

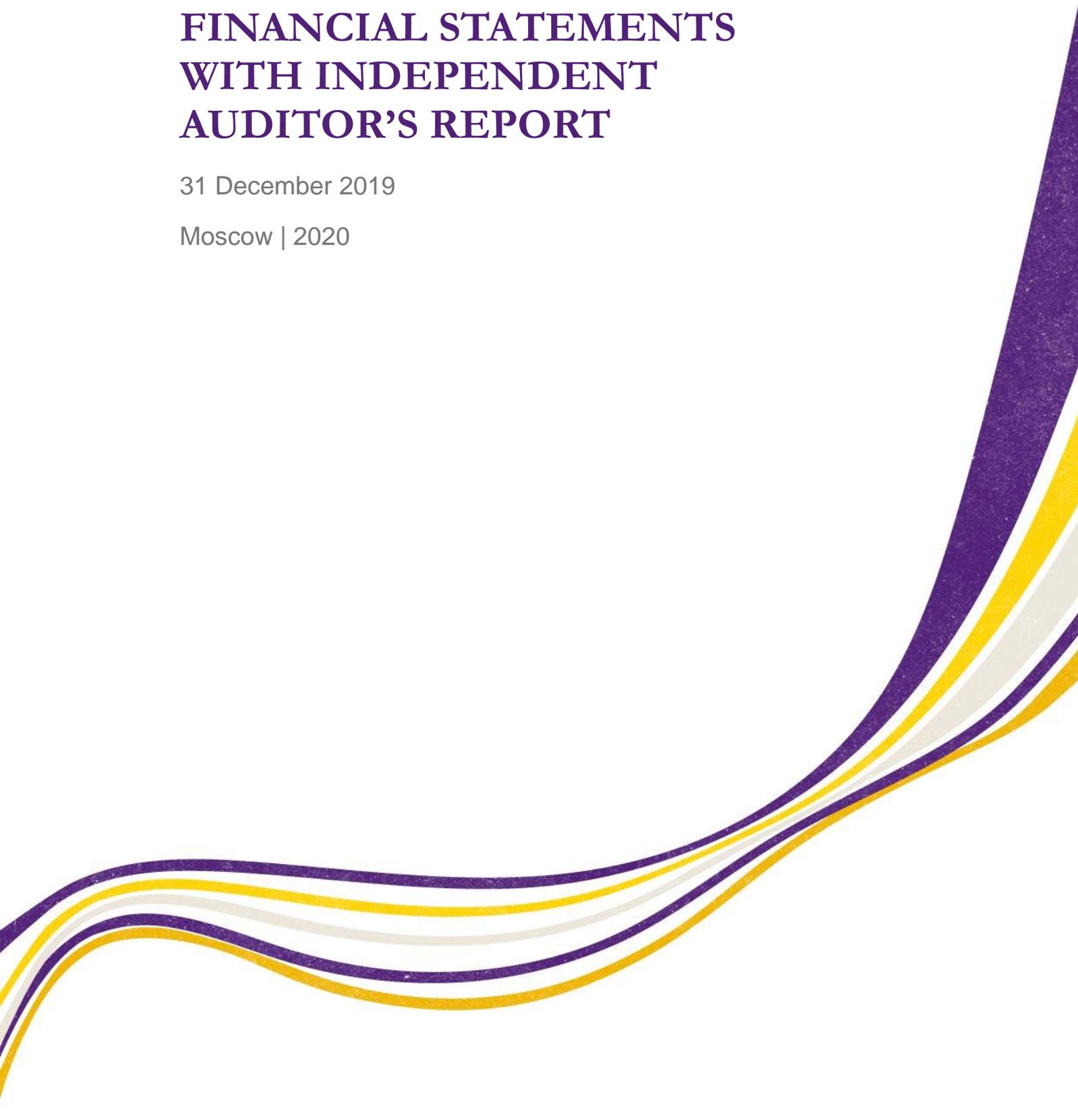
# ФБК

PJSC MOSENERGO

## **IFRS CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT**

31 December 2019

Moscow | 2020



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# Independent Auditor's Report

To the Shareholders and the Board of Directors  
of PJCS Mosenergo

## Opinion

We have audited the accompanying consolidated financial statements of PJSC Mosenergo and its subsidiaries (hereinafter – the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statements of comprehensive income, of cash flows and of changes in equity for the year ended 31 December 2019, and notes to the consolidated financial statements comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards (hereinafter – IFRSs).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Rules of Independence of the Auditors and Audit Organizations and the Code of Professional Ethics of the Auditors, which are in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

### Revaluation of property, plant and equipment

This matter is one of most significance in our audit in view of materiality of the balances of property, plant and equipment. The Group performs regular revaluation of property, plant and equipment to ensure that the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

As of 31 December 2019 an independent appraiser revalued the Group's property, plant and equipment. The results of the revaluation are included in the consolidated financial statements of the Group.

We engaged our valuation experts to make a conclusion on the assumptions and methodology applied by the independent appraiser, engaged by the management of the Group to determine the fair value of the Group's property, plant and equipment. Our audit procedures included testing on a sample basis the validity of the assumptions, the accuracy of the models and methods used by the engaged independent appraiser in determining the fair value of property, plant and equipment.

In addition, when performing audit procedures to verify the revaluation model of property, plant and equipment, we obtained and analysed the impairment model prepared by the Group's management. We tested the mathematical accuracy of the calculations derived from the model and assessed the input data in the calculations, such as the volume of production and tariffs for heat and electric energy, and main key assumptions, such as discount rate, management forecasts, macroeconomic assumptions.

Based on the results of the audit procedures we believe that the significant assumptions and methodology applied to the revaluation of property, plant and equipment are acceptable and are well in line with current economic environment.

Information about the property, plant and equipment and the performed revaluation is disclosed in Note 11 Property, plant and equipment to the consolidated financial statements.

## **Allowance for expected credit losses**

One of high-risk audit areas is the evaluation of sufficiency of allowance for expected credit losses. This matter is one of most significance in our audit in view of the need to apply professional judgements and estimates to assess the allowance for expected credit losses.

We analysed the method applied to assess the allowance for expected credit losses, which included, inter alia, the use of provision matrix. We analysed judgements and estimates applied by the Group's management to assess the allowance, whether on an individual or collective basis. We focused on critical assessment of information by the Group to assess the risk of a default based on input data about defaults and information about current conditions and forecasts of future economic conditions.

Based on the results of the audit procedures we believe that the significant assumptions applied by the management to assess the allowance for expected credit losses are acceptable and are well in line with the current expectations of possible credit losses.

Information about the accounts receivable and the allowance for expected credit losses is disclosed in Note 7 Trade and other receivables and Note 30 Financial risk factors to the consolidated financial statements.



## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report of PJSC Mosenergo for 2019 and the Quarterly issuer's report of PJSC Mosenergo for the first quarter of 2020, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report of PJSC Mosenergo for 2019 and the Quarterly issuer's report of PJSC Mosenergo are expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report of PJSC Mosenergo for 2019 and the Quarterly issuer's report of PJSC Mosenergo for the first quarter of 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used, the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

# ФБК

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

President of FBK, LLC



S.M. Shapiguzov

(acting by virtue of the Articles of Organisation,  
audit qualification certificate 01-001230)

Engagement partner

P.V. Sungurova,

(audit qualification certificate 01-001300)

Date of Independent Auditor's Report  
5 March 2020

**Audited entity**

**Name:**

Public Joint Stock Company Mosenergo (PJSC Mosenergo).

**Address of the legal entity within its location:**

101/3 Vernadskogo Pr., Moscow, 119526, Russian Federation

**State registration:**

State Registration Certificate No. 012.473, issued by Moscow Registration Chamber on 06 April 1993. The registration entry was made in the Unified State Register of Legal Entities on 11 October 2002 under principal state registration number 1027700302420.

**Auditor**

**Name:**

FBK, LLC.

**Address of the legal entity within its location:**

44/1 Myasnitskaya St, Bldg 2AB, Moscow, 101990, Russian Federation.

**State registration:**

Registered by the Moscow Registration Chamber on 15 November 1993, registration number 484.583.

The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number 1027700058286.

**Membership in a self-regulatory organization of auditors:**

Member of the Self-regulatory organization of auditors Association "Sodruzhestvo".

Primary number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

**PJSC MOSENERGO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2019**  
(in millions of Russian Rubles)

	Notes	31 December 2019	31 December 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	11 658	16 220
Short-term financial assets	6	-	10 400
Trade and other receivables	7	61 289	40 514
Inventories	8	15 617	13 815
Profit tax receivable	17	397	239
Other current assets	9	2 745	2 682
		<u>91 706</u>	<u>83 870</u>
Assets held for sale	10	37	43
<b>Total current assets</b>		<b>91 743</b>	<b>83 913</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	270 759	209 691
Investment property	12	1 803	1 548
Goodwill	13	-	187
Other intangible assets	13	580	509
Investments in associates	14	22 700	-
Long-term financial assets	6	3 908	1 490
Trade and other receivables	7	10 080	15 806
Advances for assets under construction		2 407	4 064
Other non-current assets	9	8 701	10 951
<b>Total non-current assets</b>		<b>320 938</b>	<b>244 246</b>
<b>Total assets</b>		<b>412 681</b>	<b>328 159</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	15	1 125	1 295
Trade and other payables	16	10 735	10 223
Profit tax payable	17	649	82
Other taxes payable	17	1 959	2 535
Provisions	18	2 526	3 576
<b>Total current liabilities</b>		<b>16 994</b>	<b>17 711</b>
<b>Non-current liabilities</b>			
Long-term borrowings	15	24 838	3 886
Deferred tax liabilities	19	37 529	28 951
Employee benefits	20	413	298
Trade and other payables	16	6 457	286
<b>Total non-current liabilities</b>		<b>69 237</b>	<b>33 421</b>
<b>Total liabilities</b>		<b>86 231</b>	<b>51 132</b>
<b>Equity</b>			
Share capital	21	166 124	166 124
Treasury shares	21	-	(871)
Share premium	21	48 661	49 213
Revaluation reserve	21	153 210	104 276
Accumulated loss and other reserves		(41 545)	(41 715)
<b>Total equity</b>		<b>326 450</b>	<b>277 027</b>
<b>Total equity and liabilities</b>		<b>412 681</b>	<b>328 159</b>

A.A. Butko  
Managing director

*05 March* 2020

E.Y. Novenkova  
Chief Accountant

*05 March* 2020

The accompanying notes on the pages 12 to 57 are an integral part of these consolidated financial statements.

**PJSC MOSENERGO**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED**  
**31 DECEMBER 2019**  
(in millions of Russian Rubles)

	Notes	Year ended 31 December	
		2019	2018
Revenue	22	189 777	198 870
Operating expenses	23	(179 290)	(172 437)
Impairment loss on financial assets	24	(3 874)	(525)
<b>Operating profit</b>		<b>6 613</b>	<b>25 908</b>
Share of loss of associates	14	(224)	(314)
<b>Profit before finance income (expense) and profit tax</b>		<b>6 389</b>	<b>25 594</b>
Finance income	25	5 275	5 143
Finance expense	25	(1 053)	(3 475)
<b>Profit before profit tax</b>		<b>10 611</b>	<b>27 262</b>
Profit tax expense	19	(1 012)	(5 857)
<b>Profit for the period</b>		<b>9 599</b>	<b>21 405</b>
<b>Other comprehensive income (loss):</b>			
Remeasurement of post-employment benefit obligations	20	(62)	13
Gain arising from change in fair value of financial assets measured at fair value through other comprehensive income		224	-
Revaluation of property, plant and equipment	11	49 012	-
Impairment loss on property, plant and equipment		-	(2 141)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>49 174</b>	<b>(2 128)</b>
<b>Other comprehensive income (loss) for the period, net of tax</b>		<b>49 174</b>	<b>(2 128)</b>
<b>Comprehensive income for the period</b>		<b>58 773</b>	<b>19 277</b>
<b>Profit attributable to:</b>			
Owners of PJSC Mosenergo		9 599	21 405
<b>Comprehensive income attributable to:</b>			
Owners of PJSC Mosenergo		58 773	19 277
<b>Basic and diluted earnings per share for profit attributable to the owners of PJSC Mosenergo (in Russian Rubles)</b>			
	26	0,242	0,540

A.A. Butko  
Managing director

*05 March* 2020

E.Y. Novenkova  
Chief Accountant

*05 March* 2020

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**PJSC MOSENERGO**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(in millions of Russian Rubles)

	Notes	Year ended 31 December	
		2019	2018
<b>Cash flow from operating activities</b>			
<b>Profit before finance income (expense) and profit tax</b>		<b>6 389</b>	<b>25 594</b>
<b>Adjustments to profit before profit tax:</b>			
Depreciation and amortisation	23	15 359	15 177
Share of loss of associates	14	224	314
Impairment loss on financial assets	24	3 874	525
Impairment loss and change in fair value of non-financial assets	24	8 779	1 898
Change in provisions	24	358	274
(Gain) loss on disposal of property, plant and equipment	23	348	(225)
<b>Total effect of adjustments</b>		<b>28 942</b>	<b>17 963</b>
<b>Cash flows from operations before working capital changes</b>		<b>35 331</b>	<b>43 557</b>
<b>Changes in working capital:</b>			
Change in trade and other receivables		123	(3 064)
Change in inventories		(595)	(1 728)
Change in other current assets		2 389	2 119
Change in trade and other payables		(539)	1 607
Change in other taxes payables (other than profit tax)		(714)	(536)
Change in employee benefit liabilities		38	(62)
<b>Total effect of working capital changes</b>		<b>702</b>	<b>(1 664)</b>
Income tax paid		(5 388)	(5 673)
Interest paid		(698)	(625)
<b>Net cash from operating activities</b>		<b>29 947</b>	<b>35 595</b>
<b>Cash flows from investing activities</b>			
Capital expenditures		(15 890)	(16 675)
Loans issued		(27 010)	(2 275)
Repayment of loans issued		1 994	11 062
Sale of subsidiaries and associates, net of cash disposed	27	997	1 214
Investment in associates	14	(22 700)	-
Proceeds from sale of property, plant and equipment		253	71
Interest received		4 441	2 897
Dividends received		52	-
Placement of short-term deposits		-	(10 400)
Repayment of short-term deposits		10 400	-
<b>Net cash used in investing activities</b>		<b>(47 463)</b>	<b>(14 106)</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		22 700	-
Repayment of borrowings		(1 150)	(19 384)
Repayment of lease liabilities		(276)	-
Dividends paid		(8 289)	(6 549)
<b>Net cash (used in) from financing activities</b>		<b>12 985</b>	<b>(25 933)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(31)	37
<b>Decrease in cash and cash equivalents</b>		<b>(4 562)</b>	<b>(4 407)</b>
Cash and cash equivalents at the beginning of the period		16 220	20 627
<b>Cash and cash equivalents at the end of the period</b>		<b>11 658</b>	<b>16 220</b>

A.A. Butko  
Managing director

*05 March* 2020

E.Y. Novenkova  
Chief Accountant

*05 March* 2020

The accompanying notes on the pages 12 to 57 are an integral part of these consolidated financial statements.

**PJSC MOSENERGO**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(in millions of Russian Rubles)

	Equity attributable to owners of the PJSC Mosenergo						
	Notes	Share capital	Treasury shares	Share premium	Revaluation reserve	Accumulated loss and other reserves	Total
<b>Year ended 31 December 2018</b>							
<b>Balance as of 1 January 2018</b>		166 124	(871)	49 213	107 206	(55 320)	266 352
Effect of changes in accounting policies		-	-	-	-	(2 036)	(2 036)
<b>Balance as of 1 January 2018 (restated)</b>		166 124	(871)	49 213	107 206	(57 356)	264 316
Profit for the period		-	-	-	-	21 405	21 405
Other comprehensive income (loss):							
Remeasurement of post-employment benefit obligations	20	-	-	-	-	13	13
Impairment loss on property, plant and equipment		-	-	-	(2 141)	-	(2 141)
Transfers from revaluation surplus on property, plant and equipment to accumulated loss and other reserves		-	-	-	(789)	789	-
<b>Comprehensive income (loss) for the period</b>		-	-	-	(2 930)	22 207	19 277
<b>Transaction with owners of PJSC Mosenergo</b>							
Dividends declared	21	-	-	-	-	(6 566)	(6 566)
<b>Balance as of 31 December 2018</b>		166 124	(871)	49 213	104 276	(41 715)	277 027
<b>Year ended 31 December 2019</b>							
<b>Balance as of 1 January 2019</b>		166 124	(871)	49 213	104 276	(41 715)	277 027
Profit for the period		-	-	-	-	9 599	9 599
Other comprehensive income (loss):							
Remeasurement of post-employment benefit obligations	20	-	-	-	-	(62)	(62)
Loss arising from change in fair value of financial assets measured at fair value through other comprehensive income		-	-	-	-	224	224
Revaluation of property, plant and equipment	11	-	-	-	49 012	-	49 012
Transfers from revaluation surplus on property, plant and equipment to accumulated loss and other reserves		-	-	-	(78)	78	-
<b>Comprehensive income for the period</b>		-	-	-	48 934	9 839	58 773
<b>Transaction with owners of PJSC Mosenergo</b>							
Treasury shares	21	-	871	(552)	-	-	319
Effect of acquisition under common control	28	-	-	-	-	(1 362)	(1 362)
Dividends declared	21	-	-	-	-	(8 307)	(8 307)
<b>Balance as of 31 December 2019</b>		166 124	-	48 661	153 210	(41 545)	326 450

A.A. Butko  
Managing director

*05 March* 2020

E.Y. Novenkova  
Chief Accountant

*05 March* 2020

The accompanying notes on the pages 12 to 57 are an integral part of these consolidated financial statements.

## **1 The Group and its operations**

### **1.1 Organisation and operations**

Public Joint Stock Company Mosenergo (PJSC Mosenergo) and its subsidiaries (together referred to as the “Group” or the “Mosenergo Group”) are primarily involved in the generation of heat and electric power and heat distribution services in Moscow and the Moscow region.

The Group’s electric and heat generation base includes 15 power plants with operational electricity and heat capacity of 12 825 MW and 43 211 GCal/h, respectively.

PJSC Mosenergo was incorporated under the legislation of the Russian Federation on 6 April 1993 in accordance with the State Property Management Committee Decree 169-R dated 26 March 1993 as a result of privatisation of electricity and heat power generation, transmission and distribution assets formerly under control of the Ministry of Energy of the Russian Federation.

PJSC Mosenergo registered office is located at 101/3, Prospekt Vernadskogo, Moscow, 119526, the Russian Federation.

### **1.2 Group formation**

On 1 April 2005 PJSC Mosenergo was reorganised through a spin-off following the reorganisation process within the Russian Federation electric power industry aimed to introduce competition into the electricity market and to enable the companies of the electricity sector to maintain and further expand production capacity. Restructuring of PJSC Mosenergo was approved by General Shareholder’s Meeting on 28 June 2004. Before the restructuring took place PJSC Mosenergo operated an integrated utility model, which included generation, transmission and distribution activities. As a result of the restructuring 13 new entities were separated from PJSC Mosenergo and each shareholder of PJSC Mosenergo received ordinary shares of each of the separated entities pro rata to shares held by them prior to spin-off.

The General Shareholders’ Meeting held on 20 December 2006 approved a closed subscription for the additional shares issued in favour of PJSC Gazprom and its affiliates (together referred to as the “Gazprom Group”). As a result the majority shareholder of PJSC Mosenergo changed from RAO UES of Russia to Gazprom Group holding 53,49% of ordinary shares. Following the reorganisation process, the Extraordinary General Shareholder’s Meeting of RAO UES of Russia on 26 October 2007 approved the spin-off of several holding companies to which shares in electricity generation companies, including PJSC Mosenergo, held by RAO UES of Russia, were transferred. Holdings separated from RAO UES of Russia were merged with generation companies by means of shares conversion, which enabled the shareholders of RAO UES of Russia to receive direct shares in generation companies after reorganisation. Accordingly, upon spin-off from RAO UES of Russia OJSC Mosenergo Holding received the share in PJSC Mosenergo held by RAO UES of Russia. Simultaneously with the spin-off OJSC Mosenergo Holding was merged with PJSC Mosenergo and its shares were converted into the shares of PJSC Mosenergo.

In February 2009 the Board of Directors of PJSC Mosenergo approved the program to improve the organisational structure of PJSC Mosenergo, which was aimed at concentrating production resources and optimising the labour capacity and supply chain. Organisational structure optimisation included the merger of several production branches situated geographically close to each other and reallocation and outsourcing of non-core functions.

In April 2009 PJSC Gazprom transferred its 53,49% share in PJSC Mosenergo to its 100% subsidiary LLC Gazprom energoholding which became the parent company of PJSC Mosenergo.

In May 2015 the General Shareholders Meeting decided to transfer the powers of the sole executive body of PJSC Mosenergo to management organisation LLC Gazprom energoholding.

### **1.3 Business environment**

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation continues to develop and are a subject to varying interpretations (Note 29.2). Fluctuations in oil prices, continuing political tensions in the region, as well as international sanctions against some Russian organisations and citizens have had and can continue to affect the economy of the Russian Federation for the year ending 31 December 2019.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads.

These and other events may have a significant impact on the Group's operations, its further financial position, operational results and business perspectives. The management believes it takes all the necessary measures to support the sustainability and development of the Group's business.

The consolidated financial statements reflect the management's assessment of the impact of the business environment in the Russian Federation on the operations and financial position of the Group. The future economic situation and regulatory environment may differ from the current expectations of the management.

#### **1.4 Relations with the Government and influence on the Group activities**

At the date of consolidated financial statements the Russian Federation owned (both directly and indirectly) over 50% in PJSC Gazprom, which holds 53,49% of PJSC Mosenergo through its 100% subsidiary LLC Gazprom energoholding (immediate Group's parent company). Thus PJSC Gazprom is the parent company of the Group and the Russian Federation is the ultimate controlling party of the Group.

The Russian Federation directly affects the Group's operations through regulations of wholesale and retail sales of electricity and heat exercised by the Federal Antimonopoly Service (the "FAS") and the Department of economic policy and development of Moscow and the Committee on the prices and tariffs of the Moscow region. JSC SO UPS, which is controlled by the Russian Federation, regulates operations of generating assets of the Group.

The Group's customer base, as well as its supply chain, includes a large number of entities controlled by or related to the Government.

The Government's economic, social and other policies could materially affect operations of the Group.

#### **1.5 Industry restructuring**

Following the restructuring of the Russian Federation electric utility sector aimed to introduce competition into the electricity (capacity) market, the New Wholesale Electric Power (capacity) Market Rules of the Transitional period, approved by Resolution of the Government of the Russian Federation № 529 dated 31 August 2006, were adopted. Under these rules, electricity and capacity purchase-sales transactions in the regulated market sector are to be governed by a regulated bilateral contract system. From 1 September 2006 regulated contracts covered all volumes of electricity and capacity produced and consumed.

Starting from 2007 the volumes of electricity and capacity traded in the wholesale market applying regulated prices are to be substantially reduced pursuant to the Russian Federation Government Resolution No 205 dated 7 April 2007 "On amending certain resolutions of the Russian Federation Government related to the calculation of electricity volumes sold at free (competitive) prices". The Resolution states that electricity and capacity supplied at regulated prices will gradually decrease.

Electricity volumes produced, not covered by the regulated contracts are traded at unregulated prices on the basis of free bilateral contracts or on a day-ahead market.

Under free bilateral contracts market participants have the right to choose contracting parties, prices and volumes. The day-ahead market is based on competitive selection of bids submitted by suppliers and buyers the day before the electricity is supplied.

Starting from 2011 electricity and capacity (except for supplies to the population and equivalent consumer categories under regulated contracts) has been supplied at unregulated prices. Electricity is supplied at free prices on the day-ahead market and balancing market while capacity is supplied based on competitive capacity selection under the contracts for sales of capacity. Furthermore, separate contracts are concluded for capacity, which is generated by assets operating under forced mode and traded at tariffs approved by the FAS. Non-regulated bilateral contracts for supply of electricity and capacity may be also concluded. Agreements for the provision of facilities provide on the one hand the obligations for suppliers to implement approved investment programs, and on the other hand give a guarantee of payment capacity of the new (upgraded) generating facilities from the Government of the Russian Federation.

## **2 Basis of presentation**

### **2.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (“IFRS”).

### **2.2 Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis except for property, plant and equipment and right-of-use assets revalued periodically; investment property and assets held for sale are measured at fair value; and the carrying amounts of equity items in existence at 31 December 2002 included adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency. The economy of the Russian Federation ceased to be hyperinflationary for purposes of preparing the consolidated financial statements at 1 January 2003.

The methods used to measure fair values are described below (Note 2.4).

### **2.3 Functional and presentation currency**

The national currency of the Russian Federation is the Russian Ruble (RUB), which is the Group’s functional currency and the presentation currency of these consolidated financial statements. All financial information presented in RUB has been rounded to the nearest million unless otherwise stated.

### **2.4 Use of estimates and judgment**

In the preparation of the consolidated financial statements the management applied a number of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, recognised in the consolidated financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimates were revised and in each subsequent period such changes have an impact on the consolidated financial statements.

Information about the most significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following Notes:

- Note 4 – segment information;
- Note 6 – lack of significant influence on the activities of organisation;
- Note 11 – impairment of property, plant and equipment: key assumptions underlying recoverable amounts;
- Note 20 – measurement of defined benefit obligation: key actuarial assumptions;
- Notes 18, 29 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow.

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs for the asset or liability.

If the inputs used to measure the fair value might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Information about the assumptions made in measuring fair values is disclosed in the following Notes:

- Note 6 – Financial assets;
- Note 10 – Assets held for sale;
- Note 11 – Property, plant and equipment;
- Note 12 – Investment property;
- Note 31 – Fair value of financial instruments.

### **3 Significant accounting policies**

#### **3.1 Basis of consolidation**

##### **3.1.1 Subsidiaries**

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.

For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation, on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

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

##### **3.1.2 Business combinations of entities under common control**

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

For transactions between the Group and entities under common control of a single owner, the application of IFRS 3 Business Combinations is not required.

The Group recognises such transactions at the carrying amount of acquired assets and liabilities reflected in the consolidated financial statements of the immediate parent company for the parties involved in the transaction and under its common control. Any difference between the carrying amount of net assets, including the amount of goodwill generated by the immediate parent company, and the amount of the consideration paid is recognised in the consolidated financial statements in equity.

The consolidated financial statements include the results of an acquired company from the date of acquisition.

### **3.1.3 Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the period as share of income (loss) of associates, the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of income (loss) of associates. When the Group's share of losses of associates accounted for using the equity method exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### **3.1.4 Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **3.2 Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency of the Group entities at exchange rates effective at the dates of their commission. Monetary items in foreign currency are translated at the exchange rate at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rate at the date of the fair value measurement.

Foreign exchange differences arising on translation are recognized in profit or loss, except for exchange differences arising from the translation of the value of financial assets that are subsequently measured at fair value, the changes of which are recognized in other comprehensive income. Such exchange differences are recognized in other comprehensive income.

### **3.3 Financial instruments**

Financial assets and financial liabilities admit when the Group becomes party to the contractual provisions of the instrument.

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or when the entity transfers substantially all the risks and rewards of ownership of the financial asset.

The Group derecognises a financial liability when and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

Except for trade receivables do not contain a significant financing component in accordance with IFRS 15 Revenue from Contracts with Customers at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

#### **3.3.1 Classification and measurement of financial assets**

The Group classifies financial assets into three measurement categories:

- those measured subsequently at amortised cost,
- those measured subsequently at fair value with changes recognised in other comprehensive income,
- and those measured subsequently at fair value with changes recognised in profit or loss.

Classification of financial assets one or another category takes place on the basis of the business model used by Group for management of the financial assets connected with the cash flows provided by the contract.

*Financial assets measured subsequently at amortised cost*

Such category of financial assets includes assets held to obtain contractual cash flows and it is expected that they will result in cash flows being payments of principal and interest.

The loans issued receivables, deposits, cash and cash equivalents belong to this category of financial assets of the Group. The loans issued and receivables include financial assets with the fixed or determinable payments that are not quoted in an active market. After initial recognition the loans issued and receivables are estimated at the amortised cost using the effective interest method.

Cash and cash equivalents include cash on hand, banks accounts and highly liquid financial assets with original maturity no more than three months.

*Financial assets measured subsequently at fair value with changes recognised in other comprehensive income (FVTOCI)*

Such category of financial assets includes debt-type assets held within business models whose objective is achieved by both collecting contractual cash flows and selling financial assets and it is expected that they will result in cash flows being payments of principal and interest. Gains and losses associated with this category of financial assets are recognised in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When a financial asset is disposed of, cumulative previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss in the consolidated statement of comprehensive income. Interest income from these financial assets is calculated using the effective interest method and included in financial income.

The Group's management has made a decision to recognise changes in fair value of equity instruments in other comprehensive income as such assets are considered to be long-term strategic investments which are not expected to be sold in the short and medium term. Other comprehensive income (loss) from changes in fair value of such instruments shall not be subsequently reclassified to profit or loss in the consolidated statement of comprehensive income.

*Financial assets measured subsequently at fair value with changes recognised through profit or loss (FVTPL)*

Financial assets that do not meet the criteria of recognition as financial assets measured at amortised cost or measured at fair value through other comprehensive income are measured at fair value through profit or loss.

### **3.3.2 Impairment of financial assets**

The Group applies the expected credit loss model to financial assets measured at amortised cost or at fair value through other comprehensive income, except for investments in equity instruments, and to contract assets.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset is measured at an amount equal to 12-month expected credit losses.

For trade receivables or contract assets, whether they contain a significant financing component or not, measurement based on lifetime expected credit losses are applied.

The applying of the new model resulted in insignificant increase in the amount of the allowance for expected credit losses.

The expected credit losses represent calculation appraisal of the credit losses throughout the expected period of validity of a financial instrument measured on degree of probability of approach of a default. As the

expected credit losses consider the amount and date of disbursement, the credit loss also arises if the Group expects to receive all amounts in full, than it is provided by the contract.

The Group estimates the expected credit losses in this way:

- the impartial and measured based on probability amount determined by the analysis of range of possible results,
- time value of money,
- and the proved and confirmed information on previous events, the current conditions and the predicted future business environment available for reporting date without excessive costs.

### **3.3.3 Classification and measurement of financial liabilities**

The Group classifies all financial liabilities as measured subsequently at amortised cost. The Group's financial liabilities include trade and other payables, lease liability and borrowings.

## **3.4 Share capital**

**Ordinary shares.** Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Evaluation of own repurchased shares is made at cost.

**Repurchase of share capital (treasury shares).** If the Company repurchases its own shares from shareholders, then these own repurchased shares should be deducted from equity. Upon purchase, sale, issue or cancellation of the Company's own shares, no gain or loss in profit or loss is recognised.

In the event of the repurchase of its own shares by the Company, the consideration paid, including costs directly related to this transaction shall be recognised as equity in the line "Treasury shares".

In case of subsequent sale of own shares, if the received compensation is lower than the book value of the own repurchased shares, then a negative result shall be recognised as equity in the Share Premium line. If there is a lack of share premium to cover a negative result, the uncovered part of the negative result is recognised in accumulated loss. In the event that, upon a subsequent sale, the consideration received is higher than the carrying amount of the treasury shares, a positive result shall be recognised in equity the line "Share premium".

When cancelling its own repurchased shares, the authorised capital of the Company is reduced by the nominal value of its own repurchased shares, while the difference between the registered and nominal value of the repurchased shares is reflected in the share premium. If there is a lack of share premium to cover the difference between the book value and the par value of own shares, the uncovered balance of the negative result is reflected in the accumulated loss.

## **3.5 Property, plant and equipment**

### **3.5.1 Recognition and measurement**

Property, plant and equipment are stated at revalued amounts, which are the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses.

Property, plant and equipment are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the reporting date. Increase in the carrying amount of property, plant and equipment as a result of revaluation is credited directly to other comprehensive income under the heading "Asset revaluation surplus", unless the decrease of the reserve was previously recognised in profit or loss. Decrease in the carrying amount shall be debited to other comprehensive income to the extent of any credit balance existing in the revaluation reserve. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The tax effects from the revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in equity.

Cost of acquired assets includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, staff costs and any other expenses directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and

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removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

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

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the funding cost of PJSC Mosenergo (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognised net in the line "Other operating expenses (income)" in operating expenses. Increase in the carrying amount as a result of revaluation is transferred from the revaluation surplus to retained earnings (accumulated loss) when the assets are disposed.

### **3.5.2 Reclassification to investment property**

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses previous impairment loss on a specific property, with any remaining gain recognised in the revaluation reserve directly in other comprehensive income. Any revaluation loss is recognised in the revaluation reserve directly in other comprehensive income to the extent that an amount of revaluation is included in other comprehensive income relating to a specific property, with any remaining loss recognised immediately in profit or loss.

### **3.5.3 Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of ordinary maintenance of property, plant and equipment are recognised in the profit or loss as incurred.

### **3.5.4 Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Depreciation of an asset begins when it is available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

As part of revaluation as of 31 December 2019 useful lives of certain classes of property, plant and equipment were revised and were as follows:

Types of property, plant and equipment	Useful life, years
Buildings and constructions	30 - 70
Plant and equipment	25 - 40
Transmission networks	30
Other	5 - 25

### **3.5.5 Right-of-use assets**

At inception of a contract the Group estimates whether the contract contains lease. A contract contains lease if it contains enforceable rights and obligations under which the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the commencement date - the date when the asset is available for use by the lessee.

The lease liability is initially measured at the present value of lease payments that have not yet been made at the commencement date of the lease and are subsequently measured at amortised cost with expenses recognised as interest expenses in finance expenses of the consolidated statement of comprehensive income.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that as of the commencement date the Group would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value of the right-of-use asset in a similar economic environment.

The Group does not recognise a right-of-use asset and a lease liability for short-term leases, the term of which does not exceed 12 months, and for leased assets with of low value.

A right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Depreciation of right-of-use-assets reflects on the line "Depreciation and amortisation" in operating expenses.

In addition, the value of a right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain revaluations of the lease liability.

## **3.6 Intangible assets**

### **3.6.1 Goodwill**

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

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

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

### **3.6.2 Other intangible assets**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

### **3.6.3 Subsequent expenditures**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### **3.6.4 Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives of the software for the current and comparative periods equal to 7 years.

### **3.7 Investment property**

Investment property is property or construction in progress held or constructed either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of each reporting period. Any change in fair value is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

When the carrying amount of property is to be recovered principally through a sale transaction rather than through continuing use the property is remeasured to fair value and reclassified as assets held for sale. A gain or loss on the remeasurement recognised in profit or loss.

### **3.8 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### **3.9 Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit"). To calculate the recoverable amount in respect of a specific group of assets, the Group uses the fair value method, based on the possibility of alternative use. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in other comprehensive income if revaluation reserve existing to such assets, otherwise in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (groups of units) on a pro rata basis.

#### *Assets held for sale*

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Before classification as held-for-sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group of assets is

allocated to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses are recognised in the revaluation reserve directly in other comprehensive income to the extent that an amount of revaluation is included in other comprehensive income relating to a specific property, with any remaining loss recognised immediately in profit or loss. Revaluation gains cannot exceed accumulated impairment loss.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the line "Liabilities held for sale" of the consolidated statement of financial position.

### **3.10 Employee benefits**

#### **3.10.1 Defined contribution pension plans**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

#### **3.10.2 Defined benefit plans**

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The net value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Current service cost, interest on employee benefit obligations, past service cost, effect of curtailment and settlement are recognised in profit or loss.

#### **3.10.3 Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits other than pension plans is amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Russian government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

#### **3.10.4 Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

### **3.10.5 Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **3.11 Provisions**

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### **3.12 Segment reporting**

Operating segments are reported in the consolidated financial statements in a manner consistent with the internal reporting provided to the Chief operating decision-maker. The Chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors and Managing Director who makes strategic decisions.

### **3.13 Revenues**

Revenue is recognized when the Group fulfils the obligation to perform by transferring the promised product or service to the customer. An asset is transferred when the buyer receives control of such an asset.

Revenues are recognized in the amount of reimbursement that the Group expects to receive in return for the transfer of the promised goods or services to the customer.

Revenue from the sale of electricity and heat is recognized at the time the electricity and heat are supplied to consumers.

Revenue under contracts for the provision of services and performance of work is recognized in profit or loss in the part that relates to the completed stage of services and works under the contract as of the reporting date. The stage of completeness is defined as the share of expenses under the contract incurred in connection with the performance of services and works completed at the reporting date in the total planned amount of the contract costs.

The proceeds from the leasing of property are recognized evenly throughout the term of the lease in profit or loss.

Revenue from the sale of goods other than electrical and heat energy is recognized at the time of delivery. The ordinary conditions for settlements with customers include payment upon delivery.

### **3.14 Government subsidies**

Government subsidies are assistance by the Government in the form of transfers of resources to PJSC Mosenergo in return for past or future compliance with certain conditions relating to the operating activities of PJSC Mosenergo.

Government subsidies are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the subsidy. Subsidies that compensate the Group for expenses incurred are recognised in consolidated statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised. Government subsidies that compensate for the Group's cost of an asset are the recognised in the profit or loss on a systematic basis over the useful life of the asset. Unconditional government subsidies are recognised in profit or loss when subsidy becomes receivable.

### **3.15 Finance income and expense**

Finance income comprises interest income on funds invested, dividend income, unwinding of the discount on financial. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance expense comprises interest expense on borrowings, unwinding of the discount on financial obligation, interest expense on lease obligations. All borrowing costs are recognised in profit or loss using the effective interest method except for those which are capitalised.

Gains and losses on exchange differences on operating items are reflected in the operating expenses on net basis, and others – are separately in financial income and expenses.

### **3.16 Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **3.17 Uncertain tax positions**

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

### **3.18 Earnings per share**

The Group presents basic and diluted earnings (loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit (loss) attributable to ordinary shareholders of PJSC Mosenergo by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting profit (loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. There are no dilutive potential ordinary shares in the Group as of 31 December 2018 and 31 December 2017.

### **3.19 Adoption of new or revised standards and interpretations**

#### **3.19.1 Application of new IFRSs**

##### **IFRS 16 Lease**

The new standard defines the principles of recognition, evaluation of the presentation and disclosure of information in the reporting in respect of lease agreements.

In accordance with the transitional provisions of IFRS 16 Lease, the Group applied the new rules retrospectively, recognising the cumulative effect of the initial application of the standard as of 1 January 2019.

The Group used permitted practical simplifications:

- The standard is applied to contracts that were previously identified as leases using IAS 17 Leases and IFRIC 4 Determination of the Sign of Leases in the Agreement and are not applied to contracts that were not previously identified as containing signs of a lease using IAS 17 Leases and IFRIC 4 «Determining the presence of signs of a lease in an agreement»;
- The Group did not apply the new standard to leases that expired within twelve months from the date of transition;
- Initial direct costs are excluded from the valuation of assets in the form of right of use at the date of initial recognition;
- The Group applied a single discount rate for a portfolio of contracts with relatively similar characteristics.

Thus, as of 1 January 2019 the Group recognised right-of-use assets in property, plant and equipment and lease liabilities in trade and other payables in the condensed interim consolidated statement of financial position in the amount of 5 375 million roubles, without effect on the opening balance of accumulated loss and other reserves

The table below shows the effect of the initial application of IFRS 16 Lease on the condensed interim consolidated statement of financial position as at 1 January 2019:

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	<b>31 December 2018</b>	<b>Effect of IFRS 16 application</b>	<b>1 January 2019</b>
<b>Assets</b>			
Property, plant and equipment	209 691	5 375	215 066
<b>Total non-current assets</b>	<b>244 246</b>	<b>5 375</b>	<b>249 621</b>
<b>Total assets</b>	<b>328 159</b>	<b>5 375</b>	<b>333 534</b>
<b>Equity and liabilities</b>			
Short-term borrowings	1 295	(2)	1 293
Trade and other payables	10 223	785	11 008
<b>Total current liabilities</b>	<b>17 711</b>	<b>783</b>	<b>18 494</b>
Long-term borrowings	3 886	(195)	3 691
Trade and other payables	286	4 787	5 073
<b>Total non-current liabilities</b>	<b>33 421</b>	<b>4 592</b>	<b>38 013</b>
<b>Total liabilities</b>	<b>51 132</b>	<b>5 375</b>	<b>56 507</b>
<b>Total equity and liabilities</b>	<b>328 159</b>	<b>5 375</b>	<b>333 534</b>

The following is a reconciliation of contractual obligations under an operating lease at 31 December 2018 with a recognised liability at 1 January 2019.

<b>Unrecognized operating lease contractual commitments as of 31 December 2018</b>	<b>26 765</b>
Recognition exemption	(1 499)
Indexation, clarification of the lease term and other conditions of a contract	(13 411)
<b>Undiscounted liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019</b>	<b>11 855</b>
Effect of discounting as of 1 January 2019	(6 480)
<b>Liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019</b>	<b>5 375</b>
Finance lease liabilities as of 31 December 2018	197
<b>Lease liabilities as of 1 January 2019</b>	<b>5 572</b>

The weighted average borrowing rate applied by the Group in respect of lease liabilities at the date of initial application amounted to 11,13%.

### **3.19.2 Application of Interpretations and Amendments to existing Standards**

A number of interpretations and amendments to current IFRSs became effective for the periods beginning on or after 1 January 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in September 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify the long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.
- Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). The changes specify how control (or joint control) should be taken into account for a business that is a joint operation if the organization already participates in this business.
- The amendments to IFRS 9 Financial Instruments (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments enable to measure at amortised cost some prepayable financial assets with negative compensation.
- The amendments to IAS 12 Income taxes (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify income tax consequences of payments on instruments classified as equity.
- The amendments to IAS 19 Employee Benefits (issued in February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

The Group has reviewed these interpretations and amendments to standards while preparing the condensed interim consolidated financial statements. The interpretations and amendments to standards have no significant impact on the Group's condensed interim consolidated financial statements.

### **3.19.3 Amendments to existing Standards that are not yet effective and have not been early adopted by the Group**

Certain changes to existing standards have been issued that are mandatory for the annual periods beginning after 1 January 2020 or after this date. In particular, the Group did not early apply the following changes to the standards:

- Amendments to IFRS 3 Business Combinations (issued in October 2018 and apply for annual reporting periods beginning on or after 1 January 2020). The changes clarify the definition of a business and simplify the assessment of whether the acquired combination of activities and assets is an asset group or a business;
- Changes to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and apply for annual reporting periods beginning on or after 1 January 2020 or after this date). The amendments clarify and bring into line the definition of the term “materiality”, as well as provide recommendations for improving the consistency in its application when referenced in IFRS.
- The amendments to Conceptual Framework (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020)
- The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (issued in September 2019 and effective for annual periods beginning on or after 1 January 2020). Amendments are related to the reform of basic interest rates and clarify the requirements for hedge accounting
- The amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and effective for annual periods beginning on or after 1 January 2022). Amendments clarify the criteria for classifying obligations as short-term or long-term.

## **4 Segment information**

The Board of Directors and Managing Director is the Chief operating decision-maker. The decision-maker reviews the Group’s internal management report in order to assess performance of the Group and allocate resources.

The operating segments are aggregated into two primary reportable segments - electric and heat energy that generate revenue from manufacturing and sale of electric and heat energy respectively. The other segments consist of services and products sold by the Group such as rental services, feed water sales and maintenance services. All reportable segments are located in the Russian Federation.

The segment information is prepared in accordance with IFRS. Differences in items between those reported in the segment information and those reported in the Group’s condensed interim consolidated financial statements are due to the unallocated items of income and expense (such as financial income and expense, share of income (loss) of associates, profit tax) that cannot be directly allocated to identifiable reportable segments as these are managed on an overall group basis.

Considering that the management responsible for decision-making does not review assets and liabilities by each reportable segment not least because of the lack of technical capabilities to present such information, the Group does not disclose assets and liabilities by segments.

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**4.1 Financial results of segments**

The segment information for the year ended 31 December 2019 and 31 December 2018 is as follows:

	Notes	Electric energy	Heat energy	All other segments	Total	Intra-group transactions	Total
<b>Year ended 31 December 2019</b>							
<b>Revenue</b>		<b>111 504</b>	<b>75 752</b>	<b>3 913</b>	<b>191 169</b>	<b>(1 392)</b>	<b>189 777</b>
Revenue from external customers	22	111 504	75 739	2 534	189 777	-	189 777
Intra-group revenue		-	13	1 379	1 392	(1 392)	-
<b>Segment financial result</b>		<b>21 362</b>	<b>(3 544)</b>	<b>(2 775)</b>	<b>15 043</b>	<b>-</b>	<b>15 043</b>
Depreciation and amortisation	23	(7 650)	(6 443)	(1 266)	(15 359)	-	(15 359)
Impairment loss on financial assets	24	(191)	(1 810)	(1 873)	(3 874)	-	(3 874)
<b>Year ended 31 December 2018</b>							
<b>Revenue</b>		<b>116 444</b>	<b>79 972</b>	<b>3 286</b>	<b>199 702</b>	<b>(832)</b>	<b>198 870</b>
Revenue from external customers	22	116 444	79 954	2 472	198 870	-	198 870
Intra-group revenue		-	18	814	832	(832)	-
<b>Segment financial result</b>		<b>29 054</b>	<b>(1 171)</b>	<b>(495)</b>	<b>27 388</b>	<b>-</b>	<b>27 388</b>
Depreciation and amortisation	23	(7 520)	(6 332)	(1 325)	(15 177)	-	(15 177)
Impairment gain (loss) on financial assets	24	(1 296)	412	359	(525)	-	(525)

Reconciliation of the segment financial result to the profit before profit tax in the consolidated statement of comprehensive income for the year ended 31 December 2019 and 31 December 2018 is provided as follows:

	Notes	Year ended 31 December	
		2019	2018
Segment result for reportable segments		17 818	27 883
Segment result for other segments		(2 775)	(495)
<b>Segment financial result</b>		<b>15 043</b>	<b>27 388</b>
Revaluation or impairment of property, plant and equipment	24	(8 259)	(1 933)
Change in provisions	24	(358)	(274)
Charge for allowance for inventory obsolescence	24	(215)	(15)
Net finance income	25	4 222	1 668
Share of loss of associates	14	(224)	(314)
Other items		402	742
<b>Profit before profit tax</b>		<b>10 611</b>	<b>27 262</b>

## 4.2 Core customers

The revenue presented within the heat energy segment includes the customer with the revenue exceeding 10% of the Group's revenue for the year ended 31 December 2019 and amounting to RUB 71 583 million (for the year ended 31 December 2018 the revenue of the same customer exceeded 10% of the Group's revenue and amounted to RUB 74 891 million).

The revenue presented within the electric energy segment includes two customers with the total revenue exceeding 10% of the Group's revenue for the year ended 31 December 2019 and amounting to RUB 86 199 million (for the year ended 31 December 2018 the total revenue of the same two customers exceeded 10% of the Group's revenue and amounted to RUB 76 017 million).

## 5 Cash and cash equivalents

	<b>31 December 2019</b>	<b>31 December 2018</b>
Cash on hand and bank balances payable on demand	118	186
Deposits with original maturity of three months or less	11 540	16 034
<b>Total cash and cash equivalents</b>	<b>11 658</b>	<b>16 220</b>

The Group's exposure to financial risks is disclosed in Note 30.

## 6 Financial assets

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Financial assets measured at amortised cost</b>		
Deposits	-	10 400
<b>Total short-term financial assets</b>	<b>-</b>	<b>10 400</b>
<b>Financial assets measured at FVTOCI</b>		
Equity securities	3 908	1 490
<b>Total long-term financial assets</b>	<b>3 908</b>	<b>1 490</b>

The Group's exposure to financial risks is disclosed in Note 30.

As of 31 December 2019 financial assets measured at fair value through other comprehensive income mainly include investment in equity capital of LLC GAZEKS-Management in the amount of RUB 1 485 million (as of 31 December 2018: RUB 1 485 million) with an ownership interest of 33.33% and the investment in the shares of PJSC OGK-2 in the amount of RUB 2 423 million (as of 31 December 2018: nil) with an ownership interest of 3.89%.

With regard to equity investments in LLC GAZEKS-Management, the management estimated that the Group does not have a significant influence on this company based on the following factors:

- The Group does not have any representative in the Board of Directors and does not have a right to appoint them;
- The Group does not participate in policy-making decisions including participate in managerial decisions;
- The Group does not enter into significant transactions, there is no interchange of managing personnel between the PJSC Mosenergo and LLC GAZEKS-Management and there is no sharing of technical information between the companies.

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**7 Trade and other receivables**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Current assets</b>		
Trade receivables	42 573	45 836
Loans issued	27 010	2 167
Advances to suppliers and prepaid expenses	2 699	1 757
VAT recoverable	161	284
Tax prepayments other than income tax	1 300	237
Accounts receivable on investments	2 784	2 816
Accounts receivable on disposal of property, plant and equipment	786	2 210
Other receivables	1 986	1 583
	<b>79 299</b>	<b>56 890</b>
Allowance for impairment loss on financial and non-financial assets	(18 010)	(16 376)
<b>Total</b>	<b>61 289</b>	<b>40 514</b>
<b>Non-current assets</b>		
Trade receivables	-	33
Loans issued	10 661	10 489
Accounts receivable from sale of property, plant and equipment	410	1 465
Accounts receivable on investments	-	2 784
Other receivables	284	1 035
	<b>11 355</b>	<b>15 806</b>
Allowance for impairment loss on financial and non-financial assets	(1 275)	-
<b>Total</b>	<b>10 080</b>	<b>15 806</b>

Allowance for impairment loss on financial and non-financial assets includes allowance for impairment loss on trade receivables (as of 31 December 2019: RUB 16 545 million, as of 31 December 2018: RUB 15 245 million), other receivables (as of 31 December 2019: RUB 614 million; as of 31 December 2018: RUB 276 million), advances paid to suppliers (as of 31 December 2019: RUB 851 million; as of 31 December 2018: RUB 855 million) and loans issued (as of 31 December 2019: RUB 1 275 million; as of 31 December 2018: nil).

The Group's exposure to financial risk and impairment losses related to trade and other receivables is disclosed in Note 30.

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## 8 Inventories

	<b>31 December 2019</b>	<b>31 December 2018</b>
Materials and supplies	15 986	13 928
Other inventories	80	121
	<b>16 066</b>	<b>14 049</b>
Allowance for inventory obsolescence	(449)	(234)
<b>Total</b>	<b>15 617</b>	<b>13 815</b>

The Group does not have pledged inventories.

## 9 Other current and non-current assets

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other current assets</b>		
Service contracts and other assets	2 112	2 049
Grid connection	633	633
<b>Total</b>	<b>2 745</b>	<b>2 682</b>
<b>Other non-current assets</b>		
Grid connection	6 020	6 649
Service contracts and other assets	2 681	4 302
<b>Total</b>	<b>8 701</b>	<b>10 951</b>

## 10 Assets held for sale

	<b>2019</b>	<b>2018</b>
<b>Balance as of 1 January</b>	<b>43</b>	<b>43</b>
Transfer from other accounts	4	26
Impairment loss	(5)	-
Sale	(5)	(26)
<b>Balance as of 31 December</b>	<b>37</b>	<b>43</b>

As of 31 December 2019 and as of 31 December 2018 the Group was in the process of disposing of non-core assets, comprising property, plant and equipment and investment property classified as held for sale. The Group expects to sale these items until the end of 2020.

The following table shows the valuation technique used in measuring the fair value, as well as the significant unobservable inputs used.

Valuation method	Observable indicators
Cost approach	Replacement cost and index method
Income approach	Forecast profit and loss, and cash flows
Market approach	Market prices for identical assets

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**11 Property, plant and equipment**

	<b>ROUA</b>	<b>B&amp;C</b>	<b>M&amp;E</b>	<b>TN</b>	<b>Other</b>	<b>CIP</b>	<b>Total</b>
<b>Revalued amount</b>							
<b>Balance as of 1 January 2018</b>	-	<b>126 485</b>	<b>138 621</b>	<b>4 986</b>	<b>21 531</b>	<b>15 850</b>	<b>307 473</b>
Additions	-	155	1 145	-	146	12 073	13 519
Disposals	-	(29)	(694)	(7)	(69)	(1 470)	(2 269)
Transfers	-	1 946	4 029	91	2 095	(8 161)	-
Transfer from (to) other accounts	-	(10)	(213)	827	80	-	684
<b>Balance as of 31 December 2018</b>	-	<b>128 547</b>	<b>142 888</b>	<b>5 897</b>	<b>23 783</b>	<b>18 292</b>	<b>319 407</b>
<b>Balance as of 31 December 2018</b>	-	<b>128 547</b>	<b>142 888</b>	<b>5 897</b>	<b>23 783</b>	<b>18 292</b>	<b>319 407</b>
Reclassification	84	(84)	-	-	-	-	-
Initial recognition	5 375	-	-	-	-	-	5 375
<b>Balance as of 1 January 2019</b>	<b>5 459</b>	<b>128 463</b>	<b>142 888</b>	<b>5 897</b>	<b>23 783</b>	<b>18 292</b>	<b>324 782</b>
Additions	496	268	138	15	158	17 666	18 741
Disposals	-	(17)	(386)	(213)	(51)	(481)	(1 148)
Transfers	-	1 587	6 396	43	2 076	(10 102)	-
Transfer from (to) other accounts	-	11	(5)	-	(9)	(7)	(10)
Revaluation	-	38 028	8 610	2 241	5 118	(991)	53 006
Elimination of accumulated depreciation	-	(43 650)	(64 838)	(2 594)	(12 541)	(486)	(124 109)
<b>Balance as of 31 December 2019</b>	<b>5 955</b>	<b>124 690</b>	<b>92 803</b>	<b>5 389</b>	<b>18 534</b>	<b>23 891</b>	<b>271 262</b>
<b>Depreciation and impairment loss</b>							
<b>Balance as of 1 January 2018</b>	-	<b>(32 339)</b>	<b>(47 975)</b>	<b>(1 044)</b>	<b>(8 873)</b>	<b>(1 248)</b>	<b>(91 479)</b>
Depreciation charge	-	(4 725)	(7 955)	(624)	(1 639)	-	(14 943)
Transfers	-	(49)	(53)	(5)	(13)	120	-
Disposals	-	21	245	3	20	867	1 156
Transfer from (to) other accounts	-	14	125	(9)	29	-	159
Charge for impairment loss	-	(2 042)	(1 539)	(352)	(225)	(451)	(4 609)
<b>Balance as of 31 December 2018</b>	-	<b>(39 120)</b>	<b>(57 152)</b>	<b>(2 031)</b>	<b>(10 701)</b>	<b>(712)</b>	<b>(109 716)</b>
<b>Balance as of 31 December 2018</b>	-	<b>(39 120)</b>	<b>(57 152)</b>	<b>(2 031)</b>	<b>(10 701)</b>	<b>(712)</b>	<b>(109 716)</b>
Reclassification	(40)	40	-	-	-	-	-
<b>Balance as of 1 January 2018</b>	<b>(40)</b>	<b>(39 080)</b>	<b>(57 152)</b>	<b>(2 031)</b>	<b>(10 701)</b>	<b>(712)</b>	<b>(109 716)</b>
Depreciation charge	(463)	(4 552)	(7 783)	(608)	(1 714)	-	(15 120)
Transfers	-	(22)	(52)	(2)	(150)	226	-
Disposals	-	7	147	47	24	-	225
Transfer from (to) other accounts	-	(3)	2	-	-	-	(1)
Elimination of accumulated depreciation	-	43 650	64 838	2 594	12 541	486	124 109
<b>Balance as of 31 December 2019</b>	<b>(503)</b>	-	-	-	-	-	<b>(503)</b>
<b>Net book value</b>							
Balance as of 1 January 2018	-	<b>94 146</b>	<b>90 646</b>	<b>3 942</b>	<b>12 658</b>	<b>14 602</b>	<b>215 994</b>
Balance as of 31 December 2018	-	<b>89 427</b>	<b>85 736</b>	<b>3 866</b>	<b>13 082</b>	<b>17 580</b>	<b>209 691</b>
Balance as of 1 January 2019	<b>5 419</b>	<b>89 383</b>	<b>85 736</b>	<b>3 866</b>	<b>13 082</b>	<b>17 580</b>	<b>215 066</b>
Balance as of 31 December 2019	<b>5 452</b>	<b>124 690</b>	<b>92 803</b>	<b>5 389</b>	<b>18 534</b>	<b>23 891</b>	<b>270 759</b>
<b>Net book value of property, plant and equipment had no revaluation taken place</b>							
Balance as of 1 January 2018	-	<b>52 685</b>	<b>66 322</b>	<b>3 625</b>	<b>10 928</b>	<b>13 773</b>	<b>147 333</b>
Balance as of 31 December 2018	-	<b>51 700</b>	<b>66 106</b>	<b>3 640</b>	<b>11 663</b>	<b>17 763</b>	<b>150 872</b>
Balance as of 1 January 2019	<b>5 419</b>	<b>51 700</b>	<b>66 106</b>	<b>3 640</b>	<b>11 663</b>	<b>17 763</b>	<b>156 291</b>
Balance as of 31 December 2019	<b>5 452</b>	<b>50 262</b>	<b>65 212</b>	<b>3 029</b>	<b>11 756</b>	<b>23 739</b>	<b>159 450</b>

Abbreviations used in the headings of the table above are as follows: ROUA – right-of-use assets, B&C-buildings and constructions, M&E - machinery and equipment, TN - transmission networks, CIP - construction in progress.

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

There were no properties pledged as security for Company's bank loans at 31 December 2019 and at 31 December 2018.

### **11.1 Revaluation**

In 2019 the Group contracted an independent appraiser to estimate the fair value of the Group's property, plant and equipment and investment property at 31 December 2019. The fair value of property, plant and equipment excluding right-of-use assets was determined to be RUB 265 307 million.

The majority of the Group's property, plant and equipment (except for the office buildings) is specialized in nature and is rarely sold on the open market other than as part of a continuing business. Consequently, the fair value of property, plant and equipment was primarily determined using depreciated replacement cost method and tested for adequate profitability using discounted cash-flows method. Depreciated replacement cost method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation and obsolescence.

The depreciated replacement cost was estimated based on internal sources, statistical data, catalogues and market data in respect of prices of construction companies and suppliers of equipment. The economic obsolescence was determined based on discounted cash flow test results for each of 15 cash-generating units.

In addition to determination of the depreciated replacement cost, cash flow testing was conducted in order to assess the reasonableness of these values, which resulted in the depreciated replacement cost values being decreased by RUB 48 540 million in arriving at the above values.

The following key assumptions were used in performing cash flow testing:

- 15 cash-generating units were identified.
- For each cash-generating unit the Appraiser determined the recoverable amount as a highest of value in use and fair value less cost to sell.
- Cash flows were projected based on actual operating results, the 3-year business plan, macroeconomic forecasts prepared by Ministry of economic development of Russian Federation and long-term forecasts prepared by management.
- According to the cash flow forecast, it is planned to increase tariffs for heat and electricity within the long-term inflation rate according to forecasts of Ministry of economic development of Russian Federation.
- The anticipated annual production growth of electricity included in cash flow projections was 1.0%.
- A discount rate of 10.58% was applied in determining the recoverable amount of the plants.

As a result of revaluation, the Group's equity increased by RUB 42 405 million, comprising net increase in the carrying value of property, plant and equipment of RUB 53 006 million and the related deferred tax of RUB 10 601 million.

Net increase in the carrying value of property, plant and equipment amounted to RUB 53 006 million consisted of increase in amount of RUB 86 894 million related to revaluation recognized within the other comprehensive income and decrease of RUB 33 888 million of which:

- RUB 25 629 million were recognized within the other comprehensive income as a decrease in revaluation reserve;

- RUB 8 259 million were recognized in profit and loss of consolidated comprehensive income, which consists of impairment loss in the amount of RUB 11 355 million and reversal of previously accrued impairment loss recognized in profit and loss in the amount of RUB 3 096 million.

## 11.2 Right-of-use assets

	<b>Buildings and constructions</b>	<b>Other</b>	<b>Total</b>
<b>Balance as of 31 December 2018</b>	<b>44</b>	<b>-</b>	<b>44</b>
Initial recognition	1 895	3 480	5 375
<b>Balance as of 1 January 2019</b>	<b>1 939</b>	<b>3 480</b>	<b>5 419</b>
Depreciation	(253)	(210)	(463)
Additions as a result of new leases	538	-	538
Effect of leases modification	102	(144)	(42)
<b>Balance as of 31 December 2019</b>	<b>2 326</b>	<b>3 126</b>	<b>5 452</b>
<b>As of 31 December 2019</b>			
Cost	2 619	3 336	5 955
Accumulated depreciation	(293)	(210)	(503)
<b>Balance as of 31 December 2019</b>	<b>2 326</b>	<b>3 126</b>	<b>5 452</b>

Other right-of-use assets include land.

As of 31 December 2019, there was no impairment of right-of-use assets.

The total cash flow under lease agreements for the year ended 31 December 2019 was in the amount of RUB 851 million (note 15), of which RUB 575 million accounted for interest expenses and RUB 276 million to repay the principal amount of the debt.

## 12 Investment property

	<b>2019</b>	<b>2018</b>
<b>Balance as of 1 January</b>	<b>1 548</b>	<b>2 359</b>
Transfer to other accounts	(9)	(869)
Change in fair value	272	-
Other movements	(8)	58
<b>Balance as of 31 December</b>	<b>1 803</b>	<b>1 548</b>

As at 31 December 2019 the fair value of investment property was estimated by independent appraiser and amounted to RUB 1 803 million. At 31 December 2018 fair value was calculated taking into account trends in the commercial real estate market in 2018 and amounted to RUB 1 548 million.

The fair value measurement for investment property was categorised as a Level 3 fair value (Note 2).

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Method of evaluation	Observable indicators
Income approach	The forecast of income and expenses and cash flows
Cost approach	Replacement cost new adjusted for physical, functional and impairment loss
Market approach	Market prices for identical assets

Rental income for the year ended 31 December 2019 amounted to RUB 263 million (for the year ended 31 December 2018 amounted to RUB 262 million), was recognised in other revenue in the consolidated statement of comprehensive income.

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases as of 31 December 2019 are in amount RUB 255 million (as of 31 December 2018 – RUB 164 million).

### 13 Intangible assets

#### 13.1 Goodwill

Goodwill relates to the acquisition of LLC Mosenergoproject (Note 27).

	<b>2019</b>	<b>2018</b>
<b>Balance as of 1 January</b>	<b>187</b>	<b>187</b>
Impairment loss on goodwill (note 24)	(187)	-
<b>Balance as of 31 December 2019</b>	<b>-</b>	<b>187</b>

*Impairment testing of goodwill of LLC Mosenergoproject.*

The recoverable amount of LLC Mosenergoproject was calculated on the basis of the value in use. The value in use was determined by discounting future cash flows that would result from the continued use of the organization. In determining the recoverable amount of future cash flows for the company, the following key assumptions were used:

- Cash flows were determined on the basis of actual operating results for the reporting year by applying consumer price indices.
- To determine cash flows beyond the forecasting period, the Gordon model was used, applying the growth rate of 4,1%, equal to the long-term forecast of the inflation rate.
- A post-tax discount rate of 16,3% was applied for the purpose of determining the value in use. The discount rate was calculated on the basis of the industry average weighted average cost of capital.

As of 31 December 2019 the impairment of goodwill from the acquisition of LLC Mosenergoproject was recognized in total amount.

#### 13.2 Other intangible assets

	<b>Software</b>	<b>Other intan- gible assets</b>	<b>Total</b>
<b>Cost</b>			
<b>Balance as of 1 January 2018</b>	<b>973</b>	<b>66</b>	<b>1 039</b>
Additions	357	84	441
Disposals	-	(4)	(4)
<b>Balance as of 31 December 2018</b>	<b>1 330</b>	<b>146</b>	<b>1 476</b>
<b>Balance as of 1 January 2019</b>	<b>1 330</b>	<b>146</b>	<b>1 476</b>
Additions	165	145	310
<b>Balance as of 31 December 2019</b>	<b>1 495</b>	<b>291</b>	<b>1 786</b>
<b>Amortisation</b>			
<b>Balance as of 1 January 2018</b>	<b>(731)</b>	<b>(2)</b>	<b>(733)</b>
Amortisation charge	(220)	(14)	(234)
<b>Balance as of 31 December 2018</b>	<b>(951)</b>	<b>(16)</b>	<b>(967)</b>
<b>Balance as of 1 January 2019</b>	<b>(951)</b>	<b>(16)</b>	<b>(967)</b>
Amortisation charge	(222)	(17)	(239)
<b>Balance as of 31 December 2019</b>	<b>(1 173)</b>	<b>(33)</b>	<b>(1 206)</b>
<b>Net book value</b>			
Balance as of 1 January 2018	242	64	306
Balance as of 31 December 2018	379	130	509
Balance as of 1 January 2019	379	130	509
Balance as of 31 December 2019	322	258	580

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**14 Investments in associates**

27 December 2019 the Group acquired 43,066% share in the share capital of LLC GEH Industrial Assets for RUB 22 700 million with payment in cash. LLC GEH Industrial Assets and its subsidiaries operate primarily in the Russian Federation; the main activity is the development and manufacture of energy-conservative turbocharger and gas-transmission equipment. As of 31 December 2019 this investment is accounted for as an investment in an associate of the Group using the equity method.

	<b>2019</b>	<b>2018</b>
<b>Balance as of 1 January</b>	-	<b>314</b>
Share of loss of associates	(224)	(314)
Group's contribution during the year	22 924	-
<b>Balance as of 31 December</b>	<b>22 700</b>	<b>-</b>

As of 31 December 2019 the unrecognised share of loss of LLC TSC Mosenergo was in the amount of RUB 417 million (as of 31 December 2018: RUB 227 million).

The table below summarises information about the Group's interest in its associate and a summary of its financial performance:

	<b>LLC TSK Mosenergo</b>	
	<b>2019</b>	<b>2018</b>
<b>Ownership interest as of 31 December</b>	<b>25,36%</b>	<b>22,51%</b>
<b>Balance as of 31 December</b>		
Current assets	5 706	8 914
Non-current assets	7 898	7 091
Current liabilities	8 421	9 747
Non-current liabilities	2 004	1 928
<b>Year ended 31 December</b>		
Revenue	9 163	11 949
Loss for the period	(1 404)	(1 608)
Total comprehensive loss for the period	(1 404)	(1 608)

The table below summarises information about country of incorporation and place of business and nature of business of the Group's investments in associates:

Name of organisation	Country of incorporation	Nature of business
LLC TSC Mosenergo	Russia	Production, transmission and distribution of heat and hot water (heat energy)
LLC GEH Industrial Assets	Russia	Development and manufacture of energy-conservative turbocharger and gas-transmission equipment

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## 15 Borrowings

The note provides information about the contractual terms of the Group`s borrowings, which are measured at amortised cost.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short-term borrowings</b>		
Bank borrowings	1 115	1 277
Finance lease liability	-	2
Interest payable	10	16
<b>Total short-term borrowings</b>	<b>1 125</b>	<b>1 295</b>
<b>Long-term borrowings</b>		
Bank borrowings	24 838	3 691
Finance lease liability	-	195
<b>Total long-term borrowings</b>	<b>24 838</b>	<b>3 886</b>
<b>Total borrowings</b>	<b>25 963</b>	<b>5 181</b>

The terms and conditions of outstanding liabilities at the reporting date are as follows:

	Cur- rency	Nominal interest rate	Year of matu- rity	31 December 2019		31 December 2018	
				Face value	Carrying amount	Face value	Carrying amount
<b>Unsecured bank financing</b>							
BNP Paribas S.A.	EUR	EURIBOR 6M+2,00%	2022	3 345	3 253	5 112	4 968
Bank GPB (JSC)	RUB	6,25%	2022	22 700	22 700	-	-
<b>Total unsecured bank financing</b>				<b>26 045</b>	<b>25 953</b>	<b>5 112</b>	<b>4 968</b>
<b>Interest payable</b>				<b>10</b>	<b>10</b>	<b>16</b>	<b>16</b>
<b>Finance lease liability</b>				<b>-</b>	<b>-</b>	<b>197</b>	<b>197</b>
<b>Total</b>				<b>26 055</b>	<b>25 963</b>	<b>5 325</b>	<b>5 181</b>

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Reconciliation of movements of liabilities to cash flows arising from financing activities:

	<b>Borrowings</b>	<b>Dividends payable</b>	<b>Lease liability</b>	<b>Total</b>
<b>Balance as of 1 January 2018</b>	<b>23 588</b>	<b>13</b>	-	<b>23 601</b>
Net cash flow from financing activities	(19 384)	(6 549)	-	(25 933)
Net cash flow from operating activities	(625)	-	-	(625)
Dividends declared	-	6 566	-	6 566
Interest costs	485	-	-	485
Foreing exchange result	1 637	-	-	1 637
Other changes	(520)	(24)	-	(544)
<b>Balance as of 31 December 2018</b>	<b>5 181</b>	<b>6</b>	-	<b>5 187</b>
Initial application of IFRS 16	(197)	-	5 572	5 375
Net cash flow from financing activities	21 550	(8 289)	(276)	12 985
Net cash flow from operating activities	(123)	-	(575)	(698)
Dividends declared	-	8 307	-	8 307
Interest costs	120	-	575	695
Foreing exchange result	(616)	-	-	(616)
Other changes	48	54	503	605
<b>Balance as of 31 December 2019</b>	<b>25 963</b>	<b>78</b>	<b>5 799</b>	<b>31 840</b>

## 16 Trade and other payables

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Current liabilities</b>		
Trade payables	4 919	6 348
Advances received	652	756
Accounts payable for acquisition of property, plant and equipment	3 040	1 656
Lease liability	361	-
Dividends payable	78	6
Other payables	1 685	1 457
<b>Total</b>	<b>10 735</b>	<b>10 223</b>
<b>Non-current liabilities</b>		
Advances received	-	1
Accounts payable for acquisition of property, plant and equipment	1 019	285
Lease liability	5 438	-
<b>Total</b>	<b>6 457</b>	<b>286</b>

Information about the Group's exposure to financial risk related to trade and other payables is disclosed in Note 30.

## 17 Taxes receivable and payable

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Profit tax receivable</b>	<b>397</b>	<b>239</b>
<b>Income tax payable</b>	<b>649</b>	<b>82</b>
<b>Other taxes payable</b>		
VAT payable	1 349	1 827
Property tax payable	436	564
Social contributions payable	164	137
Other taxes payable	10	7
<b>Total other taxes payable</b>	<b>1 959</b>	<b>2 535</b>
<b>Total taxes payable (net)</b>	<b>2 211</b>	<b>2 378</b>

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**18 Provisions**

	Income tax	Property tax	Litigations and claims	Total
<b>Balance as of 1 January 2019</b>	<b>1 631</b>	<b>1 944</b>	<b>1</b>	<b>3 576</b>
Accrued during the period	-	358	-	<b>358</b>
Used during the period	-	-	(1)	<b>(1)</b>
Released during the period	(1 407)	-	-	<b>(1 407)</b>
<b>Balance as of 31 December 2019</b>	<b>224</b>	<b>2 302</b>	<b>-</b>	<b>2 526</b>
<b>Balance as of 1 January 2018</b>	<b>1 407</b>	<b>1 664</b>	<b>7</b>	<b>3 078</b>
Accrued during the period	224	1 008	1	<b>1 233</b>
Released during the period	-	(728)	(7)	<b>(735)</b>
<b>Balance as of 31 December 2018</b>	<b>1 631</b>	<b>1 944</b>	<b>1</b>	<b>3 576</b>

**19 Profit tax**

**19.1 Profit tax expense**

	2019	2018
<b>Year ended 31 December</b>		
Profit before profit tax	10 611	27 262
Theoretical tax expense calculated at applicable tax rates	(2 122)	(5 452)
Adjustments to current profit tax of previous periods	(195)	335
Change in provision on income tax (note 18)	1 407	(224)
Tax effect on other non-taxable expenses	(102)	(516)
<b>Profit tax expense</b>	<b>(1 012)</b>	<b>(5 857)</b>
Current profit tax expense	(4 389)	(5 676)
Deffered profit tax income (expense)	3 377	(181)

Differences between the recognition criteria in the Russian Federation statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates in the Russian Federation.

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**19.2 Tax effects of taxable and deductible temporary differences**

Tax effects of taxable and deductible temporary differences for the year ended 31 December 2019 and 31 December 2018 are as follows:

	Opening balance	Effect of new standards	Recog- nised in P/L <sup>1)</sup>	Recog- nised in OCI <sup>2)</sup>	Closing balance
<b>Year ended 31 December 2019</b>					
Property, plant and equipment	(27 243)	(1 052)	2 127	(11 913)	(38 081)
Investment property	(146)	-	(69)	-	(215)
Long-term financial assets	353	-	(38)	(57)	258
Trade and other receivables	(251)	-	929	-	678
Assets held for sale	33	-	(15)	-	18
Trade and other payables	144	1 052	12	-	1 208
Employee benefit liabilities	59	-	8	15	82
Tax losses carried forward	145	-	1	-	146
Provisions	658	-	20	-	678
Borrowings	11	-	(30)	-	(19)
Other current and non-current assets	(2 714)	-	432	-	(2 282)
<b>Total</b>	<b>(28 951)</b>	<b>-</b>	<b>3 377</b>	<b>(11 955)</b>	<b>(37 529)</b>
<b>Year ended 31 December 2018</b>					
Property, plant and equipment	(28 070)	-	292	535	(27 243)
Investment property	(257)	-	111	-	(146)
Long-term financial assets	20	333	-	-	353
Trade and other receivables	(401)	175	(25)	-	(251)
Assets held for sale	43	-	(10)	-	33
Trade and other payables	119	-	25	-	144
Employee benefit liabilities	70	-	(8)	(3)	59
Tax losses carried forward	135	-	10	-	145
Provisions	631	-	27	-	658
Borrowings	(30)	-	41	-	11
Other current and non-current assets	(2 070)	-	(644)	-	(2 714)
<b>Total</b>	<b>(29 810)</b>	<b>508</b>	<b>(181)</b>	<b>532</b>	<b>(28 951)</b>

<sup>1)</sup>P/L – profit or loss, <sup>2)</sup>OCI – other comprehensive income.

Some deferred tax assets and liabilities have been set off in accordance with the Group accounting policies. Amounts of deferred tax (after offsetting) reflected in the consolidated statement of financial position are as follows:

	31 December 2019	31 December 2018
Deferred tax liabilities	(37 529)	(28 951)
<b>Net deferred tax liabilities</b>	<b>(37 529)</b>	<b>(28 951)</b>

**20 Employee benefits**

The Group sponsors a post-employment benefit plan and other long-term benefit program that covers the majority of the Group's employees.

The post-employment benefit plan is a defined contribution plan enabling employees to contribute a portion of their salary to the plan and equivalent portion of contribution from the Group. The plan is administrated by non-state pension fund.

To be entitled for participation in this defined contribution pension plan an employee should meet certain age and past service requirements. Maximum possible amount of employer's contribution is limited and depends on employee's position in the Group.

In addition to defined contribution, pension plan the Group maintains several plans of a defined benefit nature which are provided in accordance with collective bargaining agreement and other documents. The main benefits provided under this agreement are a lump sum upon retirement and material assistance.

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	<b>Post employment benefits</b>	<b>Other long-term benefits</b>	<b>Total</b>
<b>Year ended 31 December 2019</b>			
<b>Balance as of 1 January</b>	<b>226</b>	<b>72</b>	<b>298</b>
Current service cost	9	6	15
Net interest expense	18	5	23
Actuarial losses arising from changes in financial assumptions	-	18	18
Actuarial losses arising from changes in demographic assumptions	-	20	20
Actuarial losses - experience	-	16	16
<b>Total included in operating and finance expenses</b>	<b>27</b>	<b>65</b>	<b>92</b>
Remeasurements:			
Actuarial losses arising from changes in financial assumptions	42	-	42
Actuarial losses arising from changes in demographic assumptions	39	-	39
Actuarial gains - experience	(4)	-	(4)
<b>Total recognised in other comprehensive income</b>	<b>77</b>	<b>-</b>	<b>77</b>
Benefits paid	(27)	(27)	(54)
<b>As of 31 December</b>	<b>303</b>	<b>110</b>	<b>413</b>
<b>Year ended 31 December 2018</b>			
<b>Balance as of 1 January</b>	<b>266</b>	<b>86</b>	<b>352</b>
Current service cost	9	6	15
Past service cost	(20)	5	(15)
Net interest expense	19	7	26
Actuarial gains arising from changes in financial assumptions	-	(4)	(4)
Actuarial gains arising from changes in demographic assumptions	-	(1)	(1)
Actuarial gains - experience	-	(27)	(27)
<b>Total included in operational and financial expenses</b>	<b>8</b>	<b>(14)</b>	<b>(6)</b>
Remeasurements:			
Actuarial gains arising from changes in financial assumptions	(10)	-	(10)
Actuarial losses arising from changes in demographic assumptions	1	-	1
Actuarial gains - experience	(7)	-	(7)
<b>Total recognised in other comprehensive income</b>	<b>(16)</b>	<b>-</b>	<b>(16)</b>
Benefits paid	(32)	-	(32)
<b>As of 31 December</b>	<b>226</b>	<b>72</b>	<b>298</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Financial assumptions</b>		
Discount rate	6,1%	8,5%
Inflation rate	4,1%	4,1%
Salaries increase	6,1%	6,1%
Duration of liabilities, years	4,7	4,8
<b>Demographic assumptions</b>		
Withdrawal rates for employees with 1 year of past service	18,0%	24,0%
Withdrawal rates for employees who have 20 or more years of service	2,0%	5,0%
Retirement ages for men	65,1	64,2
Retirement ages for women	62,9	61,4

## **21 Equity**

### **21.1 Share capital and share premium**

As of 31 December 2019 and 31 December 2018 the declared share capital comprised 39 749 359 700 ordinary shares of RUB 1 par value each. All issued ordinary shares are fully paid.

The number of outstanding shares as of 31 December 2019 amounted to 39 749 359 700 (as of 31 December 2018: 39 609 130 249).

The share capital includes the translation of the condensed interim consolidated financial statements to bring it equal to the purchasing power of the Russian Ruble as of 31 December 2002 in accordance with IAS 29 Accounting in Hyperinflationary Economies.

The holders of ordinary shares are entitled to receive dividends as declared in due time and are entitled to one vote per share at meetings of Shareholders of the PJSC Mosenergo.

Share premium amounted to RUB 48 661 million includes excess of the cash proceeds from the issue of share capital over its par value amounted to RUB 49 220 million net of the transaction costs amounted to RUB 7 million, and a negative result from the subsequent sale of treasury shares amounted to RUB 552 million.

### **21.2 Treasury shares**

Treasury shares as of 31 December 2019 are realized completely (as of 31 December 2018: RUB 871 million). On July 15 2019 the Board of Directors of PJSC Mosenergo approved the sale of treasury shares amounted of 140 229 451 shares, worth RUB 871 million. On 27 August 2019 PJSC Mosenergo entered into a transaction with PJSC OGC-2 to sell its own shares at a weighted average price. The proceeds of this transaction amounted to RUB 319 million. The negative result from the subsequent sale of treasury shares amounted of RUB 552 million is reflected in share premium.

### **21.3 Dividends**

On 13 June 2019 the Annual General Shareholders' Meeting of the PJSC Mosenergo made the decision to pay dividends for the results of Group's activity for 2018. The amount of declared dividends on the issuer shares was RUB 0,21004 per share, total amount of dividends is RUB 8 320 million. The amount of unclaimed dividends for the result of financial years 2013 to 2014 is RUB 13 million.

On 31 May 2018 the Annual General Shareholders' Meeting of the PJSC Mosenergo made the decision to pay dividends for the results of Group's activity for 2017. The amount of declared dividends on the issuer shares was RUB 0,16595 per share, total amount of dividends is RUB 6 573 million. The amount of unclaimed dividends for the result of financial years 2012 to 2013 is RUB 7 million.

### **21.4 Revaluation reserve**

As of 31 December 2019 in the line "Revaluation reserve" there were disclosed revaluation reserve for property, plant and equipment in the amount of RUB 153 210 million (as of 31 December 2018: RUB 104 276 million).

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## 22 Revenue

	Year ended 31 December	
	2019	2018
Electric energy	111 504	116 444
Heat energy	75 739	79 954
Other revenue	2 534	2 472
<b>Total</b>	<b>189 777</b>	<b>198 870</b>

Other revenue was primarily received from rental services, feed water sales and maintenance services.

## 23 Operating expenses

	Note	Year ended 31 December	
		2019	2018
<b>Materials</b>			
Fuel		113 985	114 406
Purchased electricity and capacity		10 569	10 232
Other materials		2 453	2 165
		<b>127 007</b>	<b>126 803</b>
<b>Services</b>			
Heat transmission		529	739
Electricity market administration fees		1 553	1 490
Rent		86	789
Security and fire safety		973	923
Grid connection		633	633
Information and consulting services		159	107
Transportation services		501	375
Cleaning services		393	405
Agency fee		171	170
Insurance expenses excluding medical insurance		212	208
Software and maintenance		563	525
Other professional services		1 214	1 427
		<b>6 987</b>	<b>7 791</b>
<b>Depreciation and amortisation</b>		15 359	15 177
<b>Staff costs</b>		11 540	10 953
<b>Maintenance and repairs expenses</b>		8 964	7 972
<b>Taxes other than profit tax</b>		995	2 253
<b>Other expenses (income) on ordinary activities</b>		6	(4)
<b>Total production, selling and administration expenses</b>		<b>170 858</b>	<b>170 945</b>
<b>Impairment loss and change in fair value of non-financial assets</b>	24	8 779	1 898
<b>Change in provisions</b>	24	358	274
<b>Other operating expenses (income)</b>			
(Gain) loss on disposal of property, plant and equipment		348	(225)
Income on fines and penalties		(569)	(514)
Other operating loss (income)		(484)	59
<b>Total other operating income</b>		<b>(705)</b>	<b>(680)</b>
<b>Total operating expenses</b>		<b>179 290</b>	<b>172 437</b>

Electricity market administration fees include payments to JSC TSA and JSC FSC for arrangement of settlements between parties on electricity market and payments to JSC SO UES for regulation of generating assets operation of the Group.

For the year ended 31 December 2019 the average number of employees of the Group was 8 563 (for the year ended 31 December 2018: 8 390).

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**24 Change in provisions and fair value of assets**

	Year ended 31 December	
	2019	2018
<b>Impairment loss on financial assets</b>		
Impairment loss on trade receivables	(2 599)	(525)
Impairment loss on loans given	(1 275)	-
	<b>(3 874)</b>	<b>(525)</b>
<b>Impairment loss and change in fair value of non-financial assets</b>		
Charge for allowance for inventory obsolescence	(215)	(15)
Charge for allowance for other receivables	(385)	50
Changes in fair value of investment property	272	-
Impairment loss on assets held for sale	(5)	-
Impairment loss on property, plant and equipment	-	(1 933)
Revaluation loss on property, plant and equipment	(8 259)	-
Impairment of goodwill	(187)	-
	<b>(8 779)</b>	<b>(1 898)</b>
<b>Change in provisions</b>		
Change in tax provision	(358)	(279)
Change in provisions on claims	-	5
	<b>(358)</b>	<b>(274)</b>
<b>Total change in provisions and fair value of assets</b>	<b>(13 011)</b>	<b>(2 697)</b>

**25 Finance income and expense**

	Year ended 31 December	
	2019	2018
<b>Finance income</b>		
Interest income on bank deposits	2 255	1 845
Interest income on loans issued	1 399	1 482
Foreign exchange gain	863	1 383
Other interest income	758	433
<b>Total finance income</b>	<b>5 275</b>	<b>5 143</b>
<b>Finance expense</b>		
Foreign exchange loss	(279)	(2 759)
Interest expense on borrowings	(120)	(469)
Lease interest expense	(575)	(16)
Other interest expense	(79)	(231)
<b>Total finance expense</b>	<b>(1 053)</b>	<b>(3 475)</b>
<b>Total net finance income</b>	<b>4 222</b>	<b>1 668</b>

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**26 Basic and diluted earnings per share, attributable to PJSC Mosenergo**

Earnings per share attributable to owners of PJSC Mosenergo have been calculated by dividing the profit for the period, attributable to the owners of PJSC Mosenergo by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (Note 21.2). The calculation of basic and dilution earnings per share is presented in the table below.

	<b>2019</b>	<b>2018</b>
<b>Year ended 31 December</b>		
Issued shares (thousand of pieces)	39 749 360	39 749 360
Weighted average number of ordinary shares (thousand of pieces)	39 657 923	39 609 131
Profit attributable to the owners of PJSC Mosenergo (in RUB mln)	9 599	21 405
Profit per ordinary share (basic and diluted) (in Russian Roubles)	<b>0,242</b>	<b>0,540</b>

There are no dilutive financial instruments outstanding in the Group.

**27 Subsidiaries**

PJSC Mosenergo and its following subsidiaries form the Mosenergo Group:

	<b>Nature of business</b>	<b>Percentage of ownership</b>	
		<b>31 December 2019</b>	<b>31 December 2018</b>
LLC Centralny remontno-mekhanicheskiy zavod	Repair and reconstruction services	100,00%	100,00%
LLC Mosenergoproject	Electrical engineering	100,00%	100,00%
LLC Remontproject	Electrical engineering	99,00%	99,00%

No preference shares are held by the Group.

**27.1 Sale of subsidiaries**

In December 2015 PJSC Mosenergo sold the LLC OGK Investproject. In 2019 accounts receivables from the sale of financial investments have been repaid in the amount of RUB 997 million.

In October 2014 PJSC Mosenergo sold the TER Group to JSC Gazprom energoremont. In 2018 accounts receivables from the sale of financial investments have been repaid in the amount of RUB 1 214 million.

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## 28 Related parties

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

PJSC Gazprom is an ultimate parent company of PJSC Mosenergo. The Russian Federation is the ultimate controlling party of the Group.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the year ended 31 December 2019 and 31 December 2018, or had significant balances outstanding as of 31 December 2019 and as of 31 December 2018 are detailed below.

### 28.1 Transactions with Gazprom Group and its associates

The Group's transactions and balances outstanding with Gazprom Group and its associates are detailed below:

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	<b>78 737</b>	<b>82 605</b>
Heat energy	72 127	75 553
Electric energy	4 658	5 196
Other revenue	1 952	1 856
<b>Operating expenses</b>	<b>(78 570)</b>	<b>(79 723)</b>
Fuel	(70 888)	(72 196)
Maintenance and repair expenses	(4 532)	(3 761)
Heat transmission	(494)	(698)
Purchased electricity and capacity	(801)	(768)
Rent	(64)	(327)
Transportation services	(323)	(301)
Cleaning services	(300)	(280)
Insurance expenses excluding medical insurance	(212)	(208)
Medical insurance included in staff costs	(205)	(202)
Agency fee	(171)	(170)
Security and fire safety	(115)	(111)
Other professional services	(584)	(736)
Other operating income	119	35
<b>Impairment gain on financial assets</b>	<b>314</b>	<b>311</b>
<b>Finance income and expense</b>	<b>1 859</b>	<b>1 852</b>
Finance income	2 089	1 901
Finance expense	(230)	(49)
<b>Purchase of assets</b>	<b>9 893</b>	<b>8 284</b>
Purchase of property, plant and equipment	8 408	4 366
Purchase of other assets	1 485	3 918

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	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Outstanding balances</b>		
Cash and cash equivalents	11 460	21
Long-term financial assets	2 424	-
Short-term trade and other receivables	51 314	29 194
Provision for expected credit losses and impairment loss on short-term receivables	(254)	(568)
Long-term trade and other receivables	9 859	14 102
Advances for assets under construction	2 247	3 743
<b>Total assets</b>	<b>77 050</b>	<b>46 492</b>
Short-term borrowings	-	(2)
Long-term borrowings	(22 700)	(195)
Short-term trade and other payables	(4 316)	(4 469)
Long-term trade and other payables	(3 049)	(156)
<b>Total liabilities</b>	<b>(30 065)</b>	<b>(4 822)</b>

As of 31 December 2019 Gazprom Group and its associates entered into contracts for the construction and acquisition of property, plant and equipment in the amount of RUB 4 650 million (31 December 2018: RUB 4 316 million).

For the year ended 31 December 2019 dividends declared to the parent company amounted to RUB 4 467 million (for the year ended 31 December 2018: RUB 3 529 million).

During 2019 the PJSC Mosenergo purchased heating stations from PJSC MIPC. This transaction was treated as transaction under common control, was recognised at the immediate parent company's consolidated financial statements and equaled to RR 302 million. The difference between the total consideration given and the carrying amounts of the assets in amount of RUB 1 362 million was recognised in equity.

## 28.2 Transactions with associates

The Group's transactions and balances outstanding with associates are detailed below:

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	<b>1 621</b>	<b>1 842</b>
Heat energy	1 565	1 730
Other revenue	56	112
<b>Operating expenses</b>	<b>(20)</b>	<b>(26)</b>
Heat transmission	(20)	(26)
<b>Impairment loss on financial assets</b>	<b>(2 173)</b>	<b>(255)</b>
<b>Finance income</b>	<b>129</b>	<b>37</b>
Finance income	129	37
	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Outstanding balances</b>		
Short-term trade and other receivables	2 830	2 173
Provision for expected credit losses and impairment loss on short-term receivables	(2 823)	(650)
Long-term trade and other receivables	1 275	1 330
Provision for expected credit losses and impairment loss on long-term receivables	(1 275)	-
<b>Total assets</b>	<b>7</b>	<b>2 853</b>

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**28.3 Transactions with key management and managing organisation**

Key management personnel (the members of the Board of Directors and Management Committee) received the following remuneration, which is included in staff costs:

	Year ended 31 December	
	2019	2018
Wages and salaries	(74)	(64)
Social taxes and contributions	(13)	(11)
<b>Total</b>	<b>(87)</b>	<b>(75)</b>

There are no outstanding balances as of 31 December 2019 and as of 31 December 2018 for transactions with key management.

Remuneration to managing organisation LLC Gazprom energoholding for the year ended 31 December 2019 was in the amount of RUB 136 million (for the year ended 31 December 2018: RUB 131 million).

**28.4 Transactions with other state-controlled entities**

Information below excludes transactions and outstanding balances with Gazprom Group and its associates as disclosed in Note 28.1.

The Group's transactions and balances outstanding with other state-controlled entities are detailed below:

	Year ended 31 December	
	2019	2018
<b>Revenue</b>	<b>25 733</b>	<b>24 974</b>
Electric energy	24 336	23 298
Heat energy	1 110	1 360
Other revenue	287	316
<b>Operating expenses</b>	<b>(3 135)</b>	<b>(2 826)</b>
Electricity market administration fees	(1 529)	(1 484)
Other materials	(1 181)	(1 162)
Rent	(2)	(411)
Security and fire safety	(493)	(472)
Fuel	(101)	(112)
Purchased electricity and capacity	(86)	(88)
Other professional services	(124)	(213)
Other operating income	381	1 116
<b>Impairment loss on financial assets</b>	<b>(1 083)</b>	<b>(984)</b>
<b>Finance income and expense</b>	<b>626</b>	<b>1 400</b>
Finance income	994	1 644
Finance expense	(368)	(244)
	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Outstanding balances</b>		
Cash and cash equivalents	96	7 412
Short-term trade and other receivables	15 352	12 057
Provision for expected credit losses and impairment loss on short-term receivables	(12 453)	(9 993)
Long-term trade and other receivables	64	138
Advances for assets under construction	4	5
<b>Total assets</b>	<b>3 063</b>	<b>9 619</b>
Short-term trade and other payables	(1 479)	(920)
Long-term trade and other payables	(3 143)	-
<b>Total liabilities</b>	<b>(4 622)</b>	<b>(920)</b>

For the year ended 31 December 2019 dividends declared to the other state-controlled entities amounted to RUB 2 208 million (for the year ended 31 December 2018: RUB 1 744 million).

## 28.5 Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market OREM are conducted through commission agreements with JSC FSC. Current financial system of JSC FSC does not provide the final counterparty with automated information about transactions and outstanding balances with the ultimate consumers. State-controlled entities and Gazprom Group and its associates may also act as counterparties.

The Group's transactions and balances outstanding with JSC FSC are detailed below:

	Year ended 31 December	
	2019	2018
<b>Revenue</b>	<b>70 196</b>	<b>64 645</b>
Electric energy	70 196	64 645
<b>Expenses</b>	<b>(9 637)</b>	<b>(9 315)</b>
Purchased electricity and capacity	(9 637)	(9 315)
	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Outstanding balances</b>		
Short-term trade and other receivables	2 647	3 063
Provision for expected credit losses and impairment loss on short-term receivables	(2)	-
<b>Total assets</b>	<b>2 645</b>	<b>3 063</b>
Short-term trade and other payables	(420)	(451)
<b>Total liabilities</b>	<b>(420)</b>	<b>(451)</b>

## 29 Commitments and contingencies

### 29.1 Capital commitments

As of 31 December 2019 the Group was involved in a number of contracts for construction and purchase of property, plant and equipment for RUB 6 748 million excluding VAT (31 December 2018: RUB 6 125 million).

### 29.2 Taxation

The Russian Federation tax legislation is subject to varying interpretation and changes, which can occur frequently. The management's interpretation of legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise. Management believes that as of 31 December 2019 its interpretation of the relevant legislation was appropriate and the Group's tax position would be sustained.

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. The management has implemented internal controls to be in compliance with the new transfer pricing legislation.

### 29.3 Environmental liabilities

Environmental regulations are currently in the process of development in the Russian Federation. The Group evaluates on a regular basis its obligations due to new and amended legislation. As liabilities in respect of environmental obligations can be measured, they are immediately recognised in profit or loss. Currently the

likelihood and amount of potential environmental liabilities cannot be estimated reliably but could be significant. However, the management believes that under existing legislation there are no significant unrecorded liabilities or contingencies, which could have a significant adverse effect on the operating results or financial position of the Group.

#### **29.4 Insurance**

The insurance industry in the Russian Federation is in the process of development and many forms of insurance protection common in other countries are not generally available. The management believes that the Group has adequate property damage coverage for its main production assets. The Group does not have full coverage for business interruption and third party liability. Until the Group obtains adequate insurance coverage, there is a risk that the loss from business interruption and third party liability could have a significant adverse effect on the Group's operations and financial position.

#### **29.5 Guarantees**

The Group has issued direct guarantees to third parties which require the Group to make contingent payments based on the occurrence of certain events consisting primarily of guarantees for mortgages of the Group employees amounting to RUB nil million as of 31 December 2019 (31 December 2018: RUB 2 million).

### **30 Financial risk factors**

The use of financial instruments exposes the Group to the following types of risk: market risk relating to foreign currency exchange rates and interest rates, credit risk and liquidity risk.

The Group's overall risk management focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

The Managing Director has overall responsibility for proper functioning of the Group's internal controls system. The Board of Directors establishes and oversees the Group's risk management system. The Audit Committee as part of the Board of Directors evaluates the internal controls system effectiveness. The Group's Audit Committee is assisted in its oversight role by the Department of Internal Audit, who oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management system in relation to the risks faced by the Group. The Department of Internal Audit undertakes both regular and unscheduled reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The risk management functions are performed by the department of the Group and managing company LLC Gazprom energoholding. Credit risk of investment securities is considered by the managing company. Credit risk in respect of receivables from customers is assessed by the Group. Liquidity risk is considered by the Efficiency and Control department.

The Group's risk management policies are summarised in the Group's Regulations on Risk Management which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and control mechanisms to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The procedures carried out in relation to the Group's risk analysis include examination of the customers reliability, analysis of bank guarantees for prepayments given to suppliers, bank currency position analysis, sensitivity analysis of exchange and interest rates for borrowings, budget implementation analysis and others.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive internal control system where all employees understand their roles and obligations.

### 30.1 Market risk

#### 30.1.1 Foreign exchange risk

The Group is exposed to foreign currency exchange risk in the event of transactions and the existence of debt in a currency other than its functional currency. Part of the Group's assets and liabilities are denominated in foreign currency. Currency risk arises when the value of assets actually available or planned to receive assets expressed in foreign currency is higher or lower than the amount of liabilities in that currency. The currency in which these transactions are predominantly denominated is Euro.

	Note	EUR	
		31 December 2019	31 December 2018
<b>Financial liabilities</b>			
<b>Current liabilities</b>			
Borrowings	15	(1 125)	(1 293)
Trade and other payables	16	(1 184)	(415)
<b>Non-current liabilities</b>			
Borrowings	15	(2 138)	(3 691)
<b>Total financial liabilities</b>		<b>(4 447)</b>	<b>(5 399)</b>

The table below provides information on the Group's sensitivity to strengthening the Euro against the Russian Ruble by 20%. This analysis is based on changes in the foreign exchange rate that the Group applies at the end of the reporting period. For this purpose, the monetary items available at the balance sheet date, expressed in the respective currencies, were analysed.

	EUR impact	
	31 December 2019	31 December 2018
<b>Decrease in profit</b>	<b>(664)</b>	<b>(1 080)</b>

The weakening of the currencies considered above by 20% relative to the functional currency as of 31 December 2019 would have the same effect, but with the opposite sign, on the basis that all other variables remain constant.

### 30.1.2 Interest risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new borrowings the management uses its judgment to decide that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The Group constantly analyses dynamics of variable interest rates. To minimise interest rate risk the Group prepares budgets taking into account possible changes of interest rates and creates special reserves to cover contingent expenses and losses.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Fixed rate instruments</b>		
Financial assets	83 502	82 933
Financial liabilities	(39 155)	(8 486)
<b>Total</b>	<b>44 347</b>	<b>74 447</b>
<b>Variable rate instruments</b>		
Financial liabilities	(3 263)	(4 984)
<b>Total</b>	<b>(3 263)</b>	<b>(4 984)</b>

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore any change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2019 and 31 December 2018.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Decrease in profit</b>	<b>(33)</b>	<b>(50)</b>

### 30.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables.

#### 30.2.1 Loans and receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically credit risk is concentrated in the city of Moscow and Moscow Region as most of sales are made in this area. Creditworthiness of existing customers is periodically evaluated based on internal and external information regarding history of settlements with these customers. The Group constantly analyses accounts receivable turnover ratios, maturity dates and takes appropriate measures on collection of debts due. Approximately 90-95% of the customers are the clients of the Group for a period longer than 2-3 years.

There are standard contract terms for any customer purchasing energy under regulated contracts, the day-ahead market or the balancing market. Special conditions are envisaged by the Russian Federation legislation on Power industry for some heat consumers such as state companies, housing organisations and entities, which may not be limited or refused energy supply because it can lead to casualties or other harmful aftermath (hospitals, schools etc.). Currently no upper limits for debt due from each customer are established.

The Group is working on minimising the number of contracts with advance payment conditions, if advance payment is necessary, requests bank guarantees from counterparties to return advances.

The credit risk for loans and receivables based on the information provided to key management is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Trade and other receivables	30 265	42 167
Loans issued	37 671	12 656
<b>Total</b>	<b>67 936</b>	<b>54 823</b>

Debtors within two main classes of accounts receivable electricity and heat energy are quite homogenous regarding their credit quality and concentration of credit risk.

The account receivables are primarily comprised of a few large reputed customers who purchase electric and heat energy. Historical data, including payment history during the recent credit crisis, would suggest that the risk of default of such customers is very low.

Loans issued and accounts receivables as of reporting date fall due as follows:

	<b>Gross book value</b>		<b>Allowance for impairment loss</b>		<b>Net book value</b>	
	<b>31 December</b>		<b>31 December</b>		<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Not past due	58 007	41 062	2 085	578	55 922	40 484
Past due 0-180 days	12 771	12 400	1 401	623	11 370	11 777
Past due 181-365 days	2 279	3 327	1 956	1 545	323	1 782
More than one years	12 699	13 279	12 378	12 499	321	780
<b>Total</b>	<b>85 756</b>	<b>70 068</b>	<b>17 820</b>	<b>15 245</b>	<b>67 936</b>	<b>54 823</b>

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The movement in the allowance for impairment on financial assets in respect of loans given and receivables during the reporting period was as follows:

	2019	2018
<b>Balance as of 1 January</b>	<b>15 245</b>	<b>13 936</b>
Effect of application of IFRS 9	-	880
<b>Balance as of 1 January</b>	<b>15 245</b>	<b>14 816</b>
Allowance for impairment loss recognised during the period	4 335	973
Unwinding of the discount on long-term accounts receivable	(461)	(448)
<b>Total recognised in profit or loss</b>	<b>3 874</b>	<b>525</b>
Amounts written-off against previously recognised allowance	(1 299)	(96)
<b>Balance as of 31 December</b>	<b>17 820</b>	<b>15 245</b>

### 30.2.2 Cash in banks and on-demand deposits

All bank balances and on-demand deposits are neither past due nor impaired. The Group pursues the policy of cooperation with banks that have a high rating, which is approved by the Board of Directors of PJSC Mosenergo.

### 30.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The liquidity risk management is performed on three different levels. Long-term risk management is incorporated in the overall financial model of the Group. Middle-term monitoring is fulfilled during the quarterly and monthly planning of the Group's budgets. Short-term actions include planning and control of daily cash receipts and payments of PJSC Mosenergo.

Liquidity management system includes also drawing up monthly, quarterly and yearly cash budgets, comparing actual amounts to planned and explaining any discrepancies found.

In the table below, the Group's financial liabilities are grouped by maturity based on the period at the reporting date remaining until the maturity date, in accordance with the terms of the contract.

	Carrying amount	Contractual cash flow	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>As of 31 December 2019</b>							
Borrowings	25 963	30 353	1 272	1 290	2 566	25 225	-
Trade and other payables	16 455	22 761	10 107	471	940	3 706	7 537
<b>Total</b>	<b>42 418</b>	<b>53 114</b>	<b>11 379</b>	<b>1 761</b>	<b>3 506</b>	<b>28 931</b>	<b>7 537</b>
<b>Balance as of 31 December 2018</b>							
Borrowings	5 181	5 848	693	687	1 358	2 666	444
Trade and other payables	8 289	8 289	8 004	-	285	-	-
<b>Total</b>	<b>13 470</b>	<b>14 137</b>	<b>8 697</b>	<b>687</b>	<b>1 643</b>	<b>2 666</b>	<b>444</b>

### **30.4 Capital risk management**

The following capital requirements for joint stock companies established by the legislation of the Russian Federation:

- share capital cannot be lower than 1,000 minimum monthly wage at the date of the joint stock company registration;
- if the share capital of the entity is greater than net assets of the entity in accordance with Russian Accounting Standards, such entity must decrease its share capital to the value not exceeding its net assets;
- if the minimum allowed share capital is greater than net assets of the entity in accordance with Russian Accounting Standards, such entity is subject to liquidation.

As of 31 December 2019 and 31 December 2018 PJSC Mosenergo was in compliance with the above share capital requirements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating profit divided by total shareholders' equity. The Board of Directors also controls the level of dividends attributable to ordinary shareholders.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (borrowings, lease liabilities) less cash and cash equivalents and balances of restricted cash and cash equivalents under the terms of certain borrowings and other contractual obligations.

Adjusted EBITDA is calculated as operating profit adjusted for depreciation and amortization, impairment losses on non-financial assets and change in provisions.

The net debt to adjusted EBITDA ratios as of 31 December 2019 and 31 December 2018 were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Total debt	25 963	5 181
Less: cash and cash equivalents	(11 658)	(16 220)
Net debt (cash)	14 305	(11 039)
EBITDA	21 972	41 085
<b>Low Debt (Net debt/EBITDA), x</b>	<b>0,65</b>	<b>(0,27)</b>

### **31 Fair value of financial instruments**

The fair value of financial assets and liabilities is determined as follows:

#### *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

#### *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

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*Financial instruments in Level 3*

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3. The fair value of financial instruments, such as short-term trade and other receivables and trade and other payables are classified as Level 3.

There was no change in the fair value measurement methods attributed to Level 2 and Level 3 for the year ended 31 December 2019 (31 December 2018: there was no change). There were no transfers between levels for the year ended 31 December 2019 (31 December 2018: there were no transfers).

As of 31 December 2019 and 31 December 2018 the Group had the following assets that are measured at fair value:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as of 31 December 2019</b>				
Financial assets at FVTOCI (Note 6)	2 423	-	1 485	<b>3 908</b>
<b>Balance as of 31 December 2018</b>				
Financial assets at FVTOCI (Note 6)	-	-	1 490	<b>1 490</b>

As of 31 December 2019 and 31 December 2018 the estimated fair value of financial assets and liabilities not recognised at fair value in the consolidated statement of financial position is close to their carrying amount and is not disclosed.

## **32 Events after the reporting period**

### **Financial assets**

On 5 August 2019 the Board of Director PJSC Mosenergo approved a change in the size of the PJSC Mosenergo's participation share in the share capital of LLC GAZEKS-Management by transferring part of PJSC Mosenergo's share in the share capital in the amount of 4.91804188965702% to LLC Gazprom Mezhregiongaz. An agreement to transfer part of the share in LLC GAZEKS Management owned by PJSC Mosenergo was concluded with LLC Gazprom Mezhregiongaz on 26 December 2019. The transaction was completed on 13 January 2020.

### **Loan agreements**

On 5 December 2019 the Board of Directors decided to conclude an agreement of providing a loan to PJSC Mosenergo from PJSC Gazprom in the amount of RUB 27 000 million with a validity until 31 December 2020. The loan agreement was concluded on 3 February 2020.

On 27 December 2019 the Board of Directors decided to provide a loan to PJSC MIPC in the amount of RUB 15 000 million with a validity period of 5 years. The loan agreement was concluded on 23 January 2020.

On 31 December 2019 the Board of Directors decided to conclude a tripartite agreement between PJSC Mosenergo, LLC OGK-Investproject and PJSC OGK-2 on the replacement of a party under loan agreements concluded between PJSC Mosenergo and LLC OGK-Investproject. Under this agreement LLC OGK-Investproject transfers its rights and obligations with the consent of the PJSC OGK-2. As of 1 January 2020 the interest rate on loans changes and is set at 6.5% per annum. The agreement was concluded on 28 February 2020 and this applies to the relations of the parties that arose on 1 January 2020.