

Independent  
auditor's report  
on the accounting (financial) statements  
*of Public Joint-Stock*  
*Moscow United Electric Grid Company*  
for 2018

*February 2019*

**Independent auditor's report  
on accounting (financial) statements  
of Public Joint-Stock  
Moscow United Electric Grid Company**

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## **Independent auditor's report**

To the Shareholders and Board of Directors  
the Public Joint-Stock  
Moscow United Electric Grid Company

### ***Opinion***

We have audited the accounting (financial) statements of PJSC “Moscow United Electric Grid Company” (hereinafter referred to as the “Company”), which include a balance sheet as at 31 December, 2018, profit and loss statement for 2018 and annexes to the same.

In our opinion, the accompanying accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and the financial results and cash flows for 2017 under the rules for preparation of accounting (financial) statements established in the Russian Federation.

### ***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 accounting (financial) statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the accounting (financial) statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the accounting (financial) statements of the current period. These matters were addressed in the context of our audit of the accounting (financial) statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the accounting (financial) statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accounting (financial) statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying accounting (financial) statements.

<b>Key audit matter</b>	<b>How the matter was addressed in the audit</b>
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#### ***Recognition and measurement of revenue from electricity transmission services***

Recognition and measurement of revenue from electricity transmission services were matters of most significance in our audit due to certain imperfection of mechanisms of operation of electricity market and it leads to disagreements between electric grid companies, energy supply companies and other companies in respect of the volume and cost of electricity transmitted. The amount of the revenue contested by the counterparties is significant to the financial statements of the Company. The assessment by the Company's management of favorable outcome of the dispute resolution is, to a large extent, subjective. Revenue is recognized when, subject to the assumptions, disputes are resolved in favor of the Company.

We reviewed the accounting policies applied in recognition of revenue from electricity transmission services, evaluated the internal control over revenue recognition, reviewed the accuracy of determined revenue amounts based on concluded contracts for electricity transmission, on a sample basis obtained confirmations of accounts receivable balances from the counterparties, reviewed and evaluated outcomes of litigations in respect of disputed amounts for the provided services, if any, and existing procedures for confirming the volume of electricity transmitted.

Information about the revenue from electricity transmission services is disclosed in the profit or loss statement and paragraph 16 of the Explanations to the balance sheet and profit and loss statement.



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**Key audit matter****How the matter was addressed in the audit**

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***Allowance for impairment of trade receivables***

Creation of allowance for impairment of trade receivables is one of the most significant matters for our audit due to the significant balances of trade receivables as of December 31, 2018, as well as due to the fact that management's assessment of the possibility of recovering these debts based on assumptions, in particular, on the forecast of the purchasing power of the Company's customers.

Information about the allowance for impairment of trade receivables is disclosed in paragraph 5.6.1 of the Explanations to the balance sheet and profit and loss statement.

We have performed procedures of evaluation of the adequacy of the Company's accounting policy on reviewing trade receivable and determining if trade receivables impairment allowance should be established, as well as procedures of confirming the reasonableness of the estimates made by the management of the Company, including review of trade receivable payments, review of maturity dates and overdue debts, review of customers' financial solvency.

We performed audit procedures in respect of information used by the Company to determine the impairment of trade receivable, trade receivable ageing structure, tested the accuracy of accrued trade receivables impairment allowance based on the estimates documented by the management.

***Recognition, measurement and disclosure of provisions and contingent liabilities***

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were matters of most significance in our audit because they require a lot of management judgments in respect of significant portion of balance of payments with counterparties in dispute in the course of litigations and pre-litigation settlements.

Information about the provisions and contingent liabilities is disclosed in paragraphs 5.7.1 and 13 of the Explanations to the balance sheet and profit and loss statement.

The audit procedures included review of court rulings made by courts of different levels, review of adequacy of management judgments confirming the assessment of possibility of outflow of economic resources following dispute resolutions, conformity of the prepared documentation with the existing contracts and compliance with the law.



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### ***Other Information***

On February 20, 2018, the audit of the accounting (financial) statements of the Public Joint-Stock Moscow United Electric Grid Company for 2017 was conducted by another auditor, who expressed an unmodified opinion on these statements.

On February 20, 2017, the audit of the accounting (financial) statements of the Public Joint-Stock “Moscow United Electric Grid Company” for 2016 was conducted by another auditor, who expressed an unmodified opinion on these statements.

### ***Other information included in the Company’s annual report***

The other information comprises the information included in the annual report of PJSC MOESK for 2018, but does not include the accounting (financial) statements and our auditor's report thereon. Management is responsible for the other information. The annual report of PJSC MOESK is expected to be made available to us after the date of this auditor's report.

Our opinion on the accounting (financial) statements does not cover the other information and we do not express any form of assurance conclusion thereon.

As we conduct the audit of the accounting (financial) statements, our liability is to review the other information above upon its receipt and to consider whether there are significant discrepancies between the other information and the accounting (financial) statements or our knowledge gained from audit, and whether the other information contains other material misstatements.

### ***Responsibility of the management and Audit Committee of the Board of Directors for the accounting (financial) statements***

The Company's management is responsible for the preparation and fair presentation of the said accounting (financial) statements pursuant to the rules of preparation of accounting (financial) statements established in the Russian Federation, as well as for the internal control system as the management deems necessary for the preparation of accounting (financial) statements free from material misstatements whether due to fraud or error.

In the course of preparing accounting (financial) statements, the management is responsible for the evaluation of the Company's ability to do business as a going concern, for the disclosure, in the relevant situations, of information related to going concern, and for the preparation of statements based on the assumption of going concern, excluding cases when the management intends to liquidate the Company, seize the business activity or has no real alternative to such actions.

The Audit Committee of the Board of Directors is responsible for overseeing the process of preparation of accounting (financial) statements of the Company.



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### *Auditor's responsibility for the audit of accounting (financial) statements*

Our objective is to gain the reasonable assurance that these accounting (financial) statements as a whole do not contain any material misstatements whether due to fraud or error, as well as to issue an audit report containing our opinion. Reasonable assurance is high degree of assurance, but is not a guarantee that the audit performed pursuant to the International Audit Standards will always detect material misstatement, if there is such. Misstatements may be the result of fraud or error and are considered material, if one may reasonably assume that they might, separately or together, affect the economic decisions of users made on the basis of these accounting (financial) statements.

Within the frames of the audit conducted pursuant to the International Audit Standards, we apply professional judgment and retain professional skepticism throughout the audit. In addition, we perform the following:

- ▶ identify and evaluate risks of material misstatements of accounting (financial) statements whether due to fraud or error; develop and conduct audit procedures in response to these risks; get audit evidence constituting sufficient and appropriate basis for expressing our opinion. The risk of non-detection of material misstatements due to fraud is higher than the risk of non-detection of material misstatements due to error, since fraudulent actions may involve collusion, forgery, deliberate omission, distorted presentation of information or actions circumventing the internal control system;
- ▶ gain understanding of internal control system, which is significant for audit, with the purpose of developing audit procedures corresponding to the circumstances, but not for the purpose of expressing opinion on the effectiveness of the Company's internal control system;
- ▶ evaluate the proper nature of the applied accounting policy and the validity of accounting estimates determined by the management, as well as the disclosure of the respective information;
- ▶ make conclusion on the appropriateness of the use by the management of the going concern assumption and, based on received audit evidence, conclusion on whether there is material uncertainty in connection with events or conditions that may cause significant doubt with regard to the Company's ability to do business as a going concern. If we come to the conclusion that there is material uncertainty, we should emphasize in our audit report the respective disclosure of information in the accounting (financial) statements or, if such disclosure of information is inappropriate, modify our opinion. Our conclusions are based on audit evidence received by the date of our audit report. However, future events or conditions may lead to the situation when the Company loses its ability to do business as a going concern;
- ▶ carry out evaluation of presentation of accounting (financial) statements as a whole, its structure and contents, including disclosure of information, as well as evaluation of whether the accounting (financial) statements represent the underlying transactions and events in such a way as to ensure their fair presentation.



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We carry out information interaction with the Audit Committee of the Board of Directors, bringing to its notice, inter alia, information on the planned volume and period of audit, as well as material comments on the audit results, including significant weaknesses of the internal control system, if we discover any in the course of audit.

We also submit to the Audit Committee of the Board of Directors a statement confirming that we have followed all the respective ethical requirements with regard to independence and have informed it about all interrelations and other issues which may be reasonably considered as affecting the auditor's independence and, if necessary, on the respective safeguards.

We determine, out of the issues which we have brought to the attention of the Audit Committee of the Board of Directors, the issues which were most important for the audit of the accounting (financial) statements for the current period and which, consequently, are key audit issues. We describe these issues in our audit report, with the exception of cases when the public disclosure of information on these issues is prohibited by the law or regulation or when, in extremely rare situations, we come to the conclusion that information on a certain issue should not be communicated in our report since we can reasonably assume that the negative consequences of communicating such information will exceed the socially significant benefit from such communication.

The Manager responsible for the audit which served as a basis for issuing this independent auditor's report is T.L Okolotina.

*/Signature/*  
T.L Okolotina  
Partner  
Ernst & Young LLC

February 28, 2019.

***Information on the audited entity***

Name: Public Joint-Stock Moscow Electric Grid Company  
Entry was made in the Unified States Register of Legal Entities on April 1, 2005, with the state registration number 1057746555811 assigned to the same.  
Address: 3 2nd Paveletsky passage, bld. 2, Moscow, 115114, Russian Federation

***Information on the auditor***

Name: Ernst & Young LLC  
Entry was made in the Unified States Register of Legal Entities on December 5, 2002, with the state registration number 1027739707203 assigned to the same.  
Address: 77 Sadovnicheskaya Emb., bld. 1, Moscow, 115035, Russian Federation  
Ernst & Young LLC is a member of Self-Regulatory Organization of Auditors Russian Union of Auditors (Association) (SRO RUA). Ernst & Young LLC is included in the reference copy of the register of auditors and auditing companies under primary registration number 11603050648.



**Balance**  
**on December 31, 2018**

Organization PJSC Moscow United Electric Grid Company  
 Taxpayer identification number \_\_\_\_\_  
 Line of business Electric power transmission and technological connection to distribution of svstems  
 Legal form of organization/ownership Public Joint-Stock company / private ownership  
 Unit: thousand rubles  
 Location (address) 2nd Paveletsky passage, bld 3, Moscow, 115114

Codes		
Catalogue number	0710001	
Date (day, month, year)	31	12 2018
OKPO code	75273098	
INN	5036065113	
to		
OKVED	35.12	
OKOPF/OKFS code	47/16	
OKEI code	384	

Note	Parameter name	Line code	As of September 30, 2018 (1)	As of December 31, 2017 (2)	As of December 31, 2016 (3)
	<b>ASSET</b>				
	<b>I. FIXED ASSETS</b>				
5.1.1.-5.2.2.	Intangible assets	1110	2,974,715	2,279,030	1,657,487
5.2.2.	including unfinished operations for the acquisition of intangible assets	1111	769,085	1,126,620	666,094
5.2.1.-5.2.2.	Research and development results	1120	452,672	568,640	568,846
5.2.2.	including costs for unfinished research and development	1121	48,918	305,213	317,556
	Intangible development assets	1130			
	Tangible development assets	1140			
5.3.1.-5.3.6.	Fixed capital	1150	311,632,227	304,655,874	298,295,315
	land plots and environmental facilities	1151	105,248	101,834	93,740
	buildings, machinery and equipment, structures	1152	273,238,197	266,282,948	261,130,610
	other types of fixed assets	1153	2,899,341	3,391,814	3,920,419
5.3.5.	construction-in-progress	1154	34,826,042	34,184,191	32,431,686
5.3.6.	advances for capital construction and acquisition of fixed assets	1155	62,092	116,298	257,495
	materials and supplies to be used in the creation of fixed assets*	1156	501,307	578,789	461,365
5.3.1.	Income-bearing investments in tangible assets	1160			
	property subject to a lease	1161			
	equipment being provided under a lease agreement	1162			
5.4.1.-5.4.3.	Financial placements	1170	3,593,324	3,910,941	4,063,146
	Investments in subsidiaries	1171	3,539,248	3,771,168	3,806,165
	Investments in affiliates	1172			
	Investments in other entities	1173			
	loans granted to entities for a period of more than 12 months	1174			
	financial placements	1175	54,076	139,773	256,981
5.7.2.	Deferred tax assets	1180	2,682,618	3,645,043	2,665,171
	Other non-current assets	1190	183,277	236,548	387,920
	Total section I	1100	321,518,833	315,296,076	307,637,885
	<b>II. CIRCULATING ASSETS</b>				
5.5.1.-5.5.2.	Inventory	1210	3,394,701	2,869,694	2,700,489
	raw materials, supplies and other similar values	1211	3,275,544	2,850,125	2,680,920
	work-in-progress costs	1212	119,157	19,569	19,569
	finished products and goods for resale	1213			
	goods despatched	1214			
	other inventory and costs	1215			
	Value added tax on acquired assets	1220	303,739	290,908	73,764
5.6.1.-5.6.4.	Accounts receivable	1230	10,925,186	19,602,171	25,702,350
	Payments to be made more than 12 months after the reporting date	1231	596,851	642,775	3,807,999
	purchasers and customers	123101			
	bills receivable	123102			
	advances paid	123103	312,973	642,775	3,807,999
	other accounts receivable	123104	283,878		
	Payments to be made more than 12 months after the reporting date	1232	10,328,335	18,959,396	21,894,351
	purchasers and customers	123201	7,738,227	11,633,796	13,693,813
	bills receivable	123202			
	subsidiaries' and affiliates' arrears of dividends	123203			
	participants' (founders') arrears of dues in authorized capital	123204			
	advances paid	123205	827,686	2,519,956	3,744,001
	other accounts receivable	123206	1,762,422	4,805,644	4,456,537
5.4.1.-5.4.3.	Financial placements (other than cash equivalents)	1240	-	-	-
	loans granted to organizations for a period of less than 12 months	1241			
	other financial receivables	1242			
F.4	Cash and cash equivalents	1250	6,823,109	382,874	589,631
	cash	1251	14	12	61
	operating accounts	1252	6,823,094	382,861	589,569
	currency accounts	1253			
	other funds	1254	1	1	1
	Other circulating assets	1260	4,607,881	4,597,975	5,234,994
	Total section II	1200	26,054,616	27,743,622	34,301,228
	<b>BALANCE</b>	1600	347,573,449	343,039,698	341,939,113



**Profit or loss statement  
for 12 months of 2018**

Organization PJSC Moscow United Electric Grid Company  
 Taxpayer identification number \_\_\_\_\_  
 Line Electric power transmission and technological connection  
 of business distribution systems  
 Legal form of organization/ownership Public Joint-Stock company / private ownership

Codes			
Catalog number 0710002			
Date (day, month, year)	31	12	2018
OKPO code	75273098		
INN to	5036065113		
OKVED	35.12		
OKOPF/OKFS code	47/16		
OKEI code	384		

Unit: thousand rubles

Note	Parameter name	Code	For 12 months of 2018 (1)	For 12 months of 2017 (2)
1	2	3	4	5
	Revenue	2110	156,493,872	147,371,865
	including			
	revenue from electric power transmission	2111	145,379,915	138,350,486
	revenue from technical connection	2112	9,023,429	7,183,912
	revenue from the organization of operation and development of the Unified Energy System of Russia in the part of the distribution power grid	2113		
	revenue from resale of electric power and capacity	2114		
	income from other business	2115		
	rentals	2116	236,981	186,315
	revenue from sale of other products, goods, works, services of industrial character	2117	1,853,547	1,651,152
	revenue from sale of other products, goods, works, services of non-industrial character	2118		
2.1.	Cost of sales	2120	(139,574,715)	(136,880,046)
	including			
	cost of electric power transmission	2121	(138,018,873)	(135,396,915)
	cost of technical connection	2122	(830,735)	(830,765)
	cost of organization of operation and development of the Unified Energy System of Russia in the part of the distribution power grid	2123		
	cost of electric power and capacity for resale	2124		
	cost of other business	2125		
	cost of production of rental services	2126	(26,785)	(34,262)
	revenue from sale of other products, goods, works, services of industrial character	2127	(698,322)	(648,104)
	revenue from sale of other products, goods, works, services of non-industrial character	2128		
	Gross profit (loss)	2100	16,919,157	10,491,819
2.1.	Business expenses	2210		
2.1.	Executive expenses	2220	(77,631)	(437,338)
	Sales profit (loss)	2200	16,841,526	10,054,481
	Income from other business	2310	31,508	
	Interest receivable	2320	197,019	116,663
	Interest payable	2330	(5,293,846)	(5,388,614)
5.11.	Other income	2340	7,994,321	10,422,743
5.11.	Other expenses	2350	(10,785,847)	(12,613,103)
	Income (loss) before taxation	2300	8,984,681	2,592,170
2.3.	Current income tax	2410	(2,973,071)	(1,506,061)
2.3.	including permanent tax liabilities (assets)	2421	1,807,734	1,316,602
2.3.	Changes in deferred tax liabilities	2430	(1,228,455)	(1,303,404)
2.3.	Changes in deferred tax liabilities	2450	758,682	(1,020,643)
2.3.	Miscellaneous	2460	(1,499,123)	414,883
	Net profit (loss)	2400	4,042,714	(1,218,231)

Note	Parameter name	Code	For 12 months of 2018 (1)	For 12 months of 2017 (2)
5.1.1.	<b>FOR REFERENCE</b>			
5.3.1.	Surplus on revaluation of fixed assets not included in the net profit (loss) for the period	2510		
3.2.	The result from other transactions not included in the net profit (loss) for the period	2520		
	Aggregate financial result for the period	2500	4,042,714	(1,218,231)
2.2.	Basic earnings (loss) per share	2900	0.00008	0.00003
2.2.	Diluted earnings (loss) per share	2910		

Director General /signature/ P. A. Sinyutin  
 (signature) (print full name)

Accounting Team Leader /signature/ V. V. Vitinsky  
 (signature) (print full name)

"28" February 20 19

/Seal: Public Joint-Stock Corporation "Moscow United Electric Grid Company", 115114, Russian Federation, Moscow, 2nd Paveletsky passage, bld. 3, OKPO 75273098, OGRN 1057746555811, INN 5036065113/

**Statement of changes in equity  
for 12 months of 2018**

Organization  
Taxpayer identification number  
Line  
of business  
Legal form of organization/ownership

PJSC Moscow United Electric Grid Company

Electric power transmission and technological connection

distribution systems

Public Joint-Stock company / private ownership

Unit: thousand rubles

Codes		
0710002		
Catalog number	0710002	
Date (day, month, year)	31	12 2018
OKPO code	75273098	
INN	5036065113	
to		
OKVED	35.12	
OKOPF/OKFS code	47/16	
OKEI code	384	

**3.1. Net appropriations**

Indicator name	Code	Authorized capital	Capital (before registration of changes)	Treasury shares	Additional capital	Provision capital	Retained profit (outstanding loss)	Total
Capital value 2016 year ended 31 December (1)	3100	24,353,546	-	-	68,680,386	1, 217, 678	95,030,747	182, 282, 357
For 2017 (2)								
Capital increase – total:	3210	-	-	-	-	-	1,228,077	1,226,231
including: net profit	3211	x	x	x	x	x	1,218,231	1,218,231
revaluation of property	3212	x	x	x		x		-
revenue directly assigned to capital increase	3213	x	x	x		x	9,846	9,846
subsequent offering	3214					x	x	-
share denomination increase	3215			x	x	x		x
re-organization of a legal entity	3216							-
Capital decrease – total:	3220	-	-	-	-	-	(1,519, 905)	(1,519, 905)
including: loss	3221	x	x	x	x	x		-
revaluation of property	3222	x	x	x		x		-

revenue directly assigned to capital decrease	3223	x	x	x		x		-
share denomination decrease	3224				x	x		-
number of shares decrease	3225				x	x		-
re-organization of a legal entity	3226							-
dividends	3227	x	x	x	x	x	(1,519,905)	(1,519,905)
Additional capital adjustment	3230	x	x	x	31,840	x	31,840	x
Provision capital adjustment	3240	x	x	x	x			x
Capital value 2017 year ended 31 December (2)	3200	24,353,546	-	-	68,648,546	1,217,678	94,770,759	188,990,529
For 2018 (3)								
Capital increase – total:	3310	-	-	-	-	-	4,042,714	4,042,714
including: net profit	3311	x	x	x	x	x	4,042,714	4,042,714
revaluation of assets	3312	x	x	x		x		-
revenue directly assigned to capital increase	3313	x	x	x		x		-
subsequent offering	3314					x	x	-
share denomination increase	3315			x	x	x		x
re-organization of a legal entity	3316							-
Capital decrease – total:	3320	-	-	-	-	-	(1,540,605)	(1,540,605)
including: net profit	3321	x	x	x	x	x		-
revaluation of property	3322	x	x	x		x		-

revenue directly assigned to capital decrease	3323	x	x	x		x		-
share denomination decrease	3324			x	x	x		-
number of shares decrease	3325				x	x		-
re-organization of a legal entity	3326							-
dividends	3327	x	x	x	x	x	(1,540,605)	(1,540,605)
Additional capital adjustment	3330	x	x	x	(181,927)	x	181,927	x
Provision capital adjustment	3340	x	x	x	x			x
Capital value 2018 year ended 31 December (3)	3300	24,353,546	-	-	68,466,619	1,217,678	97,454,795	191,492,638

### 3.2. Adjustments due to the changes in accounting policies and error correction\*

Indicator name	Code	For 31 December 2016	Changes in capital for 2017		For 31 December 2017
			as the cost of net profit	as the cost of other factors	
<b>Capital – total:</b>					
before adjustments	3400	190,764,898	(1,160,634)	-	191,925,530
adjustments due to:					
accounting policies changes	3410	(1,482,539)	(644,170)	-	(2,126,709)
error correction	3420	-	(808,292)	-	(808,292)
after adjustments	3500	189,282,357	(291,828)	-	188,990,529
including:					
retained profit (outstanding loss):					
before adjustments	3401	96,513,286	1,160,634	31,480	97,705,760
adjustments due to:					
accounting policies changes	3411	(1,482,539)	(644,170)		(2,126,709)
error correction	3421		(808,292)		(808,292)
after adjustments	3501	95,030,747	(291,828)	31,840	94,770,759
other capital articles subjected to adjustments: (under articles)					
before adjustments	3402	94,251,610	-	(31,840)	94,219,770
Authorized capital	34021	24,353,546			24,353,546
Capital (before registration of changes)	340211	-			-
Treasury shares	34022	-			-
Additional capital	34023	68,680,386		(31,840)	68,648,546
Provision capital	34024	1,217,678		-	1,217,678
adjustments due to:					
accounting policies changes	3412				-
error correction	3422				-
after adjustments	3502	94,251,610	-	(31,840)	94,219,770

**3.3. Net assets**

Parameter name	Code	As of September 31, 2018	As of December 31, 2017	As of December 31, 2016
Net assets	3600	194,424,334	191,590,963	191,094,406



### 3.4. Calculation of the valuation of the joint-stock company net assets

Indicator name		Balance sheet line code	2018 year ended December 31 (8)	2017 year ended December 31 (7)	2016 year ended December 31 (6)
1		2	3	4	5
<b>I.</b>	<b>Assets</b>				
1.	Intangible assets	1110	2,974,715	2,279,030	1,657,487
2.	Research and development results	1120	452,762	568,640	568,846
3.	Intangible development assets	1130	-	-	-
4.	Tangible development assets	1140	-	-	-
5.	Fixed assets	1150	311,632,227	304,655,874	298,295,315
6.	Income yielding investments into tangible assets	1160	-	-	-
7.	Current and non-current financial assets	1170 + 1240	3,593,324	3,910,941	4,063,146
8.	Other non-current assets <sup>2</sup>	1180 + 1190	2,865,895	3,881,591	3,053,091
9.	Stocks	1210	3,394,701	2,869,694	2,700,489
10.	Value added tax on acquired assets	1220	303,739	290,908	73,764
11.	Accounts receivable <sup>3</sup>	1230	10,925,186	19,602,171	25,702,350
12.	Cash and cash equivalents	1250	6,823,109	382,874	589,631
13.	Other current assets <sup>1</sup>	1260	4,607,881	4,597,975	5,234,994
14.	Total eligible assets (the sum of 1 – 13 clauses)		347,573,449	343,039,698	341,939,113
<b>II.</b>	<b>Liabilities</b>				
15.	Non-current borrowed funds	1410	68,231,477	83,000,000	66,314,284
16.	Deferred tax liabilities	1420	10,008,464	8,781,616	7,475,762
17.	Estimated liabilities	1430 + 1540	2,544,790	2,064,919	2,689,621
18.	Other non-current liabilities	1450	10,227,112	6,733,765	6,577,125
19.	Short-term borrowed funds	1510	22,780,318	2,660,488	16,726,908
20.	Accounts payable <sup>4</sup>	1520	39,208,843	48,055,945	50,889,745
21.	Other short-term liabilities <sup>5</sup>	1550	148,111	152,002	171,262
22.	Total eligible liabilities (the sum of 15 – 21 clauses)		153,149,115	151,448,735	150,844,707
23.	Value of the joint-stock company net assets (total eligible assets (page 14) minus total eligible liabilities (page 22))		194,424,334	191,590,963	191,094,406

Director General

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(signature)

P. A. Sinyutin  
(print full name)

Accounting Team Leader

/signature/  
(signature)

V. V. Vitinsky  
(print full name)

"28" February 20 19

/Seal: Public Joint-Stock Corporation "Moscow United Electric Grid Company", 115114, Russian Federation, Moscow, 2nd Paveletsky passage, bld. 3, OKPO 75273098, OGRN 1057746555811, INN 5036065113/

**Statement of cash flows  
for 12 months of 2018**

Organization PJSC Moscow United Electric Grid Company  
 Taxpayer identification number \_\_\_\_\_  
 Line Electric power transmission and technological connection  
 of business distribution systems  
 Legal form of organization/ownership Public Joint-Stock company / private ownership

Unit: thousand rubles

Codes		
Catalog number	0710002	
Date (day, month, year)	31	12 2018
OKPO code	75273098	
INN to	5036065113	
OKVED	35.12	
OKOPF/OKFS code	47/16	
OKEI code	384	

Indicator name	Code	For 2018	For 2017
1	2	3	4
<b>Cash flows from operating activities</b>		161,863,806	152,552,585
Revenues – total	4110		
including:			
from the sale of products, goods, works and services	4111	158,668,107	147,046,995
<i>incl. the sale of products, goods, works and services to the parent, subsidiary and associated companies</i>	411101	30,530	54,626
rental payments, license payments, royalty, payments of fees and other similar payments	4112	190,564	221,752
<i>incl. rental charges, license payments, royalty, payment of fees and other similar payments from the parent, subsidiary and associated companies</i>	411201		
financial investments resale	4113		
<i>incl. financial investments resale to the parent, subsidiary and associated companies</i>	411301		
other revenues	4119	2,985,135	5,283,838
<i>incl. other revenues from the parent, subsidiary and associated companies</i>	411901		519
Payments - total	4120	(133,434,892)	(125,990,662)
including:			
payments to suppliers (contractors) for raw materials, supplies, works, services	4121	(99,237,716)	(89,611,091)
<i>incl. the payments to suppliers (contractors) for raw materials, supplies, works, services of the parent, subsidiary and associated companies</i>	412101	(2,215,104)	(2,578,539)
in respect of employee compensation	4122	(13,571,815)	(13,080,303)
interest on debt obligations	4123	(5,234,016)	(5,055,034)
<i>incl. the interest on debt obligations to the parent, subsidiary and associated companies</i>	412301		
corporation tax	4124	(824,057)	(1,441,984)
other payments	4129	(14,567,288)	(16,802,250)
<i>incl. other payments to the parent, subsidiary and associated companies</i>	412901	(2,133)	(15,203)
Balance of cash flows from current transactions	4100	28,428,914	26,561,923
<b>Cash flows from investing activities</b>		111,503	215,568
Revenues – total	4210		
including:			
from the sale of non-current assets (except financial investments)	4211	4,220	98,360
<i>incl. from the sale of non-current assets (except financial</i>	421101		
<i>from the sale of other entities shares (units of interest)</i>	4212		
<i>incl. from the sale of other entities shares (units of interest) to the parent, subsidiary and associated companies</i>	421201		
from the repayment of granted loans, the sale of debt securities (rights of claim on financial assets to other persons)	4213	75,775	117,208
<i>incl. from the repayment of granted loans, the sale of debt securities (rights of claim on financial assets to other persons) of the parent, subsidiary and associated companies</i>	421301	74,300	116,000

dividends, interest on debt financial investments and similar additions from	4214	31,508	
<i>incl. dividends, interest on debt financial investments and similar additions from the parent, subsidiary and associated companies</i>	421401	31,508	
other revenues	4219		
<i>incl. other revenues from the parent, subsidiary and associated companies</i>	421901		
Payments – total	4220	(25,840,306)	(27,782,285)
including: the ones associated with acquisition, creation, modernization, reconstruction and preparation for the use of non-current assets	4221	(23,657,522)	(25,608,172)
<i>incl. the payments to the parent, subsidiary and associated companies associated with acquisition, creation, modernization, reconstruction and preparation for the use of non-current assets</i>	422101	(363,702)	(781,277)
Associated with the acquisition of shares of other entities (units of interest)	4222		
<i>incl. the payments to the parent, subsidiary and associated companies associated with the acquisition of shares of other entities (units of interest)</i>	422201		
associated with the acquisition of debt securities (rights of claim on financial assets to other persons), granting of loans to other persons	4223		
<i>incl. the payments to the parent, subsidiary and associated companies associated with the acquisition of debt securities (rights of claim on financial assets to other persons), granting of loans to other persons</i>	422301		
interest on debt obligations included in the value of investment asset	4224	(2,182,784)	(2,174,113)
<i>incl. the payments associated with the interest on debt obligations included in the value of investment asset to the parent, subsidiary and associated companies</i>	422401		
other payments	4229		
<i>incl. other payments to the parent, subsidiary and associated companies</i>	422901		
Balance of cash flows from investing activities	4200	(25,728,803)	(27,566,717)
<b>Cash flows from financing activities</b>		49,231,477	83,430,686
Revenues – total	4310		
including: borrowing	4311	49,231,477	63,382,334
<i>incl. borrowing from the parent, subsidiary and associated companies</i>	431101		
owners (shareholders) deposits of cash	4312		
<i>incl. owners (shareholders) deposits of cash of the parent, subsidiary and associated companies</i>	431201		
from the issue of shares, increase of percentage holding	4313		
<i>incl. from the issue of shares, increase of percentage holding of the parent, subsidiary and associated companies</i>	431301		
from the issue of bonds, drafts and other debt securities	4314		20,000,000
<i>incl. from the issue of bonds, drafts and other debt securities, etc. from the parent, subsidiary and associated companies</i>	431401		
other revenues	4319		
<i>incl. other revenues from the parent, subsidiary and associated companies</i>	431901		
Payments – total	4320	(45,491,353)	(82,632,649)
including: to the owners (shareholders) due to the repurchase of their company shares (units of interest) or their cessation of membership	4321		
<i>incl. to the owners (shareholders) due to the repurchase of their company shares (units of interest) or their cessation of membership of the parent, subsidiary and associated companies</i>	432101		
service and other payments on the appropriation of profit on the account of the owners (shareholders)	4322	(1,540,605)	(1,519,905)

<i>incl. on the service and other payments on the appropriation of profit on the account of the owners (shareholders) of the parent, subsidiary and associated companies</i>	432201	(784,240)	(773,704)
subsequent to the payment (protection) of bills and other debt securities, repayment of loans	4323	(43,940,000)	(81,096,618)
<i>incl. subsequent to the payment (protection) of bills and other debt securities, repayment of loans to the parent, subsidiary and associated companies</i>	432301		
other payments	4329	(10,748)	(16,126)
<i>incl. other payments to the parent, subsidiary and associated companies</i>	432901		
Balance of the cash flows from financial activities	4300	3,740,124	798,037
<b>Balance of the cash flows for the accounting period</b>	<b>4400</b>	<b>6,440,235</b>	<b>(206,757)</b>
<b>Opening cash and cash-equivalent item balance</b>	<b>4450</b>	<b>382,874</b>	<b>589,631</b>
<b>Closing cash and cash-equivalent item balance</b>	<b>4500</b>	<b>6,823,109</b>	<b>382,874</b>
Effect of exchange rate changes against ruble	4490		

Director General

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(signature)

P. A. Sinyutin  
(print full name)

Accounting Team Leader

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/signature/  
(signature)

V. V. Vitinsky  
(print full name)

"28" February 20 19

/Seal: Public Joint-Stock Corporation "Moscow United Electric Grid Company", 115114, Russian Federation, Moscow, 2nd Paveletsky passage, bld. 3, OKPO 75273098, OGRN 1057746555811, INN 5036065113/

PJSC Moscow United Electric Grid Company

Explanations to the balance sheet and profit and loss statement for 2018

2.1. Cost of cost element related to goods sold, work, services

Parameter		For 12 months of 2018	For 12 months of 2017
Name	Code		
1	2	3	4
Production expenses	6510	139,574,715	136,680,046
including			
material expenditures	6511	20,721,289	19,561,930
labour payment expenditures	6512	13,972,416	13,110,390
required premiums, insurance against industrial accidents and occupational illnesses	6513	3,901,688	3,552,945
amortization	6514	23,628,116	24,113,132
miscellaneous expenditures	6515	77,351,226	76,641,649
For reference: Change in inventory and reserves (increase [+], decrease [-]):	6520	-	-
including			
work in progress	6521		
finished product	6522		
bought-in goods	6523		
goods despatched	6524		
auxiliary feedstock	6525		
Total cost of goods sold (products, works, services)	6500	139,574,715	136,880,046
including:			
cost of goods sold	6530		
third-party management services	6540		
Business expenses	6550	-	-
including			
material expenditures	6551		
labour payment expenditures	6552		
required premiums, insurance against industrial accidents and occupational illnesses	6553		
amortization	6554		
miscellaneous expenditures	6555		
Executive expenses	6560	77,631	437,338
including			
material expenditures	6561		
labour payment expenditures	6562		
required premiums, insurance against industrial accidents and occupational illnesses	6563		
amortization	6564		
miscellaneous expenditures	6565	77,631	437,338

## 2.2. Earnings per share, diluted earnings per share

Parameter		For 12 months of 2018	For 12 months of 2017
Name	Code		
1	2	3	4
<b>Net profit (uncovered loss) for the accounting period</b>	6610	4,042,714	1,218,231
Preference dividends <sup>3</sup>	6611		
Underlying profit (loss) for the accounting period	6612	4,042,714	1,218,231
The weighted average number of common shares circulating during the current year.	6613	48,707,091,574	48,707,091,574
<b>Basic earnings (loss) per share</b>	6620	0.000083	0.000025
The weighted average market value of a common share	6621		
<b>Possible increase in profit and weighted average number of common shares outstanding</b>	6630	X	X
As a result of conversion of preferred shares into common shares	6631	X	X
possible increase in profit	66311		
additional number of shares	66312		
As a result of conversion of bonds into common shares	6632	X	X
possible increase in profit	66321		
additional number of shares	66322		
As a result of the performance of Share Purchase and Transfer Agreements at the below-market price	6633	X	X
contract prices with respect to the acquisition	66331		
possible increase in profit	66332		
additional number of shares	66333		
<b>Diluted earnings per share</b>	6640	0.0000	0.0000
underlying profit adjusted	6641		
adjusted value of weighted average number of shares outstanding	6642		

### 2.3. Profit taxation

Parameter	Code	For 2018	For 2017
1	2	3	4
<b>Income (loss) before taxation</b>	6710	8,984,681	2,592,170
including that taxable at the rate of: 20%	67101		
at other rates	67102	8,984,681	2,592,170
not taxable	67103		
Permanent differences	6711	9,933,219	7,227,260
Change in temporary deductible differences	6712	(6,750,170)	(7,154,813)
Change in temporary taxable differences	6713	4,168,841	3,825,923
Provisional profits tax expense (income)	6721	1,635,110	472,220
Ongoing tax liability (asset)	6722	1,807,734	1,316,602
Change in deferred tax asset	6723	758,682	1,020,643
Change in deferred tax liability	6724	(1,228,455)	(1,303,404)
Current income tax	6725	(2,973,071)	(1,506,061)
<b>The amount of income tax for past tax periods (under amended declarations, under tax audits)</b>	6726	220,380	414,883
<b>Other tax payments and penalties from profits</b>	6727		
<b>Amortisation of deferred tax on profit and loss</b>			
	6728	(1,719,503)	
for reference: including the amount of a deferred tax asset and a deferred tax liability, written off as a result of the disposal of an asset or type of liability	67281	(1,540,037)	
<b>Profit (loss) from ordinary activities</b>	6729	4,042,714	1,218,213

## 5.1. Intangible assets

### 5.1.1. Existence and flow of the intangible assets

Indicator			At the beginning of year				Changes for the period								At the end of the period			
Name	Code	Period	Initial / current market value	Accumulated depreciation	Impairment loss	Depreciated book value	Increased	Initial / current market value	Accumulated depreciation	Impairment loss	Accumulated depreciation	Impairment losses	Revaluation		Initial / current market value	Accumulated depreciation	Impairment loss	Depreciated book value
													Initial / current market value	Accumulated depreciation				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
<b>Intangible assets – total</b>	5100	for 2018 (1)	1,393,817	(241,407)	-	1,152,410	1,159,291	74,126	(4,772)	-	(165,405)	-	-	-	2,617,234	(411,584)	-	2,205,650
	5110	for 2017 (2)	1,116,700	(125,307)	-	991,393	277,117	-	-	-	(116,100)	-	-	-	1,393,817	(241,407)	-	1,152,410
Intellectual property items (exclusive rights of intellectual property)	5101	for 2018 (1)	1,317,086	(240,269)	-	1,130,817	1,113,260	2,549	-	-	(144,142)	-	-	-	2,486,895	(384,411)	-	2,102,484
	5111	for 2017 (2)	1,116,700	(125,307)	-	991,393	254,386	-	-	-	(114,962)	-	-	-	1,371,086	(240,269)	-	1,130,817
including:																		
from the patent holder of the invention, design invention, utility model	51011	for 2018 (1)	154,713	(32,163)	-	122,550	22,658	2,549			(14,108)				179,920	(46,271)	-	133,649
	51111	for 2017 (2)	101,626	(20,967)		18,264	53,087				(11,196)				154,713	(32,163)	-	122,550
from the right holder of the computer software, databases	51012	for 2018 (1)	1,215,115	(207,238)	-	1,007,877	1,090,602				(129,878)				2,305,717	(337,116)	-	1,968,601
	51112	for 2017 (2)	1,013,816	(103,628)		881,017	201,299				(103,610)				1,215,115	(207,238)	-	1,007,877
from the owner of a trademark, service mark, protected designation of origin	51013	for 2018 (1)	1,258	(868)	-	390					(156)				1,258	(1,024)	-	234
	51113	for 2017 (2)	1,258	(712)		92,112					(156)				1,258	(868)	-	390
<b>Other</b>	5102	for 2018 (1)	22,731	(1,138)	-	21,593	36,031	71,577	(4,772)		(21,263)				130,339	(27,173)	-	103,166
	5112	for 2017 (2)				-	22,731				(1,138)				22,731	(1,138)	-	21,593



## 5.2. Results of research, developments and technological work and intangible assets

### 5.2.1. Existence and flow of the R&D results

Indicator name	Code	Period	At the beginning of year		Changes for the period				At the end of the period	
			initial value	part of the cost expensed as incurred	increased	decreased		part of the cost expensed as incurred for the period	initial value	part of the cost expensed as incurred
						initial value	part of the cost expensed as incurred			
1	2	3	4	5	6	7	8	9	10	11
<b>R&amp;D – total</b>	5140	for 2018 (1)	360,207	(96,780)	268,076	(74,126)	4,772	(58,395)	554,157	(150,403)
	5150	for 2017 (2)	286,081	(34,791)	74,126	-	-	61,989)	360,207	(96,780)
of which:									-	-
Patentable results of the completed R&D	5141	for 2018 (1)	2,549		267,251	(2,549)		(1,111)	267,251	(1,111)
	5151	for 2017 (2)			2,549				2,549	-
Other	5142	for 2018 (1)	357,658	(96,780)	825	(71,577)	4,772	(57,284)	286,906	(149,292)
	5152	for 2017 (2)	286,081	(34,791)	71,577			(61,989)	357,658	(96,780)
For reference out of the total amount of R&D:										
The costs of R&D handed using own resources	5143	for 2018 (1)	-	-					-	-
	5153	for 2017 (2)							-	-
The costs of R&D handled using external companies	5144	for 2018 (1)	360 207	(96,780)	268,076	(74,126)	4,772	(58,395)	554,157	(150,403)
	5154	for 2017 (2)	286 081	(34,791)	74,126			(61,989)	360,207	(96,780)

### 5.2.2. Incomplete and unexecuted R&D and incomplete operations on IA acquisition

Indicator name	Code	Period	At the beginning of year	Changes for the period			At the end of the period
				costs for the period	absorbed costs as not giving a positive result	accepted for recording as IA or R&D	
1	2	3	4	5	6	7	8
Costs of the pending research and development works – total	5160	for 2018 (1)	305,213	70,470	-	(326,765)	48,918
	5170	for 2017 (2)	317,556	70,850	-	(183,193)	305,213
including:							
Patentable results of the completed R&D	5161	for 2018 (1)	258,114	54,742		(263,938)	48,918
	5171	for 2017 (2)	89,812	170,850		(2,548)	258,114
Other	5162	for 2018 (1)	47,099	15,728		(62,827)	-
	5172	for 2017 (2)	227,744			(180,645)	47,099
Incomplete operations on acquisition of intangible assets – total	5180	for 2018 (1)	1,126,620	733,047	-	(1,090,602)	769,065
	5190	for 2017 (2)	686,094	628,574	-	(168,048)	1,126,620
including:							
from the patent holder on the invention, design invention, utility model	5181	for 2018 (1)	-				-
	5191	for 2017 (2)					-
from the right holder of the computer software, databases	5182	for 2018 (1)	635,443	733,047		(1,090,602)	277,888
	5192	for 2017 (2)	174,917	628,574		(168,048)	635,443
from the owner of a trademark, service mark, protected designation of origin	5183	for 2018 (1)	-				-
	5193	for 2017 (2)					-
Other	5184	for 2018 (1)	491,177				491,177
	5194	for 2017 (2)	491,177				491,177

### 5.3. Fixed assets

#### 5.3.1. Existence and flow of the fixed assets

Indicator name	Code	Period	At the beginning of year			Changes for the period							As of the end of the period		
			Initial value	Accumulated depreciation	Depreciated book value	Increased	Accumulated depreciation on admitted objects	Initial value	Accumulated depreciation	Depreciation accrued	Revaluation		Initial value	Accumulated depreciation	Depreciated book value
											Initial value	Accumulated depreciation			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Fixed assets (excluding income yielding investments into tangible assets) – total	5200	for 2018	471,339,551	(201,562,955)	269,776,596	30,200,540	-	(935,096)	614,279	(23,413,533)	-	-	500,604,995	(224,362,209)	276,242,786
	5210	for 2017	443,060,825	(177,916,056)	265,144,769	28,843,550	-	(564,824)	299,153	(23,946,052)	-	-	471,339,551	(201,562,955)	269,776,596
including:															
Depreciable fixed assets – total	5201	for 2018	471,237,717	(201,562,955)	269,674,762	30,197,126	-	(935,096)	614,279	(23,413,533)	-	-	500,604,995	(224,362,209)	276,137,538
	5211	for 2017	442,967,085	(177,916,056)	265,051,029	28,835,456	-	(564,824)	299,153	(23,946,052)	-	-	471,339,551	(201,562,955)	269,674,762
including:															
industrial buildings	52011	for 2018	26,351,697	(6,152,730)	20,198,967	1,825,177		(7,085)	3,965	(824,957)			28,169,789	(6,973,722)	21,196,067
	52111	for 2017	25,346,656	(5,346,350)	20,000,306	1,033,029		(27,988)	4,397	(810,777)			26,351,697	(6,152,730)	20,198,967
Facilities, except ETL	52012	for 2018	11,541,873	(2,077,384)	9,464,489	3,023,646		(87)	46	(526,398)			14,565,432	(2,603,736)	11,961,696
	52112	for 2017	8,441,800	(1,669,979)	6,771,821	3,100,817		(744)	613	(408,018)			11,541,873	(2,077,384)	9,464,489
power transmission lines and equipment	52013	for 2018	200,652,771	(51,936,187)	14,716,584	14,459,065		(372,314)	98,113	(8,961,865)			214,739,522	(60,799,939)	153,939,583
	52113	for 2017	185,333,340	(43,009,289)	142,324,051	15,321,183		(1,752)	121,754	(9,048,652)			200,652,771	(51,936,187)	148,716,584
machinery and equipment for power generation, substations, equipment for power conversion	52014	for 2018	225,994,296	(138,091,388)	87,902,906	10,814,488		(492,285)	451,951	(12,536,211)			236,316,499	(150,175,648)	86,140,851
	52114	for 2017	217,172,515	(125,138,083)	92,034,432	8,831,507		(9,726)	147,477	(13,100,782)			225,994,296	(138,091,388)	87,902,908
production and organizational inventory	52015	for 2018	245,873	(184,986)	60,887	6,249		(27,916)	27,916	(4,146)			224,206	(161,216)	62,990
	52115	for 2017	249,085	(185,959)	63,126	1,634		(4,846)	4,846	(3,873)			245,873	(184,986)	60,887
other	52016	for 2018	6,451,207	(3,120,280)	3,330,927	68,501		(35,409)	32,288	(559,956)			6,484,299	(3,647,948)	2,836,351
	52116	for 2017	6,423,689	(2,566,396)	3,857,293	547,286		(519,768)	20,066	(573,950)			6,451,207	(3,120,280)	3,330,927

Indicator name	Code	Period	At the beginning of year			Changes for the period							As of the end of the period		
			Initial value	Accumulated depreciation	Depreciated book value	Increased	Accumulated depreciation on admitted objects	Initial value	Accumulated depreciation	Depreciation accrued	Revaluation		Initial value	Accumulated depreciation	Depreciated book value
											Initial value	Accumulated depreciation			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Objects with unlimited useful life, not depreciable - total	5202	for 2018	101,834	-	101,834	3,414	-	-	-	-	-	-	105,248	-	105,248
	5212	for 2017	93,740	-	93,740	8,094	-	-	-	-	-	-	101,834	-	101,834
including:															
plots of land	52021	for 2018	101,834	-	101,834	3,414							105,248	-	105,248
	52121	for 2017	93,740		93,740	8,094							101,834	-	101,834
objects of nature management	52022	for 2018	-	-	-								-	-	-
	52122	for 2017			-								-	-	-
Capital investments for fundamental improvement of lands	5203	for 2018	-	-	-								-	-	-
	5213	for 2017			-								-	-	-
Accounted for as part of income yielding investments into	5220	for 2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	5230	for 2017	-	-	-	-	-	-	-	-	-	-	-	-	-
including:					-								-	-	-
property subject to lease	5221	for 2018	-	-	-								-	-	-
	5231	for 2017			-								-	-	-
property provided under lease agreement	5222	for 2018	-	-	-								-	-	-
	5232	for 2017			-								-	-	-

### 5.3.3. Change in value of fixed assets as a result of further construction, equipping, reconstruction and partial dismantlement

Indicator name	Code	For 2018	For 2017
1	2	3	4
Increase in value of fixed assets as a result of further construction, equipping, reconstruction – total	5260	6,959,917	8,782,830
including:			
industrial buildings	5261	94,397	728,523
facilities, except ETL	5262	14,497	123,759
power transmission lines and equipment for them	5263	5,629,732	6,640,393
machinery and equipment for power generation, substations, equipment for power conversion	5264	1,221,291	1,290,155
production and organizational stock	5265		
other	5266		
Decrease in value of fixed assets as a result of partial dismantlement – total	5270	(356,385)	(343,366)
including:			
industrial buildings	5271	(6)	(101)
facilities, except ETL	5272		
power transmission lines and equipment for them	5273	(307,583)	(289,460)
machinery and equipment for power generation, substations, equipment for power conversion	5274	(48,796)	(53,805)
production and organizational stock	5275		
other	5276		

#### 5.3.4. Other use of fixed assets

Indicator name	Code	2018 year ended December 31 (1)	2017 year ended December 31 (2)	2016 year ended December 31 (3)
1	2	3	4	5
Fixed assets on the balance sheet subject to lease	5280			
Fixed assets off the balance sheet subject to lease	5281			
Fixed assets on the balance sheet subject to capital lease	5282			
Fixed assets off the balance sheet subject to capital lease	5283	22,670,323	23,687,378	22,641,855
items of immovable property accepted for use and actually used, being in the state registration process	5284	11,183,407	11,236,759	11,113,016
Fixed assets transferred to conservation	5285	523,549		
Other use of fixed assets (charge, etc.)	5286			

### 5.3.5. In-progress capital investments

Indicator name	Code	Period	At the beginning of year	Changes for the period			At the end of the period
				period costs	written off	accepted as fixed assets or the value increased	
1	2	3	4	5	6	7	8
Unfinished construction and incomplete operations on acquisition, modernization, etc. of fixed assets – total	5240	for 2018 (1)	34,184,191	31,373,648	-	(30,731,797)	34,826,042
	5250	for 2017 (2)	32,431,686	31,373,648	(198,392)	(32,697,961)	34,184,191
including:							
construction in-progress	5241	for 2018 (1)	31,936,051	28,270,631		(27,981,849)	32,224,833
	5251	for 2017 (2)	30,108,995	30,063,944	(132,610)	(28,104,278)	31,936,051
acquisition of fixed assets	5242	for 2018 (1)	-	1,708,032		(1,708,032)	-
	5252	for 2017 (2)		739,273		(739,273)	-
equipment to be installed	5243	for 2018 (1)	2,248,140	1,394,985		(1,041,916)	2,601,209
	5253	for 2017 (2)	2,322,691	3,845,661	(65,782)	(3,854,430)	2,248,140
other	5244	for 2018 (1)	-				-
	5254	for 2017 (2)					-





## 5.4. Financial assets

### 5.4.1. Existence and flow of financial assets

Indicator name	Code	Period	At the beginning of year		Changes for the period					At the end of the period	
			initial value	accumulated correction	increased	decreased (repaid)		accrual of interest (incl. bringing the initial value to the nominal)	current market value (impairment losses)	initial value	accumulated correction
						initial value	accumulated correction				
1	2	3	4	5	6	7	8	9	10	11	12
<b>Long-term financial fixed assets – total</b>	5301	for 2018 (1)	4,232,922	(321,981)	-	(85,697)	-	-	(231,920)	4,147,225	(553,901)
	5311	for 2017 (2)	4,350,130	(286,984)	-	(117,208)	-	-	(34,997)	4,232,922	(321,981)
Contributions to the equity (joint) capital of other entities – total	53021	for 2018 (1)	4,093,149	(321,981)	-	-	-	-	(231,920)	4,093,149	(553,901)
	53121	for 2017 (2)	4,093,149	(286,984)	-	-	-	-	(34,997)	4,093,149	(321,981)
including:											
subsidiary business companies	530211	for 2018 (1)	4,093,149	(321,981)					(231,920)	4,093,149	(553,901)
	531211	for 2017 (2)	4,093,149	(286,984)					(34,997)	4,093,149	(321,981)
dependent business companies	530212	for 2018 (1)	-	-						-	-
	531212	for 2017 (2)								-	-
other	530213	for 2018 (1)	-	-						-	-
	531213	for 2017 (2)								-	-
Federal and municipal securities	53022	for 2018 (1)	-	-						-	-
	53122	for 2017 (2)								-	-
Securities of other companies	53023	for 2018 (1)	139,773	-		(85,697)				54,076	-
	53123	for 2017 (2)	256,981	-		(117,208)				139,773	-
including:											
debt securities (debentures, notes)	530231	for 2018 (1)	-	-		(85,697)				54,076	-

	531231	for 2017 (2)		-		(117,208)				139,773	-
Loans granted	53024	for 2018 (1)	-	-						-	-
	53124	for 2017 (2)								-	-
Certificates of deposit	53025	for 2018 (1)	-	-						-	-
	53125	for 2017 (2)								-	-
Other	53026	for 2018 (1)	-	-						-	-
	53126	for 2017 (2)								-	-
<b>Financial fixed assets with current market value – total</b>	5302	for 2018 (1)	-	-	-	-	-	-	-	-	-
	5312	for 2017 (2)	-	-	-	-	-	-	-	-	-
Contributions to the equity (joint) capital of other entities – total	53031	for 2018 (1)	-	-	-	-	-	-	-	-	-
	53131	for 2017 (2)	-	-	-	-	-	-	-	-	-
including:										-	-
subsidiary business companies	530311	for 2018 (1)	-	-						-	-
	531311	for 2017 (2)								-	-
dependent business companies	530312	for 2018 (1)	-	-						-	-
	531312	for 2017 (2)								-	-
other	530313	for 2018 (1)	-	-						-	-
	531313	for 2017 (2)								-	-
Federal and municipal securities	53032	for 2018 (1)	-	-						-	-
	53132	for 2017 (2)								-	-
Securities of other companies	53033	for 2018 (1)	-	-						-	-
	53133	for 2017 (2)								-	-
including:										-	-
debt securities (debentures, notes)	530331	for 2018 (1)	-	-						-	-
	531331	for 2017 (2)								-	-
Other	53034	for 2018 (1)	-	-						-	-
	53134	for 2017 (2)								-	-
<b>Financial fixed asset without current market value – total</b>	5303	for 2018 (1)	4,232,922	(321,981)		(85,697)			(231,920)	4,147,225	(553,901)
	5313	for 2017 (2)	4,350,30	(286,984)		(117,208)			(34,997)	4,232,922	(321,981)



Indicator name	Code	Period	At the beginning of year		Changes for the period					As of the end of the period	
			initial value	accumulated correction	increased	decreased (repaid)		accrual of interest (incl. bringing the initial value to the nominal)	current market value (impairment losses)	initial value	accumulated correction
						initial value	accumulated correction				
1	2	3	4	5	6	7	8	9	10	11	12
Financial receivables with current market value – total	5306	for 2018 (1)	-	-	-	-	-	-	-	-	-
	5316	for 2017 (2)	-	-	-	-	-	-	-	-	-
Contributions to the equity capital of other companies – total	53071	for 2018 (1)	-							-	-
	53171	for 2017 (2)								-	-
Federal and municipal securities	53072	for 2018 (1)	-							-	-
	53172	for 2017 (2)								-	-
Securities of other companies – total	53073	for 2018 (1)	-							-	-
	53173	for 2017 (2)								-	-
including:											
debt securities (debentures, notes)	530731	for 2018 (1)	-							-	-
	531731	for 2017 (2)								-	-
Other	53074	for 2018 (1)	-							-	-
	53174	for 2017 (2)								-	-
Financial receivables without current market value – total	5307	for 2018 (1)	468,747	(468,747)						468,747	(468,747)
	5317	for 2017 (2)	468,747	(468,747)						468,747	(468,747)
<b>Financial assets - total</b>	5300	for 2018 (1)	4,701,669	(790,728)	-	(85,697)	-	-	(231,920)	4,615,972	(1,022,648)
	5310	for 2017 (2)	4,818,877	(755,731)	-	(117,208)	-	-	(34,997)	4,701,669	(790,728)

#### 5.4.2. Assessment adjustment of financial assets

Index		At the beginning of year	Changes for the period			At the end of the period
Name	Code		Increase	Decrease	Replacement due to withdrawal of financial assets	
1	2	3	4	5	6	7
<b>Financial fixed assets</b>	7200	(468,747)	-	-	-	(468,747)
Difference between the current market value of financial assets and the previous value	7210	-	-	-	-	-
<i>including:</i>						
Contributions to the equity (joint) capital of other companies – total	7211	-	-	-	-	-
<i>including:</i>						
subsidiary business companies	72111					-
dependent business companies	72112					-
other	72113					-
Securities of other companies – total	7212					-
<i>including:</i>						
debt securities (debentures, notes)	72121					-
Other	7213					-
Difference between the current value of debt securities and their initial value	7220	-	-	-	-	-
<i>including:</i>						
Securities of other companies – total	7221					-
<i>including:</i>						
debt securities (debentures, notes)	72211					-
Other	7222					-
Provision for impairment of financial assets without a market value	7230	(468,747)	-	-	-	(468,747)
<i>including:</i>						
Contributions to the equity (joint) capital of other companies – total	7231	-	-	-	-	-
<i>including:</i>						
subsidiary business companies	72311	-	-	-	-	-
dependent business companies	72312					-
other	72313					-
Federal and municipal securities	7232					-
Securities of other companies – total	7233	(468,747)				(468,747)
<i>including:</i>						
debt securities (debentures, notes)	72331	(468,747)				(468,747)
Loans granted	7234					-
Certificates of deposit	7235					-
Other	7236					-

### 5.4.3. Other use of financial assets

Line item	Code	2018 year ended December 31 (1)	2017 year ended December 31 (2)	2016 year ended December 31 (3)
1	2	3	4	5
Pledged financial assets	5320			
including:				
debtentures	5321			
notes	5322			
stocks	5323			
Financial assets transferred to third parties (except sale) – total	5325			
including:				
debtentures	5326			
notes	5327			
stocks	5328			
Other use of financial assets	5329			



### 5.5.2. Pledged inventory

Line item	Code	2018 year ended December 31 (1)	2017 year ended December 31 (2)	2016 year ended December 31 (3)
1	2	3	4	5
The inventory not paid as of reporting date – total	5440	-	-	-
including:				
stock & raw material	5441			
in-process production	5442			
goods delivered	5443			
finished products and goods	5444			
other supplies and costs	54442			
Stocks in pledge under the contract – total	5445	-	-	-
including:				
stock & raw material	5446			
goods delivered	5447			
finished products and goods	5448			
other supplies and costs	5449			











Indicator name	Code	Period	At the beginning of year		Changes for the period							At the end of the period		
			accounted for under the terms of the contract	amount of provisions for doubtful debts	additions			payment	allocation for account of previously accrued provisions	allocation on profit or loss	allowance recovery	transfer from short-term into longterm debt	accounted for under the terms of the contract	amount of provisions for doubtful debts
					as a result of accounting transactions (amount of transaction debt)	interest payable, penalties and other accruals	provisions accrual							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
debts of partners (shareholders) for contributions to authorized capital stock	5514	for 2018 (1)	-	-									-	-
	5534	for 2017 (2)											-	-
debts of subsidiary and associated companies for dividends	5515	for 2018 (1)	-	-									-	-
	5535	for 2017 (2)											-	-
Other accounts receivable	5516	for 2018 (1)	7,799,305	(2,993,661)	7,720,438	-	(2,200,809)	(8,629,938)	(289,016)	5,179	61,908	-	6,605,968	(4,843,546)
	5536	for 2017 (2)	7,281,131	(2,824,594)	8,421,708	-	(1,167,035)	(7,679,238)	(224,296)	-	773,672	-	7,799,305	(2,993,661)
including:														
<i>non-interest-bearing notes</i>	55161	for 2018 (1)	-	-									-	-
	55361	for 2017 (2)											-	-
<i>overpay for taxation and revenue</i>	55162	for 2018 (1)	2,211,479	-	867,499			(2,796,289)					282,689	-
	55362	for 2017 (2)	2,468,542		1,530,771			(1,787,834)					2,211,479	-
<i>asset sales</i>	55163	for 2018 (1)	-	-									-	-
	55363	for 2017 (2)											-	-
<i>Other</i>	55164	for 2018 (1)	5,587,826	(2,993,661)	6,852,939		(2,200,809)	(5,833,649)	(289,016)	5,179	61,908		6,323,279	(4,643,546)
	55364	for 2017 (2)	4,812,589	(2,824,594)	6,890,937		(1,167,035)	(5,891,404)	(224,296)		773,672		5,587,826	(2,993,661)
From the total	5517	for 2018 (1)	783,463	-	45,241	-	-	(103,915)	-	-	-	-	724,789	-

amount of short-term receivables:	5537	for 2017 (2)	752,143	-	93,990	519	-	(63,189)	-	-	-	-	783,463	-
Debt of subsidiary companies	55171	for 2018 (1)	783,463	-	45,241	-		(103,915)					724,789	-
	55371	for 2017 (2)	752,143	-	93,990	519		(63,189)					783,463	-
Debt of dependent companies	55172	for 2018 (1)	-	-									-	-
	55372	for 2017 (2)											-	-
TOTAL	5500	for 2018 (1)	31,744,138	(12,141,967)	242,340,567	-	(4,241,154)	(247,202,110)	(456,323)	3,529	422,183	-	26,429,801	(15,504,615)
	5520	for 2017 (2)	34,192,435	(8,490,085)	202,649,332	-	(4,767,409)	(204,866,356)	(231,264)	(9)	884,263	-	31,744,138	(12,141,967)

### 5.6.3. Overdue accounts receivable

Indicator name	Code	2018 year ended December 31 (1)		2017 year ended December 31 (2)		2016 year ended December 31 (3)	
		accounted for under the terms of the contract	balance sheet value less provision for doubtful debts	accounted for under the terms of the contract	balance sheet value less provision for doubtful debts	accounted for under the terms of the contract	balance sheet value less provision for doubtful debts
1	2	3	4	5	6	7	8
Payments on which are expected to be made during 12 months after the reporting date	564	6,813,030	1,870,46	7,122,720	3,560,423	8,197,674	5,616,437
including: buyers and customers including	5641	3,935,546	1,556,182	4,497,249	3,070,826	5,473,330	5,142,314
<i>on electric power transmission</i>	56411	3,350,089	1,483,865	3,443,561	2,598,845	4,676,897	4,586,019
<i>on integration</i>	56412	483,356	51,837	944,185	413,544	796,433	556,295
<i>on the organization and development of UES in Russia in the part of distribution power</i>	56413						
<i>on energy and power reselling</i>	56414						
<i>on rental revenue</i>	56415						
<i>other</i>	56416	102,101	20,480	109,503	58,437		
Notes receivable	5642						
debts of subsidiary and associated companies for dividends	5643						
debts of partners (shareholders) for contributions to authorized capital stock	5644						
Advance paid out	5645						
Other account receivable	5646	2,877,484	313,964	2,625,471	489,597	2,724,344	474,123

### 5.6.5. Existence and flow of accounts payable

Indicator name	Code	Period	Opening balance	Changes for the period					Closing balance
				Additions				transfer from long-term to short-term debt	
				as a result of accounting transactions (the amount of debt under the transaction, operations)	accrued interest, penalties and other charges	payment	allocation on profit or loss		
1	2	3	4	5	6	7	8	9	10
<b>Long-term accounts payable – total</b>	5551	for 2018 (1)	6,733,765	6,758,134	-	(2,369,424)	-	(895,363)	10,227,112
	5571	for 2017 (2)	6,577,125	4,397,925	-	(920,349)	-	(3,320,936)	6,733,765
including:									
suppliers and contractors account payable	5552	for 2018 (1)	-	-	-	-	-	-	-
	5572	for 2017 (2)	-	-	-	-	-	-	-
including:									
<i>construction</i>	55521	for 2018 (1)	-						-
	55721	for 2017 (2)							-
<i>other</i>	55522	for 2018 (1)	-						-
	55722	for 2017 (2)							-
Other accounts payable	5553	for 2018 (1)	6,733,765	6,758,134		(2,369,424)		(895,363)	10,227,112
	5573	for 2017 (2)	6,577,125	4,397,925		(920,349)		(3,320,936)	6,733,765
From total amount of long-term debt	5554	for 2018 (1)	-	-	-	-	-	-	-
	5574	for 2017 (2)	-	-	-	-	-	-	-
<i>debts to subsidiary companies</i>	55541	for 2018 (1)	-						-
	55741	for 2017 (2)							-
<i>debts to associated companies</i>	55542	for 2018 (1)	-						-
	55742	for 2017 (2)							-



Indicator name	Code	Period	Opening balance	Changes for the period					transfer from long-term to short-term debt	Closing balance
				Additions						
				as a result of accounting transactions (the amount of debt under the transaction, operations)	accrued interest, penalties and other charges	payment	allocation on profit or loss			
1	2	3	4	5	6	7	8	9	10	
<b>Short-term accounts payable – total</b>	5560	for 2018 (1)	48,055,945	266,306,692	608,041	(276,546,252)	(110,946)	895,363	39,208,843	
	5580	for 2017 (2)	50,889,745	243,211,440	330,232	(249,638,701)	(57,707)	3,320,936	48,055,945	
including:										
Settlements with buyers and customers	5561	for 2018 (1)	21,438,207	142,210,808	-	(146,955,118)	(31,353)	-	16,662,544	
	5581	for 2017 (2)	20,650,077	138,154,955	-	(137,357,922)	(8,903)	-	21,438,207	
including:										
<i>construction</i>	55611	for 2018 (1)	8,582,046	29,046,972		(28,394,546)	(13,587)		9,220,685	
	55811	for 2017 (2)	10,056,849	28,732,864		(30,198,771)	(8,896)		8,582,046	
<i>other</i>	55612	for 2018 (1)	12,856,161	113,163,836		(118,560,572)	(17,766)		7,441,659	
	55612	for 2017 (2)	10,593,228	109,422,091		(107,159,151)	(7)		12,856,161	
<i>Advances received</i>	5562	for 2018 (1)	23,591,587	88,030,620	-	(92,491,989)	(77,972)	895,363	19,947,609	
	5582	for 2017 (2)	27,731,748	73,947,955	-	(81,361,354)	(47,698)	3,320,936	23,591,587	
including:										
on electric power transmission	55621	for 2018 (1)	1,697	83,511,137		(83,499,040)			13,794	
	55821	for 2017 (2)	2,272,263	69,219,412		(71,489,978)			1,697	
<i>on integration</i>	55622	for 2018 (1)	23,184,385	2,717,290		(7,219,012)	(75,488)	895,363	19,502,538	
	55822	for 2017 (2)	24,995,305	3,008,348		(8,095,583)	(44,621)	3,320,936	23,184,385	
<i>on the organization and development of UES in Russia in the part of distribution power</i>	55623	for 2018 (1)	-						-	
	55823	for 2017 (2)							-	
<i>on energy and power reselling</i>	55624	for 2018 (1)	-						-	
	55824	for 2017 (2)							-	

Indicator name	Code	Period	Opening balance	Changes for the period					Closing balance
				Additions				transfer from long-term to short-term debt	
				as a result of accounting transactions (the amount of debt under the transaction, operations)	accrued interest, penalties and other charges	payment	allocation on profit or loss		
1	2	3	4	5	6	7	8	9	10
<i>on participation in other organizations</i>	55625	for 2018 (1)	-						-
	55825	for 2017 (2)							-
<i>on rental services</i>	55626	for 2018 (1)	6,674	102,872		(105,699)	(6)		3,841
	55826	for 2017 (2)		121,864		(115,190)			6,674
<i>on other issues</i>	55627	for 2018 (1)	398,831	1,699,321		(1,668,238)	(2,478)		427,436
	55827	for 2017 (2)	464,810	1,598,331		(1,660,603)	(3,077)		398,831
Debts to partners (founders) for income payment	5563	for 2018 (1)	39,154	1,540,605		(1,535,952)			43,807
	5583	for 2017 (2)	-	1,519,905		(1,480,751)			39,154
bills payable	5564	for 2018 (1)	-						-
	5584	for 2017 (2)	-						-
Debt to State non-budgetary funds	5565	for 2018 (1)	183,747	4,138,644	23	(4,086,283)			236,131
	5585	for 2017 (2)	212,481	3,911,696		(3,940,430)			183,747
Settlements in respect of taxes and levies	5566	for 2018 (1)	2,036,516	13,91,953	1,319	(14,007,159)			1,950,629
	5586	for 2017 (2)	1,702,114	6,269,785		(5,935,383)			2,036,516
Debt to corporate staff	5567	for 2018 (1)	-	15,295,762		(15,295,762)			-
	5587	for 2017 (2)	-	14,736,465		(14,736,465)			-
Other accounts payable	5568	for 2018 (1)	766,734	1,170,300	606,699	(2,173,989)	(1,621)		368,123
	5588	for 2017 (2)	593,325	4,670,679	330,232	(4,826,396)	(1,106)		766,734
<b>From the total amount of the short-term debt</b>	5569	for 2018 (1)	514,480	2,471,701	-	(2,485,987)	-	-	500,194
	5589	for 2017 (2)	915,783	2,396,821	-	(2,798,124)	-	-	514,480
<i>debt to subsidiary companies</i>	55691	for 2018 (1)	514,480	2,471,701		(2,485,987)			500,194
	55891	for 2017 (2)	915,783	2,396,821		(2,798,124)			514,480
<i>debt to associated companies</i>	55692	for 2018 (1)	-						-
	55892	for 2017 (2)							-

<b>Total</b>	5550	for 2018 (1)	54,789,710	273,064,826	608,041	(278,915,676)	(110,946)	-	49,435,955
	5570	for 2017 (2)	57,466,870	247,609,365	330,232	(250,559,050)	(57,707)	-	54,789,710

### 5.6.6. Overdue accounts payable

Indicator name	Code	2018 year ended December 31 (1)	2017 year ended December 31 (2)	2016 year ended December 31 (3)
1	2	3	4	5
<b>V. SHORT-TERM LIABILITIES</b>				
Accounts payable		11,415,076	17,531,525	18,190,367
including: settlements with buyers and customers	5691	3,245,470	7,489,604	5,517,129
<i>including</i>				
<i>construction</i>	56911	2,627,405	3,066,849	2,861,429
<i>other</i>	56912	618,065	4,422,755	2,655,700
bills payable	5692			
Debt to corporate staff	5693			
Debt to State non-budgetary funds	5694			
Settlements in respect of taxes and levies	5695			
Advance received	5696	8,169,606	10,041,921	12,673,238
Debts to partners (founders) for income payment	5697			
Other account payable	5698			

### 5.6.7. Loans and credit lines

Line item	Code	Period	At the beginning of year	Changes for the period					At the end of the period
				additions	interest accrual	principal repayment	repayment of interest	transfer from long-term into short-term debt	
1	2	3	4	5	6	7	8	9	10
<b>Long-term borrowed funds – total</b>	7410	for 2018 (1)	83,000,000	73,601,412	-	(65,869,935)	-	(22,500,000)	68,231,477
	7430	for 2017 (2)	66,314,284	103,205,927	-	(80,520,211)	-	(6,000,000)	83,000,000
including:									
Credits	7411	for 2018 (1)	40,000,000	73,601,412		(65,869,935)		(9,500,000)	38,231,477
	7431	for 2017 (2)	48,314,284	81,577,126		(76,891,410)		(11,000,000)	40,000,000
Loans	7412	for 2018 (1)	40,000,000					(13,000,000)	30,000,000
	7432	for 2017 (2)	18,000,000	21,628,801		(1,626,801)		5,000,000	43,000,000
<b>Short-term borrowed funds – total</b>	7420	for 2018 (1)	2,660,488	34,115,427	7,476,630	(36,555,427)	(7,416,800)	22,500,000	22,780,318
	7440	for 2017 (2)	16,726,908	35,211,346	7,562,727	(55,611,346)	(7,229,147)	6,000,000	2,660,488
including:									
Credits	7421	for 2018 (1)	1,700,000	34,115,427		(36,555,427)		9,500,000	8,760,000
	7441	for 2017 (2)	11,100,000	35,211,346		(55,611,346)		11,000,000	1,700,000
<i>Credit interest</i>	74211	for 2018 (1)	34,728		3,485,150		(3,436,340)		83,538
	74411	for 2017 (2)	89,005		3,942,310		(3,996,587)		34,728
Loans	7422	for 2018 (1)	925,760		3,991,480		(3,980,460)	13,000,000	13,936,780
	7442	for 2017 (2)	5,537,903		3,620,417		(3,232,560)	(5,000,000)	925,760

### 5.6.8. Expenses for loan and credit lines

Index		For long-term loan and credit lines	For short-term loan and credit lines
Name	Code		
1	2	3	4
Expenses for credits – total:	7510	3,293,666	191,484
other expenses as incurred	7511	2,332,536	135,495
included in amount of assets	7512	961,130	55,989
Expenses for loans – total:	7520	2,893,720	1,097,760
other expenses as incurred	7521	2 948,716	777,099
included in amount of assets	7522	845,004	320,661
From the total expenses for loan and credit lines	7530	6,187,386	1,289,244
interest accrued	7531	3,293,666	191,484
other expenses	7532	2,893,720	1,097,760

### 5.7.1. Estimated liabilities

Index		Opening balance	Recognized	Repaid	Written off as surplus amount	Closing balance
Item	Code					
1	2	3	4	5	6	7
<b>Estimated liabilities – total:</b>	5700	2,064,919	3,651,107	(3,153,853)	(17,383)	2,544,790
including:						
Payment of upcoming vacation	5701	653,573	1,521,580	(1,436,490)		738,663
Payment of remuneration year-end	5702	962,878	1,289,367	(909,060)		1,343,185
Legal proceedings not completed as of reporting date	5703	27,480	520,008	(454,901)	(17,383)	75,204
claims of tax authorities on the results of tax inspection unsettled as of reporting date	5704					-
Other estimated liabilities	5705	420,988	320,152	(353,402)		(353,402)
<b>From the total amount of contingent liabilities:</b>						
Formed by the expenses of ordinary activities	5706		2,934,960			
Formed by other expenses	5707		520,008			
Included in the asset value	5708		196,139			

### 5.7.2. Deferred taxes

Name	Code	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities
1	2	3	4	5	6
Balance at the beginning of the reporting year	7700		3,645,043		8,781,616
Income	7710		849,148		1,295,138
Expense	7720		(90,466)		(66,683)
Result of changes in tax rates	7730	X	(1,023)	X	(1,607)
Result of correction of errors of previous years	7740		(180,047)		
Permanent differences in the value of assets and liabilities	7750				
Write-off that does not produce tax consequences	7760		(1,540,037)		
Balance at the end of the reporting period	7800	-	2,682,618	-	10,008,464



## 5.8. Securities

Indicator		As at 31 December 2018 (1)	As at 31 December 2017 (2)	As at 31 December 2016 (3)
Name	Code			
1	2	3	4	5
Received - total	5800	3,476,012	2,202,849	2,946,969
including: promissory notes	5801			
property in pledge	5802	-	-	-
therefrom: items of fixed assets	58021			
security papers and other financial investments	58022			
other	58023			
other received	5803	3,476,012	2,202,849	2,946,969
Issued under own obligations - total	5810	-	-	-
including: promissory notes	5811			
pledged property	5812	-	-	-
therefrom: items of fixed assets	58121			
security papers and other financial investments	58122			
other	58123			
other issued	5813			

### 5.9. Government aid

Indicator name	Code	As at the beginning of the year	Received during the year	Returned during the year	As at the end of the year	As at the beginning of the year	Received during the year	Returned during the year	As at the end of the year
Received budget funds - total	5900	-	21,498	21,498	42,996	-	-	-	-
including:					-				-
for current expenses	5901		21,498	21,498	42,996				-
compensation for Chernobyl victims	5902				-				-
for performance of tasks on mobilization training	5903				-				-
for elimination of interterritorial cross-subsidization	5904				-				-
for investments in non-current assets	5905				-				-
for other purposes	5906				-				-
including:					-				-
financing preventive measures to reduce occupational injuries and diseases	5911				-				-
financing of in-depth medical examinations of workers engaged in works with harmful and (or) dangerous production factors	5912				-				-

**5.10. Government aid for which the conditions for granting it were not met\***

Indicator		For 2018 (1)		For 2017 (2)	
Name	Code	To be returned	Actually returned	To be returned	Actually returned
1	2	3	4	5	6
Received budgetary funds for which the conditions for granting them were not met	7910	-	-	-	-
<i>including:</i>					
<i>for current expenses</i>	7911				
<i>compensation for Chernobyl victims</i>	7912				
<i>for performance of tasks on mobilization training</i>	7913				
<i>for elimination of interterritorial cross-subsidization</i>	7914				
others	7915				
Received budgetary loans for which the conditions for granting them were not met	7920				
<i>including:</i>					
<i>financing preventive measures to reduce occupational injuries and diseases</i>	7921				
<i>financing of in-depth medical examinations of workers engaged in works with harmful and (or) dangerous production factors</i>	7922				

## 5.11. Other income and expenses

Indicator		For 2018 (1)	For 2017 (2)
Name	Code		
1	2		
<b>Other income - total</b>	8000	7,994,321	10,422,743
including:			
From the sale of fixed assets, except apartments	8001	66,192	65,734
From the sale of apartments	8002		
From the sale of material and production stocks	8003		5
From the sale of currency	8004		
From the sale of intangible assets	8005		
From the sale of security papers	8006		
From the sale of other assets	8007		
From joint activities	8008		
The profit of 2016, accounted in the reporting period	8009	174,401	153,652
The profit of 2015, accounted in the reporting period	8010	135,485	97,455
The profit of 2014, accounted in the reporting period	8011	122,864	12,067
The profit before 01.01.2014, accounted in the reporting period	8012	30,743	2,493
Penalties, fines and forfeits recognized or for which the court (arbitration court) decisions are received on their recovery	8013	1,292,584	2,494,962
Accounts payable, for which time allowed for claims has expired (more than three years)	8014	110,946	57,707
Exchange rate differences	8015	3,744	1
Property that is in surplus according to the inventory check	8016	510,669	
Donated assets, except for fixed and intangible assets	8017	813,049	283,930
Income from donated fixed assets determined according to the established procedure	8018	1,839,455	2,371,191
Value of material assets remaining after the write-off of assets that are unfit for restoration and further use	8019	103,622	38,609
Revaluation of financial investments at current market value	8020		
Income from reduction (write-off) of the provision for doubtful debts	8021	422,183	262
Income from reduction (write-off) of the provision for estimated liabilities	8022	17,383	282,554
Income from reduction (write-off) of the provision for depreciation of material and production stocks	8023	4,342	456,753
Income under claim assignment agreements	8024		
Income from revealed non-contractual electricity consumption	8025	2,016,937	2,237,711
Insurance payments to be received	8026	247,682	273,637
Income from participation in the authorized capital of other organizations	8027		

Restoration of accounts receivable that were written off earlier	8028		
Discount on promissory notes	8029		
Compensation for difference in tariffs (budgetary financing)	8030		
Income from reduction (write-off) of the provision for depreciation of financial investments	8031		138,707
Write-up of items of fixed assets	8032		
Income from write-up of items of fixed assets which were written down earlier	8033		
Income from payment of promissory notes	8034		
Others	8035	78,879	538,293

Indicator		During 2018 (1)	During 2017 (2)
Name	Code		
1	2		
<b>Other expenses - total</b>	8100	(10,785,847)	(12,613,103)
including:			
From the sale of fixed assets, except for apartments	8101		
From the sale of apartments	8102		
From the sale of inventory stocks	8103		
From the sale of currency	8104		
From the sale of intangible assets	8105		
From the sale of security papers	8106		
From the sale of other assets	8107		(2,447)
Other taxes	8108		(4,356)
Expenses on payment for services of banks	8109	(2,446)	(1,773)
Expenses on servicing of financial investments	8110		
Provision for doubtful debts	8111	(4,241,400)	(4,767,409)
Provision for depreciation of financial investments	8112	(231,920)	(173,704)
Provision for depreciation of material valuables	8113		(83,425)
Provision for discontinued operations	8114		
Provision for estimated liabilities	8115	(520,008)	(2,881,021)
Retirement of assets without revenue	8116	(24,092)	(80,452)
VAT on donated property	8117	(286)	
Loss of 2016, accounted in the reporting period	8118		(313,646)
Loss of 2015, accounted in the reporting period	8119	(950,636)	(177,901)
Loss of 2014, accounted in the reporting period	8120	(1,234,998)	(637,350)
Loss before 01.01.2014, accounted in the reporting period	8121	(368,171)	(88,844)
Penalties, fines and forfeits recognized or for which the court (arbitration court) decisions are received on their recovery	8122	(331,666)	(1,134,418)
State duties under business contracts	8123	(35,724)	(37,358)
Revaluation of financial investments at current market value	8124		
Discount on promissory notes	8125		
Expenses under claim assignment agreements	8126		
Non-refundable VAT	8127	(144,492)	
Expenses from revealed non-contractual electricity consumption	8128		
Contributions to associations and funds	8129		
Accounts receivable, for which time allowed for claims has expired (more than three years)	8130	(6,829)	(9)
Exchange rate differences	8331		

Legal expenses	8132	(6,572)	(2,749)
Thefts, shortages	8133		
Costs of enforcement proceedings	8134		
Repayment of the cost of apartments of employees	8135	(37,370)	(53,002)
Other material (financial) assistance and other payments to employees	8136	(571,192)	(585,701)
Material assistance to pensioners (including lump sum payments, compensation for utility payments)	8137	(65,331)	(66,088)
Expenses for conducting of sporting events	8138	(16,720)	(14,239)
Expenses for conducting of cultural and educational events	8139	(22,016)	(24,887)
Charity expenses	8140	(134,736)	(105,808)
Cost of promissory notes that are repaid	8141		
Residual value of fixed values that are written off	8143	(277,742)	(243,270)
Write-down of items of fixed assets	8144		
Others	8145	(807,507)	(974,784)

### 5.13. Information on reportable segments

	Code	Period	Name of reportable segment Moscow	Name of reportable segment Moscow Region	Name of reportable segment	Name of reportable segment	Name of reportable segment	Other segments	Total
1	2	3	4	5	6	7	8	9	10
Income from external purchasers	8310	2018	79,069,262	77,424 610					166,493,872
	8311	2017	75,226,110	72,145 755					147,371,865
Income from the sale between segments	8320	2018							-
	8321	2017							-
<b>Total income of the segment including</b>	<b>8300</b>	<b>2018</b>	<b>79,069,262</b>	<b>77,424,610</b>	-	-	-	-	<b>166,493,872</b>
	<b>8400</b>	<b>2017</b>	<b>75,226,110</b>	<b>72,145,755</b>	-	-	-	-	<b>147,371,865</b>
									-
<i>income from the transfer</i>	8301	2018	71,289,282	74,090,633					145,493,872
	8401	2017	68,815,507	69,534,979					138,350,486
<i>income from the technological connection</i>	8302	2018	6,506,805	2,516,624					9,023,429
	8402	2017	5,169,383	2,014,529					7,183,912
<i>other income</i>	8303	2018	1,273,175	817,353					2,090,528
	8403	2017	1,241,220	596,247					1,837,467
Interest receivable	8303	2018	106,628	90,391					197,019
	8403	2017	91,131	25,532					116,663
Interest payable	8304	2018	(2,812,881)	(2,480,965)					(5,293,846)
	8404	2017	(2 950,278)	(2,438,336)					(5,388,614)
Income tax expenses	8305	2018	(1,955,480)	(1,017,591)					(2,973,071)
	8405	2017	(996,310)	(509,751)					(1 506,061)
<b>Profit/(loss) of the segment</b>	<b>8306</b>	<b>2018</b>	<b>2,859,316</b>	<b>(1,183,398)</b>					<b>4,042,714</b>
	<b>8406</b>	<b>2017</b>	<b>4,297,731</b>	<b>(3,079,500)</b>					<b>1,218,231</b>
<b>Assets of segments</b>	<b>8307</b>	<b>2018</b>	<b>228,966,069</b>	<b>118,607,380</b>					<b>347,573,449</b>



	<b>8407</b>	<b>2017</b>	<b>233,785,888</b>	<b>109,253,810</b>					<b>343,039,698</b>
including non-current assets	8308	2018	213,597,048	107,921,785					<b>321,518,833</b>
	8408	2017	214,065,128	101,230,948					<b>315,296,076</b>
<b>Liabilities of segments</b>	<b>8309</b>	<b>2018</b>	<b>89,464,009</b>	<b>66,616,802</b>					<b>156,080,811</b>
	<b>8409</b>	<b>2017</b>	<b>90,198,483</b>	<b>63,850,686</b>					<b>154,049,169</b>
<b>Depreciation of fixed and intangible assets</b>	<b>8390</b>	<b>2018</b>	<b>(13,352,167)</b>	<b>(10,275,949)</b>					<b>(23,628,116)</b>
	<b>8490</b>	<b>2017</b>	<b>(13,266,618)</b>	<b>(10,846,514)</b>					<b>(24,113,132)</b>

Director General

/signature/  
(signature)

P. A. Sinyutin  
(print full name)

Accounting Team Leader

/signature/  
(signature)

V. V. Vitinsky  
(print full name)

" 28 " February 20 19

/Seal: Public Joint-Stock Corporation "Moscow United Electric Grid Company", 115114, Russian Federation, Moscow, 2nd Paveletsky passage, bld. 3, OKPO 75273098, OGRN 1057746555811, INN 5036065113/

**Explanations to the balance sheet  
and profit and loss statement  
PJSC MOESK  
for 2018**

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These textual Explanations the balance sheet and profit and loss statement constitute an integral part of the annual accounting (financial) statements of Public Joint-Stock Moscow United Electric Grid Company (hereinafter, the “Company”) for 2018 prepared in accordance with applicable laws of the Russian Federation.

The reporting date of these accounting (financial) statements, as of which it was compiled, is December 31, 2018.

All amounts are shown in thousand rubles, unless otherwise specified.  
Negative exponents are shown in parentheses.

## 1. General information (Organization and its business)

Full name: Public Joint Stock Company Moscow United Electric Grid Company.

Abbreviated name: PJSC MOESK, PJSC Moscow United Electric Grid Company.

Company address: 115114, Russian Federation, Moscow, 2nd Paveletsky Passage, 3, building 2.

Date and number of state registration: April 01, 2005, No. 1057746555811.

The Company was created by reorganization of OJSC Mosenergo in the form of subdivision on the basis of the decision of the annual General Meeting of Shareholders of OJSC Mosenergo (Minutes No. 1 of June 29, 2004).

The main activities of the Company include:

- rendering services on transmission and distribution of electric energy in Moscow and the Moscow Region,
- connecting new consumers to the electric grid and increasing the capacity of existing consumers,
- other activities.

By the decision of the annual General Meeting of Shareholders of the Company of June 07, 2018 (Minutes No. 20 of 13.06.2018), LLC Ernst&Yang was approved as the Auditor.

The Board of Directors of the Company includes:

No.	Full name	Position in the Board of Directors	Place of employment	Position as at 31.12.2018
1.	Livinsky Pavel Anatolievich	Chairman of the Board of Directors	PJSC Rosseti	Director General, Chairman of the executive board
2.	Gavrilenko Anatoly Anatolyevich	Member of the Board of Directors	CJSC Leader (Pension fund asset management company)	Director General
3.	Gasangadzhiyev Gasan Gizbullagovich	Member of the Board of Directors	Moscow Department of Housing and Utilities	Head of the Moscow Department of Housing and Utilities
4.	Goncharov Yury Vladimirovich	Member of the Board of Directors	PJSC Rosseti	Chief Adviser
5.	Grischenko Sergey Valentinovich	Member of the Board of Directors	Bank GPB (JSC)	Deputy Head of the Direct Investments Department
6.	Logovinsky Evgeny Ilyich	Member of the Board of Directors	NON-STATE PENSION FUND GAZFOND	Vice President – Chief Financial Officer
7.	Nikitin Sergey Alexandrovich	Member of the Board of Directors	CJSC Leader (Pension fund asset management)	Deputy Director General – Head of Corporate Control

			company)	Department
8.	Nuzhdov Alexey Viktorovich	Member of the Board of Directors	NON-STATE PENSION FUND GAZFOND	Senior Vice President
9.	Olkhovich Evgeny Aleksandrovich	Member of the Board of Directors	PJSC Rosseti	Deputy Director General for strategic development and technological innovation
10.	Romanovskaya Larisa Anatolyevna	Member of the Board of Directors	PJSC Rosseti	Chief Adviser
11.	Sergeyeva Olga Andreyevna	Member of the Board of Directors	PJSC Rosseti	Member of the Management Board, Deputy Director General – Chief of Staff
12.	Sergeyev Sergey Vladimirovich	Member of the Board of Directors	PJSC Rosseti	Deputy Director General for Capital Construction
13.	Sinyutin Petr Alekseyevich	Member of the Board of Directors	PJSC MOESK	Director General, Chairman of the Executive Board

The Board of Directors of the Company includes:

No.	Full name	Place of employment	Position as at 31.12.2018
1.	Sinyutin Petr Alekseyevich	PJSC MOESK	Director General, Chairman of the Executive Board
2.	Budyko Mark Leonidovich	PJSC MOESK	Deputy Director General for Logistics and Material and Technical Support
3.	Vologin Andrey Viktorovich	PJSC MOESK	Director of Branch Moscow Electrical Power Networks
4.	Filin Aleksandr Valentinovich	PJSC MOESK	First Deputy Director General for Corporate Protection and Corruption Prevention
5.	Myasnikov Vladimir Yurievich	PJSC MOESK	First Deputy Director General for Financial and Economic Activities and Corporate Management
6.	Ivanov Vsevolod Evgenyevich	PJSC MOESK	Deputy Director General - Chief Engineer of the Moscow High-Voltage Networks, a branch of PJSC MOESK
7.	Irzhak Aleksey Yuriyevich	PJSC MOESK	Director of the Northern Electric Networks, a branch of PJSC MOESK
8.	Starostin Aleksey Sergeyevich	PJSC MOESK	Deputy General Director for Corporate Management and Property Relations
9.	Petukhov Aleksey	PJSC MOESK	Deputy Director General for the Transmission and Accounting of the Electric Power

	Vasilyevich		
10.	Chaus Oleg Petrovich	PJSC MOESK	Deputy General Director for Human Resources and Administrative Issues

The Revision Commission includes:

No.	Full name	Position in the Revision Commission	Place of employment	Position as at 31.12.2018
1.	Kim Svetlana Anatolyevna	Chairperson of the Revision Commission	PJSC Rosseti	Head of the Audit Office of the Control and Audit Department
2.	Zadorozhnaya Angelika Aleksandrovna	Chairperson of the Revision Commission	PJSC Rosseti	Head of the Internal Audit Office
3.	Kirillov Artem Nikolaevich	Member of the Revision Commission	PJSC Rosseti	Deputy Head of the Audit activities Office of the Control and Audit Department
4.	Erandina Elena Stanislavovna	Member of the Revision Commission	PJSC Rosseti	Chief Expert of the Control and Expert Office of the Control and Audit Department
5.	Slesareva Elena Yuriyevna	Member of the Revision Commission	PJSC Rosseti	Chief expert of the Directorate of internal audit

As of December 31, 2018 the Company has the following branches in its structure:

1. South Electric Grids.
2. East Electric Grids.
3. North Electric Grids.
4. West Electric Grids.
5. Moscow Cable Networks.
6. Energouchet.
7. New Moscow.
8. Moscow High-Voltage Networks.

Information on branch organizations of the Company is presented in the table:

Name	Place of incorporation	Scope of activity	Share of participation of the Company
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JSC MOESK-engineering	115088, Russia, Moscow, Yuzhnoportovaya str.,17, bld. 3	Construction and installation works (including works on installation of external engineering networks and equipment, laying of cable power lines of 1-10, 20, 35, 110, 220 and 500 kV; preparation of the construction site and excavation works; erection of load-bearing and enclosing structures; installation of internal engineering networks; works on protection of structures and equipment; commissioning works).	100%
JSC Plant for Repair of Electrical Equipment (JSC Plant RETO)	Moscow, Starokashirskoye highway, 4a	Installation, adjustment and repair of power facilities, electric power, heat power equipment and power installations of consumers; -Works on capital and current repair of power electrical equipment in power networks, at CHPP, GRES and other facilities.	100%
JSC Energocenter	142400, Russia, Moscow Region, Noginsky District, Noginsk, Radchenko Str., 13, Administration building, room 50	Investment activities; provision of services of connection to electric grids; development of electric grids and other electric grid facilities including design, engineering surveys, construction, reconstruction, technical re-equipment, installation and commissioning.	100%

The average number of employees of the Company in 2018 was 14,550 people (14,547 people – in 2017).

## **2. Basis for the issuance of accounting (financial) statements (regulations used to prepare the accounting (financial) statements)**

The Company's accounting statement is formed based on the financial and tax accounting and reporting rules that are in force in the Russian Federation, in particular:

1. Federal Law No. 402-FL of 06.12.2011 “On Accounting”;
2. Regulation on financial accounting and reporting in the Russian Federation, approved by order of the Ministry of Finance of Russia No. 34n of 29.07.1998;
3. Regulation on financial accounting No. 1/2008 “Accounting policy of the enterprise”, approved by order of the Ministry of Finance of Russia No. 106n of 06.10.2008;
4. Regulation on financial accounting No. 2/2008 “Accounting for construction contracts”, approved by order of the Ministry of Finance of Russia No. 116n of 24.10.2008;
5. Regulation on financial accounting No. 3/2006 “Accounting for assets and liabilities whose value is denominated in foreign currency”, approved by order of the Ministry of Finance of Russia No.154n of 27.11.2006;

6. Regulation on financial accounting No. 4/99 “Financial reporting of the organization”, approved by order of the Ministry of Finance of Russia No. 43n of 06.07.1999;
7. Regulation on financial accounting No. 5/01 “Stock accounting”, approved by order of the Ministry of Finance of Russia No. 44n of 09.06.2001;
8. Regulation on financial accounting No. 6/01 “Accounting for fixed assets”, approved by order of the Ministry of Finance of the Russian Federation No. 26n of 30.03.2001;
9. Regulation on financial accounting No. 7/98 “Events after the reporting date”, approved by order of the Ministry of Finance of the Russian Federation No. 56n of 25.11.1998;
10. Regulation on financial accounting No. 8/10 “Estimated liabilities, contingent liabilities and contingent assets”, approved by order of the Ministry of Finance of the Russian Federation No. 167n of 13.12.2010;
11. Regulation on financial accounting No. 9/99 “Incomes of the organization”, approved by order of the Ministry of Finance of Russia No. 32n of 06.05.1999;
12. Regulation on financial accounting No. 10/99 “Expenses of the organization”, approved by order of the Ministry of Finance of the Russian Federation No. 33n of 06.05.1999;
13. Regulation on financial accounting No. 11/2008 “Information on related parties”, approved by order of the Ministry of Finance of Russia No. 48n of 29.04.2008;
14. Regulation on financial accounting No. 12/2010 “Information on segments”, approved by order of the Ministry of Finance of Russia No. 143n of 08.11.2010;
15. Regulation on financial accounting No. 13/2000 “Accounting for state aid”, approved by order of the Ministry of Finance of the Russian Federation No. 92n of 16.10.2000;
16. Regulation on financial accounting No. 14/2007 “Accounting for intangible assets”, approved by order of the Ministry of Finance of the Russian Federation No. 153n of 27.12.2007;
17. Regulation on financial accounting No. 15/2008 “Accounting for expenses on loans and credits”, approved by order of the Ministry of Finance of Russia No. 107n of 16.10.2008;
18. Regulation on financial accounting No. 16/02 “Information on discontinued operations”, approved by order of the Ministry of Finance of Russia No. 66n of 02.07.2002;
19. Regulation on financial accounting No. 17/02 “Accounting for expenses for research, development and technological works”, approved by order of the Ministry of Finance of Russia No. 115n of 19.11.2002;
20. Regulation on financial accounting No. 18/02 “Accounting for income tax payments”, approved by order of the Ministry of Finance of Russia No. 114n of 19.11.2002;
21. Regulation on financial accounting No. 19/02 “Accounting for financial investments”, approved by order of the Ministry of Finance of the Russian Federation No. 126n of 10.12.2002;
22. Regulation on financial accounting No. 20/03 “Information on participation in joint activities”, approved by order of the Ministry of Finance of Russia No. 105n of 24.11.2003;



23. Regulation on financial accounting No. 21/2008 “Changes in estimated values”, approved by order of the Ministry of Finance of Russia No. 106n of 06.10.2008;
24. Regulation on financial accounting No. 22/2010 “Correction of errors in financial accounting and reporting”, approved by order of the Ministry of Finance of Russia No. 63n of 28.06.2010;
25. Regulation on financial accounting No. 23/11 “Statement of cash flows”, approved by order of the Ministry of Finance of the Russian Federation No. 11n of 02.02.2011;
26. Regulation on financial accounting of long-term investments, approved by letter of the Ministry of Finance of the Russian Federation No. 160 of 30.12.1993;
27. Order No. 66n of 02.07.2010 “On the forms of financial reporting of organizations”;
28. Other current Russian rules (standards) of financial accounting;
29. Tax, labor, land and other regulations of the Russian Federation.

### 3. Changes in comparative numbers of the accounting (financial) statements for 2018

In accordance with order No.224 of PJSC ROSSETI of 21.12.2018 on amending the Provision “Corporate Accounting Principles for Accounting Purposes” in 2018, the Company amended the accounting policy in terms of the order of recognition of revenue from fixed assets received by the organization under a gift agreement ( free of charge).

According to the accepted accounting procedure for the cost of the value of fixed assets received by the organization under a gift contract (free of charge), the profit and loss statement of the organization as other income is issued during the useful life. Acceptance of these fixed assets for accounting is reflected in the debit of the account for investments in non-current assets in correspondence with the account for accounting for deferred income.

This method of accounting has been developed to more accurately present the facts of economic activity and to improve the quality of information about the accounting object without reducing the degree of reliability of information.

Due to a change in the accounting policy with respect to the method of accounting for fixed assets received by the organization under a gift agreement (free of charge), in accordance with RAS 1/2008 “Accounting policy of the organization” and to ensure the comparability of these figures in the balance sheet lines 1180 “Deferred tax assets”, 1370 “Retained profit of past years” and 1530 “Unearned revenue” as of December 31, 2017 and 2016 and parameters of the lines of the profit or loss statement 2121 “Cost of electric power transmission”, 2340 “Other income” and 2450 “Change in deferred tax assets” for 2017, reflected in the accounting (financial) statements for 2018, were restated.

Upon signing the statements for 2017, the Company’s counterparties received initial reporting documents for the provision of electricity transmission services for 2017. In accordance with clause 3 of RAS 22/2010 “Correction of errors in accounting records and financial statements”, in order to more accurately present the financial condition and results of the Company's activities, as well as the comparability of the reporting data for the periods reflected in the accounting (financial) statements, these expenses are reflected in the statements for 2018 by the method of retroactive restatement without reducing the degree of reliability of the information.

Changes in comparative numbers of the balance sheet and the profit or loss statement as a result of the above changes in accounting policies and correction of errors are shown in the tables below.

Changes in the balance sheet as of December 31, 2017 and 2016 in the statements for 2018:

Note	Line name	Code	2017 (before adjustment)	Adjustment	2017 (after adjustment)
[1]	Deferred tax assets	1180	2,991,271	653,772	3,645,043
	<b>Total non-current assets</b>		<b>314,642,304</b>	<b>653,772</b>	<b>315,296,076</b>
[3]	Value added tax on acquired assets	1220	113,007	177,901	290,908
	<b>Total current assets</b>		<b>27,565,721</b>	<b>177,901</b>	<b>27,743,622</b>

[5]	Retained profit of past years	1370	97,705,760	(2,935,001)	94,770,759
	<b>Total capital</b>		<b>191,925,530</b>	<b>(2,935,001)</b>	<b>188,990,529</b>
	Accounts payable/due to suppliers and contractors		20,271,967	1,166,240	21,438,207
[2]	Unearned revenue	1530		2,600,434	2,600,434
	<b>Total short-term liabilities</b>		<b>51,767,114</b>	<b>3,766,674</b>	<b>55,533,788</b>

Note	Line name	Code	2016 (before adjustment)	Adjustment	2016 (after adjustment)
	Deferred tax assets		2,335,661	329,510	2,665,171
	<b>Total non-current assets</b>		<b>307,308,375</b>	<b>329,510</b>	<b>307,637,885</b>
[5]	Retained profit of past years	1370	96,513,286	(1,482,539)	95,030,747
	<b>Total capital</b>		<b>190,764,896</b>	<b>(1,482,539)</b>	<b>189,282,357</b>
[2]	Unearned revenue	1530		1,812,049	1,812,049
	<b>Total short-term liabilities</b>		<b>70,477,536</b>	<b>1,812,049</b>	<b>72,289,585</b>

Changes in the numbers of the profit or loss statement for 2017 in the statements for 2018:

Note	Line name	Code	2016 (before adjustment)	Adjustment	2016 (after adjustment)
	Cost of electric power transmission	2121	(134,408,576)	(988,339)	(135,396,915)
[2]	Other income	2340	211,128	(788,385)	10,422,743
	<b>Income (loss) before taxation</b>	<b>2300</b>	<b>4,368,894</b>	<b>(1,776,724)</b>	<b>2,592,170</b>
[1]	Change in deferred tax assets	2450	696,975	323,668	1,020,643

[4]	Other	2460	414,289	594	414,883
	<b>Net profit (loss)</b>	<b>2400</b>	<b>2,670,693</b>	<b>(1,452,462)</b>	<b>1,218,231</b>

- [1] the adjustment related to the accrual of deferred tax assets when recognizing unearned earnings on fixed assets received free of charge, and also when recognizing expenses on electricity transmission;
- [2] restatement of comparatives related to changes in accounting policies in terms of the order of recognition of revenue from fixed assets received under a gift agreement with a relevant adjustment of income;
- [3] recognition of expenses for the acquisition of electricity transmission services and the relevant amount of accounts payable and VAT;
- [4] income tax adjustment;
- [5] the amount of the change in retained profit represents the cumulative effect of retroactive adjustment of income on fixed assets received free of charge and recognition of expenses for the provision of electricity transmission services, as well as the accrual of a relative deferred tax due to the adjustments

Explanations for the comparability of data were adjusted in accordance with the above information.

Due to the changes, the amount of basic earnings per share for 2017 amounted to 0.00003 thousand rubles.

The Company has no potential dilutive shares, accordingly, the diluted earnings per share are equal to the basic earnings per share.

#### **4. Accounting policies**

In the reporting period, the Company had accounting and tax accounting policies that were approved by order of the General Director No. 1560 of December 29, 2017. In 2018, the Company's accounting policy for accounting purposes was amended by Order of PJSC MOESK No. 532 of May 1, 2017. The Company's accounting policy for tax accounting purposes was not amended.

If there are no methods of accounting in the regulatory legal acts, on a particular issue, when the Company draws up its accounting policy, the organization develops a corresponding method based on accounting provisions and International Financial Reporting Standards. Valuation of property and liabilities is made to reflect them in the accounting records and accounting (financial) statements in monetary terms.

Valuation of free property is carried out by totaling the actual expenses incurred for its purchase; free property - at market value on the date of capitalization; property manufactured in the organization itself, at the cost of its manufacture.

## **5. Intangible assets**

Intangible assets are accepted for accounting at their original cost. The original cost of intangible assets is determined as the amount calculated in monetary terms equal to the amount of payment in monetary and other form or the amount of accounts payable, paid or accrued by the organization upon acquisition or creation of an asset and provision of conditions for using the asset for intended purposes.

The original cost of intangible assets received under contracts providing for the performance of obligations (payment) by non-monetary assets is determined based on the value of the assets transferred or to be transferred. If it is not possible to determine the value of assets transferred or to be transferred under such contracts, the cost of the intangible assets received is established based on the price at which similar intangible assets are acquired in comparable circumstances.

The actual (original) cost of intangible assets created as part of an internal project includes all expenses directly related to the creation of intangible assets and the provision of conditions for using the asset for the planned purposes. Intangible assets transferred from R&D expenditures are estimated by the value of the objects that were formed at the time of the transfer of the object from R&D expenses to intangible assets.

The original cost of an intangible asset at which it is accepted for accounting is not changed and revaluation of the cost of intangible assets is not made.

Depreciation of intangible assets with a certain term of useful life is made in a linear way, based on the term of useful life of intangible assets.

Intangible assets with an uncertain term of useful life are absent in the balance sheet.

The useful life of intangible assets is determined independently based on the period during which the Company expects to use intangible assets for the purpose of obtaining economic benefits.

The useful life of intangible assets is checked annually by the Company for clarification. In the event of a significant change in the duration of the period during which the Company expects to use the asset, its useful life is subject to clarification.

Depreciation charges on intangible assets are reflected in the accounting for the reporting period to which they relate and are charged regardless of the results of the Company's activities in the reporting period.

Intangible assets with a fully repaid value, but used by the Company to obtain economic benefits are absent.

Information on key intangible assets generated based on the R&D results included in the Company's balance sheet.

No.	Name of intangible asset / intellectual property	Original cost (free of VAT)	Term of useful life, months	Additional information
1	Software management system for charging stations (computer software registration certificate No.130459 of 07/20/2013)	25,219	98	The software package is designed to integrate charging stations of various manufacturers into a single network and technological scenario management of stations. Currently, the software package is used to manage the Company's charging stations network. In 2017 and 2018, the Company concluded license agreements with Lenenergo PJSC and Mosoblenergo JSC for the right to use the Software Complex.

Information on the existence and flow of the intangible assets is given in Appendix 5.1.1 to Explanations “Existence and flow of the intangible assets”, and information on incomplete operations on acquisition in Appendix 5.2.2 to Explanations “Incomplete and unexecuted R&D and incomplete operations on IA acquisition”.

## 6. Results of research and development (R&D)

Works completed with a positive result, the use of which will bring economic benefits to the Company in the future are accounting items as research and development operations. In the case when it is planned to obtain exclusive rights with respect to the results of research and development, the costs of such R&D are recorded as expenses on the creation of intangible assets.

The write-off of expenses for each R&D is made in a linear and even way, during the accepted period. The time period for the write-off of R&D expenses is determined by the Company independently, based on the period during which the Company expects to use R&D results for the purpose of obtaining economic benefits, but not more than 5 years.

Information on expenses for, and movement of, uncompleted and unregistered research, development and technological works is in the following appendices to the Explanations:

5.2.1. “Existence and flow of the R&D results”

5.2.2. “Incomplete and unexecuted R&D and incomplete operations on IA acquisition”.

## 7. Fixed assets and construction in progress

Items of fixed assets are accepted for accounting at their original cost. The original cost of fixed assets purchased for a fee is treated as the amount of actual costs of acquisition, construction and manufacturing, excluding value added tax and other reimbursable taxes (except for cases provided for by the legislation of the Russian Federation).

Actual costs of acquisition, construction and manufacturing of fixed assets are costs that are directly connected with acquisition, construction and manufacturing of the item of fixed assets. The costs are included in the original value of the item of fixed assets for the intended purpose. In case if they are related to several items, their value is pro rate to the item cost.

The property received by the Company under contracts that provide for performance of obligations (payment) by non-monetary assets is valued based on the cost of the values

transferred or to be transferred to the Company. The cost of the values transferred or to be transferred to the Company is determined in receipts in cash from asset disposal of the similar property by the Company during the same reporting period. If there is no possibility of asset disposal of the similar property, the evaluation of values transferred or to be transferred is made on the assumption of market value of transferred property.

If it is not possible to determine the cost of values transferred or to be transferred, the cost of the fixed assets received under contracts that provide for performance of obligations (payment) by non-monetary assets is determined based on the cost at which similar items of fixed assets are acquired in comparable circumstances.

The original cost of fixed assets received by the organization under a gift agreement (free of charge) forms profit or loss statement of the organization as other income during the useful life. Acceptance of these fixed assets for financial accounting is reflected in the debit of the account for investments in non-current assets in correspondence with the account for accounting for deferred income.

The costs of loans and credits are included in the original cost of fixed assets subject to the qualification of the asset, the actual (original) cost of which is formed as an investment asset.

An item is recognized as an investment asset when the following criteria are met:

- preparation of the item for intended use requires a long period of time and significant expenses for acquisition, construction and (or) manufacture;
- the item is specified by the Company's investment program;
- in the current period, the work necessary to prepare an investment asset for intended use was started and continues to be performed.

In particular, creation of an investment asset may be related with:

- implementation of capital construction in the form of new construction, as well as reconstruction, expansion and technical re-equipment (including further construction, further equipping, modernization, etc.) of the existing non-productive assets. These works (except for new construction) lead to a change in the nature of objects, for which they are carried out, and the expenses incurred in doing so are not the period expenses by their content,

- acquisition of buildings, structures, equipment, vehicles and other individual items of fixed assets (or parts thereof);

- acquisition and creation of intangible assets (patents, software products, R&D, etc.).

Expenses for loans and credits in the amount of RUB 2,182,784 thousand (2017: RUB 2,174,113 thousand) were capitalized during the reporting period. The capitalization rate was 0.69% (2017: 0.76%) and represents the weighted average annual rate for all general-purpose loans used to create investment assets.

Fixed assets valued at no more 40 000 rubles per unit are reflected in financial accounting reporting in material and production stocks.

Change of the original cost of the fixed assets, at which they are accepted for accounting, is allowed in cases of further construction, further equipping, reconstruction, modernization, partial liquidation and revaluation of items of the fixed assets.

The Company revalues the fixed assets not more often than once a year (at the end of the reporting year) at current (replacement) cost in respect of the following groups of fixed assets: "Power Machines and Equipment".

The revaluation of the group of homogeneous items of fixed assets "Power Machines and Equipment" is made in accordance with the procedure established by the legislation of the Russian Federation at the end of the reporting year, based on the relevant administrative document of the Chief Executive Officer of the Company, in case if based on the results of conducted assessment, the cumulative deviation from the original cost is more than 10 percent. Revaluation of items of the fixed assets of the Company is carried out by independent appraisers.

The amount of write-down of an item of the fixed assets due to revaluation is classified in the financial results as other expenses. The amount of write-down of an item of the fixed assets, implemented within the limits of write-up carried out in previous reporting periods and allocated to the additional capital of the organization, is reflected as reduction of the additional capital.

The amount of write-up of an item of the fixed assets due to revaluation is allocated to the additional capital of the organization. The amount of write-up of the item of the fixed assets equal to the amount of its write-down performed in previous reporting periods and allocated in the financial results to other expenses is included into the financial results as other incomes.

In case of retirement of an item of the fixed assets, the amount of its write-up is transferred from the additional capital of the organization to the unallocated income of the organization.

Depreciation on items of the fixed assets is made in a linear way. The terms of useful life of fixed assets used to calculate depreciation are as follows:

<b>Groups of fixed assets</b>	<b>Terms of useful life, months</b>
Production buildings	374
Constructions, except for power transmission lines	286
Power transmission lines and equipment for them	273
Machinery and equipment for electricity production, substations, equipment for electricity conversion	180
Production and organizational stock	52
Others	78

The fixed assets are recorded in the reporting at their residual value.

As of December 31, 2018, the original cost of fully depreciated fixed assets amounted to 68,800,833 thousand rubles. (December 31, 2017: 61,892,563 thousand rubles, December 31, 2016: 47,263,787 thousand rubles).

The fixed assets include items whose consumer properties do not change over time, i.e. not subject to depreciation. Information on the carrying amount of items of this kind as of December 31 is presented in the table:

<b>Items of fixed assets</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Land plots	105,248	101,834	93,740
Housing facilities	64	64	64
<b>Total</b>	<b>105,312</b>	<b>101,898</b>	<b>93,804</b>

The Company owns forty-five land plots with a total area of 54.30 hectares (December 31, 2017: 54.50 ha, December 31, 2016: 52.12 ha).

Advances issued for capital construction are reflected in Section I “Non-current assets” of the balance sheet, irrespective of the maturity of the counterparties’ obligations on advances (prepayment), net of VAT.

Information about groups of fixed assets, changes in value and use is disclosed in the following annexes to the Explanations:

5.3.1. “Existence and flow of the fixed assets”

5.3.3. “Change in value of fixed assets as a result of further construction, equipping, reconstruction and partial dismantlement



5.3.4. “Other use of fixed assets”

5.3.5. “In-progress capital investments”

## 8. Financial investments

Separate unit of security paper (loan, contribution to the equity capital), a state registration code, series or another homogeneous set of financial investments is accepted as the unit of accounting for financial investments, based on the nature, procedure for acquisition and use.

All costs directly related to the acquisition of assets as financial investments are included in the original cost of financial investments.

The financial investments received under contracts that provide for performance of obligations (payment) by non-monetary funds is valued based on the cost of the assets transferred or to be transferred. The cost of the values transferred or to be transferred to the Company is determined based on the price at which the Company usually determines the cost of similar assets in comparable circumstances. Financial investments for which the current market value is not determined are reflected in the financial statements at the reporting date at an original cost adjusted (reduced) by the amount of the provision for impairment of financial investments at the end of the reporting year, which is created in case of a sustained significant reduction in the amount of economic benefits that the Company expects to receive from these financial investments under the normal conditions of its operations as determined at the end of the reporting year.

Financial investments, for which the market value can be determined, are reflected in accounting at the end of each quarter on current market value by applying an adjustment of their evaluation on the previous accounting date.

On retirement of financial investments, for which the current market value cannot be determined, their cost is determined as follows:

- contributions to the authorized capital of other organizations (except for shares of joint-stock companies), loans provided to other organizations, deposits in credit institutions, accounts receivable obtained based on the assignment of claim are valued at the original cost of each retiring unit of financial investments;

- security papers (shares and bonds) are valued on retirement at the average original cost.

On retirement of assets accepted for accounting as financial investments, for which the current market value can be determined, their cost is determined based on the latest valuation.

For debt securities for which the current market value is not determined, the difference between the original and nominal value is reflected by the Company during the term of their circulation evenly (monthly), as income due for them in accordance with the terms of the income issue, as part of other income or expenses.

### Investments to the authorized capital of other companies

As of December 31, 2018, the Company has shares, for which the current market value cannot be determined, in the authorized capital of following companies:

Company name	Share in the authorized capital	Balance as of December 31, 2018	Balance as of December 31, 2017	Balance as of December 31, 2016
MKER	0%	-	466,740	466,740
Energocenter	100%	1,171,000	1,171,000	1,171,000
RETO	100%	661,955	661,955	661,955
MOESK Engineering (MKSM – until June	100%	2,260,194	1,793,454	1,793,454

14,2018)				
Total		4,093,149	4,093,149	4,093,149

On February 22, 2018, the reorganization of Moskabelenergoremont JSC in the form of a merger with JSC Moskabel'set'montaj was completed.

On 14 June 2018, JSC Moskabel'set'montaj was renamed Joint Stock-Company MOESK – Engineering. The new name is most consistent with the strategic and current objectives of the company performing a full cycle of engineering services.

As of December 31, 2018, the Company identified signs of impairment of financial investments and in 2018 made an additional accrual of the provision in the amount of 231,920 rubles (in 2017: an additional accrual of the provision in the amount of 173,704 thousand rubles, and recovery of the provision in the amount of 138,707 thousand rubles). The value of investments to the authorized capital of subsidiary companies as of the reporting date is reflected in the balance sheet at the original cost less the accrued provisions.

### **Debt financial investments**

As of December 31, 2018 debt instruments, the current market value of which cannot be determined include:

Borrower	Long-term financial investments	Short-term financial investments
JSC Energocenter	54,076	-
JSC Energo-finance	-	468,747
Minus provision	-	(468,747)
<b>Total</b>	54,076	-

The rights of claims under bonds of the subsidiary company JSC Energocenter were transferred to the Company in 2012 by assignment of the right of claim of third-party creditors. Provisions for bonds of borrowers are not received. The Company intends to hold debt financial investments until redemption.

Information about financial investments is disclosed in the following annexes to the Explanations:

- 5.4.1. “Existence and flow of financial assets”
- 5.4.2. “Assessment adjustment of financial assets”
- 5.4.3. “Other use of financial assets”

### **9. Material and production stocks**

The following assets are accepted as the material and production stocks:

- used as raw materials, materials, etc. in the production of products intended for sale (performance of works, provision of services); - intended for sale;
- used for management needs of the Company.

The nomenclature number is adopted as the unit of material and production stocks. The material and production stocks are accepted for accounting at accounting price. Average actual self-cost of materials is accepted as accounting prices.

The amount of actual acquisition costs except value added tax and other compensate taxes is accepted as actual self-cost of the material and production stocks (excluding cases provided for in legislation of Russian Federation).

Actual self-cost of the material and production stocks when manufacturing by the Company is determined on the assumption of actual costs related to its production.

Value of assets transferred or to be transferred is accepted as actual self-cost of the material and production stocks received under contracts that provide for performance of obligations (payment) by non-monetary assets.

Actual self-cost of the material and production stocks left from liquidation, demolition and installation of fixed assets and objects of in-progress construction or extracted in process of current maintenance, repair, reconstruction and modernization of the objects of fixed assets and other assets, as well as revealed as surplus during taking inventory is determined on the assumption of their current market value on the date of entry on the books and costs related to its bringing to ready for use condition.

Transportation and procurement costs of the Company's directly connected with provisioning, delivery of raw materials and materials to the point of use are included in the deviation in cost of materials.

Material and production stocks that are morally obsolete, completely or partially lost their original quality, are reflected in the balance sheet at the end of the reporting year less provision for write-off of tangible assets. This provision is formed at the expense of the Company's financial results.

Valuation of material and production stocks in case of their release to production and other retirement is carried out at the average self-cost.

Material and production stocks are reflected in the following annexes to the Explanations:

5.5.1. "Existence and flow of the supplies"

5.5.2. "Pledged inventory"

## **10. Accounts receivable and accounts payable**

Accounts receivable from buyers and customers are determined on the basis of prices established by agreements between the Company and buyers and customers.

The Company creates provisions for doubtful debts in case of recognition of receivables as doubtful with allocation of the amounts of the provisions to financial results.

Doubtful receivables are treated as receivables that are not repaid or most likely will not be repaid within the terms established by the contract and are not secured by appropriate guarantees. The amount of the provision is determined separately for each doubtful debt, depending on the financial condition (solvency) of the debtor and the estimated probability of whole or partial repayment of the debt.

Accounts payable to suppliers and contractors are recorded at the same time as taking into account assets, results of work performed, services rendered, delivered (performed) by the supplier (contractor).

The amount of accounts payable is determined based on the price and conditions established by the contract.

Indebtedness on taxes and duties as of December 31 includes:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Income tax			

Value-added tax	1,288,445	408,563	1,136,176
Property tax	643,755	612,790	550,458
Transport tax	13,323	11,429	11,729
Land tax	5,106	3,734	3,751
Others	-	-	-
<b>Total indebtedness on taxes and duties</b>	<b>1,950,629</b>	<b>2,036,516</b>	<b>1,702,114</b>

As of December 31, 2018, 2017 and 2016, the Company did not have overdue obligations on taxes and duties.

Indebtedness on long-term and short-term advances issued and received is reflected including VAT. At the same time, VAT amounts calculated from advances received are reflected in line 1260 "Other current assets" in the amount of RUB 4,514,646 thousand. (December 31, 2017: RUB 4,518,664 thousand; December 31, 2016: RUB 5,111,440 thousand). The amount of VAT on advances paid is reflected in line 1550 "Other liabilities" in the total amount of RUB 148,111 thousand. (December 31, 2017: 152,002 RUB thousand; December 31, 2016: RUB 171,262 thousand).

The long-term part of accounts payable (advances received for services on technological connection and other services) are reflected in the balance line 1450 "Other liabilities".

Information about the existence and flow of accounts receivable and payable is disclosed in the following annexes to the Explanations:

5.6.1. "Existence and flow of accounts receivable"

5.6.3. "Overdue accounts receivable"

Information about the existence and flow of accounts payable is disclosed in the following annexes to the Explanations:

5.6.5. "Existence and flow of accounts payable"

5.6.6. "Overdue accounts payable"

Debt arising and repaid during the same period are included in turnovers.

## **11. Authorized, additional and reserve capital, earnings per share**

The authorized capital consists of 48,707,091,574 (forty-eight billion seven hundred and seven million ninety-one thousand five hundred and seventy-four) ordinary shares with a face value of 0.50 rubles. The amount of the authorized capital is 24,353,545,787 (Twenty-four billion three hundred fifty-three million five hundred forty-five thousand seven hundred and eighty-seven) rubles.

As of December 31, 2018, all issued shares were fully paid for and in circulation. The repayment of own shares or other changes in the capital structure did not happen in 2018.

In 2018, dividends for 2017 on ordinary shares were declared in the amount of 1,540,605 thousand rubles or 0.03163 rubles per one ordinary share.

The Company has formed a reserve capital intended to cover losses, which, although not specifically identified, may occur in the economic circulation. The reserve capital was formed at the expense of the Company's net profit.

The Company has no potential dilutive shares; accordingly, diluted earnings per share are equal to basic earnings per share.

Information about capital movements is disclosed in Annex 3.1. “Movement of capital” of the Statement of changes in equity.

Information about earnings per share is disclosed in Annex 2.2. “Earnings per share, diluted earnings per share” of the Profit or loss statement.

## 12. Loans and credits

Indebtedness on loans and credits received is reflected in the accounts of financial accounting, taking into account the interest payable at the end of the reporting period in accordance with the terms of the contracts, and the information is separated:

- on long-term and short-term liabilities,
- on the principal amount of borrowed funds and interest accrued, but unpaid.
- Interest on loan obligations arising when the Company attracts funds in order to create its own investment asset is included in the value of this asset

The Company makes the reclassification (translation) of long-term debt into short-term debt at each reporting date. Reclassification of the debt on the received borrowed funds (both for the principal debt and for the corresponding amounts of accrued interest) is made in the following order:

- short-term debt is transferred to long-term debt, if an agreement is concluded on the prolongation of the short-term loan agreement in such a way that the maturity of the loan will be more than 12 months from the reporting date;
- long-term debt is transferred to short-term debt when under the conditions of the credit (loan) agreement less than 12 months left to the repayment of the debt,
- under long-term credit (loan) agreements, repayable in installments, the debt on the due installment of the credit (loan) agreement is transferred to the current portion of long-term borrowed funds, when under the conditions of the credit (loan) agreement less than 12 months left to the repayment of this installment of debt.

In 2018, the Company attracted 107,716,839 thousand rubles under credit lines and overdraft credits.

During 2018, liabilities on loans and credits were repaid in the amount of 102,425,362 thousand rubles.

As at December, 31 borrowed funds included:

	2018		2017		2016	
	Long-term borrowed funds	Short-term borrowed funds	Long-term borrowed funds	Short-term borrowed funds	Long-term borrowed funds	Short-term borrowed funds
Bank credits	38,231,477	8,770,368	40,000,000	1,702,585	48,314,284	11,118,527
Bonded loans, including:	30,000,000	13,188,280	43,000,000	-	18,000,000	5,150,687
BO-04	5,000,000		5,000,000	-	-	5,150,687
BO-07			-	-	-	-

BO-08		8,151,280	8,000,000	-	8,000,000	-
BO-05		5,037,000	5,000,000	-	5,000,000	-
BO-06	5,000,000		5,000,000	-	5,000,000	-
BO-09	10,000,000		10,000,000	-	-	-
BO-10	10,000,000		10,000,000	-	-	-
Current portion of long-term liabilities	-	821,670	-	957,903	-	457,694
<b>Total borrowed funds</b>	<b>68,231,477</b>	<b>22,780,318</b>	<b>83,000,000</b>	<b>2,660,488</b>	<b>66,314,284</b>	<b>16,726,908</b>
<b>Principal debt</b>	<b>68,231,477</b>	<b>21,760,000</b>	<b>83,000,000</b>	<b>1,700,000</b>	<b>66,314,284</b>	<b>16,100,000</b>
<b>Interests payable</b>	-	<b>1,020,318</b>	-	<b>960,488</b>	-	<b>626,908</b>

The balance-sheet value of all credits and loans granted is expressed in Russian rubles. The Company did not provide collateral for the credits and loans received.

In 2018, the Company did not pass and negotiate bills.

The schedule of payments on principal amount of a debt as of December 31, 2017 is as follows:

	<b>Amount, thousand rubles</b>
2019	21,760,000
2020	45,231,477
2021	13,000,000
After 2021	10,000,000

In 2018, the Company did not earn income from temporary use of loans (credits) received as long-term and short-term financial investments.

Information about loans and credit lines is disclosed in the following annexes to the Explanations:

5.6.7 “Loans and credit lines”

5.6.8. “Expenses for loans and credit lines”

### **13. Estimated liabilities, contingent liabilities and assets**

#### **Uncertainty of estimates**

Key assumptions regarding future events and other sources of estimation uncertainty as of the reporting date, which may require significant adjustments to the carrying amount of assets and liabilities during the next financial year, are presented below:

- provision for doubtful debts;
- provision for write-off of inventory stocks;
- terms of useful life of intangible assets;
- provisions formed in connection with the consequences of contingent facts of economic activity.

The Company recognizes in financial accounting and reporting the estimated liabilities. When recognizing an estimated liability, depending on its nature, the value of the estimated liability is allocated to expenses of ordinary activities or other expenses, or is included in the cost of an asset.

Provisions for estimated liabilities include the following future expenses:

- provision for future expenses on vacation payments to employees;
- provision for future expenses on payment of remuneration based on annual performance results, monthly and quarterly remuneration;
- provision for legal proceedings not completed as of reporting date in which the Company acts as a claimant or defendant and decisions on which can be made only in subsequent reporting periods leading to an outflow of economic benefits of the Company
- other provisions for future expenses.

The provision for future expenses on vacation payments to employees is formed individually for each employee. When forming the provision, the following indicators are taken into account: the actual wages of employees and other payments for the accounting period stipulated by the wage system and taken into account when calculating the average wage in accordance with Article 139 of the Labor Code of the Russian Federation, the total number of unused vacation calendar days at the reporting date, and accrued amounts of insurance premiums. The provision is accrued on a monthly basis.

The provision for future expenses on payment of remuneration based on annual performance results, for the fourth quarter, for December of the reporting period is determined as the amount of remuneration, the right to receive which employees of the organization acquire for the reporting period. The amount of the provision comprises all amounts of insurance premiums and contributions to social insurance from accidents calculated from the amount of deductions to the provision.

The formation of an estimated liability for legal proceedings with an unfavorable outcome, taking into account the likelihood of an unfavorable outcome in resolving disputes during the trial, is made on the last day of each reporting period (quarter). In the event of actual calculations for recognized estimated liabilities, the amount of expenses related to the fulfillment of these obligations is written off at the expense of previously created estimated liabilities.

A contingent asset the Company has as a result of past events of economic life, when the existence of an asset at the reporting date depends on the occurrence (not occurrence) of one or several future uncertain events not controlled by the Company is not recognized in financial accounting.

The Company considers the estimated liability existing at the reporting date, which is not recognized in the accounting records due to the non-fulfillment of the recognition conditions, as part of contingent liabilities. Contingent liabilities are not recognized in financial accounting.

Information about estimated liabilities is disclosed in Annex 5.7.1. "Estimated liabilities". All estimated liabilities are of a short-term nature.

### **Legal claims**

The Company participates in judicial examination, arisen during financial and economic activities.

As of December 31, 2018, the Company has created an estimated liability in the amount of 75,204 thousand rubles (December 31, 2017: RUB 27,480 thousand, December 31, 2016: RUB

612,724 thousand) for covering losses that the Company may incur in connection with legal claims, including from the large blocks of judicial disputes.

Estimated liability was created for judicial disputes, decisions on which were made not in favor of the Company by the first instance court, are considered by the court of appeal.

As of December 31, 2018, the Company was in the process of the settlement of other legal proceedings, the consequences of which cannot be assessed with a high degree of accuracy, therefore, they did not affect the indicators of the current year's accounting (financial) statements. In the event of certain events or if decision was not taken in favor of the Company, the Company may incur additional obligations and expenses.

#### **Estimated liabilities for future vacation payments to employees**

Estimated liability was created for future expenses on payment by the Company of employee vacations unused as of December 31, 2018. It is expected that the balance of the provision as of December 31, 2018 will be used in the first half of 2019. Management believes that the actual expense on vacation payment will not exceed the amount of the provision reflected in the reporting as of December 31, 2018.

#### **Estimated liabilities for payment of remuneration on the basis of performance for year, monthly and quarterly remuneration**

Estimated liability was created for future expenses on payment of employee remuneration on the basis of performance for year, monthly remuneration for December 2018 and quarterly remuneration on the basis of performance for 4 quarter 2018. Explanation of other estimated liabilities is as follows:

	<b>Balance as of the beginning of the year</b>	<b>Recognized</b>	<b>Repaid</b>	<b>Balance as of the end of the year</b>
<b>TOTAL, including</b>	<b>1,383,866</b>	<b>1,609,519</b>	<b>(1,262,462)</b>	<b>1,730,923</b>
Year-end bonus	962,878	1,289,367	(909,060)	1,343,185
Monthly premium for December	282,315	103,822	(253,120)	133,017
Quarterly premium for 4 quarter	138,673	216,330	(100,282)	254,721

#### **Taxation**

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Interpretation by the Company's management of this legislation in relation to the operations and activities of the Company's enterprises may be challenged by the relevant regional or federal authorities.

In 2018, there was a further introduction of mechanisms against tax evasion using low-tax jurisdictions and aggressive tax planning structures, as well as a general adjustment of certain parameters of the tax system of the Russian Federation. In particular, these changes included the further development of the concept of beneficial ownership, tax residency of legal entities at the place of activities. In addition, from 2019, the total VAT rate will increase to 2094, and foreign suppliers of electronic services are required to register with the Russian tax authorities to pay VAT.

The development of law enforcement practice in the Russian Federation indicates that the tax authorities can take a more assertive position in interpreting legislation and verifying tax settlements. As a consequence, tax authorities may file claims for those transactions and



accounting methods for which they did not make claims before. As a result, significant additional taxes, penalties and fines may be assessed. Determination of the amount of claims for possible but not presented claims, as well as assessing the likelihood of an unfavorable outcome, is not possible. Tax inspections may cover three calendar years of activity immediately preceding the year of verification. Under certain conditions, earlier years may be subjected to verification.

As of December 31, 2017 field tax inspection for 2013-2015 is completed in the Company, the decision on which is not rendered. In this regard the Company has contingent liability.

As of December 31, 2018, field tax inspection for 2013-2015 is completed in the Company, a decision was made to prosecute for the tax offense. The company does not agree with the decision of the tax authority. Ways to protect the violated rights of taxpayers have legally established guarantees of implementation. Thus, the Tax Code of the Russian Federation establishes the presumption of taxpayer's rightness in cases of unavoidable doubts, contradictions and ambiguities in tax and levy legislation and gives taxpayers the right to protect their legal interests. In compliance with the state-established system of guarantees to protect the taxpayer's rights, the Company filed claims to the Moscow Arbitration Court for invalidation of the decisions to prosecute for the tax offense.

The main episode of the Decision to prosecute the tax offense is an attempt by the tax authority to reclassify movable fixed assets into real estate. The amount of additional charges for property tax for the period 2013-2015 amounted to RUB 605,222 thousand. This problem is common to the whole power grid complex. The Company assesses the probability of an unfavorable trial as an average. In case of adverse events, the amount of additional charges for the period 2016-2018 on property tax in respect of items taken into account after January 1, 2013, calculated on the grounds declared by the tax authority as part of the field tax audit for 2013-2015, is: for 2016 - 634 325 thousand rubles. (excluding fines); for 2017 – RUB 739,883 thousand (excluding fines); for 2018 – RUB 1,004,057 thousand (excluding fines).

Contingent liabilities that arise as a result of various interpretations of tax legislation and other regulatory acts are not charged in the accounting (financial) statements. In relation to these conditional obligations, there is also uncertainty regarding the period of performance due to the fact that it depends on the occurrence (not occurrence) of one or several future uncertain events not controlled by the Company. The consequences of such facts cannot be assessed with a high degree of reliability; therefore, they did not affect the accounting (financial) statements of the current year.

#### **14. Issuance of securities**

As of December 31, 2018 the Company did not issue securities to third parties on their own liabilities or liabilities of other organizations.

As of December 31, 2018 the Company has received securities by counterparties on their performance of obligations against Company for bank guarantees in total amount of 3,476,012 thousand rubles. (December 31, 2017: RUB 2,202,840 thousand; December 31, 2016: RUB 2,946,969 thousand) Bank guarantees were predominantly received in respect of counterparties carrying out works on capital construction.

Information about the issuance of obligations is disclosed in Appendix 5.8. "Securities".

#### **15. State subsidies**

Funds of targeted financing is treated as funds (in the form of cash or (and) non-cash resources) intended for implementation of targeted activities, received from other organizations and individuals, as well as state aid, including in the form of subsidies (hereinafter — "budgetary

funds"). Budgetary funds, including noncash resources, are accepted for accounting in the presence of the following conditions:

- there is a certainty that these funds will be received. This evidence may be in the form of an approved budgetary list, notification of budgetary allocations, limits of budgetary obligations, delivery and acceptance certificates for the resources and other relevant documents;
- there is a certainty that the conditions for the provision of these funds by the Company will be met. This evidence may be in the form of agreements concluded by the Company, adopted and publicly announced decisions, feasibility studies, approved design estimates, etc.

Information about government aid is disclosed in the following annexes to the Explanations:

5.9. "Government aid"

5.10. "Government aid for which the conditions for granting it were not met".

## **16. Income and expenses from ordinary activities**

Revenue is accepted for accounting in the amount, calculated in monetary terms, equal to the amount of receipt of monetary funds and other assets and (or) the amount of accounts receivable. If the amount of receipts covers only part of the revenue, the revenue received for accounting is determined as the amount of receipts and accounts receivable (with regard to the part which is not covered by receipts).

Revenue is recognized in accounting when the following conditions are met:

- The Company has the right to receive these receipts, which results from a specific contract or is confirmed in another appropriate way;
- the amount of the revenue can be determined;
- there is a certainty that a specific operation will result in an increase of economic benefits;
- the right of ownership (possession, use and disposal) for products (goods) passed from the Company to the buyer or the work was accepted by the customer (the service has been provided);
- costs that are incurred or will be incurred in connection with this operation can be determined.

Revenue from the sale of goods, provision of services is reflected in the statement of financial results less the value added tax. Incomes from ordinary activities include:

- income from electricity transmission;
- income from the provision of services for connection of capacity;
- income from leasing of property;
- income from the provision of industrial services.

Expenses are accepted for accounting in the amount, calculated in monetary terms, equal to the amount of payment in monetary form and other form or the amount of accounts payable.

Expenses from ordinary activities include the expenses related with manufacture and sale of products, acquisition and sale of goods, the expenses related with performance of works, provision of services, implementation of which is related with the usual activities of the Company. Expenses from ordinary activities are divided into:

- expenses from electricity transmission;
- expenses from the provision of services for connection of capacity;
- expenses from leasing of property;
- expenses from the provision of industrial services.

Costs incurred in the reporting period, but related to the following reporting periods, are recorded in the balance sheet in accordance with the terms of asset recognition established by the accounting regulatory legal acts and are subject to write-off in the way established for writing off the value of assets of this type. In accounting, these costs are reflected in account 97 "Future expenses", and if they are long-term in nature, are included in the balance sheet "Other non-current assets" except for the part to be repaid within 12 months after the reporting date. Such a short-term part, as well as the costs initially of a short-term nature, are included in the balance sheet "Other current assets".

Information on expenses from ordinary activities, as well as management expenses, is disclosed in Appendix 2.1. "Cost of goods sold, works, services on cost elements".

## **17. Other incomes and expenses**

Information on other incomes and expenses is set out in annex 5.1.1 "Other incomes and expenses".

## **18. Deferred tax assets and liabilities, permanent tax assets and liabilities**

Information about the arisen and redeemed permanent and temporary differences that reduce and increase taxable income, as well as about the formation of a conditional income tax expense and current income tax is disclosed in Appendix 2.3 "Income taxation".

Information about deferred taxes is disclosed in Appendix 5.7.2 "Deferred taxes".

## **19. Cash**

In order to prepare the statement of cash flows, the Company includes cash equivalents in cash, which are treated as short-term highly liquid financial investments that can easily be converted into a known amount of cash and are subject to an insignificant risk of changes in value. In particular, the Company considers as cash equivalents deposits in credit institutions, that are redeemed on demand and/or have a maturity of three months or less, as well as highly liquid bank promissory notes with a maturity of up to three months.

Cash flows are reflected in the statement of cash flows on a net basis in cases when they characterize not so much the activities of the Company as the activities of its counterparties, and (or) when the receipts from some persons determine appropriate payments to other persons. In particular, the Company reflects on a net basis the indirect taxes within receipts from buyers and customers, payments to suppliers and contractors and payments to the budget system of the Russian Federation or reimbursement from it. Also, cash flows are reflected in the statement of cash flows on a net basis in cases when they are characterized by rapid turnover, large amounts and short terms of return.

Exchange rate difference is reflected in financial accounting and reporting in the reporting period in which the underlying payment obligations were settled or for which the financial reporting is made.

Exchange rate difference is to be recorded in the Company's financial results as other incomes or other expenses, with the exception of the exchange rate difference related with the formation of the Company's authorized capital, which is subject to attribution to additional capital.

The exchange rate of the Central Bank of the Russian Federation for the US dollar to the ruble as of December 31, 2018 amounts to: 69.4706 rubles (December 31, 2017: 57.6002 rubles, December 31, 2016: 60.6569 rubles).

**Cash assets and equivalents thereof, as of December 31, include:**

	2018	2017	2016
Cash in rubles on hand and at bank accounts	6,823,108	382,873	589,630
Other (monetary documents)	1	1	2
<b>Total cash assets and equivalents thereof</b>	<b>6,823,109</b>	<b>382,874</b>	<b>589,631</b>

As of December 31, 2018, the Company has opportunity to attract the following additional cash assets:

open to the Company, but unused limits under concluded credit agreements and overdraft agreements as of the reporting date, for a total amount of 91,008,523 thousand rubles, including:

- cash assets in the amount of 3,000,000 thousand rubles, which can be received by the Company on terms of overdraft;
- cash assets in the amount of 88,008,523 thousand rubles of credits that are not fully received as of the reporting date under the concluded credit agreements.

As of December 31, 2017, the Company did not have:

- received guarantees of third parties;
- unavailable cash amounts, including letters of credit opened for the benefit of other organizations on transactions not completed at the reporting date;
- in letters of credit opened in favor of the Company

**20. Information on related parties**

In the process of carrying out its financial and economic activities, the Company conducts transactions with companies that are related parties.

Related party transactions primarily comprise the following transactions:

- purchase and sale of goods, works, services;
- purchase and sale of fixed assets and other assets;
- lease of property and provision of property for rent.

For the purposes of this accounting (financial) statement in accordance with RAS 11/2008 "Information on related parties", the following related parties were identified:

- members of the Company's Board of Directors (Clause 1 of the textual explanations);
- members of the Company's Executive Board (Clause 1 of the textual explanations);
- the sole executive body of the Company;

- PJSC Rosseti (owns 50.90% of the Company's ordinary shares); - JSC Energocenter (100% of the shares belong to the Company);
- JSC Energocenter (100% of shares belong to the Company)
- JSC MOESK-Engineering (100% of shares belong to the Company)
- JSC Moskabelsetmontazh (100% of shares belong to the Company);
- JSC Plant for Repair of Electrical Equipment (100% of shares belong to the Company);
- persons belonging to the group of persons of PJSC Rosseti (other related parties).

The full list of affiliated persons of the Company is available in the Internet at the following address: [http://www.moesk.ru/invest\\_news/raskritie/raskyitie-informatsii-454/aff\\_lica/](http://www.moesk.ru/invest_news/raskritie/raskyitie-informatsii-454/aff_lica/)

During the reporting period, the Company carried out economic operations:

- with subsidiary companies, related to production activities (purchase of goods, works, services);
- with the controlling organization PJSC Rosseti, related to provision of services to the Company on organization of functioning and on development of the power grid complex and on implementation of technical supervision at power grid facilities;
- with other related parties on matters related to the Company's business.

**The cost indicators, conditions, terms and form of payment for unfinished operations as of December 31:**

	2018	2017	2016	Form of payment
<b>Accounts receivable and advances made – total:</b>	995,252	831,401	804,394	
<b>- subsidiary business entities, including:</b>	724,789	783,463	752,143	
JSC Plant for Repair of Electrical Equipment	113,097	105,913	96,587	non-cash
JSC MOESK Engineering	55,123	25	182	non-cash
JSC Energocenter	556,569	612,855	588,419	non-cash
JSC Moskabelenergoemont	-	64,670	65,955	non-cash
<b>- other related parties</b>	<b>270,463</b>	<b>47,938</b>	<b>52,251</b>	
PJSC IDGC of Siberia	29,065	-	-	non-cash
PJSC IDGC of Centre	6,409	-	-	non-cash
PJSC IDGC of Northern Caucasus	192,657	480	-	non-cash
PJSC Federal Grid Company of Unified Energy System (PJSC FGC UES)	38,118	47,273	47,573	non-cash
Enterprise of backbone electrical networks of Moscow, branch of PJSC FGC UES	4,211	185	5	non-cash
PJSC KubanEnergO	-	-	4,673	non-cash
JSC Moscow Communications Centre for Power Industry (JSC MUS Energetiki)	3	-	-	non-cash

<b>Accounts payable - total:</b>	<b>1,583,868</b>	<b>5,615,535</b>	<b>4,339,209</b>	
<b>- subsidiary business entities, including:</b>	<b>500,194</b>	<b>514,488</b>	<b>915,791</b>	
JSC Plant for Repair of Electrical Equipment	59,496	57,486	81,071	non-cash
JSC MOESK-Engineering	383,570	106,013	436,924	non-cash

JSC Energocenter	57,128	57,578	48,871	non-cash
JSC Moskabelenergoremont	-	293,411	348,925	non-cash
<b>- other related parties</b>	<b>1,083,674</b>	<b>5,095,017</b>	<b>3,408,475</b>	
PJSC Rosseti	-	23,501	62,769	non-cash
PJSC KubanEnerg	-	13,252	-	non-cash
PJSC IDGC of Volga	-	7,321	-	non-cash
PJSC IDGC of the South	-	14,721	-	non-cash
PJSC IDGC of Centre and Volga Region	-	40,077	-	non-cash
PJSC Lenenergo	-	300	-	non-cash
PJSC IDGC of Centre	-	-	-	non-cash
JSC Upravlenie VOLLS-VL	68,548	17,528	2,736	non-cash
JSC TCC	25,553	25,553	-	non-cash
JSC SIC UES	-	25	-	non-cash
PJSC Federal Grid Company of Unified Energy System (PJSC FGC UES)	978,263	4,946,407	3,314,328	non-cash
LLC IT Energy Service	16,816	-	-	non-cash
Enterprise of backbone electrical networks of Moscow, branch of PJSC FGC UES	62	62	62	non-cash
JSC Research and Development Center at Federal Grid Company of Unified Energy System	545	6,270	28,580	non-cash
<b>Advances received</b>	-	<b>6,030</b>	<b>14,943</b>	
JSC MOESK-Engineering	-	-	14,517	non-cash
PJSC Federal Test Center (FTC) (Rosseti)	-	-	426	non-cash
LLC IT Energy Service	-	6,030	-	non-cash

**Types and amount of transactions with related parties, including significant cash flows between the Company and its related parties:**

	2018	2017
<b>Sale of products, works, services</b>		
<b>- subsidiary business entities</b>	<b>59,185</b>	<b>70,998</b>
JSC Plant RETO	211	4,693
JSC MOESK Engineering	42,303	2,894
JSC Energocenter	16,671	63,375
JSC MKER	-	36
<b>- other related parties</b>	<b>216,924</b>	<b>5,237</b>
PJSC Rosseti	1,527	1,527
PJSC Lenenergo	1,200	700
PJSC IDGC of Centre and Volga Region	1,949	-
PJSC IDGC of Siberia	24,631	-
PJSC IDGC of Northern Caucasus	162,862	407
JSC YantarEnerg	-	50
PJSC Interregional Distribution Grid Company of Centre	1,949	-
PJSC IDGC of South	11,147	-
JSC Real Estate (JSC EC UES)	70	1
JSC TCC	-	23
Joint-Stock Company for Energy and Electrification Tyumenenergo	50	-

Branch of PJSC IDGC of Centre - KostromaEnergo	78	-
Branch of PJSC IDGC of Centre - BryanskEnergo	39	-
Branch of PJSC IDGC of Centre - BelgorodEnergo	78	-
Branch of PJSC IDGC of Centre and Volga Region - KalugaEnergo	39	-
Branch of PJSC IDGC of Centre and Volga Region - UdmurtEnergo	39	-
Branch of PJSC IDGC of Centre and Volga Region - KirovEnergo	78	-
Branch of PJSC IDGC of Centre and Volga Region - MariElEnergo	39	-
Branch of PJSC IDGC of Centre and Volga Region - NizhNovEnergo	39	-
PJSC IDGC of Centre	5,432	-
PJSC FGC UES	64	1,435
Enterprise of backbone electrical networks of Moscow, branch of PJSC FGC UES	4,771	324
JSC Mobile Gas Turbine Electric Powerplants	704	770
JSC MUS Energetiki	27	-
JSC Research and Development Center at Federal Grid Company of Unified Energy System	112	-

<b>Purchase of products, works, services</b>	<b>2018</b>	<b>2017</b>
<b>- subsidiary business entities</b>	<b>1,572,215</b>	<b>1,508,001</b>
JSC Plant RETO	468,940	418,331
JSC MOESK Engineering	1,032,696	406,693
JSC EnergoCenter	32,351	17,548
JSC MKER	38,228	665,429
<b>- other related parties</b>	<b>20,969,995</b>	<b>19,713,595</b>
PJSC FGC UES	20,508,352	18,981,460
JSC Research and Development Center at Federal Grid Company of Unified Energy System	7,084	22,001
LLC IT Energy Service	169,920	2,956
Enterprise of backbone electrical networks of Moscow, branch of PJSC FGC UES	-	5,817
PJSC Rosseti	62,079	444,258
PJSC IDGC of Centre and Volga Region	350	33,963
Joint-Stock Company for Energy and Electrification Tyumenenergo	847	-
PJSC Interregional Distribution Grid Company of Centre	9,832	5,361
JSC TCC	19,129	29,783
JSC Upravlenie VOLS-VL	190,252	138,820
PJSC IDGC of North-West	2,150	16,755
PJSC KubanEnergo	-	11,230
PJSC IDGC of South	-	12,477
PJSC IDGC of Volga	-	8,171
PJSC IDGC of Urals	-	543

<b>Lease of property of related parties</b>	<b>2018</b>	<b>2017</b>
<b>- subsidiary business entities</b>	<b>529,331</b>	<b>522 757</b>
JSC Plant RETO	10,550	5,534
JSC MOESK Engineering	32,465	17,963

JSC MKER	2,424	14,787
JSC Energocenter	483,892	484,473
<b>Provision of property for rent to related parties</b>		
<b>- subsidiary business entities</b>	<b>7,785</b>	<b>1,596</b>
JSC Plant RETO	6,180	1,596
JSC Energocenter	1,605	

### **Remuneration of members of the Board of Directors and members of Committees of the Company**

In 2018, the total amount of remuneration accrued to members of the Board of Directors of the Company and members of the Committees of the Company amounted to:

- for participation in the meetings of the Board of Directors of the Company - 8,523 thousand rubles with Tax on Individual Person's Income (2017: 8,165 thousand rubles with TIPI);

From June 24, 2015, the amount and procedure for payment of remunerations and compensations to members of the Board of Directors is established by the Regulation on payment of remunerations and compensations to members of the Board of Directors approved by the annual General Meeting of Shareholders of the Company on June 24, 2015 (Minutes No. 17 of June 29, 2015).

In 2018, total amount of remuneration accrued to the members of the Committees of the Company, for participation in Committees under Board of Directors of the Company (including experts' remuneration of the Committees) comprises 2,177 thousand of rubles with TIPI (2017: 2,107 thousand of rubles with TIPI).

From February 26, 2016, the amount and procedure for the payment of remunerations and compensations to members of the Committees of the Board of Directors is established by the Regulation on payment of remunerations and compensations to members of the Committees of the Board of Directors approved by the Board of Directors of the Company on February 26, 2016 (Minutes No. 276 of February 26, 2016).

### **Remuneration of members of the Revision Commission of the Company**

In 2018, the total amount of remuneration accrued to the members of the Company's Revision Commission for conducting inspections of the Company's financial and economic activities amounted to 795 thousand rubles (2017: 748 thousand rubles).

From June 07, 2018, the amount and procedure for payment of remunerations and compensations to members of the Revision Commission is established by the Regulation on payment of remunerations and compensations to members of the Revision Commission approved by the annual General Meeting of Shareholders of the Company on June 07, 2018 (Minutes No. 20 of June 13, 2018).

### **Remuneration of key executive staff**

During 2018 and 2017, the Company paid the following short-term remuneration to key executive staff in the aggregate and for each following type of payments:

<b>Name</b>	<b>2018</b>	<b>2017</b>
Remuneration of labour	215,658	203,689
Year-end bonus	105,383	128,430
Annual paid leave	29,728	25,280



Unused annual leave payment upon dismissal	6,575	
Other payments, including income in kind	14,272	10,092
Insurance contributions	61,163	61,835
Total short-term remunerations	432,779	437,501

Long-term payments related to options have not been made.

The composition of the Board of Directors and the executive body is specified in clause 1 “General Information” of the Explanations.

## **21. Events after the reporting date**

The event after the reporting date is treated as the fact of economic activity that affected or can affect the financial condition, cash flows or financial performance of the Company and that occurred after the reporting date and the before date of signing of the financial reporting for the reporting year.

The date of signing of the financial reporting is the date specified in the financial reporting provided to the addresses defined by the legislation of the Russian Federation, when it is signed in accordance with the established procedure.

After the reporting date, there were no other significant events that would require adjustments in the financial reporting or notes thereto in accordance with RAS 7/98 “Events after the reporting date”.

Events after the reporting date that require special explanations are given below:

For the period January 1, 2019 – February 28, 2019 the Company has paid coupon profit on obligations of series BO-06 allocated 28.07.2016 in amount of 240,600 thousand rubles.

## **22. Information on segments**

The Company's activities cover two main segments: Moscow and Moscow Region.

The Company receives revenue from the following types of services for both segments:

- Revenue from services on transmission and distribution of electric power;
- Revenue from technological connection services,
- Revenue from other activities.
- Tariffs for services in the main types of activity - services for electricity transmission, services for technological connection are set by regional regulatory authorities.

In order to comply with the requirements of the Federal Law of 26.03.2003 No. 35-FL “On the electric power industry”, the Resolution of the Government of the Russian Federation of September 22, 2008 No. 707 “About procedure for conducting separate accounting of the income and expenses by subjects of natural monopolies”, Resolution of the Government of the Russian Federation on 21 2004 No. 24 “On approval of information disclosure standards by the subjects of the wholesale and retail electricity markets”, Resolution of the Government of the Russian

Federation of December 29, 2011 No. 1178 “On pricing in the field of regulated prices (tariffs) in the electric power industry”, Order of the Ministry of Energy of the Russian Federation of December 13, 2011 No. 585 “On approval of the procedure for maintaining separate accounting of income and expenses incurred by natural monopolies in the field of electric power transmission and operational dispatch management in the electric power industry”. The Company provides separate accounting for the subjects of the Russian Federation and by type of activity.

In management accounting, two segments are distinguished (geographic division):

Segment A - the Company's activities in the territory of Moscow

Segment B - the Company's activities in the Moscow Region.

Indicators of reporting segments subject to disclosure are given in the assessment, in which they are submitted to the Company's management for decision-making (according to the data of management accounting).

Separate accounting is maintained based on the data of the Company's financial, operational, and statistical accounting, in accordance with the methodology of separate accounting for incomes, expenses and financial results by type of activity and by geographic location of segments.

Indicators are allocated as follows:

#### **(1) By type of activity**

Accounting for expenses is organized by cost centers. A cost center in the managerial accounting system is treated as the structural division of the executive body of the Company (branch).

Distribution of general production and general economic expenses by type of activity is made by expense items.

#### **Distribution of other incomes and expenses by type of activity**

For distribution of incomes and expenses under 91 balance sheet account by type of activity the following mechanism is accepted:

- The interest receivable is attributed to type of activity “Industrial and non-industrial services”.
- The interest payable on credits is attributed to type of activity “Transmission and distribution of electrical power”.
- Other incomes and expenses under 91 balance sheet account are attributed to type of activity “Transmission and distribution of electric power” except for the accrual and recovery of provisions for contracts on technological connection and other activities, expenses for sponsorship and charitable assistance, interest receivable, income and expenses on claims under connection and other agreements, as well as incomes and expenses identified in the current period that are not reflected in previous reporting periods attributed in accordance with this Methodology by type of activity “Technological connection” and “Industrial and non-industrial services”
- Accrual and recovery of provisions for contracts on technological connection, incomes and expenses on claims under technological connection agreements; revenues and expenses

identified in the current period that were not reflected in previous reporting periods are attributed to other incomes and expenses under 91 balance sheet account on type of activity “Technological connection”.

- Expenses for sponsorship and charitable assistance, incomes and expenses on claims under technological connection agreements; revenues and expenses identified in the current period that were not reflected in previous reporting periods are attributed to other incomes and expenses under 91 balance sheet account on type of activity “Industrial and non-industrial services”.

### **Distribution of income tax**

Distribution of the current income tax by types of activity is made at the level of the Company according to the data of financial reporting.

Income tax for type of activity “Technological connections to the grid” is calculated on the basis of income before taxation of this type of activity and the rate of income tax.

Income tax for type of activity “Industrial and non-industrial services” is calculated on the basis of income before taxation of this type of activity and the rate of income tax.

Income tax for type of activity “Transmission and distribution of electric power” is calculated as the difference between the income tax for all types of activity and the income tax for types of activity “Technological connections to the grid” and “Industrial and non-industrial services”.

### **(2) By geographic location**

Distribution on a territorial basis is carried out at the second stage, after distribution of incomes, expenses and financial result by type of activity.

Incomes for all types of activities are attributed on a territorial basis to the constituent entities of the Russian Federation by direct attribution of incomes to the constituent entity in which territory the services were provided.

The Company's expenses for type of activity "Transmission and distribution of electric power" are attributed on a territorial basis to the constituent entities of the Russian Federation;

- Expenses of the Company's branches located in the territory of one constituent entity of the Russian Federation are attributed based on territorial belonging of the branch to the constituent entity of the Russian Federation;

- Expenses of the Company's branches located in the territory of more than one constituent entity of the Russian Federation are attributed in proportion to natural indicator "Amount of the capital equipment on the balance sheet of the branches in conventional units" for the reporting period, with the exception of items of expenditure that are distributed by territorial belonging between the constituent entities of the Russian Federation on the basis of primary documents;

Expenses for type of activity "Technological connections to the network" are distributed based on territorial belonging among the subjects "Technological connections to the network";

- Expenses of the Company's branches located in the territory of one constituent entity of the Russian Federation are attributed based on territorial belonging of the branch to the constituent entity of the Russian Federation;

- Expenses of the Company's branches located in the territory of more than one subject of the Russian Federation are attributed in proportion to the income from technological connections

by the constituent entities of the Russian Federation for the reporting period, with the exception of items of expenditure that are distributed by territorial belonging between the constituent entities of the Russian Federation on the basis of primary documents;

- Expenses of the executive body are attributed in proportion to the income from technological connections by the constituent entities of the Russian Federation for the reporting period, with the exception of expenses listed under "Drawing up act on technological connection with participants of the "boiler".

Incomes and expenses of the executive body under 91 balance sheet account are distributed by territorial belonging between the constituent entities of the Russian Federation in proportion to natural indicator "Amount of the capital equipment on the balance sheet of the branches in conventional units" with the exception of items of expenditure that are distributed by territorial belonging between the constituent entities of the Russian Federation on the basis of primary documents.

The interest receivable of executive branch is distributed between the constituent entities of the Russian Federation pro rata of cash balance of the corresponding region at the end of the previous quarter.

The interest payable in the current quarter is distributed by territorial belonging between the constituent entities of the Russian Federation in proportion to the share of credits attracted to finance the investment program by regions at the end of the previous quarter; if these credits were not attracted in the specified period, then the interest payable is distributed according to the statistical indicator for the previous period.

The amount of income tax payable to the budget of a constituent entity of the Russian Federation is determined on the basis of the share of income calculated from the totality of the indicators of the separate divisions located in the territory of this constituent entity of the Russian Federation.

The share of income attributable to the responsible units is determined as the average arithmetic value of the specific weight of the average number of employees and the specific weight of the average residual value of depreciable property for the constituent entities of the Russian Federation, respectively, in the average number of employees and the average residual value of depreciable property.

Information on segments is presented in Table 5.13 of the Explanations to the Balance Sheet.

### **23. The most significant changes in accounting policies for the year following the reporting**

The Company does not plan significant changes in the current accounting policy for accounting purposes due to the absence of grounds, as defined in paragraph 6 of Article 8 of Law N 402-AД, p. 10 RAS 1/2008.

### **24. Business environment of the Company**

In Russia, economic reforms are continuing, as well as development of legal, tax and administrative infrastructure that would meet the requirements of market economy. Stability of Russian economy will largely depend on the progress of these reforms, as well as on

effectiveness of measures taken by the Government in the sphere of economy, financial and monetary policy.

At the end of 2018, inflation comprises 2.5%. According to projections of social and economic development of Russian Federation for 2018 and planning period 2019-2020 inflation is expected to be 4.6%.

According to the Federal State Statistics Service, the consumer price index (CPI) for 2018 was 2.994. According to the forecast of the Ministry of Economic Development of the Russian Federation, the CPI for 2019 will be 4,694, 2020 - 3,494, 2021 - 494.

The policy of limiting the growth rates of infrastructure companies' tariffs, implemented by the Government of the Russian Federation, requires the Company to implement measures to increase its efficiency and reduce costs, as well as implement a balanced investment policy that is realized by the Company on a permanent basis.

### **The Company's current indicators**

As of December 31, 2018, short-term liabilities exceed current assets by RUB 39,224,297 thousand (December 31, 2017: RUB 25,832,507 thousand; December 31, 2016: RUB 39,984,307 thousand). The net amount of current liabilities is represented mainly by short-term borrowings in the amount of RUB 22,780,318 thousand (December 31, 2017: RUB 2,660,488 thousand; December 31, 2016: RUB 16,726,908 thousand) and trade payables in the amount of RUB 39,208,843 thousand (December 31, 2017: RUB 48,055,945 thousand; December 31, 2016: RUB 50,889,745 thousand) The bulk of accounts payable are advances received from applicants under grid connection agreements, which are in fact a long-term source funds, since they are related to the implementation by the Company of a long-term investment program. These obligations do not require the provision of current assets, since are sources for the formation of non-current assets of the Company and are redeemed when providing services for technological connection.

The company has unused credit lines in the amount of RUB 91,008,523 thousand (Note 13), which will allow to meet the expected needs for working capital and fully cover the current liquidity deficit.

## **25. Information on risks of economic activity**

### **Potentially significant risks of economic activity to which the Company is exposed**

In the course of economic activity, the Company is subject to the influence of sectoral, legal and other internal and external factors (essential conditions, events, circumstances, actions). In this regard, there are various risks that can significantly affect the financial position and financial performance of the Company.

The Company is subject to sectoral, country and regional, financial, legal, reputational risks, as well as risks specific exclusively for the Company.

### ***Risk management mechanism***

The Company's leadership controls the management of the above-listed risks in order to minimize possible adverse consequences for the financial position and financial performance of the Company.

The Board of Directors of the Company approved a new version of the Risk Management Policy (Minutes of the Board of Directors No. 287 of April 30, 2016).

The Risk Management Policy defines:

- risk management objectives;
- principles of functioning of the risk management system;
- general approaches to identifying, assessing and managing risks;
- main functions and responsibilities of participants of the risk management system;
- procedure for assessing the effectiveness of the risk management system.

## ***1. Sectoral risks***

### ***1.1. Risks of tariff regulation***

The main services provided by the Company — transmission of electricity through distribution networks and technological connection of consumers to electric grids — are state regulated activities. Thus, the Company can bear regulatory risks related to constraining by the authorities of the planned rates of increase of electricity transmission tariffs, adjustment of the required gross proceeds due to deviation of actual regulatory parameters from those approved, possible changes of the legislation in the field of tariff regulation.

In order to minimize the risks of tariff regulation, the Company implements the following measures:

- Verification of the completeness of the supporting documents confirming the size of shortfall in income and the level of economically justified expenditures provided to the regulatory authorities;
- Provision of the necessary explanations and supporting documents for individual requests from regulatory authorities in the framework of the tariff campaign;
- Planning of financial and economic activities of the Company (including cost optimization) with account for decisions on tariffs and balances;
- Interaction with regulatory authorities and the Ministry of Energy of Russia for coordination of the Company's long-term investment program.
- Participation in the work organized by PJSC Rosseti on the preparation of proposals on modification of draft regulatory documents of the authorities regarding the revision of tariffs for electricity transmission.

### ***1.2. Risk of reduced demand for services***

Reduction in volume of electricity consumption by end-users of services, as well as a decrease in demand for technological connections, occurs due to existence of economic cycles. This risk can adversely affect the company's revenue. Taking into account, on the one hand, the measures taken by the state to stabilize the economic situation and, on the other hand, the actual slowdown in the growth rates of energy consumption in Moscow and Moscow Region, this risk is assessed as moderate.

In order to reduce the consequences of this risk and achieve the planned financial result, the Company intensifies measures to reduce operating expenses. Moreover, the Company implements the following activities in order to maintain demand for technological connection services:

- simplification of the procedure of technological connection;
- reduction of terms of execution of technological connection contracts;
- implementation of a program on removing power limitations from loaded power centers;
- provision of information to consumers on official website on existence of free power reserve in PJSC MOESK supply centers.

Moreover, Comprehensive Development Program of electrical grids with the capacity of 110 (35) kV and more on the territories of Moscow and Moscow Region for 2017-2022 and up to 2027 for the purpose of prospective development of the territory and optimization of electricity supply network facilities operating rate.

### ***1.3. Operational risks***

This category of risks is related to aging of equipment and the deterioration of the Company's fixed assets, violation of operating conditions and critical changes in the parameters of operation of electric grid equipment, which can lead to emergencies, and ultimately, in addition to direct damage from the failure of power grid facilities, to a decrease in the reliability of power supply. Failure to ensure the reliability parameters established by the regulator may lead to a decrease in the amount of the required gross proceeds in the next regulatory period.

To reduce the level of these risks, the Company implements the following activities:

- Modernization and new construction of power grid facilities;
- Replacement of bare wires in overhead lines 0.4-10 kV on wire type SIP;
- Timely maintenance of transmission lines in standard condition;
- Repair works taking into account the results of the assessment of the current technical condition of the main production assets;
- Telemechanization of substations, including as part of the program of modernization and expansion of the system for collecting and transmitting information at the substation of PJSC MOESK for 2018-2022;
- Renovation and optimization of the vehicle fleet, ensuring the technical readiness of vehicles of operational-mobile / mobile brigades;
- Production control of the state of operation of electric grid equipment, buildings and structures of the Company's branches.

Moreover, field service and care and maintenance teams are taken off into a mobile team mode in branches which are situated in Moscow Region, as well as in New Moscow and Moscow cable network branches; optimization of mobile team is realized in Moscow high-voltage network branch. In addition, within the framework of the implementation of the Digital Transformation Concept of PJSC Rosseti 2030, the Company:

- introduces an automated control system for mobile teams;

- introduces intelligent digital solutions: the implementation of a pilot project of digital RES.

In order to ensure reliable operation of power grid facilities, increase responsiveness in the event of the occurrence or threat of occurrence of power supply interruption to consumers, minimizing the consequences of accidents and the time of emergency and restoration work, as well as coordinating joint actions of PJSC MOESK units aimed at liquidation of accidents at the facilities of the power grid complex, the Company has established and operates headquarters to ensure the safety of electricity supply.

The negative impact of technological violations on the financial and economic state of the Company is reduced by insuring electric grid facilities.

#### ***1.4. Price risks***

This category of risks is related to a possible change of prices for raw materials, services, equipment and other material and technical resources used by the Company in its activities and their impact on the Company's operations and fulfillment of obligations under securities. In particular, the most significant factors of this risk include the possible growth of the decontrolled purchase price of losses, as well as the growth of expenses for provision of services to the local grid operator. Taking into account formed movement in price on loss procurement during 2017, the specified risk is assessed as significant.

The Company's actions to reduce these risks include:

- Implementation of program on energy saving and improvement of energy efficiency of PJSC MOESK, including organizational and technical activities for reducing and preventing losses;
- Verification of completeness of documents confirming the economically justified price for purchase of losses, submitted to the regulatory authorities;
- Coordination of balance indicators (productive supply and capacity) for PJSC MOESK and the local grid operator of the 2nd level in the framework of the tariff campaign for the next regulatory period;
- Creation of a competitive environment in the field of procurement of works and services;
- Optimization of expenses for repair and operational needs and capital construction.

## ***2. Financial risks***

The Company is exposed to market risk, credit risk and liquidity risk.

### ***2.1. Market risk***

Market risk is the risk that the Company may have adverse consequences if certain market parameters would change. Market parameters include the following types of risk: interest rate risk, the risk of changes in foreign exchange rates, the risk of changes in commodity prices and price indices, and other price risks, for example, the risk of changes in the prices of equity instruments.

*Interest rate risk.* As part of the financial activities, the Company attracts borrowed funds. Herewith, there is the possibility of an increase of interest rates for individual credits due to the



presence in the contracts of the bank's rights to increase the rate unilaterally, as well as the possibility of an increase of interest rates for planned credits.

In 2018, the Bank of Russia decided four times to change the key rate, incl. on an increase of 0.2594 in the 4th quarter of 2018 due to inflation expectations and the increase in VAT from 01/01/2019. As a result, a slight increase in interest rates on borrowed resources is possible. In this regard, interest risks are assessed by the Company as significant.

In order to reduce interest risks, the Company resorts to the following measures:

- Optimization of the credit portfolio in terms of urgency and cost;
- Implementation of business planning with account for possible changes of interest rates;
- Use of various instruments of attraction, both on the open market through placement of own bonds, and within the framework of long-term agreements with credit institutions with an open borrowing limit and a fixed cap on the maximum interest rate on the credit;
- Selection of financial organizations for provision of services through open competitive procedures, which allows attracting borrowed funds under conditions which are most favorable for PJSC MOESK.

*Currency risk.* The main customers implementing energy consumption are the residents of Russian Federation; settlements for electrical energy transport are also carried out in currency of Russian Federation. Financial standing of the Company, its liquidity, financing sources, activity results next to none depends on change in currency exchange rate, because Company's activity is planned to be realized in such way that its assets and liabilities are expressed in national currency. Moreover, PJSC MOESK does not plan to carry out its activity on external market. As a consequence impact of change in currency exchange rate on financial standing of the Company is assessed as imperceptible.

*Inflation risks.* The negative impact of inflation on financial and economic activities of the Company may be related to losses in the actual cost of accounts receivable, an increase of interest payable, an increase of self-cost, and a decrease of the actual cost of funds under the investment program. The Company carries out business planning with account for the expected growth of prices for products, works and services.

Inflation risks, taking into account the weakening of the ruble in 2018 and the increase in VAT from 01/01/2019, are assessed by the company as moderate with a tendency to increase.

In case of acceleration of the inflation rate, the Company plans to conduct additional measures to reduce expenses. Moreover, the actual level of inflation is taken into account during the adjustment of the required gross proceeds in the process of adoption of tariff and balance decisions by the regulatory authorities, which partially compensates for the impact of the risk in question on the financial and economic activities of the Company.

## **2.2. Credit risk**

Credit risk is the risk that the Company would incur financial losses due to that counterparties would not fulfill their obligations on the borrowed funds granted to them (including in the form of buying bonds, promissory notes, granting deferral and payment by installments for goods sold, works performed or services rendered). The Company is exposed to credit risk related to its

operating activities (primarily with respect to trade receivables) and financial activities, including deposits placed in banks and financial institutions.

*Trade accounts receivable.* The possible causes of the risk include the insolvency of counterparties, deliberate failure to pay the cost of identified consumption by consumers, unsettled relations with regard to procedure of formation of productive supply.

In order to reduce this risk, negotiations are held with sales companies and measures are taken for formation of veridical productive supply. The Company implements the program on installation of electricity metering devices in the retail market and transfers these devices to a status of calculating devices. Overdue accounts receivable, including receivables for technological connection services, are collected through appeal to the judicial authorities.

Regular measures are being taken to detect unaccountable electricity consumption. At the end of 2018, the following main results of work with unaccounted consumption of electricity are noted:

The volume of unaccounted electricity consumption included in the productive supply was 143 million kWh, the resulting economic effect due to the increase in productive supply and reduction of losses is estimated at RUB 632,156 thousand;

The volume of identified non-contractual electricity consumption was 43 1 million kWh;

The paid volume of non-contractual electricity consumption was 217 million kWh in the amount of RUB 1,173,758 thousand.

Given the decrease in solvency and low payment discipline of individual counterparties, these risks in terms of debt for electricity transmission services can be assessed as significant.

#### *Disagreements with counterparties*

The Company believes that the Company's practice in the implementation of its services and the performance of obligations is in general in compliance with the requirements of the Russian electricity legislation. Disagreements in the assessment of mutual obligations of the subjects of the electricity market over several reporting periods are realized in that the consent of the parties is reached in the courts. Disagreements arise in terms of productive supply due to different approaches to its calculation, applied tariffs (prices) and points of accounting (supply). The judiciary may agree with the position of consumers.

Differences in the calculations of physical indicators of electricity transmission services affect the calculation of natural indicators acquired by the Company from electricity supply companies to compensate for losses in the grids. Accounts receivable for electricity transmission services, which are challenged by consumers, subject to negative judicial practice in the relevant disputes, are included in provisions for doubtful debts, and the amounts of unrecognized debt for electricity purchased to compensate for losses in such cases are included in the estimated liabilities. At the same time, disputes on obligations to pay electricity for compensation for losses in court are often not considered and settled by the parties after the dispute is resolved in terms of revenue.

The value of overdue receivables of JSC Mosenergosbyt was:

- At the end of 2017 - 2,516 million rubles,
- At the end of 2018 - 1,130 million rubles.

Decrease in the value of the overdue accounts receivable of JSC Mosenergosbyt amounted to 1,386 million rubles.

Additionally, it should be noted that since the 2nd quarter of 2017, the formation of disagreements with Mosenergosbyt on the acts of unregistered consumption has been stopped.

The issue of including unaccounted consumption in the Company's useful leave according to the established criteria is decided jointly with PJSC MOESK and JSC Mosenergosbyt by the Commission on drawing up and circulation of unaccounted consumption certificates.

*Impairment losses.* The need to account for impairment is assessed at each reporting date on an individual basis for large customers or assets. Information on doubtful (including overdue) accounts receivable is given in Table 5.6.1 and 5.6.3 of the Explanations to the Balance Sheet.

*Granted loans and cash assets.* Management of credit risk related to balances of accounts placed in banks and financial institutions is carried out in accordance with the Company's policy.

Credit risk management caused by balances and the placement of temporarily free funds on accounts in banks and financial organizations is managed in accordance with the Regulations on the placement of temporarily free funds in the Company. In order to protect the interests of the Company and minimize the risk of non-refund by credit institutions of funds placed, the said regulations determine:

- Requirements for terms and volumes of accommodation,
- Requirements to counterparty banks
- Placement limits depending on the level of bank reliability.

### **2.3. Liquidity risk**

Liquidity risk is related to the Company's ability to timely and fully repay the financial liabilities existing at the reporting date: accounts payable to suppliers and contractors, indebtedness to lenders on received credits and loans.

In financial and economic activities, the Company relies both on its own sources and on short-term and long-term sources of debt financing. The Company manages the liquidity risk by choosing optimal ratio between own and borrowed capital.

The liquidity risk management process is regulated by the Regulation on credit policy approved by the Board of Directors of the Company, which determines the procedure for assessing the financial stability and creditworthiness of the Company. The Regulation is a tool for calculating the marginal value of the debt position of the Company and assessing the possibility of attracting credits and loans within the framework of business planning.

For the purposes of controlling the dynamics of accounts receivable and payable, the Company developed the Regulation on dealing with receivables and payables; the Company has regulatory documents of operational nature that determine the competence of the company's divisions, responsible managers and specialists in the sphere of dealing with debt, and regulate their activities.

This approach allows the Company to maintain the necessary level of liquidity and financing resources in a way that minimizes borrowing costs, and optimize the structure of debt and time of its redemption. At present, the Company believes that it has sufficient access to financing sources, and has both used and unused credit resources - free credit limits that can satisfy the expected needs in borrowed funds.

## **3. Country and regional risks**

Change in the world financial and commodity conjuncture can have a negative impact on the Russian economy. In turn, this may affect the Company's activity, in particular, it will reduce the Company's access to capital and reduce the demand for the Company's services. At present, the impact of these risks on the Company's activity can be assessed as moderate. As part of minimizing these risks, the Company is working to reduce internal costs, optimize the investment program, and also pursues a balanced policy in attracting borrowed funds.

The Company's production activities are carried out in the capital region of the Russian Federation: in Moscow city and Moscow region which is the most developed region of the country. This circumstance provides a steady demand for the services of the Company, nevertheless, subject to the influence of economic cycles. The Company estimates the political and economic situation in region as stable. Further improvement of region economic state will have a positive impact on Company's activity and its financial state. Significant negative changes in the situation in the region of Company's activity and in Russian Federation in general which may have a negative impact on activity and economic state of the Company is not predicted in the near future.

In case of destabilization of the situation in Russian Federation or in particular region which may have a negative impact on Company's activity, the Company plans to take measures on anti-crisis management in order to decrease in maximum the situation of negative impact on its activity.

The likelihood of military conflicts, the introduction of a state of emergency and strikes in the country and in the region where the Company undertakes its activities is assessed as insufficient to consider these risks as circumstances capable to significantly affect the activities of the Company. To prevent strikes, the Company creates favorable working conditions and fulfills all its obligations to employees. To minimize the risk of terrorist acts, the Company took additional measures to ensure security at the enterprise.

The company bears risks associated with the risk of natural disasters (machinery breakdown due to a hurricane, heavy snow, glare ice, "icy rain"), as well as the risks of possible termination of transportation due to remoteness and / or inaccessibility. To reduce these risks, the following measures are implemented: design of power transmission lines taking into account zoning on icing; expansion and timely clearance of forest corridor for power transmission lines in accordance with the legal acts regulating the procedure for determining protection zones and logging technological glades near power grid facilities; introduction of state-of-the-art means for diagnosing the condition and determining the places of damage in electricity transmission lines; development and implementation of a program for the replacement of bare wires in electricity transmission lines on wire type SIP; selective introduction of anti-icing and melting glare ice systems; property insurance.

#### **4. Legal risks**

##### ***4.1. Risks of corporate governance***

In terms of corporate governance, the Company is subject to risks from claims filed by shareholders with respect to major and interested party transactions (in case performance of these transactions in violation of established corporate procedures). To minimize such risks, the

Company conducts in a mandatory manner a preliminary legal analysis of the transactions being concluded for the existence of grounds for conducting preliminary corporate procedures provided for by the current legislation and/or the Charter of JSC MOESK.

To minimize risks in the field of relations with shareholders, the register of shareholders is maintained by a professional registrar. It should also be noted that the Company systematically implements activities with the aim of informational interaction with shareholders and takes measures on ensuring the legitimate rights and interests of the latter.

#### ***4.2. Changes in tax legislation***

In order to minimize the risk of incorrect calculation and/or payment of taxes due to different interpretations of the legislation, the Company works on an ongoing basis to improve the calculation of the tax base in strict accordance with the current legislation of the Russian Federation.

In case of introducing of changes to the current procedure and conditions of taxation, the Company intends to plan its financial and economic activities with account for these changes.

#### ***4.3. Risks of antimonopoly regulation***

The Company's activity is of a natural monopoly nature and is subject to antimonopoly regulation. Recognition of the Company as violating the antimonopoly legislation may result in fines, including turnover ones which are calculated from the company's revenue. The risks of antimonopoly regulation are mostly characteristic for the activity in the field of technological connections of electrical installations of consumers to electrical networks of the Company. Appeal of consumers to the territorial offices of the FAS with subsequent initiation by the antimonopoly authorities of cases on violation by the issuer of legislation in the field of technological connections may be caused by violation of consumer rights, in particular, failure to comply with the statutory deadlines for connection to electric grids, and by a number of other factors.

To reduce the impact of factors leading to implementation of the risks of antimonopoly regulation, the Company improves the business processes of technological connection, simplifying its internal procedures and shortening their terms, introduces new forms of customer service, in particular, related to interactive methods of providing services, which reduces the influence of errors and abuse of personnel. The company also conducts regular assessment of customer satisfaction, and develops corrective actions based on the results of the assessment.

A number of complaints of electricity consumers to the FAS bodies are related to the Company's activities in identifying unrecorded electricity consumption. According to the received appeals, claim work was organized. In addition, in order to improve the process of identifying unaccounted electricity consumption and its minimization, the Company regularly updates local regulations on the relevant business process, organizes training and certification of personnel involved in this process, encourages consumers to conclude an energy supply contract

as soon as possible after the technological connection in order to prevent the occurrence of unaccounted electricity consumption.

In the event that the FAS orders to impose fines on cases on violation of existing legislation, the Company will challenge their legality in court. In addition, the Company strives to set up a stable and constructive level of interaction with the FAS Russia, its territorial bodies in Moscow and Moscow Region, in order to promptly consider and respond to the appeals of the antimonopoly service. Taking into account changes in approaches of FAS authorities to charging a penalty, the risk significance has increased in 2018. The table shows the statistics on penalties for violation by the Society of antimonopoly laws:

<b>Rate</b>	<b>2017</b>	<b>2018</b>
Fines imposed in the reporting period	36,250	55,240
Fines paid in the reporting period in all, including:	31,450	44,100
- paid fines imposed in the reporting period	25,850	31,900

**Director General**

*/signature/*

**P.A. Sinyutin**

**Chief Accounting Officer**

*/signature/*

**V.V. Vitinsky**

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