity of the recoverable amount of cash-generating units to key assumptions as at 31 December 2018:

	Recoverable amount	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity of recoverable amount
Property, plant and equipment	669,424	Discounted cash flows	Electricity and capacity prices and electricity tariff forecast in isolated power systems and non-price zone of the Far East	-10% -1%	(34,156)
			Discount rate	+1%	(16,416)
			Capital expenditures	+10%	(3,136)

Management of the Group believes that property, plant and equipment at Zagorskaya GAES-2 with carrying amount of RR 60,552 million is not impaired as at 31 December 2018 as there were capacity supply contracts concluded in respect of new power generation facilities of Zagorskaya GAES-2, that guarantee the payback period of 20 years for the total cost of construction for the period. In April 2018 the date of fulfilment of obligations as for capacity supply contracts was deferred to 1 January 2024 by decision of NP Council Market.

As a result of the impairment analysis of property, plant and equipment as at 31 December 2017 their carrying amount decreased by RR 25,301 million, impairment loss was recognised in the Consolidated Income Statement.

Leased equipment. As at 31 December 2018 the net book value of assets held under finance lease and included in property, plant and equipment was RR 272 million (31 December 2017: RR 1,372 million). Assets held under finance leases were mainly represented by plant and equipment.

Operating leases. The Group leases a number of land plots owned by local governments, and production buildings under non-cancellable operating lease agreements. Lease payments are determined by the agreements. The land plots leased by the Group are those where the Group's hydropower plants and other assets are located. According to the Land Code of the Russian Federation such land plots are limited in their alienability and cannot be privatised. The Group's operating leases typically run for an initial period of 5–49 years with an option to renew the lease after that date. Lease payments are reviewed regularly.

(in millions of Russian Rubles unless noted otherwise)

The future payments under non-cancellable operating leases in accordance with the rates as at the reporting date, are as follows:

	31 December 2018	31 December 2017
Less than one year	2,223	2,115
Between one and five years	7,361	7,774
After five years	27,738	32,582
Total operating lease	**37,322**	**42,471**

Pledged assets. As at 31 December 2018 and 31 December 2017, no property, plant and equipment have been pledged as collateral for borrowings.

Note 9. Investments in associates and joint ventures

The Group's interests in associates and joint ventures and their carrying values were as follows:

		% held		Carrying value	
	Place of business	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017 (restated)**
Associates					
OJSC Irkutsk Electronetwork Company (OJSC IENC)	Russia	42.75%	42.75%	7,465	7,656
OJSC Sakhalin Energy Company (OJSC SEC)	Russia	34.62%	34.62%	2,155	1,895
Other				110	143
Total associates				**9,730**	**9,694**
Joint ventures					
BoGES Group	Russia	50.00%	50.00%	10,098	8,946
BALP Group	Russia	50.00%	50.00%	-	-
Other				-	1,378
Total joint ventures				**10,098**	**10,324**
Total investments in associates and joint ventures				**19,828**	**20,018**

The amounts in respect of associates and joint ventures recognised in the Consolidated Income Statement are as follows:

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Associates		
OJSC IENC	(192)	129
OJSC SEC	261	(33)
Other	(34)	(50)
Total associates	**35**	**46**
Joint ventures		
BoGES Group	1,809	362
BALP Group	-	-
Other	16	34
Total joint ventures	**1,825**	**396**
Share of results of associates and joint ventures	**1,860**	**442**

(in millions of Russian Rubles unless noted otherwise)

Associates

OJSC Irkutsk Electronetwork Company (OJSC IENC)

OJSC IENC operates electric power transmission grids with voltage of 220-500 kV and distribution grids with voltage of 0.4-110 kV in the Irkutsk region. The total length of overhead and cable power lines is over 40,000 km. OJSC IENC also maintains and ensures operation of over 10,000 transforming substations of 6-500 kV in voltage and over 28,000 MVA in total capacity. The core activities of OJSC IENC include provision of services in the area of electric power transmission and distribution, technological connection of consumers to power grids and maintenance of power grids' operating capacity. OJSC IENC's controlling shareholder is EN+ Group.

The Group's investment in OJSC IENC is non-core and is considered one of the priority assets for sale.

OJSC Sakhalin Energy Company (OJSC SEC)

OJSC SEC is a special project developer company involved in construction of a number of new power sector assets in the Sakhalin region to be financed from the federal and regional budgets. OJSC SEC's major project was construction of Power Generating Unit No. 4 (with total capacity of 139 MWt) at Yuzhno-Sakhalinsk Thermal Power Plant-1 (that was put into operation in the fourth quarter of 2013). OJSC SEC also built a number of power supply network facilities. The above units of generation and power supply network are leased to and operated by PJSC Sakhalinenergo, the Group's subsidiary. Other OJSC SEC's shareholders, in addition to the Group, are the Russian Government represented by the Federal Agency for State Property Management, and the Sakhalin region represented by the Ministry of Land and Property Affairs of the Sakhalin region.

The Group's investments in OJSC SEC are of strategic nature and are considered to be used in the project aimed at consolidating key energy assets of the Sakhalin region on the basis of the core vertically integrated entity PJSC Sakhalinenergo.

Summarised financial information for significant associates for the years ended 31 December 2018 and 31 December 2017 and as at 31 December 2018 and 31 December 2017:

	OJSC SEC		OJSC IENC	
As at 31 December	**2018**	**2017**	**2018**	**2017**
Non-current assets	7,452	6,960	23,897	22,960
Current assets	1,795	1,540	764	1,151
Non-current liabilities	-	-	(4,057)	(2,580)
Current liabilities	(52)	(59)	(5,356)	(5,835)
Net assets	**9,195**	**8,441**	**15,248**	**15,696**
For the year ended 31 December	**2018**	**2017**	**2018**	**2017**
Revenue	615	605	20,998	20,632
Impairment of property, plant and equipment	905	-	-	-
Profit / (loss) for the year	**754**	**130**	**(448)**	**301**
Total comprehensive income / (loss) for the year	**754**	**130**	**(448)**	**301**

(in millions of Russian Rubles unless noted otherwise)

Reconciliation of the summarised financial information of the associates to the carrying value of the Group's investment:

	OJSC SEC	OJSC IENC	Others	Total
Net assets as at 31 December 2016	**7,781**	**15,395**	**701**	
Profit / (loss) for the year	130	301	(202)	
Additional share issues	530	-	-	
Net assets as at 31 December 2017	**8,441**	**15,696**	**499**	
Interest in associates	2,923	6,710	143	9,776
Additional share issue	(1,028)	-	-	(1,028)
Goodwill	-	946	-	946
Carrying value as at 31 December 2017	**1,895**	**7,656**	**143**	**9,694**
Net assets as at 31 December 2017	**8,441**	**15,696**	**499**	
Profit / (loss) for the year	754	(448)	(116)	
Net assets as at 31 December 2018	**9,195**	**15,248**	**383**	
Interest in associates	3,183	6,519	110	9,812
Additional share issue	(1,028)	-	-	(1,028)
Goodwill	-	946	-	946
Carrying value as at 31 December 2018	**2,155**	**7,465**	**110**	**9,730**

Joint ventures

BoGES Group and BALP Group

Starting from 2006 the Company and RUSAL Group have been jointly implementing the Boguchansky Energy-Metallurgical Association (BEMA) project based on an agreement for joint financing, completion and subsequent operation of Boguchanskaya HPP and Boguchansky aluminium plant. Within the BEMA project, joint ventures BoGES Ltd (Cyprus) and BALP Ltd (Cyprus) were formed on a parity basis, which have controlling interests in PJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant, respectively.

BoGES Ltd and PJSC Boguchanskaya HPP together form BoGES Group. BALP Ltd and CJSC Boguchansky Aluminium Plant together form BALP Group.

BoGES Ltd and BALP Ltd provide corporate governance of Boguchanskaya HPP and Boguchansky Aluminium Plant in line with the parity of interests of the investors and are not engaged in other operations.

Starting from November 2012 Boguchanskaya HPP sells electricity and capacity to large consumers and electricity sales companies. The installed capacity of Boguchanskaya HPP is 2,997 MW, long-term average project production – 17 600 million kWh.

The capacity of Boguchansky Aluminium Plant is almost 600 thousand tonnes of aluminium per annum. The plant comprises two series with a capacity of 296 thousand tonnes each. The construction of the 1st series of Boguchansky Aluminium Plant is ongoing. The decision about the construction of the 2nd series of the plant has not been made by the investors. Boguchansky Aluminium Plant will become one of the key consumers of energy generated by Boguchanskaya HPP.

(in millions of Russian Rubles unless noted otherwise)

Summarised financial information for the significant joint ventures as at and for the years ended 31 December 2018 and 31 December 2017:

	BoGES Group		BALP Group	
As at 31 December	**2018**	**2017**	**2018**	**2017**
Non-current assets	64,048	65,851	40,891	34,411
Current assets including:	7,377	3,393	9,668	7,796
Cash and cash equivalents	5,405	815	1,588	1,260
Non-current liabilities including:	(43,769)	(43,911)	(134,826)	(103,833)
Non-current financial liabilities (excluding trade payables)	(38,055)	(38,147)	(134,806)	(103,827)
Current liabilities including:	(7,510)	(7,459)	(2,169)	(2,258)
Current financial liabilities (excluding trade payables)	(1,446)	(1,110)	(23)	(17)
Net assets	**20,146**	**17,874**	**(86,436)**	**(63,884)**
For the year ended 31 December	**2018**	**2017**	**2018**	**2017**
Revenue	16,872	15,724	20,210	17,081
Depreciation of property, plant and equipment	(2,156)	(1,867)	(1,325)	(1,191)
Impairment on financing of CJSC Boguchansky Aluminium Plant	(2,673)	(5,180)	-	-
Interest income	206	134	110	19
Interest expense	(2,420)	(2,893)	(5,575)	(6,230)
Foreign exchange differences	(9)	(4)	(17,329)	3,951
Profit / (loss) before income tax	**2,782**	**(388)**	**(22,552)**	**(1,489)**
Income tax expense	(478)	(83)	-	-
Profit / (loss) for the year	**2,304**	**(471)**	**(22,552)**	**(1,489)**
Total comprehensive income / (loss) for the year	**2,304**	**(471)**	**(22,552)**	**(1,489)**

Reconciliation of the summarised financial information presented to the carrying value of interest in joint ventures:

	BoGES Group	BALP Group	Others	Total
Net assets as at 31 December 2016	**18,345**	**(62,395)**	**2,529**	
(Loss) / profit for the year	(471)	(1,489)	102	
Net assets as at 31 December 2017	**17,874**	**(63,884)**	**2,631**	
Interest in joint ventures	8,937	(31,942)	1,173	(21,832)
Non-controlling interest	9	-	-	9
Accumulated losses	-	31,942	205	32,147
Carrying value as at 31 December 2017	**8,946**	**-**	**1,378**	**10,324**
Net assets as at 31 December 2017	**17,874**	**(63,884)**	**2,631**	
Profit / (loss) for the year	2,304	(22,552)	(75)	
Purchase of treasure shares	(32)	-	-	
Disposal / reclassification to non-current assets classified as held for sale	-	-	(3,029)	
Net assets as at 31 December 2018	**20,146**	**(86,436)**	**(473)**	
Interest in joint ventures	10,073	(43,218)	(237)	(33,382)
Non-controlling interest	25	-	-	25
Accumulated losses	-	43,218	237	43,455
Carrying value as at 31 December 2018	**10,098**	**-**	**-**	**10,098**

As at 31 December 2017 the Group had an outstanding guarantee issued for PJSC Boguchanskaya HPP in respect of its loan facility in favour of State Corporation Vnesheconombank, which was revoked in 2018 (Note 30).

As at 31 December 2018 the investment in LLC VolgaHydro of RR 450 million was classified as a non-current asset held for sale following the decision made in October 2018 by the Board of Directors of the Company to sell the Group's share in LLC VolgaHydro (Note 35).

(in millions of Russian Rubles unless noted otherwise)

Note 10. Financial assets at fair value through profit or loss and available-for-sale financial assets (as at 31 December 2017)

Information on the financial assets at fair value through profit or loss is presented below:

As at 1 January 2018 (Note 3)	**17,953**
Gain arising on financial assets at fair value through profit or loss within other operating income	3,845
Sale of shares of PJSC Inter RAO	(21,142)
As at 31 December 2018	**656**

Gain arising on financial assets at fair value through profit or loss for the year ended 31 December 2018 totalled RR 3,845 million, including the change in the fair value of PJSC Inter RAO`s shares of RR 3,923 million, and was recorded within other operating income.

In July 2018 the Group completed the transaction to sell shares of PJSC Inter RAO, with the result of the transaction recorded within equity (Note 16).

Information on the available-for-sale financial assets as at 31 December 2017 is presented below:

	31 December 2017	
	% of ownership	**Fair value**
PJSC Inter RAO	4.915%	17,219
Other	-	1,274
Total available-for-sale financial assets		**18,493**

Loss arising on available-for-sale financial assets for the year ended 31 December 2017 (restated) totalled RR 2,551 million was recorded within other comprehensive income.

Note 11. Other non-current assets

	31 December 2018	31 December 2017
Long-term promissory notes	40,475	39,549
Discount on long-term promissory notes	(14,826)	(15,662)
Credit loss allowance for long-term promissory notes	(14,025)	-
Impairment provision for long-term promissory notes	-	(14,025)
Long-term promissory notes, net	11,624	9,862
VAT recoverable	2,115	2,957
Cross-currency and interest rate swap	1,238	-
Goodwill	481	481
Long-term advances to suppliers	44	5,024
Other non-current assets	6,526	7,007
Total other non-current assets	**22,028**	**25,331**

Other non-current assets in the amount of RR 6,526 million (31 December 2017: RR 7,007 million) mainly include intangible assets, research and development costs and long-term accounts receivable.

Information on the credit loss allowance in relation to other non-current financial assets is presented in Note 34.

	Rating	Rating agency	Effective interest rate	Maturity date	31 December 2018	31 December 2017
Interest-free long-term promissory notes						
PJSC Boguchanskaya HPP	-	-	9.75%	2029	7,551	6,880
PJSC Bank VTB	BBB-	Standard & Poor's	8.45–10.42%	2020–2021	1,884	1,044
PJSC ROSBANK	BBB-	Fitch Ratings	10.90–14.58%	2020–2022	1,138	1,005
JSC Alfa Bank	BB+	Fitch Ratings	11.90–16.35%	2020–2022	961	860
Other	-	-	-	-	90	73
Total long-term promissory notes					**11,624**	**9,862**

Promissory notes of PJSC Boguchanskaya HPP. As at 31 December 2018 the amortised cost of interest-free long-term promissory notes of PJSC Boguchanskaya HPP (payable on demand but not earlier than 31 December 2029, with the total nominal value of RR 21,027 million) pledged as collateral to SC Vnesheconombank amounted to RR 7,551 million (31 December 2017: RR 6,880 million) (Note 9).

(in millions of Russian Rubles unless noted otherwise)

Goodwill. As at 31 December 2018 and 31 December 2017, the Group tested goodwill related to JSC Institute Hydroproject for its potential impairment. As a result the recoverable amount of JSC Institute Hydroproject as a cash generating asset was higher than the carrying amount - there is no economic impairment.

Cross-currency and interest rate swap. In November 2018 the Group concluded a cross-currency and interest rate swap arrangement with PJSC Bank VTB with a view to fix the Group's liabilities under the Eurobonds denominated in Chinese Yuan placed in November 2018 maturing in November 2021 (Note 19). The Eurobond issue amount of CNH 1,500 million is fixed in Russian Rubles at the market exchange rate in the amount of RR 14,430 million. Interim payments by PJSC Bank VTB are determined in Chinese Yuan at the fixed interest rate of 6.125 percent per annum based on the nominal amount and are made twice a year. Interim payments by the Company are set in Russian Rubles at the floating rate defined as an average of key interest rates of the Bank of Russia for the interest period plus a spread of 1.5 percent per annum based on the nominal principal in Russian Rubles, also made twice a year.

As at 31 December 2018 the asset for cross-currency and interest rate swap arrangement is recognised as long-term derivative financial instrument at fair value through profit or loss in the amount of RR 1,238 million.

Note 12. Cash and cash equivalents

	31 December 2018	31 December 2017
Cash equivalents (contractual interest rate: 4.06-8.22%)	45,451	59,029
Cash at bank	19,961	11,106
Cash in hand	20	21
Total cash and cash equivalents	**65,432**	**70,156**

Cash equivalents held as at 31 December 2018 and 31 December 2017 comprised short-term bank deposits with original maturities of three months or less.

Cash and cash equivalents balances denominated in US Dollars as at 31 December 2018 were RR 34 million (31 December 2017: RR 576 million). Cash and cash equivalents balances denominated in Euros as at 31 December 2018 were RR 39 million (31 December 2017: RR 63 million).

Cash and cash equivalents are deposited in several institutions as follows:

	Rating	Rating agency	31 December 2018	31 December 2017
Cash at banks				
Bank GPB (JSC)	BB+	Fitch Ratings	9,520	3,347
PJSC Sberbank	BBB-	Fitch Ratings	3,885	4,372
BANK ROSSIYA	A+(RU)	AKPA	3,804	1,888
PJSC ROSBANK	BBB-	Fitch Ratings	1,314	1,011
PJSC Bank VTB	BBB-	Standard & Poor's	1,090	190
Other	-	-	348	298
Total cash at banks			**19,961**	**11,106**
Bank deposits				
PJSC Bank VTB	BBB-	Standard & Poor's	26,137	35,394
Bank GPB (JSC)	BB+	Fitch Ratings	14,145	16,720
JSC UniCredit Bank	BBB-	Fitch Ratings	2,650	-
PJSC Sberbank	BBB-	Fitch Ratings	1,111	6,025
JSC Rosselkhozbank	BB+	Fitch Ratings	955	760
BANK ROSSIYA	A+(RU)	AKPA	262	-
Other	-	-	191	130
Total cash equivalents			**45,451**	**59,029**

(in millions of Russian Rubles unless noted otherwise)

Note 13. Accounts receivable and prepayments

	31 December 2018	31 December 2017
Trade receivables	65,147	61,279
Credit loss allowance for trade receivables	(28,891)	-
Provision for impairment of trade receivables	-	(26,571)
Trade receivables, net	**36,256**	**34,708**
VAT recoverable	**8,175**	**7,841**
Advances to suppliers and other prepayments	11,400	2,944
Provision for impairment of advances to suppliers and other prepayments	(834)	(837)
Advances to suppliers and other prepayments, net	**10,566**	**2,107**
Other receivables	22,720	7,959
Credit loss allowance for other receivables	(5,067)	-
Provision for impairment of other receivables	-	(4,815)
Other receivables, net	**17,653**	**3,144**
Government grants receivables	2,539	3,401
Total accounts receivable and prepayments	**75,189**	**51,201**

As at 1 January 2018 the net amount of trade receivables was restated in accordance with IFRS 9 (Note 3).

Included in accounts receivable are government subsidies receivable from constituent budgets of the Far East Federal region including those for compensation of the tariffs reduction to guaranteeing suppliers under Resolution of the Russian Government No. 895 (Note 2).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (Note 2).

The ageing analysis of trade accounts receivable as at 31 December 2018 is as follows:

	31 December 2018		
	Expected credit loss, %	**Gross carrying amount**	**Credit loss allowance**
Not past due	2.81%	24,686	(694)
Past due for less than 3 months	18.26%	7,185	(1,312)
Past due for 3 months to 1 year	51.26%	8,985	(4,606)
Past due for more than 1 year	91.72%	24,291	(22,279)
Total		**65,147**	**(28,891)**

Movements in the credit loss allowance for trade accounts receivable for the year ended 31 December 2018 are as follows:

	Year ended 31 December 2018
As at 1 January	26,571
Recalculation due to adoption of IFRS 9	(749)
As at 1 January (restated)	**25,822**
Charge for the year	6,914
Reversal of credit loss allowance	(2,613)
Trade receivables written off as uncollectible	(1,232)
As at 31 December	**28,891**

Information on the credit loss allowance in relation to other accounts receivable is presented in Note 34.

(in millions of Russian Rubles unless noted otherwise)

The ageing analysis of trade and other financial accounts receivable as at 31 December 2017 is as follows:

	31 December 2017	
	Carrying amount	**Provision**
Not past due	26,802	(1,215)
Past due for less than 3 months	8,410	(2,112)
Past due for 3 months to 1 year	10,326	(5,271)
Past due for more than 1 year	23,213	(22,788)
Total	**68,751**	**(31,386)**

The majority of trade debtors which are neither past due nor impaired could be aggregated in several groups based on similarities in their credit quality: large industrial consumers – participants of the wholesale and retail electricity and capacity market, as well as public sector entities and population.

Movements in the impairment provision for trade and other accounts receivable for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017
As at 1 January	27,662
Charge for the year	7,261
Reversal of impairment	(1,626)
Trade receivables written off as uncollectible	(1,902)
Elimination of impairment provision due to disposal of subsidiaries	(9)
As at 31 December	**31,386**

The Group does not hold any accounts receivable pledged as collateral.

Note 14. Inventories

	31 December 2018	**31 December 2017**
Fuel	20,146	16,162
Materials and supplies	7,915	6,782
Spare parts	2,438	2,466
Other materials	368	386
Total inventories before provision for impairment	**30,867**	**25,796**
Provision for impairment of inventories	(146)	(273)
Total inventories	**30,721**	**25,523**

There are no inventories pledged as collateral for borrowings as at 31 December 2018 and as at 31 December 2017.

Note 15. Other current assets

	31 December 2018	**31 December 2017**
Deposits	**29,967**	**790**
Special funds	**3,821**	**3,429**
Loans issued	3,072	2,472
Credit loss allowance for loans issued	(3,050)	-
Provision for impairment of loans issued	-	(2,447)
Loans issued, net	**22**	**25**
Other short-term investments	**63**	**156**
Total other current assets	**33,873**	**4,400**

As at 31 December 2018 the balance of special funds in the amount of RR 3,821 million received by the Group to fund construction of generating facilities, is placed to the special accounts of the Federal Treasury of Russia (as at 31 December 2017: RR 3,429 million). These special funds may be used by the Group only upon approval by the Federal Treasury of Russia according to the authorisation procedure, prescribed by the Order of the Ministry of Finance of the Russian Federation No. 213n dated 25 December 2015.

Credit loss allowance for loans issued includes credit loss allowance for loans issued to ZAO Verkhne-Narynskye HPPs in the amount of RR 2,908 million as at 31 December 2018 (provision as at 31 December 2017: RR 2,328 million) due to denouncement of agreements between Russian Government and Kyrgyzstan Republic on construction of the Upper Naryn cascade of hydropower plants.

(in millions of Russian Rubles unless noted otherwise)

	Rating	Rating agency	Effective interest rate	31 December 2018	31 December 2017
Deposits					
JSC UniCredit Bank	BBB-	Fitch Ratings	7,50%	9,000	-
Bank GPB (JSC)	BB+	Fitch Ratings	8,11%	6,500	-
PJSC ROSBANK	BBB-	Fitch Ratings	8,15%	6,000	-
PJSC Bank VTB	BBB-	Standard & Poor's	7,58–8,00%	5,100	-
PJSC Sberbank	BBB-	Fitch Ratings	4,78–8,10%	3,123	642
Other	-	-	-	244	148
Total deposits				**29,967**	**790**

Note 16. Equity

	Number of issued and fully paid ordinary shares (Par value of RR 1.00)
As at 31 December 2018	426,288,813,551
As at 31 December 2017	426,288,813,551
As at 31 December 2016	386,255,464,890

Changes in the equity as at 1 January 2018 due to changes in accounting policies. The Group recalculated equity as at 1 January 2018 due to adoption of IFRS 9 (Note 3). The revaluation reserve on available-for-sale financial assets for those financial assets reclassified to fair value through profit or loss in the amount of RR 13,894 million as at 1 January 2018 was transferred to retained earnings. As a result of the recalculation of the provision for impairment of trade receivables, retained earnings as at 1 January 2018 increased by RR 668 million. Non-controlling interest increased by RR 55 million.

Additional share issue 2018. On 21 June 2018, the Board of Directors of the Company adopted a resolution to make a placement of 14,013,888,828 ordinary shares by open subscription. The placement price of the additional shares was determined at RR 1.00 per share. On 27 August 2018, the share issue was registered with the Bank of Russia. As at the date of the issue of these financial statements no shares are placed under this additional share issue.

Additional share issue 2016–2017. On 22 November 2016 the Board of Directors of the Company adopted a resolution to make a placement of 40,429,000,000 ordinary shares by open subscription. The placement price of the additional shares was determined at RR 1.00 per share. On 7 December 2016 the share issue was registered with the Bank of Russia.

In January 2017, as a result of certain shareholders exercising their pre-emptive right, the Company placed 33,348,661 additional shares, which were paid in December 2016.

In March 2017 PJSC Bank VTB purchased 40 billion additional shares under the agreement related to the purchase of 55 billion ordinary shares of the Company for a total amount of RR 55 billion (Note 2). The other 15 billion shares were sold to the bank by the Group`s subsidiaries. The full amount of cash received by the Group was used to repay the debts of RAO ES East subgroup.

On 11 May 2017 the placement of ordinary shares of the Company under the additional share issue 2016–2017 was completed.

On 5 June 2017 the results of the additional share issue were registered. 40,033,348,661 shares were placed as a result of the additional issue which represents 99.02 percent of the additional issue's total number of shares registered. The shares issued were fully paid for in cash.

Treasury shares. As at 31 December 2018 treasury shares were represented by 3,852,259,680 ordinary shares in the amount of RR 4,613 million (31 December 2017: 3,852,267,925 ordinary shares in the amount of RR 4,613 million).

In March 2017, 15 billion treasury shares were sold to PJSC Bank VTB at the price of RR 1,00 per share in accordance with the agreement described above. Weighted average cost of these treasury shares was RR 17,965 million; the loss on disposal of RR 2,965 million was accounted for within equity.

Sale of shares of PJSC Inter RAO. On 5 July 2018, the Group completed the transaction to sell 5,131,669,622 shares of PJSC Inter RAO owned by the Group (4.915 percent of share capital) to JSC Inter RAO Capital. The value of shares as at disposal date amounted to RR 21,142 million (Note 10). The selling price was RR 3.3463 per share. The total consideration for all PJSC Inter RAO shares sold was

(in millions of Russian Rubles unless noted otherwise)

RR 17,172 million. Under the contracts the consideration receivable is settled by instalments, as a result the Group recognised the discount in the amount of RR 1,253 million. As at 31 December 2018 consideration receivable is included in other receivables (Note 13). The transaction is under common control, so the result is recorded within equity.

Effect of changes in non-controlling interest of subsidiaries. In October 2017 the Group's share in a subsidiary JSC SK Agroenergo was sold, as a result non-controlling interest increased by RR 228 million.

Dividends. On 27 June 2018, the Company declared dividends for the year ended 31 December 2017 of RR 0.0263 per share in the total amount of RR 11,226 million (RR 11,124 million excluding dividends payable to the Group's subsidiaries).

On 26 June 2017, the Company declared dividends for the year ended 31 December 2016 of RR 0.0466 per share in the total amount of RR 19,876 million (RR 19,696 million excluding dividends to subsidiaries).

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to RR 172 million for the year ended 31 December 2018 (for the year ended 31 December 2017: RR 127 million).

Note 17. Income tax

Income tax expense is as follows:

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Current income tax expense	13,856	12,985
Deferred income tax expense	2,166	627
Total income tax expense	**16,022**	**13,612**

The income tax rate applicable to the majority of the Group's entities for the year ended 31 December 2018 was 20 percent (for the year ended 31 December 2017: 20 percent).

A reconciliation between the expected and actual income tax expense is provided below:

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Profit before income tax	**47,859**	**38,386**
Theoretical tax expense at a statutory rate of 20 percent	(9,572)	(7,677)
Tax effect of items which are not deductible or assessable for taxation purposes	(970)	(2,344)
Increase in other unrecognised deferred tax assets	(5,742)	(3,090)
Effect of applying different tax rates for separate transactions	785	-
Change in unrecognised deferred tax assets in respect of associates and joint ventures	372	88
Other	(895)	(589)
Total income tax expense	**(16,022)**	**(13,612)**

The total amount of deductible temporary differences for which deferred income tax assets have not been recognised by the Group as at 31 December 2018 was RR 122,770 million (31 December 2017 (restated): RR 96,327 million). These temporary differences mainly relate to accumulated impairment of property, plant and equipment, assets under construction, changes in the fair value of the non-deliverable forward contract for shares and pension liabilities of several Group's subsidiaries.

Deferred income tax. Differences between IFRS and statutory taxation regulations in the Russian Federation give rise to temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20 percent (for the year ended 31 December 2017: 20 percent).

(in millions of Russian Rubles unless noted otherwise)

	31 December 2017 (restated)	Recalculation due to adoption of (IFRS) 9	Income tax charge	Charged directly to other comprehensive income	Other movements	31 December 2018
Deferred income tax assets	**9,592**	**(28)**	**495**	**(54)**	**(6)**	**9,999**
Property, plant and equipment	6,760	-	(447)	-	-	6,313
Accounts receivable	6,359	(28)	69	-	-	6,400
Losses carried forward	1,024	-	531	-	(6)	1,549
Other	3,594	-	595	(54)	-	4,135
Deferred tax offset	*(8,145)*	-	*(253)*	-	-	*(8,398)*
Deferred income tax liabilities	**(11,103)**	**2**	**(2,661)**	**(43)**	**2**	**(13,803)**
Property, plant and equipment	(18,606)	-	(2,341)	-	2	(20,945)
Accounts receivable	(115)	-	(475)	-	-	(590)
Loans and borrowings	(325)	-	70	(43)	-	(298)
Other	(202)	2	(168)	-	-	(368)
Deferred tax offset	*8,145*	-	*253*	-	-	*8,398*

	31 December 2016 (restated)	Income tax charge (restated)	Charged directly to other comprehensive income (restated)	31 December 2017 (restated)
Deferred income tax assets	**6,918**	**2,721**	**(47)**	**9,592**
Property, plant and equipment	4,888	1,872	-	6,760
Accounts receivable	6,444	(85)	-	6,359
Losses carried forward	980	44	-	1,024
Other	3,183	458	(47)	3,594
Deferred tax offset	*(8,577)*	*432*	-	*(8,145)*
Deferred income tax liabilities	**(7,729)**	**(3,348)**	**(26)**	**(11,103)**
Property, plant and equipment	(15,772)	(2,834)	-	(18,606)
Accounts receivable	(57)	(58)	-	(115)
Loans and borrowings	(351)	26	-	(325)
Other	(126)	(50)	(26)	(202)
Deferred tax offset	*8,577*	*(432)*	-	*8,145*

Under the existing Group structure tax losses and current income tax assets of different Group entities may not be offset against current income tax liabilities and taxable profits of other Group entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has legal rights to offset it.

Note 18. Pension benefit obligations

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2018 and 31 December 2017.

Amounts recognised in the Group's Consolidated Statement of Financial Position among other non-current liabilities (Note 21):

	31 December 2018	31 December 2017
Fair value of plan assets	(1,062)	(1,111)
Present value of defined benefit obligations	8,480	9,745
Net liability	**7,418**	**8,634**

(in millions of Russian Rubles unless noted otherwise)

The movements in the defined benefit liability for the years ended 31 December 2018 and 31 December 2017 are presented in the tables below:

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2018	**9,745**	**(1,111)**	**8,634**
Current service cost	399		399
Interest expense / (income)	700	(83)	617
Past service cost	(764)	6	(758)
Remeasurement effects (for other long-term benefits):			
Actuarial gain - changes in actuarial assumptions	(145)	-	(145)
Actuarial gain - experience adjustment	(73)	-	(73)
Recognised in profit or loss for the year ended 31 December 2018	**117**	**(77)**	**40**
Remeasurements (for post-employment benefits):			
Actuarial loss - change in demographic assumptions	143	-	143
Actuarial gain - change in financial assumptions	(665)	-	(665)
Actuarial (gain) / loss - experience adjustments	(52)	89	37
Recognised other comprehensive income for the year ended 31 December 2018 (before income tax charge of RR 97 million)	**(574)**	**89**	**(485)**
Employer contributions for funded pension plan	-	(253)	(253)
Benefit payments (Funding NSPF pensions)	(487)	290	(197)
Benefit payments (Non-funded pension plan)	(321)	-	(321)
At 31 December 2018	**8,480**	**(1,062)**	**7,418**

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2017	**9,894**	**(1,090)**	**8,804**
Current service cost	428	-	428
Interest expense / (income)	788	(89)	699
Past service cost	(167)	-	(167)
Remeasurement effects (for other long-term benefits):			
Actuarial loss - changes in actuarial assumptions	18	-	18
Actuarial loss - experience adjustment	1	-	1
Recognised in profit or loss for the year ended 31 December 2017	**1,068**	**(89)**	**979**
Remeasurements (for post-employment benefits):			
Actuarial gain - change in demographic assumptions	(36)	-	(36)
Actuarial gain - change in financial assumptions	(289)	-	(289)
Actuarial (gain) / loss - experience adjustments	(124)	19	(105)
Recognised other comprehensive income for the year ended 31 December 2017 (before income tax charge of RR 86 million)	**(449)**	**19**	**(430)**
Employer contributions for funded pension plan	-	(233)	(233)
Benefit payments (Funding NSPF pensions)	(489)	282	(207)
Benefit payments (Non-funded pension plan)	(279)	-	(279)
At 31 December 2017	**9,745**	**(1,111)**	**8,634**

(in millions of Russian Rubles unless noted otherwise)

Principal actuarial assumptions for the Group are as follows:

	31 December 2018	31 December 2017
Nominal discount rate	8.50%	7.50%
Inflation rate	4.10%	4.00%
Wage growth rate	5.60%	5.50%
Staff turnover	Depending on length of service based on statistical data	
Mortality table	Russia-2016*	Russia-2014*

* *Taking into account the pull down adjustment calculated based on statistical data of mortality for employees of the Group of age till 60 years old for years 2012–2018 (31 December 2017: 2012–2017)*

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2018 is presented below:

	Change in assumption	Effect on net liability	Effect on net liability, %
Nominal discount rate	+ 1%	(650)	- 8%
	- 1%	763	9%
Inflation rate	+ 1%	476	6%
	- 1%	(409)	- 5%
Wage growth rate	+ 1%	320	4%
	- 1%	(277)	- 3%
Staff turnover	+ 3%	(880)	- 10%
	- 3%	1 278	15%
Mortality Rates	+ 10%	(109)	- 1%
	- 10%	117	1%

The Group expects to contribute RR 582 million to the defined benefit plans in 2019.

The weighted average duration of the defined benefit obligation of the Group is 9 years.

Retirement benefit plan parameters and related risks. The Group has liabilities under retirement benefit plans in Russia. The retirement benefit plan includes benefits of the following types: lump sum payment upon retirement, jubilee benefits paid at certain age or upon completion of a certain number of years of service, financial aid and compensation to cover funeral expenses in the event of an employee's or pensioner's death, financial aid provided to pensioners, pension benefits paid to former employees through the non-state pension fund (hereinafter referred to as the "NPF").

The amount of benefits depends on the period of the employees' service (years of service), salary level over the recent years preceding retirement, predetermined fixed amount or minimum tariff rate of remuneration or salary or a combination of these factors.

As a rule, the above benefits are indexed according to the inflation rate and salary growth for benefits that depend on the salary level, excluding the retirement benefits paid through NPF, which are not indexed for the inflation rate at the time the payment is made (following the retirement of employees, all risks are borne by NPF).

In addition to the inflation risk, all retirement benefit plans of the Group are exposed to mortality and survival risks.

Plan assets held on NPF's accounts are governed in accordance with the local legislation and regulatory practices.

The Group and NPF are jointly and severally liable for the plans management, including investment decisions and the contribution schedule.

NPF invests the Group's funds in a diversified portfolio. When investing pension savings and placing the pension reserves, NPF is guided by the Russian legislation that provides a strict regulation with respect to the possible list of financial instruments and restricts their utilisation, which also leads to diversification and reduces investment risks.

The Group transfers the obligation to pay lifelong non-state pension benefits to the Group's former employees to NPF and funds these obligations when awarding the pension. Therefore, the Group insures the risks related to payment of non-state pensions (investment risks and survival risks).

(in millions of Russian Rubles unless noted otherwise)

Note 19. Current and non-current debt

Non-current debt

	Effective interest rate	Due date	31 December 2018	31 December 2017
PJSC Sberbank	7.31–9.24%	2019–2023	45,487	54,790
PJSC Bank VTB	7.50–9.43%	2019–2025	24,045	5,046
Eurobonds (RusHydro Capital Markets DAC), issued in February 2018	7.40%	2021	20,434	-
Eurobonds (RusHydro Capital Markets DAC), issued in September 2017	8.13%	2022	20,275	20,235
Russian bonds (PJSC RusHydro) issued in April 2016	10.35%	2019	15,191	15,357
Eurobonds in Chinese Yuan (RusHydro Capital Markets DAC), issued in November 2018	6.13%	2021	15,121	-
Eurobonds (RusHydro Capital Markets DAC), issued in November 2018	8.98%	2022	14,993	-
Russian bonds (PJSC RusHydro) issued in June 2017	8.20%	2020	10,205	10,016
PJSC ROSBANK	7.48–9.84%	2019–2022	9,172	4,520
Far East and Baikal Region Development Fund	5.00%	2019–2026	5,004	-
Russian bonds (PJSC RusHydro) issued in February 2013	8.50%	2023	2,184	20,650
Municipal authority of Kamchatka region	8.57%	2019–2034	1,560	1,560
EBRD	LIBOR 6M+3.45%	2019–2027	1,509	1,350
ASIAN Development bank	LIBOR 6M+3.45%	2019–2027	1,461	1,310
Bank GPB (JSC)	8.20–10.25%	2020–2027	1,428	1,794
Russian bonds (PJSC RusHydro) issued in July 2015	-	-	-	15,868
UniCredit Bank Austria AG	-	-	-	5,113
Other long-term debt	-	-	1,940	1,853
Finance lease liabilities	-	-	729	1,586
Total			**190,738**	**161,048**
Less current portion of non-current debt			(32,688)	(69,877)
Less current portion of finance lease liabilities			(102)	(259)
Total non-current debt			**157,948**	**90,912**

Eurobond issue (February 2018). In February 2018 the Group placed Eurobonds, issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue was RR 20,000 million. The term of the bonds is 3 years, the coupon rate is 7.4 percent per annum. VTB Capital, JP Morgan, Gazprombank and Sberbank CIB acted as joint lead managers of the issue. The placement and listing of the Eurobonds took place on the Irish Stock Exchange under Reg S rule. Eurobonds could have been partly purchased by government-related entities.

PJSC Bank VTB. In July 2018 the Group obtained RR 20,000 million under the loan agreement with PJSC Bank VTB at a rate of 7.5 percent per annum for a period of 7 years.

Eurobond issue denominated in Chinese Yuan. In November 2018, the Group placed Eurobonds denominated in Chinese Yuan issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue amounted to CNH 1,500 million maturing in November 2021, the coupon rate is 6.125 percent per annum. VTB Capital, JP Morgan and Gazprombank acted as the issue organizers. The placement of the Eurobonds took place on the Irish Stock Exchange under Reg S rules. The Group`s liabilities are fixed in Rubles on conditions comparable to conditions, prevailing on the Ruble-denominated debt market, enabling the Group to mitigate the currency risk (Note 11).

Eurobond issue (November 2018). In November 2018 the Group placed Eurobonds denominated in Rubles, issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue was RR 15,000 million maturing in January 2022, the coupon rate is 8.975 percent per annum. VTB Capital, JP Morgan, Gazprombank and Sberbank CIB acted as joint lead managers of the issue. The placement of the Eurobonds took place on the Irish Stock Exchange under Reg S rule.

(in millions of Russian Rubles unless noted otherwise)

Current debt

	Effective interest rate	31 December 2018	31 December 2017
PJSC ROSBANK	7.05–7.92%	3,899	930
BANK ROSSIYA	7.90–9.50%	1,762	1,000
PJSC Sberbank	9.75%	21	5,428
Other current debt	-	427	1,119
Current portion of non-current debt	-	32,688	69,877
Current portion of finance lease liabilities	-	102	259
Total current debt and current portion of non-current debt		**38,899**	**78,613**
Reference:			
Interest payable		2,216	3,012

Compliance with covenants. The Group is subject to certain covenants related primarily to its debt. As at 31 December 2018 and 31 December 2017 and during the reporting period the Group met all required covenant clauses of the credit agreements.

Finance lease liabilities. Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 1 and 5 years	Due after 5 years	Total
Minimum lease payments as at 31 December 2018	**109**	**376**	**2,256**	**2,740**
Less future finance charges	(7)	(118)	(1,887)	(2,011)
Present value of minimum lease payments as at 31 December 2018	**102**	**258**	**369**	**729**
Minimum lease payments as at 31 December 2017	**275**	**797**	**4,154**	**5,226**
Less future finance charges	(16)	(316)	(3,308)	(3,640)
Present value of minimum lease payments as at 31 December 2017	**259**	**481**	**846**	**1,586**

Reconciliation of liabilities from financing activities. The table below sets out an analysis of movements in the Group's liabilities from financing activities for the years ended 31 December 2018 and 31 December 2017:

	Current and non-current debt	Non-deliverable forward contract for shares	Finance lease liabilities	Total
Liabilities from financing activities as at 31 December 2017	**167,939**	**20,716**	**1,586**	**190,241**
Cash flows	12,708	(2,813)	(155)	9,740
Interest accrued	13,385	-	94	13,479
Change in fair value of non-deliverable forward contract for shares	-	13,993	-	13,993
Other changes	2,086	-	(796)	1,290
Liabilities from financing activities as at 31 December 2018	**196,118**	**31,896**	**729**	**228,743**
Liabilities from financing activities as at 31 December 2016	**197,830**	**-**	**1,973**	**199,803**
Cash flows	(46,498)	(3,243)	(523)	(50,264)
Interest accrued	15,405	-	221	15,626
Initial recognition of non-deliverable forward contract for shares	-	10,013	-	10,013
Change in fair value of non-deliverable forward contract for shares	-	13,946	-	13,946
Other changes	1,202	-	(85)	1,117
Liabilities from financing activities as at 31 December 2017	**167,939**	**20,716**	**1,586**	**190,241**

(in millions of Russian Rubles unless noted otherwise)

Note 20. Non-deliverable forward contract for shares

In March 2017 the Company entered into a non-deliverable forward transaction for 55 billion shares with PJSC Bank VTB for 5 years.

According to the forward contract, the forward value is determined as the purchase consideration paid by the Bank for the shares plus the amount of quarterly payments made by the Company to the Bank. The amounts of these interim payments are determined using a certain formula that *inter alia* reduces the payments by the amounts equivalent to the dividends received by the Bank over the period of the forward contract.

The Bank is assumed to sell the Company's shares at the time of final settlement under the forward contract. The difference between the proceeds that the Bank will receive from the sale of these shares, and their forward value is subject to cash settlement between the Company and the Bank. Thus, if the forward value is higher than the consideration received for the shares by the Bank, the Company will reimburse the difference to the Bank and, vice versa, if the proceeds from the sale of shares exceed the forward value, the difference will be paid by the Bank to the Company. If, for any reason, the shares will not be sold by the Bank, they will continue to be held by the Bank. If this is the case, the amount of additional payment to be made when closing the forward transaction is calculated based on the quoted market price of the Company's shares.

Thus, the payments will be made upon expiry of the forward contract or earlier, if the Bank sells the shares held. The payment can be made both by the Company to the Bank or by the Bank to the Company, depending on the level of the market value of the Company's shares at the time of sale / expiry of the transaction term and their forward value.

Note 2 describes the key estimates and judgements made by the Group management in respect of recognition and recording of this derivative financial instrument.

At 31 December 2018, the liability under the forward contract is recorded as a long-term derivative financial instrument at fair value through profit or loss in the amount of RR 31 896 million (as at 31 December 2017: RR 20,716). The fair value of the forward contract at the initial recognition of the instrument was RR 10,013 million and it was recorded within equity as the result of a shareholder transaction. Deferred tax asset was not recognised based on management's probability assessment of its recoverability. Subsequent changes in the fair value of the non-deliverable forward contract are recorded within profit or loss (Note 27).

A reconciliation of movements in the fair value of the forward contract for the year ended 31 December 2018 is presented in Note 19.

The table below includes the key assumptions made to determine the forward contract's fair value using the Monte-Carlo model:

Key assumptions madeto assess the forward contract's fair value	31 December 2018	31 December 2017
Expected term of the forward transaction	3.17 years	4.17 years
Market value of the share	RR 0.4871	RR 0.7264
CB RF key refinancing rate	7.75 percent	7.75 percent
Volatility of shares	28.82 percent	34.85 percent
Risk-free rate	8.06 percent	7.01 percent
Discount rate	9.05 percent	7.84 percent
Expected dividend yield	7.00 percent	5.10 percent

The sensitivity analysis of the fair value of the forward contract to the key assumptions is presented in Note 33.

Note 21. Other non-current liabilities

	31 December 2018	31 December 2017
Pension benefit obligations (Note 18)	7,418	8,634
Non-current advances received	6,743	10,766
Other non-current liabilities	7,826	8,716
Total other non-current liabilities	**21,987**	**28,116**

(in millions of Russian Rubles unless noted otherwise)

Note 22. Accounts payable and accruals

	31 December 2018	31 December 2017
Trade payables	31,119	30,949
Advances received	17,909	11,664
Settlements with personnel	9,156	8,880
Accounts payable under factoring agreements	2,753	258
Dividends payable	170	159
Other accounts payable	3,526	3,715
Total accounts payable and accruals	**64,633**	**55,625**

All accounts payable and accruals are denominated in Russian Rubles.

Advances received are mainly represented by advances under contracts on connections to the grid.

Note 23. Other taxes payable

	31 December 2018	31 December 2017
VAT	9,185	10,236
Insurance contributions	2,996	3,160
Property tax	2,526	2,038
Other taxes	648	600
Total other taxes payable	**15,355**	**16,034**

Note 24. Revenue

In accordance with IFRS 15 effective from 1 January 2018 the Group's revenue for the year ended 31 December 2018 by performance obligations is as follows:

	Year ended 31 December 2018
Sales of electricity and capacity in the retail market	149,542
Sales of electricity in the wholesale market	93,826
Sales of capacity in the wholesale market	43,833
Sales of heat and hot water	40,150
Rendering services for electricity transportation	14,668
Rendering services for connections to the grid	3,623
Other revenue	13,128
Total revenue	**358,770**

Other revenue includes revenue earned from rendering of construction, repairs and other services.

For the year ended 31 December 2018 the Group's revenue recognised over time comprised RR 342,019 million, recognised at a point in time – RR 16,751 million.

The Group's revenue under the revenue recognition guidance effective prior to 1 January 2018 is presented below:

	Year ended 31 December 2018	Year ended 31 December 2017
Sales of electricity	243,368	241,409
Sales of capacity	43,833	40,881
Sales of heat and hot water	40,150	38,907
Other revenue	31,419	26,922
Total revenue	**358,770**	**348,119**

Other revenue includes revenue earned from transportation of electricity and heat, connections to the grid, rendering of construction, repair and other services.

Short-term advances received as at 31 December 2017 were recognised in revenue for the year ended 31 December 2018.

Management of the Group expects that the full amount of short-term advances received as at 31 December 2018 will be recognised as revenue during the next reporting period, the amount of long-term advances received – mainly during 2020.

(in millions of Russian Rubles unless noted otherwise)

Note 25. Government grants

In accordance with the legislation of the Russian Federation, several companies of the Group are entitled to government subsidies for compensation of the difference between approved economically viable electricity and heat tariffs and the actual reduced tariffs and for compensation of losses on purchased fuel, purchased electricity and capacity.

During the year ended 31 December 2018, the Group received government subsidies of RR 41,648 million (for the year ended 31 December 2017: RR 32,745 million). The subsidies were received in the following territories: Kamchatsky territory, Sakha Republic (Yakutia), Magadan Region, Chukotka Autonomous Area and other Far East regions.

The total amount of government grants received by the Group companies – guaranteeing suppliers, under the Resolution of the Russian Government No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region" (Note 2), for the year ended 31 December 2018 was RR 26,300 million (for the year ended 31 December 2017: RR 17,254 million).

Note 26. Operating expenses (excluding impairment losses)

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Employee benefit expenses (including payroll taxes and pension benefit expenses)	75,876	74,390
Fuel expenses	64,791	58,098
Purchased electricity and capacity	41,811	40,747
Grid companies services on electricity distribution	39,463	43,482
Depreciation of property, plant and equipment and amortisation of intangible assets	22,310	21,340
Taxes other than on income	12,242	10,681
Other materials	10,905	10,170
Third parties services, including:		
Repairs and maintenance	5,859	4,634
Support of electricity and capacity market operation	3,714	3,639
Purchase and transportation of heat power	3,629	3,513
Security expenses	3,434	3,391
Services of subcontracting companies	2,254	1,982
Insurance cost	2,112	1,940
Rent	1,972	2,081
Consulting, legal and information expenses	1,754	2,222
Transportation expenses	1,269	1,185
Other third parties services	9,091	8,051
Water usage expenses	4,018	3,370
Purchase of oil products for resale	2,440	642
Loss on disposal of property, plant and equipment, net	1,757	688
Social charges	1,083	1,098
Travel expenses	997	843
Other expenses	2,069	1,475
Total operating expenses (excluding impairment losses)	**314,850**	**299,662**

(in millions of Russian Rubles unless noted otherwise)

Note 27. Finance income, costs

	Year ended 31 December 2018	Year ended 31 December 2017
Finance income		
Interest income	4,957	7,150
Cross-currency and interest rate swap (Note 11)	1,238	-
Income on discounting	669	389
Foreign exchange gain	94	599
Other income	709	305
Total finance income	**7,667**	**8,443**
Finance costs		
Change in fair value of the non-deliverable forward contract for shares (Note 20)	(13,993)	(13,946)
Interest expense	(5,185)	(4,019)
Foreign exchange loss	(1,424)	(1,218)
Expense on discounting	(415)	(363)
Finance lease expense	(94)	(221)
Other costs	(1,977)	(1,366)
Total finance costs	**(23,088)**	**(21,133)**

Note 28. Earnings per share

	Year ended 31 December 2018	Year ended 31 December 2017
Weighted average number of ordinary shares issued (thousands of shares)	422,436,552	402,655,108
Profit for the period attributable to the shareholders of PJSC RusHydro	31,229	26,403
Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	**0.0739**	**0.0656**

Note 29. Capital commitments

In accordance with the consolidated investment programme approved as part of the Group's consolidated business plan, the Group has to invest RR 378,241 million in the period 2019-2023 for reconstruction of the existing and construction of new power plants and grids, including RR 122,458 million for 2019, RR 71,363 million for 2020, RR 69,284 million for 2021, RR 56,418 million for 2022, RR 58,718 million for 2023 (31 December 2017: RR 391,711 million for the period 2018-2022).

Note 30. Contingencies

Social commitments. The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services and other social needs in the geographical areas in which it operates. Management believes that there are no significant commitments that should be recognised as at reporting date.

Insurance. The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed to those risks for which it does not have insurance.

Legal proceedings. The Group's subsidiaries are parties to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position and results of the Group.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to transactions and activities of the Group, at the same time tax control strengthens in relation to certain Group transactions and activities. Consequently, tax positions taken by management and their supporting documentation may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. The impact of this course of events cannot be assessed with sufficient reliability, but it can be significant in terms of the financial position and / or the overall business of the Group. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when the decision about the review was made. Under certain circumstances reviews may cover longer periods.

(in millions of Russian Rubles unless noted otherwise)

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions with related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

During the year ended 31 December 2018, the Group's subsidiaries had controlled transactions and transactions which will probably be considered by tax authorities to be controlled after the end of the period. Management has implemented internal controls to be in compliance with this transfer pricing legislation. In case of receipt of a request from tax authorities, the management of the Group will provide documentation meeting the requirements of Art. 105.15 of the Tax Code.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

New provisions aimed at countering tax evasions have been added to the Russian tax legislation and became effective from 1 January 2015. Specifically, they introduce new rules for controlled foreign companies and the concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation. Also, the new provisions introduce the rules for determining tax residency for foreign legal entities at the place of their actual management (if a foreign company is recognised as a Russian tax resident, the whole amount of such company's income will be subject to taxation in Russia).

The Group is currently assessing the effects of new tax rules on the Group's operations and takes necessary steps to comply with the new requirements of the Russian tax legislation. However, there are no sustainable practices yet as to how to apply the new rules; therefore, at present, it does not seem practicable to reliably estimate the probability of claims from Russian tax authorities in relation to the compliance of the Group's companies with the new legislation and the probability of positive outcome of tax disputes (if any). Tax disputes (if any) may have an impact on the Group's overall financial position and results of operations.

Management believes that as at 31 December 2018, its interpretation of the relevant legislation was appropriate and the Group's tax positions would be sustained.

Environmental matters. The Group companies and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group companies periodically evaluate their obligations under environmental regulations. The assets retirement obligation for ash damps used by the Group comprised RR 1 324 million as at 31 December 2018 (31 December 2017: RR 1,348 million).

Potential liabilities may 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.

Guarantees. In February 2018 the Group signed an agreement on the termination of the surety agreement with SC Vnesheconombank with regard to the fulfilment by PJSC Boguchanskaya HPP of its obligations under the loan agreement, which did not have a significant impact on the Consolidated financial statements of the Group. The nominal value of of the guarantees issued is shown in the table below:

Counterparty	**31 December 2018**	**31 December 2017**
for PJSC Boguchanskaya HPP:		
State Corporation Vnesheconombank	-	25,935
Total guarantees issued	**-**	**25,935**

Note 31. Financial risk management

The risk management function within the Group is carried out in respect of financial and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to provide reasonable assurance for achievement of the Group's objectives by establishing the overall framework for identifying, analysing and evaluating risks to establish risk limits, and then to ensure that exposure to risks stays within these limits and in case of exceeding these limits to mitigate the impact of the risks.

In order to optimise the Group's exposure to risks, management constantly works on their identification, assessment and monitoring, as well as the development and implementation of activities which impact on the risks, business continuity management and insurance, seeks to comply with international and national standards of advanced risk management (COSO ERM 2004, ISO 31000 and others), increases the culture of risk management and continuously improves risk management processes.

Credit risk. The Group is exposed itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet a contractual obligation.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in Note 34.

Although redemption of financial instruments can be influenced by economic factors, the management believe that there is no significant risk of loss to the Group beyond the provision for expected credit losses already recorded.

Due to the absence of an independent assessment of debtors' creditworthiness, the Group performs such an assessment at the contracting stage taking into account the debtor's financial position and credit history. The Group regularly monitors existing receivables and undertakes actions to collect them and minimise losses.

For reducing the credit risk exposure for its operations on WEM, the Group adopted sales policies and methodology, which provides for calculation of the counterparty's internal rating in the sector of non-regulated contracts based on the frequency of counterparties' bankruptcies and sets up limitations on the credit rating for a portfolio of counterparties.

The Group monitors maturity of trade accounts receivable and identifies past due accounts. Information on past due trade accounts receivable is disclosed in Note 13.

Measurement of expected credit losses. Expected credit losses are measured by discounting future probability-weighted uncollected cash flows.

The level of expected credit losses depends on whether the debtor's credit risk has increased significantly since initial recognition. This approach is based on a 3-stage ECL model, as described in Note 2.

The Group determines that the credit risk of a financial instrument has increased significantly, when the counterparty has defaulted on contractual payment terms, when insolvency signs are identified and the Group has no reasonable information that rules out the fact of increased credit risk.

For assessing the probability of default on financial instruments, the Group defines default as an event where the risk exposure meets one or more of the following criteria:

- The counterparty is more than 3 months past due on its contractual payments;
- International/national rating agencies include the counterparty in the default rating class;
- The counterparty is insolvent;
- It became probable that the counterparty will enter bankruptcy.

In accordance with IFRS 9, the Group applied a simplified approach to determining expected credit losses in relation to trade accounts receivable. This approach requires that full lifetime expected credit losses be recognised at initial recognition of debt. For assessing expected credit losses, trade accounts receivable are divided into groups based on similar credit risk characteristics for each group and delay periods under similar contracts. Trade accounts receivable were grouped based on the above principles for each Group company, and the Group determined the share of expected losses in line with the credit risk for each length of overdue payment for each group of counterparties. Expected loss levels are disclosed in Note 13.

Cash has been placed in financial institutions, which are considered at the time of deposit to have minimal risk of default. The Group's management approves deposit banks as well as rules for making cash deposits.

(in millions of Russian Rubles unless noted otherwise)

In addition, the Group performs regular reviews of financial position, monitors their ratings assigned by independent agencies as well as other performance indicators of these financial institutions. Expected credit losses for cash, cash equivalents and bank promissory notes were insignificant.

Summary information on deposits of cash, cash equivalents and bank promissory notes, including names of banks and other financial institutions and their ratings as at the end of the reporting period, is provided in Notes 11, 12 and 15.

Measurement stages for expected credit losses for other financial instruments are disclosed in Note 34.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (i) foreign currencies, (ii) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated.

Currency risk. Electricity and capacity generated by the Group is sold on the domestic market of the Russian Federation at the prices fixed in Russian Rubles. Hence, the Group does not have significant foreign currency risks. The financial condition of the Group, its liquidity, financing sources and the results of operations do not considerably depend significantly on exchange rates as the Group operations are planned to be performed in such a way that its assets and liabilities are to be denominated in the national currency.

The table below summarises the Group's monetary financial assets and liabilities exposed to foreign currency exchange rate risk:

	31 December 2018			31 December 2017		
	Monetary financial assets	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
USD	34	(3,069)	(3,035)	663	(2,748)	(2,085)
EUR	39	(470)	(431)	63	(5,482)	(5,419)
Chinese Yuan	-	(15,121)	(15,121)	-	-	-
Other	14	-	14	8	-	8
Total	**87**	**(18,660)**	**(18,573)**	**734**	**(8,230)**	**(7,496)**

The above analysis includes only monetary assets and liabilities. Equity investments and non-monetary assets are not considered to give rise to any material currency risk. The Group controls the currency risk in respect of the liabilities denominated in Chinese Yuan by means of cross currency and interest rate swap (Note 11).

There is no significant effect of the changes of foreign exchange rates on the Group's financial position.

Interest rate risk. The Group's operating profits and cash flows from operating activities are not significantly dependent on the changes in the market interest rates. Borrowings issued at variable rates based on Libor (Note 19) as well as cross currency and interest rate swap (Note 11) slightly expose the Group to cash flow interest rate risk.

The Group monitors interest rates for its financial instruments. Effective interest rates are disclosed in Note 19.

For the purpose of interest rate risk reduction the Group makes the following arrangements:

- credit market monitoring to identify favourable credit conditions,
- diversification of credit portfolio by raising of borrowings at fixed rates and, if necessary, at floating rates.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding from an adequate volume of committed credit facilities. The Group adheres to a balanced model of financing of working capital from both short-term and long-term sources. Temporarily free funds are placed into short-term financial instruments, mainly bank deposits and short-term bank promissory notes. Current liabilities are represented mainly by the accounts payable to suppliers and contractors.

(in millions of Russian Rubles unless noted otherwise)

The Group has implemented a control system under its contracting process by introducing and applying typical financial arrangements which include standardised payment structure, payment terms, ratio between advances and final settlements, etc. In such a manner the Group controls the debt maturity structure.

The table below shows liabilities as at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including future interest payments and gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amounts included in the Consolidated Statement of Financial Position because those are based on discounted cash flows.

The maturity analysis of financial liabilities as at 31 December 2018 is as follows:

	2019 year	**2020 year**	**2021 year**	**2022 year**	**2023 year**	**Starting from year 2024**
Liabilities						
Current and non-current debt	50,729	65,689	42,856	39,837	5,807	30,578
Trade payables (Note 22)	31,119	-	-	-	-	-
Accounts payable under factoring agreements (Note 22)	2,753	-	-	-	-	-
Obligation to JSC RAO ES East shares purchase	3	-	-	-	-	-
Dividends payable (Note 22)	170	-	-	-	-	-
Non-deliverable forward contract for shares (Note 20)	2,795	2,362	1,615	10,516	-	-
Finance lease liabilities (Note 19)	109	94	94	94	94	2,256
Total future payments, including principal and interest payments	**87,678**	**68,145**	**44,565**	**50,447**	**5,901**	**32,834**

Loans and borrowings totalling RR 50,729 million will mature in 2019 (Note 19). The Group management plans to repay these borrowings both from the Group's own funds and through new financing. The group has a positive credit history, works with large credit institutions, including those controlled by the state, and also has access to public borrowings in the capital market

The maturity analysis of financial liabilities as at 31 December 2017 is as follows:

	2018 year	**2019 year**	**2020 year**	**2021 year**	**2022 year**	**Starting from year 2023**
Liabilities						
Current and non-current debt	85,762	36,103	34,882	3,234	22,555	9,407
Trade payables (Note 22)	30,949	-	-	-	-	-
Accounts payable under factoring agreements (Note 22)	258	-	-	-	-	-
Obligation to JSC RAO ES East shares purchase	3	-	-	-	-	-
Financial guarantees (Note 30)	747	977	1,230	1,489	1,737	19,755
Dividends payable (Note 22)	159	-	-	-	-	-
Non-deliverable forward contract for shares (Note 20)	2,874	2,795	2,362	1,615	10,516	-
Finance lease liabilities (Note 19)	275	199	199	199	200	4,154
Total future payments, including principal and interest payments	**121,027**	**40,074**	**38,673**	**6,537**	**35,008**	**33,316**

As at 31 December 2018 the Group had an available amount of long-term financing under the existing loan agreements with banks of RR 191,708 million (31 December 2017: RR 98,359 million), including RR 184,708 million in banks included in the approved list of systemically important credit institutions of Bank of Russia (31 December 2017: RR 91,409 million) which exceeds the Group's needs for short-term repayment of debt by 4.9 times (31 December 2017: 1.2 times). As at 31 December 2018 approximately 70 percent of these funds relate to the government-related banks (PJSC Sberbank, PJSC Bank VTB, Bank GPB (JSC)) (31 December 2017: approximately 90 percent). Furthermore, the Group has a perpetual non-renewable exchange bonds program in the amount of RR 200,000 million with a maturity of up to 20 years, the unused limit of which as at 31 December 2018 was RR 160,000 million (31 December 2017: RR 160,000 million).

(in millions of Russian Rubles unless noted otherwise)

Note 32. Management of capital

Compliance with Russian legislation requirements and capital cost reduction are the key objectives of the Group's capital risk management.

As at 31 December 2018 and 31 December 2017 the Company was in compliance with the share capital requirements as established under legislation.

The Group's goal in respect of capital management is to guarantee the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The amount of capital that the Group managed as at 31 December 2018 was RR 576,401 million (31 December 2017: RR 560,502 million).

Consistent with other companies in the industry, the Group monitors the gearing ratio, that is calculated as the total debt divided by the total capital attributable to the shareholders. Debt is calculated as a sum of non-current and current debt, as shown in the Consolidated Statement of Financial Position. Total capital attributable to the shareholders is equal to the equity attributable to the shareholders, as shown in the Consolidated Statement of Financial Position. The gearing ratio was 0.34 as at 31 December 2018 (31 December 2017: 0.30).

Note 33. Fair value of assets and liabilities

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Equity investments: Financial assets at fair value through profit or loss	656	-	-	**656**
Equity investments: Financial assets at fair value through other comprehensive income	-	-	594	**594**
Cross currency and interest rate swap	-	-	1,238	**1,238**
Total assets requiring recurring fair value measurements	**656**	**-**	**1,832**	**2,488**
Financial liabilities				
Non-deliverable forward contract for shares	-	-	31,896	**31,896**
Total liabilities requiring recurring fair value measurements	**-**	**-**	**31,896**	**31,896**

31 December 2017 (restated)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Available-for-sale financial assets	18,020	-	473	**18,493**
Total assets requiring recurring fair value measurements	**18,020**	**-**	**473**	**18,493**
Financial liabilities				
Non-deliverable forward contract for shares	-	-	20,716	**20,716**
Total liabilities requiring recurring fair value measurements	**-**	**-**	**20,716**	**20,716**

There were no changes in the valuation techniques, inputs and assumptions for recurring fair value measurements during the year ended 31 December 2018.

(in millions of Russian Rubles unless noted otherwise)

At 31 December 2018 the fair value of the non-deliverable forward contract for shares is determined based on the Monte-Carlo model, taking into account adjustments and using unobservable inputs, and included in Level 3 of fair value hierarchy (Note 20).

The valuation of the Level 3 financial liability and the related sensitivity to reasonably possible changes in unobservable inputs are as follows at 31 December 2018 and 31 December 2017:

	Fair value	Valuation technique	Significant unobservable /observable inputs	Reasonably possible change	Reasonably possible values	Change of fair value measurement
Financial liability						
As at 31 December 2018						
Non-deliverable forward contract for shares	31,896	Monte-Carlo model	Dividend yield	-2%	5.00 percent	(157)
				+2%	9.00 percent	254
			Market value of the share	-20%	RR 0.3897	5,048
				+20%	RR 0.5845	(5,040)
As at 31 December 2017						
Non-deliverable forward contract for shares	20,716	Monte-Carlo model	Dividend yield	-2%	3.10 percent	(472)
				+2%	7.10 percent	618
			Market value of the share	-20%	RR 0.5811	7,502
				+20%	RR 0.8717	(7,504)

Based on management's assessment, possible changes of unobservable inputs do not have a significant impact on the fair value of the non-deliverable forward contract.

The estimated fair value of the non-deliverable forward contract is significantly influenced by observable inputs, in particular, by the market value of the shares which was RR 0.4871 as at 31 December 2018 (RR 0.7264 as at 31 December 2018) (Note 20).

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets carried at amortised cost. The Group considers that the fair value of cash (Level 1 of the fair value hierarchy), cash equivalents and short-term deposits (Level 2 of the fair value hierarchy), short-term accounts receivable (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value of long-term accounts receivable, other non-current and current assets is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy); the fair value of these assets approximates their carrying value.

Liabilities carried at amortised cost. The fair value of floating rate liabilities approximates their carrying value. The fair value of bonds is based on quoted market prices (Level 1 of the fair value hierarchy). Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy).

The fair value of current liabilities carried at amortised cost approximates their carrying value.

As at 31 December 2018 the carrying value of bonds exceeded their fair value by RR 1,243 million. As at 31 December 2017 the fair value of bonds exceeded their carrying value by RR 1,073 million.

As at 31 December 2018 the carrying value of non-current fixed rate debt was RR 69,901 million and exceeded its fair value by RR 3,263 million. As at 31 December 2017 the carrying value of non-current fixed rate debt was RR 39,396 million and exceeded its fair value by RR 925 million.

(in millions of Russian Rubles unless noted otherwise)

Note 34. Presentation of financial instruments by measurement category

The following table provides a reconciliation of classes of financial assets with the measurement categories of IFRS 9 Financial instruments and information about the balance of special funds held on the accounts at the Federal Treasury as at 31 December 2018.

As at 31 December 2018	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Assets				
Other non-current assets (Note 11)	**12,370**	**1,238**	**-**	**13,608**
Promissory notes	11,624	-	-	11,624
Cross currency and interest rate swap	-	1,238	-	1,238
Long-term receivables	250	-	-	250
Long-term loans issued	496	-	-	496
Financial assets at fair value through profit or loss (Note 10)	**-**	**656**	**-**	**656**
Financial assets at fair value through other comprehensive income	**-**	**-**	**594**	**594**
Trade and other receivables (Note 13)	**53,426**	**-**	**-**	**53,426**
Trade receivables	36,256	-	-	36,256
Other financial receivables	17,170	-	-	17,170
Other current assets (Note 15)	**33,810**	**-**	**-**	**33,810**
Special funds	3,821	-	-	3,821
Deposits	29,967	-	-	29,967
Short-term loans issued	22	-	-	22
Cash and cash equivalents (Note 12)	**65,432**	**-**	**-**	**65,432**
Total financial assets	**165,038**	**1,894**	**594**	**167,526**
Non-financial assets				**763,955**
Non-current assets classified as held for sale				**450**
Total assets				**931,931**

Reclassifications of financial assets by measurement categories as at 1 January 2018 are presented in Note 3.

The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39 Financial instruments: Recognition and Measurement and information about the rest of special funds on the accounts of the Federal Treasury as at 31 December 2017:

As at 31 December 2017	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 11)	**10,646**	**-**	**10,646**
Promissory notes	9,862	-	9,862
Long-term receivables	252	-	252
Long-term loans issued	532	-	532
Available-for-sale financial assets	**-**	**18,493**	**18,493**
Trade and other receivables (Note 13)	**37,370**	**-**	**37,370**
Trade receivables	34,708	-	34,708
Other financial receivables	2,662	-	2,662
Other current assets (Note 15)	**4,244**	**-**	**4,244**
Special funds	3,429	-	3,429
Deposits	790	-	790
Short-term loans issued	25	-	25
Cash and cash equivalents (Note 12)	**70,156**	**-**	**70,156**
Total financial assets	**122,416**	**18,493**	**140,909**
Non-financial assets			**730,794**
Total assets			**871,703**

(in millions of Russian Rubles unless noted otherwise)

The table below includes information about gross carrying amounts and credit loss allowance for promissory notes, loans issued and other financial receivables related to Stage 3 of the 3-stage impairment accounting model for financial assets (Note 2):

	31 December 2018	
	Gross carrying amount	**Lifetime expected credit losses allowance**
Promissory notes	14,025	(14,025)
Loans issued	3,050	(3,050)
Other financial receivables	7,282	(5,067)

The movement of credit loss allowance for these financial assets for the year ended 31 December 2018 was insignificant.

The amount of credit loss allowance for trade receivables is disclosed in Note 13.

All other financial assets largely belong to Stage 1 of the 3-stage impairment accounting model, and the expected credit losses for these assets are insignificant at both reporting dates.

As at 31 December 2018 financial liabilities of the Group carried at fair value are represented by the non-deliverable forward contract for shares in the amount of RR 31,896 million (Note 20) (31 December 2017: RR 20,716 million).

All other financial liabilities of the Group are carried at amortised cost and are represented mainly by the current and non-current debt (Note 19), trade payables, accounts payable under factoring agreements and other accounts payable (Note 22).

Note 35. Subsequent events

In February 2019 the Group sold its share in LLC VolgaHydro (40 percent, Note 9) for a cash consideration in amount of RR 450 million.

Note 36. Accounting policies before 1 January 2018

Accounting policies applicable to the comparative period ended 31 December 2017 in accordance with IAS 18 and IAS 39 are presented below.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Classification of financial assets. Financial assets have the following categories: (i) loans and receivables; (ii) available-for-sale financial assets; (iii) financial assets held to maturity and (iv) financial assets at fair value through profit or loss. The description of categories of financial assets of the Group is given below.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments.

Financial assets at fair value through profit or loss. This category is presented by derivative financial instruments which are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

All other financial assets are included in the *available-for-sale* category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets. Available-for-sale financial assets are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses on available-for-sale investments are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale financial assets. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred: (i) the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains; (ii) the counterparty considers bankruptcy or a financial reorganisation; (iii) there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or (iv) the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining amortised balance of the amount at initial recognition, and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Revenue recognition. The Group recognises revenue upon delivery of electricity, heat and provision of capacity and upon sale of other goods and provision of services during the period. Revenue is recognised at the fair value of the consideration receivable. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms.