

1. CONSOLIDATED IFRS FINANCIAL STATEMENTS OF PJSC INTER RAO FOR 2018

Report of the independent auditor on the summary consolidated financial statements Translation of the original Russian version

To the shareholders and the Board of Directors of PJSC Inter RAO

Opinion

The accompanying summary consolidated financial statements of PJSC Inter RAO and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for 2018 and the related Appendix, are derived from the audited consolidated financial statements of the Group for 2018.

In our opinion, the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Appendix 1.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by the regulations of the International Financial Reporting Standards insofar as they relate to the preparation of financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of the Group and the auditor's report thereon.

Audited consolidated financial statements and our opinion

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 1 March 2019. That report also includes information on key audit matters.

Management's responsibility for the summary consolidated financial statements

Management of the Group is responsible for the preparation of the summary consolidated financial statements in accordance with criteria described in Appendix 1.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised) *Engagements to Report on Summary Financial Statements*.



I.A. BUYAN

Partner Ernst & Young LLC

1 March 2019

Details of the audited entity

Name: PJSC Inter RAO

Record made in the State Register of Legal Entities on 1 November 2002, State Registration Number 1022302933630.

Address: Russia 195435, Moscow, Bolshaya Pirogovskaya street, 27, building 2.

Details of the auditor

Name: Ernst & Young LLC

Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.

Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Consolidated statement of financial position (in millions of RUR)

	31 December 2018	1 January 2018 (restated)	1 January 2017 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	322,976	286,714	291,854
Intangible assets	13,849	13,183	9,908
Investments in associates and joint ventures	15,451	22,770	28,886
Deferred tax assets	5,753	7,174	6,057
Securities	7,992	10,324	7,810
Other non-current assets	2,621	2,986	15,430
Total non-current assets	368,642	343,151	359,945
Current assets			
Inventories	20,267	16,927	14,104
Accounts receivable and prepayments	107,806	108,936	106,421
Income tax prepaid	1,070	873	625
Cash and cash equivalents	153,747	142,062	95,988
Other current assets	75,318	24,127	4,712
	358,208	292,925	221,850
Assets classified as held-for-sale	1,737	3,000	3,000
Total current assets	359,945	295,925	224,850
Total assets	728,587	639,076	584,795
EQUITY AND LIABILITIES			
Equity			
Share capital	293,340	293,340	293,340
Treasury shares	(86,210)	(58,787)	(58,787)
Share premium	69,312	69,312	69,312
Hedge reserve	(367)	2	16
Actuarial reserve	274	7	(182)
Fair value reserve	(5,745)	(3,650)	2,485
Foreign currency translation reserve	4,887	2,152	2,972
Retained earnings	207,778	157,540	109,872
Total equity attributable to shareholders of the Company	483,269	459,916	419,028
Non-controlling interest	2,209	1,587	2,078
Total equity	485,478	461,503	421,106

	31 December 2018	1 January 2018 (restated)	1 January 2017 (restated)
Non-current liabilities			
Loans and borrowings	1,385	4,675	8,604
Long-term lease liabilities	42,991	10,888	10,499
Deferred tax liabilities	11,890	10,957	10,678
Other non-current liabilities	8,588	8,152	7,260
Total non-current liabilities	64,854	34,672	37,041
Current liabilities			
Loans and borrowings	8,353	11,479	8,108
Short-term portion of long-term lease liabilities	6,712	1,435	1,726
Accounts payable and accrued liabilities	149,886	118,314	105,476
Amounts payable to non-controlling shareholders for shares of subsidiary	373		
Other taxes payable	10,644	9,117	9,005
Income tax payable	2,287	2,556	2,333
Total current liabilities	178,255	142,901	126,648
Total liabilities	243,109	177,573	163,689
Total equity and liabilities	728,587	639,076	584,795

1 March 2019



Kovalchuk B.*Chairman of the Management Board***Miroshnichenko E.***Member of the Management Board, Chief Financial Officer*

Consolidated statement of comprehensive income (in millions of RUR)

	For the year	
	2018	2018 (restated)
Revenue	962,582	869,204
Other operating income	10,492	8,817
Operating expenses	(885,785)	(821,779)
Operating income	87,289	56,242
Finance income	15,257	11,671
Finance expenses	(6,789)	(5,258)
Share of (loss)/profit of associates and joint ventures, net	(3,579)	2,600
Income before income tax	92,178	65,255
Income tax expense	(20,503)	(10,593)
INCOME FOR THE PERIOD	71,675	54,662
Other comprehensive income/(loss)		
<i>Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met</i>		
Loss on securities, net of tax	(981)	(660)
Net loss on hedge instruments, net of tax	(535)	(27)
Exchange gain/(loss) on translation to presentation currency	2,997	(784)
<i>Other comprehensive income/(loss) not to be reclassified subsequently to profit or loss</i>		
Loss on securities, net of tax	(1,114)	
Actuarial gain, net of tax	267	189
OTHER COMPREHENSIVE GAIN/(LOSS), NET OF TAX	634	(1,282)
Total comprehensive income for the period	72,309	53,380
Income attributable to:		
Shareholders of the Company	70,776	53,974
Non-controlling interest	899	688

	For the year	
	2018	2018 (restated)
	71,675	54,662
Total comprehensive income attributable to:		
Shareholders of the Company	71,314	52,669
Non-controlling interest	995	711
	72,309	53,380
Basic income per ordinary share for income attributable to the shareholders of the Company	0.894	0.647
Diluted income per ordinary share for income attributable to the shareholders of the Company	0.891	0.636

1 March 2019


Kovalchuk B. Yu.*Chairman of the Management Board*
Miroshnichenko E.N.*Member of the Management Board, Chief Financial Officer*

Consolidated statement of cash flows (in millions of RUR)

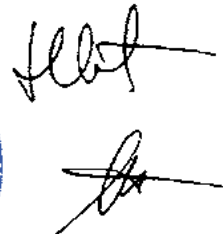
	For the year	
	2018	2017 (restated)
OPERATING ACTIVITIES		
Income before income tax	92,178	65,255
<i>Adjustments to reconcile income before tax to net cash flows from operating activities</i>		
Depreciation and amortisation	26,601	22,132
Provision for impairment of accounts receivable, net	8,358	5,206
Discounting of accounts receivable	(225)	(1,604)
Discounting of accounts payable	936	284
Release of other provisions	(1,008)	(1,667)
Impairment of securities and assets classified as held-for-sale	1,263	225
Impairment of property, plant and equipment and intangible assets	1,146	11,780
Share of loss/(profit) of associates and joint ventures, net	3,579	(2,600)
Loss/(income) from electricity derivatives, net	49	(134)
Foreign exchange (gain)/loss, net	(3,649)	1,001
Interest income	(10,267)	(8,777)
Other finance income	(328)	(692)
Interest expense	4,991	3,742
Other finance expenses	449	90
Dividend income	(375)	(457)
Income from sale of securities	(47)	–
Shares option plan, (gain)/loss	(168)	919
Gain from disposal of Group entities, net	(187)	(10)
Other non-cash operations/items	(81)	(108)
Operating cash flows before working capital adjustments and income tax paid	123,215	94,585
Increase in inventories	(3,081)	(2,960)
Increase in accounts receivable and prepayments	(5,635)	(12,993)
Decrease in value added tax recoverable	1,273	5,188
(Increase)/decrease in other current assets	(793)	3,043
(Decrease)/increase in accounts payable and accrued liabilities	(1,649)	12,065
(Decrease)/increase in taxes other than income tax prepaid/payable, net	(361)	1,108
Other working capital adjustments	(492)	53
	112,477	100,089
Income tax paid	(18,021)	(11,330)
Net cash flows from operating activities	94,456	88,759

	For the year	
	2018	2017 (restated)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	151	151
Purchase of property, plant and equipment and intangible assets	(25,770)	(31,508)
Purchase of controlling interest, net of cash acquired	724	(500)
Outflow from disposal of controlling interest, net of cash disposed	–	(10)
Purchase of securities	(39)	–
Proceeds from disposal of joint venture	–	54
Proceeds from disposal of securities and assets classified as held-for-sale	6,305	12,500
Proceeds from repayment of loans issued	115	12,639
Loans issued	(360)	(216)
Bank deposits placed	(121,169)	(45,747)
Bank deposits returned and proceeds from promissory notes repayment	70,660	23,455
Interest proceeds for bank deposits placed	7,704	4,358
Purchase of other non-current assets	(115)	(285)
Dividends received	3,601	467
Cash flows from / (used for) other investing activities	129	(156)
Net cash flows used for investing activities	(58,064)	(24,798)
Financing activities		
Proceeds from loans and borrowings	20,626	45,354
Repayment of loans and borrowings	(28,084)	(45,851)
Repayment of leases	(4,583)	(2,062)
Interest paid	(907)	(2,255)
Dividends paid	(11,101)	(12,185)
Purchase of non-controlling interest in subsidiary	–	(787)
Proceeds from disposal of non-controlling interest	244	–
Acquisition of treasury shares	(4,117)	–

The consolidated statement of cash flows is to be read in conjunction with Appendix 1 to, and forming part of, the summary consolidated financial statements.

Proceeds from treasury shares sale	2,350	-1
Net cash flows used for financing activities	(25,572)	(17,786)
Effect of exchange rate fluctuations on cash and cash equivalents	865	(101)
Net increase in cash and cash equivalents	11,685	46,074
Cash and cash equivalents at the beginning of the period	142,062	95,988
Cash and cash equivalents at the end of the period	153,747	142,062

1 March 2019

Kovalchuk B. Yu.

Chairman of the Management Board

Miroshnichenko E.N.

Member of the Management Board, Chief Financial Officer

Consolidated statement of changes in equity (in millions of RUR)

	Attributable to shareholders of the Company										
	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Fair value reserve	Hedge reserve	Actuarial reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2017	293,340	(58,787)	69,312	2,972	2,485	16	(182)	107,879	417,035	2,191	419,226
Effect of adoption of new standards	-	-	-	-	-	-	-	1,993	1,993	(113)	1,880
Balance at 1 January 2017 (restated)	293,340	(58,787)	69,312	2,972	2,485	16	(182)	109,872	419,028	2,078	421,106
Total comprehensive (loss)/income for the year ended 31 December 2017	-	-	-	(820)	(660)	(14)	189	53,974	52,669	711	53,380
Dividends to shareholders	-	-	-	-	-	-	-	(12,656)	(12,656)	(461)	(13,117)
Undrawn dividends returned	-	-	-	-	-	-	-	2	2	-	2
Acquisition of non-controlling interest in subsidiary	-	-	-	-	-	-	-	(46)	(46)	(741)	(787)
Share option plan	-	-	-	-	-	-	-	919	919	-	919
Balance at 31 December 2017 (restated)	293,340	(58,787)	69,312	2,152	1,825	2	7	152,065	459,916	1,587	461,503
Balance at 1 January 2018	293,340	(58,787)	69,312	2,152	1,825	2	7	149,968	457,819	1,590	459,409
Effect of adoption of new standards	-	-	-	-	(5,475)	-	-	7,572	2,097	(3)	2,094
Balance at 1 January 2018 (restated)	293,340	(58,787)	69,312	2,152	(3,650)	2	7	157,540	459,916	1,587	461,503
Total comprehensive income/(loss) for the year ended 31 December 2018	-	-	-	2,735	(2,095)	(369)	267	70,776	71,314	995	72,309
Dividends to shareholders	-	-	-	-	-	-	-	(11,458)	(11,458)	(280)	(11,738)
Undrawn dividends returned	-	-	-	-	-	-	-	1	1	-	1
Acquisition of non-controlling interest in subsidiary	-	-	-	-	-	-	-	(87)	(87)	(286)	(373)
Disposal of non-controlling interest in subsidiary	-	-	-	-	-	-	-	51	51	193	244
Sale of treasury shares	-	5,565	-	-	-	-	-	(3,215)	2,350	-	2,350
Acquisition of treasury shares	-	(32,988)	-	-	-	-	-	(5,662)	(38,650)	-	(38,650)
Share option plan	-	-	-	-	-	-	-	(168)	(168)	-	(168)
Balance at 31 December 2018	293,340	(86,210)	69,312	4,887	(5,745)	(367)	274	207,778	483,269	2,209	485,478






Kovalchuk B.Yu.

Chairman of the Management Board

Miroschnichenko E.N.

Member of the Management Board, Chief Financial Officer

1 March 2019

The consolidated statement of changes in equity is to be read in conjunction with Appendix 1 to, and forming part of, the summary consolidated financial statements.

Appendix 1

These summary consolidated financial statements of PJSC Inter RAO and its subsidiaries include the consolidated statement of financial position as of 31 December 2018, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for 2018. These summary consolidated financial statements derived from the audited consolidated financial statements for 2018 was signed by the management of PJSC Inter RAO on 1 March 2019. The audited consolidated

financial statements were presented in millions of Russian rubles and were prepared in accordance with International Financial Reporting Standards. All amounts in these summary consolidated financial statements are presented in millions of Russian rubles (except for income (loss) per ordinary share). These summary consolidated financial statements do not include all the disclosures required by International Financial Reporting Standards.



Audited consolidated
financial statements for
2018 can be found at
<http://www.interrao.ru>.

