

**Report on Review of Interim Financial Information**  
***Public Joint-Stock Company***  
***“Moscow United Electric Grid Company”***  
***and its subsidiaries***  
**for the three and nine months ended 30 September 2018 and as of this date**  
***November 2018***

**Report on Review of Interim Financial Information  
of Public Joint-Stock Company “Moscow United Electric Grid Company” and its  
subsidiaries**

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<b>Contents</b>	<b>Page</b>
<b>Appendices</b>	
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	3
Condensed Consolidated Interim Statement of Financial Position (Unaudited)	4
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)	5
Condensed Consolidated Interim Statement of Cash Flows (Unaudited)	6
Notes to Condensed Consolidated Interim Financial Statements (Unaudited)	7

PJSC MOESK

Condensed Consolidated Interim Statement of Profit or Loss and  
Other Comprehensive Income (unaudited)  
for the three and nine months ended 30 September 2018  
(in thousands of Russian roubles, unless otherwise stated)

	Note	For the 3 months ended 30 September		For the 9 months ended 30 September	
		2018 (unaudited)	2017 (unaudited) <i>Restated</i> <i>(Note 3)</i>	2018 (unaudited)	2017 (unaudited) <i>Restated</i> <i>(Note 3)</i>
Revenue from contracts with customers	7	36 066 299	34 933 628	113 488 955	106 201 765
Rental income		85 924	67 452	213 600	176 575
<b>Revenue</b>		<b>36 152 223</b>	<b>35 001 080</b>	<b>113 702 555</b>	<b>106 378 340</b>
Operating expenses	8	(34 019 466)	(34 589 112)	(107 504 235)	(102 222 060)
Other operating income	9	1 905 797	2 079 955	5 375 237	5 720 219
<b>Operating profit</b>		<b>4 038 554</b>	<b>2 491 923</b>	<b>11 573 557</b>	<b>9 876 499</b>
Finance income	10	57 976	26 221	129 648	102 671
Finance costs	10	(1 349 805)	(1 443 623)	(4 273 275)	(4 501 068)
<b>Profit before income tax</b>		<b>2 746 725</b>	<b>1 074 521</b>	<b>7 429 930</b>	<b>5 478 102</b>
Income tax expense	11	(635 985)	(561 203)	(2 378 444)	(2 100 175)
<b>Profit for the period</b>		<b>2 110 740</b>	<b>513 318</b>	<b>5 051 486</b>	<b>3 377 927</b>
<b>Profit for the period attributable to:</b>					
Shareholders of PJSC MOESK		2 110 740	513 318	5 051 486	3 377 927
<b>Other comprehensive income not to be reclassified to profit and loss in subsequent periods</b>					
Remeasurements gains/(loss) of defined benefit plans		278 668	(41 916)	347 523	(99 426)
Income tax on defined benefit plans	11	(50 767)	7 642	(63 321)	18 132
<b>Other comprehensive income/ (expense), net of tax</b>		<b>227 901</b>	<b>(34 274)</b>	<b>284 202</b>	<b>(81 294)</b>
<b>Total comprehensive income for the period</b>		<b>2 338 641</b>	<b>479 044</b>	<b>5 335 688</b>	<b>3 296 633</b>
<b>Total comprehensive income attributable to</b>					
Shareholders of PJSC MOESK		2 338 641	479 044	5 335 688	3 296 633
Basic and diluted earnings per ordinary share (in Russian Roubles)	18	0.0433	0.0105	0.1037	0.0694

These condensed consolidated interim financial statements were approved by management on 21 November 2018 and were signed on its behalf by:

General Director



P.A. Sinyutin



First Deputy General Director  
for Finance and Economic Activity  
and Corporate Management



V.Y. Myasnikov

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming an integral part of, these condensed consolidated interim financial statements set out on pages 7 to 31 and with the consolidated financial statements for the year ended 31 December 2017.

PJSC MOESK

Condensed Consolidated Interim Statement of Financial Position  
as at 30 September 2018 (Unaudited)  
(in thousands of Russian roubles, unless otherwise stated)

	Note	30 September 2018 (unaudited)	31 December 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	306 700 917	306 856 984
Intangible assets	13	3 322 051	3 045 069
Trade and other receivables	14	1 313 102	1 003 925
Advances issued	15	614 609	639 787
Assets related to employee defined benefits plans		265 426	337 826
<b>Total non-current assets</b>		<b>312 216 105</b>	<b>311 883 591</b>
<b>Current assets</b>			
Inventories		4 025 089	3 713 697
Trade and other receivables	14	16 965 716	18 849 795
Advances issued	15	1 527 751	1 681 186
Income tax receivable		1 141 655	2 202 998
Cash and cash equivalents	16	3 198 190	721 624
<b>Total current assets</b>		<b>26 858 401</b>	<b>27 169 300</b>
<b>Total assets</b>		<b>339 074 506</b>	<b>339 052 891</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	24 353 546	24 353 546
Retained earnings		152 984 647	149 189 562
<b>Total equity</b>		<b>177 338 193</b>	<b>173 543 108</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19	78 582 799	83 868 972
Employee benefits		3 466 510	3 933 542
Advances received		8 656 793	6 733 967
Trade and other payables	20	141 023	138 826
Deferred tax liabilities		16 232 885	15 577 211
<b>Total non-current liabilities</b>		<b>107 080 010</b>	<b>110 252 518</b>
<b>Current liabilities</b>			
Loans and borrowings	19	14 130 669	2 791 228
Advances received		22 874 600	24 863 649
Trade and other payables	20	14 777 639	24 935 753
Income tax payable		-	38 079
Other taxes payable		2 784 133	2 300 115
Provisions	21	89 262	328 441
<b>Total current liabilities</b>		<b>54 656 303</b>	<b>55 257 265</b>
<b>Total equity and liabilities</b>		<b>339 074 506</b>	<b>339 052 891</b>

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming an integral part of, these condensed consolidated interim financial statements set out on pages 7 to 31 and with the consolidated financial statements for the year ended 31 December 2017.

PJSC MOESK

Condensed Consolidated Interim Statement of Changes in Equity  
(Unaudited)

for the nine months ended 30 September 2018  
(in thousands of Russian roubles, unless otherwise stated)

	Attributed to equity holders of the parent			Total
	Share capital	Additional paid-in capital	Retained earnings	
<b>Balance at 1 January 2018</b> (unaudited)	<b>24 353 546</b>	–	<b>149 189 562</b>	<b>173 543 108</b>
Profit for the period	–	–	5 051 486	5 051 486
Other comprehensive expense	–	–	284 202	284 202
<b>Total comprehensive income</b>	–	–	<b>5 335 688</b>	<b>5 335 688</b>
Dividends to shareholders (Note 17 (c))	–	–	(1 540 603)	(1 540 603)
<b>Balance at 30 September 2018</b> (unaudited)	<b>24 353 546</b>	–	<b>152 984 647</b>	<b>177 338 193</b>
<b>Balance at 31 December 2016</b> (as previously presented)	<b>24 353 546</b>	<b>18 580 888</b>	<b>129 630 980</b>	<b>172 565 414</b>
Adjustments (Note 3a)	–	(18 580 888)	18 580 888	–
<b>Balance at 1 January 2017</b> (Restated) (unaudited)	<b>24 353 546</b>	–	<b>148 211 868</b>	<b>172 565 414</b>
Profit for the period	–	–	3 377 927	3 377 927
Other comprehensive loss	–	–	(81 294)	(81 294)
<b>Total comprehensive income</b>	–	–	<b>3 296 633</b>	<b>3 296 633</b>
Dividends to shareholders (Note 17 (c))	–	–	(1 519 905)	(1 519 905)
<b>Balance at 30 September 2017</b> (unaudited)	<b>24 353 546</b>	–	<b>149 988 596</b>	<b>174 342 142</b>

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming an integral part of, these condensed consolidated interim financial statements set out on pages 7 to 31 and with the consolidated financial statements for the year ended 31 December 2017.

PJSC MOESK

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)  
for the nine months ended 30 September 2018  
(in thousands of Russian roubles, unless otherwise stated)

	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited) <i>(Restated)</i>
<b>Cash flows from operating activities</b>		
<b>Profit for the period</b>	<b>5 051 486</b>	<b>3 377 927</b>
<i>Adjustments for:</i>		
Depreciation and amortization (Note 8)	15 918 305	15 693 009
Loss on disposal of property, plant and equipment	5 574	158 021
Provisions for legal claims	242 492	2 685 447
Finance income (Note 10)	(129 648)	(102 671)
Finance costs (Note 10)	4 273 275	4 501 068
Allowance for expected credit losses of accounts receivable	2 928 685	567 534
Allowance for impairment of advances issued	(12 826)	(108 963)
Provision for inventory obsolescence	10 920	67 138
(Profit)/loss on disposal of inventory	(138 794)	2 629
Income tax expense	2 378 444	2 100 175
Property received free of charge	(1 146 836)	(2 315 694)
Other non-cash items	(99 261)	639 449
<b>Cash flows from operating activities before changes in working capital</b>	<b>29 281 816</b>	<b>27 265 069</b>
Change in inventories (before provision)	(183 518)	(17 445)
Change in trade and other receivables, non-current advances issued for connection services (before allowance)	(1 169 484)	1 764 126
Change in employee benefit liability and related assets	(246 521)	(662 939)
Change in trade and other payables, advances received	(6 912 946)	(2 492 262)
Change in taxes payable, other than income tax	484 018	66 104
<b>Cash flows from operating activities before income taxes</b>	<b>21 253 365</b>	<b>25 922 653</b>
Interest paid	(5 556 468)	(5 345 465)
Income taxes paid	(762 832)	(1 287 443)
<b>Net cash flows from operating activities</b>	<b>14 934 065</b>	<b>19 289 745</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	2 912	101 723
Purchase of property, plant and equipment	(16 382 280)	(17 323 670)
Interest received	127 522	83 648
Purchase of intangible assets	(487 954)	(327 118)
<b>Net cash used in investing activities</b>	<b>(16 739 800)</b>	<b>(17 465 417)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings (Note 19)	107 716 839	77 830 150
Repayment of loans and borrowings (Note 19)	(101 768 247)	(77 619 462)
Settlement of finance lease liabilities	(130 824)	(1 519 900)
Dividends paid to shareholders (Note 17c)	(1 535 467)	(133 390)
<b>Net cash flows from financing activities</b>	<b>4 282 301</b>	<b>(1 442 602)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2 476 566</b>	<b>381 726</b>
Cash and cash equivalents at beginning of period	721 624	784 507
<b>Cash and cash equivalents at end of period</b>	<b>3 198 190</b>	<b>1 166 233</b>

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming an integral part of, these condensed consolidated interim financial statements set out on pages 7 to 31 and with the consolidated financial statements for the year ended 31 December 2017.

# PJSC MOESK

## Notes to Condensed Consolidated Interim Financial Statements (Unaudited) for the three and nine months ended 30 September 2018 *(in thousands of Russian roubles, unless otherwise stated)*

### 1. Background

#### (a) Organization structure and types of activities

Public Joint-Stock Company "Moscow United Electric Grid Company" (PJSC MOESK or the "Company") was established on 1 April 2005 by transfer of assets and activities related to the electricity transmission of OJSC Mosenergo, a subsidiary of RAO UES of Russia, within the framework of Russian electricity sector restructuring (Minutes No. 1 of 29 June 2004 of the annual general meeting of shareholders of OJSC Mosenergo).

The condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as "the Group") includes the following subsidiaries:

Description	Ownership share, %
JSC MOESK-Engineering (until 14 June 2018 JSC Moskabel'set'montaj)	100%
JSC Moskabel'energoremont (MKER)	100%
JSC Repair of Electrical and Technical Equipment Plant (RETEP)	100%
JSC Energoцентр	100%

On 22 February 2018 an entry was made in the Unified State Register of Legal Entities ("USRLE") on the termination of the activities of JSC Moskabel'energoremont as a result of reorganization in the form of a merger with JSC Moskabel'set'montaj. JSC Moskabel'set'montaj is the full legal successor of JSC Moskabel'energoremont.

Based on the decision of shareholder (Minutes No. 17/18 of 22 May 2018 of the Management Board of PJSC MOESK), it was decided to amend the Charter about renaming JSC Moskabel'set'montaj JSC MOESK-Engineering. On 14 June 2018, the corresponding entry was made in the USRLE.

As at 30 September 2018, the Russian Government owned 88,89% of the voting ordinary shares and 7,01% of the preference shares of PJSC "ROSSETI", which, in turn, owned 50,9% of the shares of the Company.

The Company's registered office and the actual address is at building 3/2, 2-nd Paveletskiy proezd, Moscow, 115114, the Russian Federation.

The Group's principal activity is electricity transmission for a fee in Moscow and the Moscow Region. The Group also provides connection services as part of its core operations.

#### (b) Russian business environment

The Russian Federation continues economic reforms and development of its legal, tax and administrative infrastructure that would meet the requirements of a market economy. The stability of the Russian economy will largely depend on the progress of these reforms, as well as on the effectiveness of measures taken by the Government in economy, financial and monetary policy.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

*(in thousands of Russian roubles, unless otherwise stated)*

**1. Background (continued)**

**(b) Russian business environment (continued)**

In 2018, market crude oil prices and a significant devaluation of the Russian ruble, as well as sanctions imposed against Russia by some countries, continue to have a negative impact on the Russian economy. Interest rates in rubles remain high as a result of the Bank of Russia maintaining the key rate, which as at 30 September 2018 amounted to 7.5%. The combination of these factors leads to uncertainty about economic growth, reduced availability and increased cost of capital, as well as increased inflation, which may have a negative impact on the financial position, results of operations and economic prospects of the Group in the future. Management believes that it is taking all appropriate measures to maintain the economic stability of the Group in the current environment, however, the actual impact of future business conditions may differ from management's current estimates.

**2. Basis of preparation of financial statements**

**(a) Basis of preparation**

These consolidated interim condensed financial statements for the three and nine months ended 30 September 2018 have been prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full set of annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

**(b) Basis of measurement**

The consolidated interim condensed financial statements are prepared on the historical cost basis except for financial assets classified as available-for-sale that are stated at fair value.

**(c) Going concern**

The accompanying consolidated financial statements have been prepared on a going concern basis, in accordance with which the disposal of assets and the settlement of liabilities occur in the ordinary course of the Group's operations.

As at 30 September 2018, short-term liabilities of the Group exceeded current assets by RUB 27 797 902 thousand (31 December 2017: RUB 28 087 965 thousand). The net amount of current liabilities as at 30 September 2018 is mainly represented by accounts payable. As at 30 September 2018, the Group has sufficient unused credit limits to finance the working capital deficit (Note 19). In addition, management of the Group believes that its cost-cutting measures, together with the gradual increase in tariffs for electricity transmission services and technical connection to the grid, will have a positive effect on the financial results of the Group in the future.

Management of the Group believes that activities the Group will allow it to have sufficient liquidity to continue its operations in the foreseeable future on a going concern basis. Accordingly, the accompanying condensed consolidated interim financial statements do not include adjustments that would need to be made in case of inability to continue the Group's activities as a going concern.



Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

**2. Basis of preparation of financial statements (continued)****(d) Functional and presentation currency**

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Group's functional currency and the currency in which these condensed consolidated interim financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

**(e) Use of judgements, estimates and assumptions**

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in preparing these condensed consolidated interim financial statements in conformity with IFRS requirements. Actual results may differ from those estimates.

The judgements, estimates and assumptions applied by the Group in these condensed consolidated interim financial statements are substantially the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

**(f) New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following standards, amendments to standards and interpretations became effective from 1 January 2018:

- ▶ IFRS 9 *Financial Instruments*;
- ▶ IFRS 15 *Revenue from Contracts with Customers*;
- ▶ Amendments to IAS 28 *Investments in Associates and Joint Ventures* – the amendments clarify that the decision to measure investments at fair value through profit or loss should be made separately for each investment;
- ▶ Amendments to IAS 40 *Transfers of Investment Property*;
- ▶ Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* – deletion of short-term exemptions for first-time adopters;
- ▶ Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
- ▶ IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*.

The Group applies for the first time IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below. The Group reviewed the impact of other amendments and interpretations and concluded that they had no impact on its financial statements. The Group has not early applied any other standards, interpretations or amendments that have been issued but have not yet become enacted.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

**2. Basis of preparation of financial statements (continued)**

**(f) New standards, interpretations and amendments adopted by the Group (continued)**

*IFRS 9 Financial Instruments*

The final version of IFRS 9 *Financial Instruments* issued in 2014 replaces IAS 39 *Financial Instruments: Recognition and Measurement*, as well as all previous versions of IFRS 9. IFRS 9 brings together the requirements for the classification and measurement, impairment and hedge accounting of financial instruments. In respect of impairment, IFRS 9 replaces the “incurred loss” model used in IAS 39 with a new “expected credit loss” model that will require a more timely recognition of expected credit losses. As a result of the analysis performed the Group concluded that changes in the standard have no significant impact the condensed consolidated interim financial statements, in particular on the statement of financial position and statement of changes in equity. This estimate was made based on information currently available and could be revised if new valid supporting information is received.

As at 30 September 2018, the Group determined an increase in the amount of the estimated loss provision, which had an impact on the increase in expenses. This is due to the fact that IFRS 9 requires that all debt securities, loans and trade receivables reflect 12-month expected credit losses or the expected credit losses for the entire period. The Group applied a simplified approach and reflected expected credit losses for the entire period of trade receivables in the current period. The Group determined that for unsecured loans and receivables, the estimated provision for losses increased. However, the Group estimates that the overall increase in provisions as at 30 September 2018 is not significant. There have been no significant changes in the classification of financial instruments.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a single framework for revenue recognition and contains requirements for related disclosures. The new standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related interpretations on revenue recognition and is applied to all items of revenue arising in connection with contracts with customers except cases when contracts are within the scope of other IFRSs. Under IFRS 15, revenue is recognised in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for the transfer of goods or services to a customer.

In accordance with IFRS 15, the Group analysed whether contracts contain a variable component of the contract value, a significant component of financing, and compensation payable to the customer. The analysis of the impact of the standard to the financial statements of the Group did not reveal the presence of the variable component of consideration, any provision on payment in installment for a period for more than a year from the date of sale or significant expenditures incurred to conclude the contracts. For the purposes of accounting for short-term payments, trade and other receivables, no significant financing component has been identified. As a result of the analysis performed the Group concluded that the standard has no significant impact on the condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

*(in thousands of Russian roubles, unless otherwise stated)*

**2. Basis of preparation of financial statements (continued)**

**(f) New standards, interpretations and amendments adopted by the Group (continued)**

Technological connection services. Revenue from services to connect a customer to electricity grid network is recognized when the customer is connected to the network on the basis of act on implementation of technological connection. Payment for technological connection for an individual project, standardized tariff rates, rate per unit of a maximum power capacity and a formula for payment for technological connection are approved by regional energy commission (the Department of prices and tariffs of the respective region) and they are independent to revenue from services of electricity transmission. The fee for the connection to the integrated (national) electricity grid network is approved by the Federal Antimonopoly Service. The Group applied judgment to conclude that technological connection is a separate performance obligation for which revenue is recognised when the services are provided. The technological connection agreement does not contain any further obligations after provision of the connection service. According to the established practice and laws regulating the electricity market, technological connection and transmission of electricity are subject to separate negotiations with different consumers as different services with different commercial purposes with no linkage in pricing, intentions, recognition or types of services.

**3. Changes in accounting policies and reclassification of comparative information**

**(a) Changes in accounting policies**

In the annual consolidated financial statements for the year ended 31 December 2017, the Group amended its accounting policies and the presentation of certain amounts in the financial statements to provide comparability of the presentation of the Group and its parent company PJSC Rosseti.

Accordingly, in these condensed consolidated interim financial statements, the Group has made a similar reclassification of the following amounts:

- ▶ Income from compensation for losses in connection with the liquidation of electric grid property recognized as at 30 September 2017 in Revenues was reclassified to Other income in order to ensure comparability with the data of the previous annual reporting period;
- ▶ The amount of additional paid-in capital as at 1 January 2017 and 30 September 2017 was transferred from Additional paid-in capital to Retained earnings in order to ensure comparability with the data of the current reporting period.

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

3. Changes in accounting policies and reclassification of comparative information  
(continued)

(a) Changes in accounting policies (continued)

The effect of the above changes in accounting policies on comparative figures is presented in the table below:

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (unaudited) for the three months ended 30 September 2017	As previously reported	As restated	Total effect of changes	Effect of changes
				Income from compensation of losses in connection with the liquidation of electric grid property
Revenue	35 766 315	35 001 080	(765 235)	(765 235)
Other operating income	1 314 720	2 079 955	765 235	765 235
	<b>37 081 035</b>	<b>37 081 035</b>	<b>-</b>	<b>-</b>

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (unaudited) for the nine months ended 30 September 2017	As previously reported	As restated	Total effect of changes	Effect of changes
				Income from compensation of losses in connection with the liquidation of electric grid property
Revenue	108 161 783	106 378 340	(1 783 443)	(1 783 443)
Other operating income	3 936 776	5 720 219	1 783 443	1 783 443
	<b>112 098 559</b>	<b>112 098 559</b>	<b>-</b>	<b>-</b>

Condensed Consolidated Interim Statement of Changes in Equity for the nine months ended 30 September 2017	As previously reported	As restated	Total effect of changes	Effect of changes
				Additional paid-in capital
Additional paid in capital	18 580 888	-	(18 580 888)	(18 580 888)
Retained earnings	131 407 708	149 988 596	18 580 888	18 580 888
<b>Total equity</b>	<b>149 988 596</b>	<b>149 988 596</b>	<b>-</b>	<b>-</b>

Condensed Consolidated Interim Statement of Changes in Equity for the nine months ended 30 September 2018	As previously reported	As restated	Total effect of changes	Effect of changes
				Additional paid in capital
<b>As at 1 January 2017</b>				
Additional paid in capital	18 580 888	-	(18 580 888)	(18 580 888)
Retained earnings	129 630 980	148 211 868	18 580 888	18 580 888
<b>Total equity</b>	<b>148 211 868</b>	<b>148 211 868</b>	<b>-</b>	<b>-</b>

The above changes had no effect on the Group's net cash flows from operating, investing and financing activities for the nine months ended 30 September 2017 and on the amount of basic and diluted earnings per share for the three and nine months ended 30 September 2017.

## PJSC MOESK

### Notes to Condensed Consolidated Interim Financial Statements (Unaudited) (continued)

*(in thousands of Russian roubles, unless otherwise stated)*

#### 3. Changes in accounting policies and reclassification of comparative information (continued)

##### (b) Reclassification of comparative information

In 2018, the Group changed the presentation of advances received and advances issued and disclosed them separately from trade and other receivables and payables in order to provide more accurate information about the nature of the debt. Advances received and advances issued mainly represent prepayments under contracts with customers and contracts with suppliers for the provision of technological connection services. To ensure comparability of the data, the corresponding figures in the consolidated statement of financial position as at 31 December 2017 were adjusted as follows:

	As previously reported	Adjustments	As restated
Trade and other receivables	1 643 712	(639 787)	1 003 925
Advances issued	–	639 787	639 787
<b>Total non-current assets</b>	<b>311 883 591</b>	<b>–</b>	<b>311 883 591</b>
Trade and other receivables	20 530 981	(1 681 186)	18 849 795
Advances issued	–	1 681 186	1 681 186
<b>Total current assets</b>	<b>27 169 300</b>	<b>–</b>	<b>27 169 300</b>
Trade and other payables	6 872 793	(6 733 967)	138 826
Advances received	–	6 733 967	6 733 967
<b>Total non-current liabilities</b>	<b>110 252 518</b>	<b>–</b>	<b>110 252 518</b>
Trade and other payables	49 799 402	(24 863 649)	24 935 753
Advances received	–	24 863 649	24 863 649
<b>Total current liabilities</b>	<b>55 257 265</b>	<b>–</b>	<b>55 257 265</b>

The indicated above changes had no impact on the condensed consolidated interim statement of profit or loss and other comprehensive income for the three and nine months ended 30 September 2017, net cash flows from operating, investing and financing activities for the nine months ended 30 September 2017, and basic and diluted earnings per share for these periods.

All relevant notes and subtotals in the condensed consolidated interim financial statement of cash flows, were amended accordingly in line with the above information for comparability purposes.

#### 4. Determination of fair values

The fair value of non-derivative financial instruments is estimated for disclosure purposes as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

# PJSC MOESK

## Notes to Condensed Consolidated Interim Financial Statements (Unaudited) (continued)

(in thousands of Russian roubles, unless otherwise stated)

### 5. Financial risk management

During the period the Group had the same exposure to financial risks as those which existed as at 31 December 2017 and during the year then ended.

### 6. Operating segments

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the Board of Directors, the chief operating decision maker, to allocate resources to a segment and assess its performance.

Management has determined the following reportable segments:

- ▶ Electricity transmission in Moscow;
- ▶ Electricity transmission in the Moscow region;
- ▶ Connection services in Moscow;
- ▶ Connection services in the Moscow region.

Other activities mainly represent rental income, installation services, repair and technical maintenance of electrical equipment, which have been included in the segment "Other". None of these items meets any of the quantitative thresholds for determining reportable segments for the three and nine months ended 30 September 2018 or the three and nine months ended 30 September 2017.

The segment revenue and profit/(loss) before income tax for the three months ended 30 September 2018 were as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
<b>Revenues</b>				
<b>External revenues</b>	<b>33 026 649</b>	<b>2 363 973</b>	<b>761 601</b>	<b>36 152 223</b>
Moscow	16 437 117	1 856 799	602 573	18 896 489
Moscow Region	16 589 532	507 174	159 028	17 255 734
<b>Inter-segment revenue</b>	-	-	<b>523 549</b>	<b>523 549</b>
Moscow	-	-	392 219	392 219
Moscow Region	-	-	131 330	131 330
<b>Reportable segment profit/ (loss) before income tax</b>	<b>446 393</b>	<b>2 180 373</b>	<b>231 377</b>	<b>2 858 143</b>
Moscow	216 674	1 761 197	145 916	2 123 787
Moscow Region	229 719	419 176	85 461	734 356

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

6. Operating segments (continued)

The segment revenue and profit before income tax for the three months ended 30 September 2017 were as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
<b>Revenues</b>				
<b>External revenues</b>	32 323 797	1 307 670	1 368 858	35 000 325
Moscow	16 118 582	1 041 480	1 204 478	18 364 540
Moscow Region	16 205 215	266 190	164 380	16 635 785
<b>Inter-segment revenue</b>	–	61 753	636 751	698 504
Moscow	–	–	231 526	231 526
Moscow Region	–	61 753	405 225	466 978
<b>Reportable segment profit/ (loss) before income tax</b>	(497 192)	1 217 623	261 108	981 539
Moscow	(503 747)	949 821	170 211	616 285
Moscow Region	6 555	267 802	90 897	365 254

The segment revenue and profit/(loss) before income tax for the nine months ended 30 September 2018 were as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
<b>Revenues</b>				
<b>External revenues</b>	105 904 036	5 291 667	2 506 852	113 702 555
Moscow	52 333 417	3 922 880	1 876 807	58 133 104
Moscow Region	53 570 619	1 368 787	630 045	55 569 451
<b>Inter-segment revenue</b>	–	–	1 471 218	1 471 218
Moscow	–	–	1 044 395	1 044 395
Moscow Region	–	–	426 823	426 823
<b>Reportable segment profit/ (loss) before income tax</b>	6 618 085	4 907 706	384 487	11 910 278
Moscow	3 725 371	3 687 921	109 070	7 522 362
Moscow Region	2 892 714	1 219 785	275 417	4 387 916

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

6. Operating segments (continued)

The segment revenue and profit/(loss) before income tax for the nine months ended 30 September 2017 were as follows (unaudited):

	Electricity transmission	Connection services	Other	Total
<b>Revenues</b>				
<b>External revenues</b>	99 509 348	4 133 208	2 742 217	106 384 773
Moscow	49 917 203	2 918 485	2 345 605	55 181 293
Moscow Region	49 592 145	1 214 723	396 612	51 203 480
<b>Inter-segment revenue</b>	–	61 753	1 715 243	1 776 996
Moscow	–	–	765 660	765 660
Moscow Region	–	61 753	949 583	1 011 336
<b>Reportable segment profit/ (loss) before income tax</b>	1 679 761	3 695 760	701 274	6 076 795
Moscow	843 692	2 641 666	445 276	3 930 634
Moscow Region	836 069	1 054 094	255 998	2 146 161

Segment assets are as follows:

	Electricity transmission	Connection services	Other	Unallocated	Total
<b>30 September 2018 (unaudited)</b>					
<b>Total assets</b>	316 248 319	832 593	5 081 811	30 899 122	353 061 845
Moscow	213 836 760	688 607	5 012 299	–	219 537 666
Moscow Region	102 411 559	143 986	69 512	–	102 625 057
Unallocated	–	–	–	30 899 122	30 899 122
<b>31 December 2017</b>					
<b>Total assets</b>	321 260 419	1 474 632	4 334 280	27 393 537	354 462 868
Moscow	216 330 337	1 346 448	3 462 322	–	221 139 107
Moscow Region	104 930 082	128 184	871 958	–	105 930 224
Unallocated	–	–	–	27 393 537	27 393 537

Segment liabilities are as follows:

	Electricity transmission	Connection services	Other	Unallocated	Total
<b>30 September 2018 (unaudited)</b>					
<b>Total liabilities</b>	101 597 015	31 718 172	4 453 574	15 504 959	153 273 720
Moscow	99 616 346	27 825 312	4 453 574	–	131 895 233
Moscow Region	1 980 669	3 892 860	–	–	5 873 528
Unallocated	–	–	–	15 504 959	15 504 959
<b>31 December 2017</b>					
<b>Total liabilities</b>	104 651 667	33 060 894	3 675 776	15 773 163	157 161 500
Moscow	100 296 603	28 229 910	3 237 144	–	131 763 657
Moscow Region	4 355 064	4 830 984	438 632	–	9 624 680
Unallocated	–	–	–	15 773 163	15 773 163



PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

6. Operating segments (continued)

Reconciliation of reportable segments' profit is presented below:

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2018	2017	2018	2017
Reportable segments' profit	2 626 766	720 431	11 525 791	5 375 521
Other profit/(loss)	231 376	261 108	384 486	701 274
Unallocated	(406 382)	(1 611 721)	(5 325 406)	(4 231 759)
<b>Total profit before tax per Russian Accounting Standards</b>	<b>2 451 760</b>	<b>(630 182)</b>	<b>6 584 871</b>	<b>1 845 036</b>
Adjustment for leased property	23 099	70 881	135 857	208 220
Borrowing costs capitalized	57 803	1 738	134 604	4 742
Depreciation and amortisation	727 897	1 569 029	2 236 243	3 014 250
Disposal of property, plant and equipment	865	6 210	7 565	(33 753)
Allowance for expected credit losses				
accounts receivable	(162 000)	9	(952 351)	362
Provision for legal claims	(5 212)	(2 226)	266 092	(279)
Effect of loan and borrowings discounting	(9 712)	(24 555)	(34 238)	(45 111)
Employee benefits liability	53 791	28 211	47 109	493 127
Provision for annual bonuses	(295 554)	-	(886 662)	-
Other items	(96 012)	55 406	(109 160)	(8 492)
<b>Consolidated profit before income tax per IFRS</b>	<b>2 746 725</b>	<b>1 074 521</b>	<b>7 429 930</b>	<b>5 478 102</b>

The segment disclosure was prepared in accordance with the segment disclosure as at 31 December 2017. However, for the purpose of preparation of the condensed consolidated interim financial statements the Group does not present a reconciliation of segment assets and segment liabilities to the amounts reported in the condensed consolidated interim financial statements as required by IFRS 8 *Operating Segments*.

Segment operating results reported to the Group's chief operating decision maker are determined based on the income and expenses calculated in accordance with Russian Accounting Standards (RAS). Segment operating results represent the profit/(loss) earned by a segment without segregation of finance income and expenses, other income and expenses which are included in "Unallocated" component.

*Major customer*

During the nine months ended 30 September 2018, revenue from one customer of the Group's electricity transmission segment represented approximately 85% (RUB 97 183 059 thousand) of the Group's total revenue (nine months ended 30 September 2017: 84%; RUB 90 533 233 thousand).

During the three months ended 30 September 2018, revenue from one customer of the Group's electricity transmission segment represented approximately 84% (RUB 30 337 120 thousand) of the Group's total revenue (three months ended 30 September 2017: 82%; RUB 29 437 111 thousand).

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

7. Revenue from contracts with customers

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2018	2017	2018	2017
Electricity transmission	33 026 529	32 323 797		99 509 348
Revenue from connection services	2 363 973	1 369 423		4 133 208
Other revenue	675 797	1 240 408		2 559 209
	<b>36 066 299</b>	<b>34 933 628</b>		<b>106 201 765</b>

Other revenues include electrical equipment installation and maintenance services.

8. Operating expenses

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2018	2017	2018	2017
Personnel costs	(4 720 307)	(4 729 675)	(14 504 849)	(13 570 347)
Depreciation and amortisation	(5 340 169)	(4 622 684)	(15 918 305)	(15 693 009)
	-	6 903	-	6 903
<i>Material expenses, including:</i>				
Electricity for compensation of losses	(3 230 610)	(3 143 745)	(11 607 622)	(10 646 936)
Purchased electricity and heat power for own needs	(39 832)	(34 623)	(232 417)	(210 143)
Other material costs	(873 402)	(754 225)	(2 280 190)	(1 924 080)
<i>Production work and services, including:</i>				
Electricity transmission services	(15 404 113)	(15 537 384)	(46 781 105)	(45 940 591)
Repairs, maintenance services	(770 326)	(1 053 549)	(2 032 687)	(1 933 813)
Other works and industrial services	(622 675)	(875 309)	(1 783 956)	(1 822 925)
Taxes and levies other than income tax	(780 003)	(715 127)	(2 383 981)	(2 179 116)
Rent	(166 162)	(174 462)	(481 977)	(482 819)
Insurance	(116 040)	(122 954)	(348 385)	(362 388)
<i>Other third-party services, including:</i>				
Communication services	(25 347)	(173 303)	(307 323)	(502 534)
Security services	(158 853)	(151 049)	(462 554)	(440 784)
Consulting, legal and audit services	(309 149)	(271 611)	(564 295)	(750 997)
Transportation services	(110 624)	(84 826)	(289 124)	(249 381)
Other services	(205 704)	(263 064)	(608 450)	(717 672)
Impairment of receivables	(626 271)	(154 002)	(2 915 859)	(458 571)
Provisions	(3 483)	(973 501)	(242 492)	(2 685 447)
Other expenses	(516 396)	(760 922)	(3 758 664)	(1 657 410)
	<b>(34 019 466)</b>	<b>(34 589 112)</b>	<b>(107 504 235)</b>	<b>(102 222 060)</b>

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

9. Other income

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2018	2017	2018	2017
Property received free of charge	82 075	256 074	405 925	742 395
Income from the refund for energy consumed by customers without contracts	623 875	187 749	1 905 860	1 758 016
Compensation received in connection with the liquidation of electric grid property	322 938	765 235	1 389 057	1 783 443
Other income	876 909	870 897	1 674 395	1 436 365
	<b>1 905 797</b>	<b>2 079 955</b>	<b>5 375 237</b>	<b>5 720 219</b>

10. Finance income and costs

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2018	2017	2018	2017
<b>Finance income</b>				
Interest income	57 976	26 218	127 517	83 643
Interest on assets related to employee benefits liability	-	-	2 126	19 025
Other finance income	-	3	5	3
	<b>57 976</b>	<b>26 221</b>	<b>129 648</b>	<b>102 671</b>
<b>Finance costs</b>				
Interest expense in respect of loans and borrowings	(1 256 799)	(1 351 821)	(3 970 904)	(4 192 862)
Interest on employee benefits liability	(61 925)	(41 821)	(201 538)	(188 834)
Unwinding of discount on financial liabilities at amortised cost	(9 712)	(25 453)	(34 238)	(46 009)
Interest on finance leases	(21 333)	(24 486)	(66 251)	(73 195)
Other finance costs	(36)	(42)	(344)	(168)
	<b>(1 349 805)</b>	<b>(1 443 623)</b>	<b>(4 273 275)</b>	<b>(4 501 068)</b>

# PJSC MOESK

## Notes to Condensed Consolidated Interim Financial Statements (Unaudited) (continued)

(in thousands of Russian roubles, unless otherwise stated)

### 11. Income tax expense

The Group calculates the income tax expense for the interim period using the tax rate that will be applicable to the expected total profit for the year. The following are the main components of the income tax expense in the condensed consolidated interim statement of profit or loss:

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2018	2017	2018	2017
Current income tax expense	(574 335)	(232 134)	(1 786 096)	(843 506)
Deferred income tax expense	(61 650)	(329 069)	(592 348)	(1 256 669)
<b>Income tax expense recognised in statement of profit or loss</b>	<b>(635 985)</b>	<b>(561 203)</b>	<b>(2 378 444)</b>	<b>(2 100 175)</b>

Deferred tax related to items recognised in other comprehensive income for the period:

	For the 3 months ended 30 September (unaudited)		For the 9 months ended 30 September (unaudited)	
	2018	2017	2018	2017
Income tax (expense)/benefit on defined benefit plans	(50 767)	7 642	(63 321)	18 132
<b>Income tax, recognised in other comprehensive income</b>	<b>(50 767)</b>	<b>7 642</b>	<b>(63 321)</b>	<b>18 132</b>

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

12. Property, plant and equipment

	Land and buildings	Electricity grid networks	Transformers and transformer substations	Other	Construction in progress	Total
<b>Cost</b>						
Balance at 1 January 2017	42 045 897	216 927 773	83 879 457	84 792 616	37 703 193	465 348 936
Additions	59 642	2 068 616	302 563	65 359	16 639 666	19 135 846
Transfers	2 837 335	4 645 800	2 235 749	931 433	(10 650 317)	-
Disposals	(35 168)	(267 786)	(14 333)	(90 690)	(131 090)	(539 067)
<b>Balance at 30 September 2017 (unaudited)</b>	<b>44 907 706</b>	<b>223 374 403</b>	<b>86 403 436</b>	<b>85 698 718</b>	<b>43 561 452</b>	<b>483 945 715</b>
<b>Depreciation</b>						
Balance at 1 January 2017	(10 374 880)	(66 863 078)	(31 996 758)	(52 140 736)	(590 477)	(161 965 929)
Depreciation charge	(947 951)	(6 618 754)	(3 736 855)	(4 089 272)	-	(15 392 832)
Reversal of impairment (unaudited)	-	-	-	-	6 903	6 903
Transfers	7 873	140 499	9 577	87 279	-	245 228
Disposals	(4 161)	(1 564)	(1 048)	(849)	7 622	-
<b>Balance at 30 September 2017 (unaudited)</b>	<b>(11 319 119)</b>	<b>(73 342 897)</b>	<b>(35 725 084)</b>	<b>(56 143 578)</b>	<b>(575 952)</b>	<b>(177 106 630)</b>
<b>Net book value</b>						
At 1 January 2017	31 671 017	150 064 695	51 882 699	32 651 880	37 112 716	303 383 007
At 30 September 2017 (unaudited)	33 588 587	150 031 506	50 678 352	29 555 140	42 985 500	306 839 085
<b>Cost</b>						
Balance at 1 January 2018	47 459 747	232 121 346	89 435 917	88 168 820	38 071 314	495 257 144
Additions	105 013	512 919	392 031	532 998	14 141 698	15 684 659
Transfers	1 832 058	3 922 601	2 398 657	871 893	(9 025 209)	-
Disposals	(27 353)	(248 786)	(25 647)	(56 064)	(97 963)	(455 813)
<b>Balance at 30 September 2018 (unaudited)</b>	<b>49 369 465</b>	<b>236 308 080</b>	<b>92 200 958</b>	<b>89 517 647</b>	<b>43 089 840</b>	<b>510 485 990</b>
<b>Depreciation</b>						
Balance at 1 January 2018	(12 468 055)	(79 199 140)	(38 044 478)	(57 931 017)	(757 470)	(188 400 160)
Depreciation charge	(1 072 164)	(6 697 327)	(3 873 422)	(4 015 750)	-	(15 658 663)
Disposals	15 164	100 709	14 593	55 224	88 060	273 750
Transfers	(4 516)	21 539	(28 563)	(14 524)	26 064	-
<b>Balance at 30 September 2018 (unaudited)</b>	<b>(13 529 571)</b>	<b>(85 774 219)</b>	<b>(41 931 870)</b>	<b>(61 906 067)</b>	<b>(643 346)</b>	<b>(203 785 073)</b>
<b>Net book value</b>						
At 1 January 2018	34 991 692	152 922 206	51 391 439	30 237 803	37 313 844	306 856 984
At 30 September 2018 (unaudited)	35 839 894	150 533 861	50 269 088	27 611 580	42 446 494	306 700 917

**Borrowing costs capitalised**

As at 30 September 2018 the capitalized borrowing costs in the amount of RUB 1 609 714 thousand at the annual capitalisation rate of 8.04% (30 September 2017: RUB 1 512 221 thousand at the annual capitalisation rate of 8.76%) were included in the cost of property, plant and equipment and represent interest on loans.

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

13. Intangible assets

	Software	Other	Total
<b>Historical cost</b>			
<b>At 1 January 2017</b>	<b>2 252 239</b>	<b>791 278</b>	<b>3 043 517</b>
Additions	128 286	202 826	331 112
	98 999	(98 999)	-
Disposals	(1 744)	-	(1 744)
<b>At 30 September 2017 (unaudited)</b>	<b>2 477 780</b>	<b>895 105</b>	<b>3 372 885</b>
<b>Amortisation</b>			
<b>At 1 January 2017</b>	<b>(337 584)</b>	<b>(119 180)</b>	<b>(456 764)</b>
Amortisation	(249 276)	(58 016)	(307 292)
Disposals	1 744	-	1 744
<b>At 30 September 2017 (unaudited)</b>	<b>(585 116)</b>	<b>(177 196)</b>	<b>(762 312)</b>
<b>Net book value</b>			
<b>At 1 January 2017</b>	<b>1 914 655</b>	<b>672 098</b>	<b>2 586 753</b>
<b>At 30 September 2017 (unaudited)</b>	<b>1 864 630</b>	<b>653 320</b>	<b>2 517 950</b>
<b>Historical cost</b>			
<b>At 1 January 2018</b>	<b>2 901 489</b>	<b>867 874</b>	<b>3 856 635</b>
Additions	485 559	56 651	542 210
Disposals	(242 042)	(40 682)	(282 724)
<b>At 30 September 2018 (unaudited)</b>	<b>3 145 006</b>	<b>971 115</b>	<b>4 116 121</b>
<b>Amortisation</b>			
<b>At 1 January 2018</b>	<b>(609 832)</b>	<b>(125 749)</b>	<b>(811 566)</b>
Amortisation	(185 088)	(78 696)	(263 784)
Disposals	240 598	40 682	281 280
<b>At 30 September 2018 (unaudited)</b>	<b>(554 322)</b>	<b>(239 748)</b>	<b>(794 070)</b>
<b>Net book value</b>			
<b>At 1 January 2018</b>	<b>2 291 657</b>	<b>742 125</b>	<b>3 045 069</b>
<b>At 30 September 2018 (unaudited)</b>	<b>2 590 684</b>	<b>731 367</b>	<b>3 322 051</b>

As at 30 September 2018 the capitalized borrowing costs in the amount of RUB 48 680 thousand at the capitalisation rate of 8.04% (30 September 2017: RUB 21 653 thousand with a capitalisation rate of 8.76%) were included in the cost of intangible assets and represent interest on loans.

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

**14. Trade and other receivables**

	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Non-current trade and other receivable</b>		
VAT on advances from customers	1 313 102	1 003 925
	<b>1 313 102</b>	<b>1 003 925</b>
<b>Current trade and other receivable</b>		
Trade receivables	12 668 016	13 398 233
Trade receivables expected credit losses allowance	(2 953 606)	(1 470 877)
Other receivables	7 497 403	5 607 697
Other receivables expected credit losses allowance	(3 876 943)	(2 758 696)
<b>Total financial assets</b>	<b>13 334 870</b>	<b>14 776 357</b>
VAT recoverable	105 500	225 868
VAT on advances from customers	3 478 865	3 795 783
Prepaid taxes, other than income tax and VAT	46 481	51 787
	<b>16 965 716</b>	<b>18 849 795</b>

**15. Advances issued**

	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Non-current advances issued</b>		
Advances issued	7 235 781	7 274 733
Advances issued impairment allowance	(6 621 172)	(6 634 946)
	<b>614 609</b>	<b>639 787</b>
<b>Current advances issued</b>		
Advances issued	1 565 691	1 720 107
Advances issued impairment allowance	(37 940)	(38 921)
	<b>1 527 751</b>	<b>1 681 186</b>

**16. Cash and cash equivalents**

	<b>30 September 2018</b>	<b>31 December 2017</b>
Cash in bank	3 198 114	721 590
Petty cash	76	34
<b>Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows</b>	<b>3 198 190</b>	<b>721 624</b>

# PJSC MOESK

## Notes to Condensed Consolidated Interim Financial Statements (Unaudited) (continued)

(in thousands of Russian roubles, unless otherwise stated)

### 16. Cash and cash equivalents (continued)

Cash in bank is placed in banks attributable to the following ratings:

	Rating	Rating agency	30 September 2018	31 December 2017
AO AB Russia	A+(RU)	ACRA	1 363 214	307 036
PJSC Gazprombank*	AA(RU)	ACRA	62 372	335 261
PJSC Sberbank	AAA(RU)	ACRA	1 748 734	6 180
AO Alfa-Bank	AA(RU)	ACRA	20 565	48 931
CJSC KB Citibank	AAA(RU)	ACRA	2 652	21 367
Other banks	–	–	577	2 815
Petty cash	–	–	76	34
			<b>3 198 190</b>	<b>721 624</b>

\* Government-related banks.

### 17. Equity

#### (a) Share capital

	Ordinary shares	Ordinary shares
	30 September 2018	31 December 2017
<b>Share capital</b>		
Number of ordinary shares at 0.50 RUB par value, (pcs)	48 707 091 574	48 707 091 574

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company's shareholders.

#### (b) Treasury shares

As at 30 September 2018 and 31 December 2017 the Group did not hold any of its own shares.

#### (c) Dividends

At the annual general shareholders meeting held on 7 June 2018 the decision was made to declare dividends for the year 2017 for ordinary shares in the amount of RUB 1 540 603 thousand (RUB 0.03163 per share).

At the annual general shareholders meeting held on 8 June 2017 the decision was made to declare dividends for the year 2016 for ordinary shares in the amount of RUB 1 519 905 thousand (RUB 0.0312 per share).



# PJSC MOESK

## Notes to Condensed Consolidated Interim Financial Statements (Unaudited) (continued)

(in thousands of Russian roubles, unless otherwise stated)

### 18. Earnings per share

The calculation of earnings per share is based on the profit for the period and the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive equity instruments.

	<b>30 September 2018</b>	<b>30 September 2017</b>
Number of outstanding shares (pcs.)	48 707 091 574	48 707 091 574
Profit for the period attributable to the shareholders of PJSC MOESK ('000 RUB)	5 051 486	3 377 927
<b>Earnings per share (in Russian rubles)</b>	<b>0.1037</b>	<b>0.0694</b>

### 19. Loans and borrowings

This note provides information about the Group's loans and borrowings as at 30 September 2018 and 31 December 2017.

	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Non-current</b>		
Unsecured bank loans	47 795 551	41 734 728
Unsecured bond issues	44 332 725	44 272 331
Finance lease liabilities	585 192	653 141
Less: current portion of unsecured bank loans	(64 074)	(1 734 729)
Less: current portion of unsecured bond issues	(13 972 400)	(964 956)
Less: current portion of finance lease liabilities	(94 195)	(91 543)
	<b>78 582 799</b>	<b>83 868 972</b>
<b>Current</b>		
Current portion of unsecured bank loans	64 074	1 734 729
Current portion of unsecured bond issues	13 972 400	964 956
Current portion of finance lease liabilities	94 195	91 543
	<b>14 130 669</b>	<b>2 791 228</b>
<b>Including</b>		
Interests payable on loans and borrowings	64 074	34 728
Interests payable on bonds	1 017 050	925 760
	<b>1 081 124</b>	<b>960 488</b>

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)  
*(in thousands of Russian roubles, unless otherwise stated)*

**19. Loans and borrowings (continued)**

During the nine months ended 30 September 2018 the Group raised the following bank loans:

	<b>Nominal amount</b>
Loans from state-controlled banks	96 816 046
Other loans	10 900 793
	<b>107 716 839</b>

During the nine months ended 30 September 2018 the Group repaid the following significant bank loans:

	<b>Nominal amount</b>
Loans from state-controlled banks	90 784 569
Other loans	10 983 678
	<b>101 768 247</b>

As at 30 September 2018, the Group has unused credit facility in the amount of RUB 87 268 523 thousand (31 December 2017: RUB 59 800 000 thousand).

**20. Trade and other payables**

	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Non-current</b>		
Other payables	141 023	138 826
	<b>141 023</b>	<b>6 872 793</b>
<b>Current</b>		
Trade accounts payable	12 067 846	21 984 217
Other payables and accrued provisions	2 709 793	2 951 536
	<b>14 777 639</b>	<b>49 799 402</b>

PJSC MOESK

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

**21. Provisions**

	<b>Legal claims</b>
<b>Balance at 1 January 2017</b>	<b>622 556</b>
Provisions accrued during the year	3 198 627
Provisions recovered during the year	(305 211)
Provisions used during the year	(3 187 531)
<b>Balance at 31 December 2017</b>	<b>328 441</b>
Provisions accrued during the period	341 340
Provisions recovered during the period	(98 848)
Provisions used during the period	(481 671)
<b>Balance at 30 September 2018 (unaudited)</b>	<b>89 262</b>

A provision for legal claims is recognized for the expected costs to settle claims initiated against the Group in the ordinary course of business.

During the first half of 2018, expenses to settle litigations in the amount of RUB 481 671 thousand were recognized against accrued provision, and the remaining provision in the amount of RUB 98 484 thousand was recovered and included in other operating expenses in the statement of profit or loss, where accruals of provision were recognized. The recovery is due to the less actual costs incurred to settled litigations compared to expected.

Management believes that the outcome of ongoing litigations would not result in any material losses in excess of the provision already accrued.

**22. Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017. Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amount. There were no transfers between levels of the fair value hierarchy during the nine months ended 30 September 2018.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments presented in the financial statements, other than those with carrying amounts that reasonable approximate fair values:

	<b>30 September 2018</b>		<b>Level of fair value hierarchy</b>		
	<b>Carrying amount</b>	<b>Fair value</b>	<b>1</b>	<b>2</b>	<b>3</b>
Bonds	38 822 005	38 369 200	38 369 200	–	–
<b>Total</b>	<b>38 822 005</b>	<b>38 369 200</b>	<b>38 369 200</b>	<b>–</b>	<b>–</b>

## PJSC MOESK

### Notes to Condensed Consolidated Interim Financial Statements (Unaudited) (continued)

*(in thousands of Russian roubles, unless otherwise stated)*

#### 22. Financial risk management (continued)

	31 December 2017		Level of fair value hierarchy		
	Carrying amount	Fair value	1	2	3
Bonds	38 838 484	39 070 500	39 070 500	–	–
<b>Total</b>	<b>38 838 484</b>	<b>39 070 500</b>	<b>39 070 500</b>	–	–

#### 23. Capital commitments

As at 30 September 2018, the contracted future capital expenditures related to capital construction of power grid facilities amount to RUB 34 775 760 thousand (31 December 2017: RUB 35 830 304 thousand), including VAT.

#### 24. Contingencies

##### (a) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other countries are not yet generally available. The Group does not have full coverage for its plant facilities and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

##### (b) Pending litigations

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management does not believe that these matters would have a material adverse effect on the Group's operating results.

##### (c) Taxation contingencies

Russian tax law allows for various interpretations and is subject to frequent changes. The publication of the official clarification of the regulatory authorities and the prosecutions in many cases contain vague, conflicting, and different interpretations of tax authorities at different levels. The correctness of the tax settlements is subject to review and investigation by a number of authorities entitled to impose severe fines, penalties and levy fines. The tax authorities have the right to check the completeness of compliance with tax obligations within three calendar years after the end of the reporting tax period, but under certain circumstances the period of tax review may be extended. Recent developments in the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation tax legislation and assessments.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

*(in thousands of Russian roubles, unless otherwise stated)*

**24. Contingencies (continued)**

**(c) Taxation contingencies (continued)**

In 2017, there was further implementation of mechanisms directed against tax evasion using low-tax jurisdictions and aggressive tax planning structures that came into force in 2016. In particular, these changes included the definition of beneficial ownership concept, the tax residency of legal entities at the place of actual activity, as well as the taxation approach to controlled foreign companies in the Russian Federation and approach in determining insufficient capitalization.

Due to all these factors, tax risks in the Russian Federation may be significantly higher than in other countries. Based on its interpretation of applicable Russian tax legislation, official pronouncements of the regulatory bodies and court orders, management believes that its interpretation of the relevant legislation is appropriate, all tax liabilities are recognized in full amounts and the probability of retaining the tax position is high. However, the relevant regulatory authorities may interpret the provisions of the applicable tax laws differently, which may have a material impact on these condensed consolidated interim financial statements, if the interpretation is found to be lawful.

**(d) Environmental matters**

The Group runs its operations in the energy market that may result in environmental liabilities, in particular, sites restoration and other environmental protection measures. The Russian environmental regulations is evolving and the state authorities continually reconsiders law enforcement practice. The Group periodically evaluates its environmental liabilities pursuant to environmental regulations.

Potential liabilities might arise as a result of changes in existing regulations, civil litigation or legislation. The impact of these potential changes cannot be estimated, but could be material. Under the currently existing legislation and enforcement practice management believes that there are no significant liabilities related to environmental matters.

**25. Related party transactions**

The Group operates in the industry directly or indirectly controlled by the Russian Federation through its government-related entities. The Group has transactions with other government-related entities including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, leasing of assets, and use of public utilities.

These transactions are conducted on terms comparable to those with other entities that are not government-related. The Group established procurement and sale policies, pricing policy and control procedures over purchases and sales of products and services that are applied to all counterparties, irrespective of whether the counterparties are government-related entities or not.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)  
(continued)

(in thousands of Russian roubles, unless otherwise stated)

**25. Related party transactions (continued)****(a) Control relationships**

The parent company of the Group is PJSC Rosseti, which is under the control of the State. The ultimate controlling party of the Group is the State, which holds the majority of voting shares of PJSC Rosseti.

**(b) Transactions with management and close family members**

There were no transactions or balances with key management and close family members during the period except their remuneration in the form of salary and bonuses.

***Management remuneration***

Total remuneration in the form of salary and bonuses to the key management and the members of the Board of Directors during the nine months ended 30 September 2018 was RUB 329 008 thousand (nine months ended 30 September 2017: RUB 353 264 thousand).

Total remuneration in the form of salary and bonuses to the key management and the members of the Board of Directors during the three months ended 30 September 2018 was RUB 99 245 thousand (three months ended 30 September 2017: RUB 108 256 thousand).

**(c) Transactions with state-controlled entities**

In the course of its operating activities the Group is engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are measured at regulated tariffs, where applicable; in other cases revenues and purchases are measured at normal market prices.

Revenues attributable to state-controlled entities for the nine months ended 30 September 2018 constitute 89% (the nine months ended 30 September 2017: 87%) of total Group revenues, including 93% (the nine months ended 30 September 2017: 93%) of electricity transmission revenues.

Revenues attributable to state-controlled entities for the three months ended 30 September 2017 constitute 89% (the three months ended 30 September 2017: 86%) of total Group revenues, including 93% (the three months ended 30 September 2017: 93%) of electricity transmission revenues.

Electricity transmission costs attributable to state-controlled entities for the nine months ended 30 September 2018 constitute 95% (the nine months ended 30 September 2017: 94%) of total transmission costs.

Electricity transmission costs attributable to state-controlled entities for the three months ended 30 September 2018 constitute 94% (the three months ended 30 September 2017: 98%) of total transmission costs.

The most significant loans and borrowings from state-controlled entities, received and repaid, are disclosed in Note 19.

## PJSC MOESK

### Notes to Condensed Consolidated Interim Financial Statements (Unaudited) (continued)

*(in thousands of Russian roubles, unless otherwise stated)*

#### **25. Related party transactions (continued)**

##### **(d) Pricing policies**

Revenue attributable to related parties for electricity transmission services is based on the tariffs imposed by the governmental bodies. Other related party transactions are based on normal market prices.

#### **26. Events subsequent to the reporting date**

There were no any significant events occurred after the reporting date that require special explanations or adjustments in the condensed consolidated interim financial statements for the three and nine months ended 30 September 2018.

From Carl

John Street