



**APPROVED BY**

**General Director**

**UNIPRO PJSC**

\_\_\_\_\_ M. G. Shirokov

\_\_\_\_\_ 2017


**STO No. UUiO-P**

**Accounting Policy for Business Accounts**


Version 1.0

Moscow

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	Accounting Policy for Business Accounts	STO No.	UUio-P.01
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	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

## TABLE OF CONTENTS

<b>1. GENERAL PROVISIONS .....</b>	<b>4</b>
<b>2. ACCOUNTING DEPARTMENT MANAGEMENT .....</b>	<b>5</b>
<b>3. VALUATION OF ASSETS AND LIABILITIES .....</b>	<b>6</b>
<b>4. INTERNAL CONTROL SYSTEM .....</b>	<b>7</b>
<b>5. ACCOUNTING STATEMENTS.....</b>	<b>7</b>
<b>6. RECOGNITION OF ACCOUNTING AND REPORTING ERRORS.....</b>	<b>8</b>
<b>7. INVENTORY AUDIT OF ASSETS AND LIABILITIES .....</b>	<b>9</b>
<b>8. ACCOUNTING OF FIXED ASSETS .....</b>	<b>9</b>
<b>9. INTANGIBLE ASSETS .....</b>	<b>12</b>
<b>10. ACCOUNTING OF FINANCIAL INVESTMENTS .....</b>	<b>13</b>
<b>11. ACCOUNTING OF INVENTORIES.....</b>	<b>15</b>
<b>12. ACCOUNTING OF MONEY DOCUMENTS.....</b>	<b>18</b>
<b>13. DEFERRED EXPENSES .....</b>	<b>18</b>
<b>14. SETTLEMENTS, OTHER ASSETS AND LIABILITIES .....</b>	<b>19</b>
<b>15. CREDITS AND LOANS.....</b>	<b>20</b>
<b>16. ESTIMATED LIABILITIES .....</b>	<b>20</b>
16.1.1. <i>Creation of Estimated Liabilities on Legal Disputes .....</i>	<i>21</i>
16.1.2. <i>Creation of Estimated Liabilities for Vacations and Bonuses. ....</i>	<i>22</i>
16.1.3. <i>Creation of Other Estimated Liabilities .....</i>	<i>22</i>
<b>17. COMPANY'S INCOME.....</b>	<b>23</b>
<b>18. COMPANY'S EXPENSES .....</b>	<b>25</b>
<b>19. IN-HOUSE SETTLEMENTS.....</b>	<b>28</b>
<b>20. EVENTS AFTER THE REPORTING DATE.....</b>	<b>28</b>
<b>21. RELATED PARTY INFORMATION .....</b>	<b>29</b>
<b>22. INFORMATION BY SEGMENTS .....</b>	<b>29</b>
<b>23. ACCOUNTING OF TAX LIABILITIES. ....</b>	<b>30</b>

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

## 1. GENERAL PROVISIONS

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1.1 This accounting policy has been developed in accordance with the law of the Russian Federation and determines the accounting and reporting rules in UNIPRO PJSC (hereinafter referred to as UNIPRO PJSC or the “Company”). All the documents making part of the accounting policy system that disclose the peculiarities of its use make an integral part hereof and are binding upon the Company employees.

1.2. This regulation applies to UNIPRO PJSC, its branches, representative offices, and subsidiaries after it has been approved by the subsidiary’s competent management body.


The term ‘Headquarters’ used herein means a standalone business unit of the Company in charge of the administrative, financial and economic, methodological, and supervisory functions with respect to all business units and branches. The location address of the Headquarters shall be the location address of the Company’s representative offices in Moscow.

1.3. The Company’s core activities are as follows:

- Generation of electric power;
- Generation of heat;
- Transportation of heat;
- Other activities.

1.4. If the Company chooses to engage in any other types of business operations, while the accounting methods for such activities have not been specified in the accounting policy, or in case of revisions of accounting laws, such changes shall be documented in writing as an Addendum hereto that shall not be viewed as an updated version hereof and shall apply starting from the approval date. Revisions of the accounting policy associated with the commissioning of new software accounting products shall equally be deemed an addendum hereto that shall not be viewed as an updated version hereof and shall apply starting from the approval date. The accounting guidelines and clarifications duly approved by the Company shall not represent revisions of the accounting policy but instead will serve as addendum hereto.

1.5. The right to sign financial settlement documents shall be exercised by the persons duly authorised to do so under the Articles of Association and/or power of attorney.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

## 2. ACCOUNTING DEPARTMENT MANAGEMENT

2.1. The accounting records shall be maintained by the Company's designated business units charged with accounting and supervisory and methodological functions.

2.2. The accounting records shall be made using the source accounting records serving as evidence of a business transaction.

The list of source accounting records is set forth in the appendix to the order approving this regulation. The forms of source accounting records shall be approved by the Company as appendices hereto as may be required.

Source accounting records shall be drawn up in hard copy. If the law or a contract with a counterparty provide for submission of the source accounting records on an electronic medium, the source accounting records shall be drawn up electronically using an electronic digital signature when necessary. The bank statements retrieved from the online banking system shall be kept electronically strictly subject to backing up.

The source accounting records made in foreign languages must be translated into Russian line-by-line.


The original source accounting and other records on business transactions made by the branches shall be entered into the books at the branches' locations. The original documents shall be kept at the locations where they have been received by the Company. The Director and Chief Accountant of the branch shall be responsible for the security of accounting records.

The source accounting records serving as evidence of the Company's business operations drawn up and approved by third parties and relating to the Company's activities shall be entered into the books only if said records conform to the requirements of applicable regulations governing the accounting process.

Timely and qualified preparation of the source accounting records, their timely submission for booking, as well as the accuracy of the data included therein shall be ensured by the persons responsible for documenting a business operation. Pursuant to Federal Law No. 402-FZ dated 06 December 2011 'On Accounting', the person responsible for maintaining the accounting records shall not be liable for the correspondence of the source accounting records drawn up by other persons to the business operations that took place.

The deadlines for submitting and processing the records shall be governed by the record calendar to be approved by Company order.

The retention period for the source accounting records shall be approved by Company order. The order shall be issued as long as there is a need to update the relevant information.

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

2.3. The current chart of accounts shall contain the ledger control and sub-ledger accounts required to maintain accounting records in accordance with completeness and timeliness requirements applicable to accounting and reporting. The current chart of accounts is set forth in the appendix to the order approving this regulation.

The Chief Accountant of the Company may introduce, adjust, and cancel the accounts and sub-accounts to ledger control accounts and create supplementary sub-accounting systems over the course of a calendar year as may be required. Any changes in the current chart of accounts during a calendar year shall be made by sending an email to all the parties involved on behalf of the Chief Accountant of the Company. All and any changes in the current chart of accounts shall be approved simultaneously by Order of Unipro PJSC General Director at the end of the year when approving the accounting policy for the next year.

2.4. The Company's accounting registers shall be drawn up electronically in the format provided for by the software used to maintain the Company's accounting records. The list of accounting registers and the frequency of drawing them up are set forth in the Appendix to the Order approving this regulation.

If the law of the Russian Federation or a contract require disclosure of accounting registers to another party or to a state authority in hard copy, a hard copy of the register shall be made at request.

### 3. VALUATION OF ASSETS AND LIABILITIES

3.1. Assets, liabilities, and other accounting items shall be subject to valuation in money terms for accounting and reporting purposes.

Assets, liabilities, and business transactions shall be accounted in roubles and kopecks without rounding.


3.2. The asset valuation procedures for accounting purposes shall be as follows:

- if the assets have been acquired for a fee, they shall be valued at actual acquisition cost;
- if the assets have been acquired free of charge, they shall be valued at mark-to-market value as of the date of entry into the books;
- the assets remaining after a withdrawal of fixed assets or other assets shall be valued at mark-to-market value as of the date of entry into the books.

3.3. The mark-to-market value shall be determined by commission.

When making the decision, the commission shall be guided by its own professional judgment and may use the following options as documentary evidence of market prices:

- Information provided by state statistics agencies;

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

- Official price lists, catalogues, and any other printed or online materials reporting the prices of the companies that sell similar products in comparable environments;
- Data of an independent expert assessment or assessment by a commission.

#### **4. INTERNAL CONTROL SYSTEM**

4.1. The company may vest internal control duties in the Audit Commission, Internal Audit Department, and/or Internal Control Department.

The core components of internal control management used by the Company subject to certain peculiarities of operations are as follows:

- 4.1.1. Separating the actual financial and business functions from the accounting function.
- 4.1.2. Dividing the accounting functions.
- 4.1.3. Determining the responsibilities of each company employee.
- 4.1.4. Implementing a system of internal rules and regulations.
- 4.1.5. Using the source records approved hereby.
- 4.1.6. Arranging for the safekeeping of valuables.
- 4.1.7. Providing the security.
- 4.1.8. Ensuring an ongoing evaluation of controls and revision thereof as may be necessary
- 4.1.9. Ensuring systematic staff training.

#### **5. ACCOUNTING STATEMENTS**

5.1. The reporting period shall be a calendar year from 01 January to 31 December.

5.2. The interim period for submitting interim statements to the parties involved shall be a quarter.


5.3 The accounting statements shall be made in thousand roubles. Ledger control accounting and sub-accounting records shall be maintained in roubles and kopecks.

UNIPRO PJSC annual accounting statements shall be considered and approved by the General Meeting of Shareholders.

The disclosure dates for accounting statements in 2018 are:

for 2017 – 21 March 2018;

for Q1 2018 – 24 April 2018;

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

for Q2 2018 – 24 July 2018;

for Q3 2018 – 23 October 2018.

In order to disclose the information on the accounting forms, the Company shall prepare the notes as per the appendix to the order approving this Accounting Policy of the Company.

## 6. RECOGNITION OF ACCOUNTING AND REPORTING ERRORS

6.1. The Company shall view inaccurate recognition (non-recognition) of business operations in the Company's accounting records and/or accounting statements as accounting errors (hereinafter referred to as an error). The reasons causing an error may be as follows (without limitation):


- Incorrect application of accounting laws of the Russian Federation and/or regulatory legal acts on accounting;
- Incorrect application of the Company's accounting policy;
- Calculation errors;
- Incorrect classification or assessment of business operations;
- Incorrect use of the information available as of the date of signing the accounting statements;
- Unethical practices on the part of Company employees.

6.2. Inaccuracies or omissions in the business operations as recognised in the Company's accounting records and/or accounting statements identified after obtaining new information that was not available to the Company at the time of recognising (failing to recognise) such business operations shall not be treated as errors. Specifically, delayed recognition of counterparties' reports that were not recognised in a timely manner due to delayed submission of such reports by the counterparty shall not be treated as an error. Such reports shall be entered into the books as income and expenses of the current period under relevant accounts.

6.3. An error shall be viewed as a major error if the amount of the error exceeds RUB 350 mln or if the amount in the relevant balance sheet line changes by over 50% as compared to the initial amount in the relevant balance sheet line after the error is corrected.

6.4. Major and minor errors of the reporting year shall be corrected by entries in the relevant accounts in the month when the error was identified. The errors of the reporting year identified after the end of the reporting year but prior to the date of signing the accounting statements shall be corrected by entries in the relevant accounts dated December of the reporting year. The errors of the reporting year identified after the accounting statements have been signed but prior to the date of approval by the shareholders shall be corrected by entries in the relevant accounts dated December of the reporting year subject to making relevant corrections in the statements.



	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

A major error of the previous reporting periods identified after the date when the shareholders approve the statements shall be corrected in the asset and liability accounts in correspondence with Account 84 'Correction of accounting errors'; an error of the previous accounting period that is not a major error shall be corrected in the asset and liability accounts in correspondence with other income and expenses accounts. Meanwhile, when correcting errors, the Company shall deem correct any correspondence of accounts, even if said correspondence has not been established by the orders of the Ministry of Finance of the Russian Federation concerning utilisation of the chart of accounts.

6.5. If a major error of the previous reporting periods is identified, all comparative indicators in the report forms must be recalculated. If it is impossible to establish the effect of a major error on a single or multiple previous reporting periods reflected in the accounting statements, the Company shall adjust the beginning balance under the relevant assets, liabilities, and capital lines as at the beginning of the earliest period that can be recalculated.

## **7. INVENTORY AUDIT OF ASSETS AND LIABILITIES**

7.1. All assets, including the property regardless of location, and liabilities of the Company shall be subject to inventory audit. Furthermore, inventories and other types of property that are not owned by the Company but are accounted on the balance sheet and off-balance sheet accounts (including those in safe custody, on lease, subject to processing), as well as the property items that have not been accounted for various reasons.

The procedures and number of inventory audits during the reporting year, their dates, list of assets and/or liabilities subject to audit shall be determined by the Head of the Company or Company branch in accordance with a local regulation of the Company in effect as of the inventory audit date.

## **8. ACCOUNTING OF FIXED ASSETS**

8.1. The Company recognises assets as fixed assets provided that the following conditions are concurrently met:

- The asset is intended for the Company's operations, including administrative needs, or to be provided by the Company for temporary possession and use or for temporary use for a fee;
- The asset is intended for use during a period exceeding 12 months;
- The Company is not intending to resell the asset in the future;
- The asset is capable of bringing economic benefits (income) to the company in the future.

The assets meeting the fixed asset recognition criteria with a value of RUB 40,000 per unit at the most shall be reflected as inventories for accounting and reporting purposes. To ensure the security of the

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

assets with a value under RUB 40,000 and over RUB 5,000 during the production process and during operation, their flow shall be monitored in the off-balance sheet account. Meanwhile, the flow shall be documented by the source records used to account the inventories. The assets meeting the fixed asset recognition criteria with a value under RUB 5,000 per unit shall not be reflected in the off-balance sheet account. A tentative list of such assets is set forth in the appendix to the order approving this regulation.

The assets not intended for the Company's operations directly, including administrative needs, meeting all other fixed asset recognition criteria (booklets, digests, technical literature, Christmas Trees, etc.) shall be accounted in a manner similar to assets under RUB 40,000. Such assets shall be written off immediately as far as they are acquired and shall not be reflected in off-balance sheet accounts.


8.2. The accounting unit for fixed assets is an inventory item. The Company recognises the following assets as fixed asset inventory items:

- Asset operating independently with all fixtures and accessories that are not significant with respect to the historic value of the fixed asset and/or fixtures and accessories whose useful life cannot be reliably established;
- Standalone structurally separate asset not intended for specific independent functions with a historic value over RUB 1.5 mln if its useful life can be established;
- Set of structurally articulated assets including the components that are not significant with respect to the historic value of the fixed asset and/or if the useful life of the component cannot be reliably established;
- Cost of capitalised repairs;
- Common share in the fixed asset.

8.3. Fixed assets shall be entered into the books at historic value. The historic value of fixed assets acquired for a fee shall be the amount of actual acquisition, construction, and manufacturing costs, except for the value added tax and other refundable taxes (except as required otherwise by the law of the Russian Federation). The historic value of an investment fixed asset (investment asset) shall also include the interests on credits or loans used for the construction of said asset, as well as the relevant banking fees attested to by the treasury statement.

Software shall be included in the value of a fixed asset when such fixed asset is inoperable without such software. In this case, the software shall form an integral part of the fixed asset and they shall be accounted as a single asset.

The costs of the business units responsible for capital construction, reconstruction, and technical refurbishment shall be covered at the expense of the funds intended for capital construction, reconstruction, and technical refurbishment and shall be included in the inventory value of capital construction, reconstruction, and technical refurbishment items.

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

The costs of the business units responsible for the planning and control of capital investments, control and engineering supervision over the construction progress shall be divided among the capital construction items in proportion to the hours devoted to such items by the employees of said business units.

An asset requiring a long time (over 12 months) and major acquisition, construction, and/or manufacturing costs to be prepared for intended use shall be recognised as an investment asset. Investment assets shall include work-in-progress and construction-in-progress items to be ultimately entered into the books as fixed assets (including land plots), intangible assets or other non-current assets.

8.4. The fixed assets – if title to such assets is subject to state registration in accordance with the law of the Russian Federation, capital investments under such assets have been completed, relevant source accounting records for delivery and acceptance have been submitted for state registration, and such assets are actually operated – shall be recognised as fixed assets separated in an individual sub-account to the fixed asset account and shall be included in depreciable assets for accounting purposes at the time when the item is actually put into service.

8.5. The assets acquired free of charge shall be recognised as other income. The market value of the assets acquired free of charge shall be reflected on the credit side of Account 98 'Deferred income' in correspondence with Account 08. The amounts reflected in Account 98 shall be written off to the credit side of Account 91 as far as depreciation is charged.

8.6. The Company shall not revalue its fixed assets.

8.7. The Company may lease out (sublet) the fixed assets owned thereby or the fixed assets taken by the Company on lease subject to their owner's authorisation.

The rental income from fixed assets shall be recognised as income from core activities in Account 90 and shall be reflected as the Company's revenue.


8.8. The value of fixed assets shall be cleared off by charging depreciation.

Fixed assets are not subject to depreciation if their consumer properties do not change over time (land plots; natural resources sites; etc.)

Fixed assets shall not be depreciated in the following cases:

- If such fixed assets have been preserved for over three months over the period from the month following the month of preservation to the month of de-preservation inclusive;
- during the recovery of the asset in excess of 12 months for the period from the month following the month when the facility was taken down for recovery up to the month when recovery was completed.

Fixed assets shall be depreciated irrespective of the Company's performance during the reporting period.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

Fixed assets that are in operation or in stock shall be depreciated according to the straight-line method. Meanwhile, the historic (replacement) value of a fixed asset (including motor vehicles) shall be depreciated evenly through the entire useful life of the asset.

Fixed assets undergoing state registration shall be depreciated according to the standard procedure starting from the month following the month when the asset was commissioned.

8.9. Inventory cards for fixed assets shall be kept in the accounting system in electronic form and shall be printed out as necessary at request.

8.10 A specific accounting procedure for fixed assets is set out in the Company's local regulation.


## 9. INTANGIBLE ASSETS

9.1. The Company recognises assets as intangible assets provided that the following conditions are concurrently met:

- The asset is capable of bringing economic benefits in the future, i.e. the asset is intended for the performance of works, provision of services or for administrative needs;
- The Company is entitled to the economic benefits that the asset can bring in the future. I.e. the Company possesses all duly executed documentary proofs of the asset itself and of the Company's title to intellectual property or intellectual property designations – patents, certificates, other copyright protection documents, alienation agreement for exclusive right to intellectual property, and when other parties' access to such economic benefits is restricted;
- The asset can be separated (identified) from other assets;
- The asset is intended for a long-term use, i.e. for the duration of useful life exceeding 12 months;
- The Company is not intending to sell the asset within 12 months from the time of recognising the intangible asset;
- The actual value of the asset can be reliably established;
- The asset has no tangible physical form.

9.2. The Company classifies the following assets as intangible assets:

- Works of science;
- Computer software programmes;
- Inventions;
- Know-how;

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

- Trademarks;

- Business reputation arising from the acquisition of a business as a property complex (in full or in part).

The Company shall not recognise the expenses associated with incorporation (establishment costs), intellectual and business aptitudes of Company employees, and their qualifications and ability to work as intangible assets.

9.3. The accounting unit for intangible assets is an inventory item.

An inventory item of intangible assets shall be a combination of rights arising under a single patent, certificate, alienation agreement for exclusive right to intellectual property or intellectual property designations or as otherwise provided for by the law, intended for specific independent functions. A compound asset that includes multiple protected intellectual property items may also be recognised as an inventory item of intangible assets.

9.4. An intangible asset shall be recognised at actual (historic) value determined as of the date of entering such assets into the books. Intangible assets acquired for a fee shall be valued in the amount of their acquisition costs net of refundable taxes (VAT).

The intangible assets created by the Company shall be valued at the actual cost of their creation net of general business expenses and excluding refundable taxes on materials used and third parties' services.

Expenses on procured loans shall not be deemed acquisition/creation costs of intangible assets, except when the asset whose actual (historic) value is to be reflected is classified as an investment asset.

9.5. The value of intangible assets shall be cleared off by charging depreciation. Intangible assets shall be depreciated according to straight-line method based on the useful life of intangible assets. The intangible assets whose useful life cannot be established shall not be depreciated.


The Company shall charge depreciation starting from the first day of the month following the month of entering a relevant asset into the books until clearing off the full value of such asset or writing it off from the books.

Assessment of depreciation charges shall not be interrupted throughout the entire useful life of intangible assets.

Depreciation of intangible assets shall be discontinued on the first day of the month following the month of clearing off the full value of the assets or writing them off from the books.

9.6. Depreciation of intangible assets shall be reflected in the books by accumulation in Account 05 'Depreciation of intangible assets'.

## 10. ACCOUNTING OF FINANCIAL INVESTMENTS

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

10.1. The assets acquired by the Company to earn income by reselling them, operating income in the form of interests, dividends, etc. or other economic benefits shall be recognised as financial investments.

10.2. All financial investments shall be recognised at historic value.

The historic value of financial investments shall be the amount of actual acquisition costs, except for VAT and other refundable taxes (except as required otherwise by the Russian Federation law on taxes and levies).

Sub-accounting records on the financial investments account shall be maintained by financial investment types and by assets, in which such investments were made (corporate sellers of securities, other companies in which the Company participates, corporate borrowers, etc.). Deposit interests shall be accrued subject to the terms laid down in the contract, on a monthly basis and on the last day of the deposit, when the company is entitled to receive such interests. Interests shall be recognised in Account 58 'Financial investments'

10.3. Financial investments whose mark-to-market value can be determined in due order shall be reflected in the accounting statements as of the end of the reporting period at mark-to-market value.

The market value of said financial investments shall be adjusted on a monthly basis.

The difference between the valuation of financial investments at mark-to-market value as of the reporting date and the previous valuation of financial investments shall be recognised as the Company's profit or loss (as part of other income and expenses).

The mark-to-market value of the securities listed at the stock exchange shall be determined using the market prices set at the Moscow Exchange ([www.moex.ru](http://www.moex.ru)).

If the financial investments whose mark-to-market value is to be determined are withdrawn, their value shall be determined as of the withdrawal date.


10.4. Financial investments whose mark-to-market value cannot be determined shall be reflected in the accounting statements as of the end of the reporting period at historic value.

Financial investments whose mark-to-market value is not determined on a yearly basis at the end of the reporting year shall be tested for impairment.

If the impairment test attests to a persistent impairment of financial investments (in excess of 5% of the historic value), an impairment provision for financial investments shall be created in the amount of the difference between the carrying value and the estimated value of such financial investments.

If the financial investments whose mark-to-market value is not determined are withdrawn, their value shall be determined based on the historic value of each unit.

10.5. Contributions to authorised (share) capitals of other companies shall be recognised as the company's financial investments and shall be booked as the amount of the investor's actual costs, i.e. at the cost of contributed assets, at which they were reflected in the Company's balance sheet.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

10.6. The Company shall not estimate issued loans at discounted value.

10.7. All the costs directly associated with the acquisition of assets as financial investments regardless of the amount, shall be included in the historic value of financial investments.

10.8. Financial investments shall not include bills issued by a corporate bill drawer to a corporate seller in case of settlements for the goods and products sold and works and services delivered.

10.9. In case of receiving a bill as payment for the goods, services, and works previously delivered that does not provide for procuring any income from the seller or intermediary, the Company shall record said bill as part of accounts receivable.

## 11. ACCOUNTING OF INVENTORIES

11.1. The accounting unit for materials is a stock item assigned an individual stock number.

Tools, instruments, and maintenance accessories with a useful life over a year, as well as any other items worth up to RUB 40,000 at the most shall be recorded as inventories in Account 10 'Materials'. To ensure the security of such assets during the production process and operation, the accountable persons shall arrange for the monitoring of their flows. Assets up to RUB 5,000 at the most (except for special tools and measuring instruments, fire extinguishers, furniture items, office appliances, telephones, automobile tyres, bomb shelter inventories, etc.) shall not be subject to said monitoring. A tentative list of such items is set forth in the appendix to the order approving this regulation.


11.2. Inventories shall be accounted at actual cost. The actual cost of inventories shall include the Company's costs of delivering and storing such inventories and of making them fit for use.

The Company's overheads shall be allocated using one of the three methods as follows:

- On a pro-rata basis to the net amount: overheads shall be allocated on a pro-rata basis to the net amounts of the lines in the document (to be used if the quantity of delivered inventories is heterogeneous and the measurement units for such inventories vary);
- on a pro-rata basis to the quantity: overheads shall be allocated on a pro-rata basis to the quantities in the lines of the document (to be used if the measurement units for such inventories are the same);
- allocated evenly among the lines: overheads shall be allocated evenly throughout all individual lines of the document (if the inventories are homogeneous, but there are significant deviations between the unit prices).

11.3. The peculiarities of accounting individual types of materials are set out in the local regulations.

When inventories are released to production or withdrawn otherwise, they shall be valued at average cost for each stock number broken down by the Company's warehouses by way of determining the actual

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

cost of the material at the time of release (rolling valuation). Meanwhile, the calculation of the average cost shall include the quantity and cost of materials as of the beginning of the month and all receipts up to the time of release for each warehouse individually.

Inventories that do not conform to the requirements of Clause 2 RAS 5/01 shall be written off simultaneously as general business expenses at the time of release to operation (such expenses include the inventories acquired to create a mobilisation reserve and intended for civil defence and emergencies in accordance with legal requirements).

In case of the branch using non-stock gas, the delivered gas shall be written off at the time of delivery.

11.4. Inventories that are not owned by the Company but are available thereto for use or disposal under contractual terms shall be recognised at the value set out in the contract and shall be reflected in the off-balance sheet accounts.

11.5. Tools, instruments, maintenance accessories, and overalls shall be recognised as inventories in Account 10 'Materials' and in the relevant sub-accounts.

Overalls shall be recognised as inventories in Account 10 'Materials' in separate Sub-Account 10.10.00 'Overalls and special gear'.

The value of overalls with a useful life exceeding a year from the date of release to operation shall be recognised in a separate sub-account of Account 10 and shall be written off as expense according to straight-line method based on their useful lives. The value of overalls with useful life 'on duty' shall be written off as expense according to straight-line method based on their useful lives.

The value of overalls with a useful life under a year shall be written off as expense at the time of release to operation.


The useful lives of overalls are set forth in the Company's local regulation.

In case of releasing overalls with useful life 'till wear out', the value of such overalls shall be written off as expense on a nonrecurring basis.

11.6. Due to the peculiarities of the Company's business processes and a short life (up to 12 months or 'till wear out'), overalls shall not include the following types of personal protective equipment:

- Protective goggles;
- Bags for overalls;
- Earplugs;
- Respirators;
- Protective gloves;
- Mittens;



	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

- Respirator cartridges;
- Non-reusable suits from nonwovens.

The items of personal protective equipment mentioned above shall be accounted in accordance with the rules for accounting inventories in Account 10 'Materials, Sub-Account 10.01.10 and Sub-Account 10.05.30. These inventories shall be written off as expense on a nonrecurring basis at the time of release to operation.

11.7. Purchased goods, including electric power and capacity for resale, shall be recognised in Account 41 'Goods'.

The Company shall enter finished products in the books at actual manufacturing cost (at actual factory cost). The output of finished products is accounted without using Account 40 'Output of products (works, services)'.

11.8. Inventories may be reclassified from one type to another as may be required in the following instances:

- When the same type of assets is reclassified from capital investment assets to operating assets and vice versa;
- When the assets received during disposal / partial write-off of fixed assets are reflected as 'Used materials' due to the fact that the estimate of further use potential for such asset is unavailable. After the estimate becomes available, the asset should be reclassified either as inventories or scrap;
- When correcting errors in the units of measurement made in the process of recognising the inventories;
- If the asset was assigned to the warehouse as a single stock item after receipt. As this stock item was used, it became necessary to break down the set into several stock numbers. In this case, the stock number shall be closed and receipt of multiple stock items shall be recorded.


Inventories shall be reclassified from one type to another pursuant to a memorandum using Account 10.98.00 'Transit account for reclassification of inventories'.

11.9. Inventories produced by disassembling an item of fixed assets or a different piece of property to be disposed of that are fit for further use by the Company shall be reflected in the accounting records at mark-to-market value to be determined in the manner established by the Company using the other income account.

Inventories produced by replacement when repairing fixed assets and other property items that are fit for further use by the Company shall be entered into records from cost accounts 2\*.

A specific procedure for accounting recyclable waste is set out in the Company's local regulation.

11.10. To ensure comparability of incomes and expenses, the Company shall create an inventory provision for the inventories whose market price has depreciated during the reporting year or if they have become obsolete or lost their quality fully or in part.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

The inventory provision shall be created for each individual item of inventories on the books. The procedure for creating the provision is set out in the local regulations.

## 12. ACCOUNTING OF MONEY DOCUMENTS

12.1. Money documents include plane and railway tickets, recreation and vacation packages, coupons for petrochemicals, travel cards purchased and paid for in advance (except for plane and railway e-tickets). Receipt of plane and railway e-tickets from the counterparty and accounting thereof shall be entered into the books in Account 71 without reflecting them in Account 50.03.00.

## 13. DEFERRED EXPENSES

13.1. The expenses incurred in the reporting period but relating to the future reporting periods shall be recognised in Account 97 'Deferred expenses'.

13.2. Deferred expenses include the following types of costs:

- Software that was not previously used for the Company's activities, in the amount of fixed one-time payments under licence agreements for the provision of a non-exclusive right to use intellectual property or intellectual property designations (other than computer software included in the historic cost of fixed assets); They shall be written off by the dates specified in the agreement. If the licence agreement does not specify the term, the agreement shall be deemed made for five years. If exclusive rights are acquired, such expenses shall be reflected as intangible assets;
- Expenses in the form of payments for the connection of the Company's power receivers (power units) to power grids; the write-off dates shall be established by commission;
- Expenses (including the state duty) on acquiring licences for the activities to be licenced specifying the validity period;
- Accreditation of laboratories;
- Industrial safety expert review involving certification and certification testing for conformity to industrial safety requirements.
- Other expenses relating to future reporting periods.

13.3. Deferred expenses associated with the following types of costs:

- Accreditation of laboratories;
- Industrial safety expert review involving certification and certification testing for conformity to industrial safety requirements;
- Licences for software under RUB 40,000

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

shall not be reflected in Account 97, but instead shall be written off as expense on a nonrecurring basis strictly subject to using the budgetary classification code:

- 3079071603 – ‘Laboratory accreditation and certification services, etc.’
- 3034080702 – ‘Testing, expert review, technical diagnostics, research services’;
- 3070500202 – ‘Software implementation and upgrading services’.

13.4. From the legal point of view, voluntary and compulsory insurance contributions are not related to deferred expenses; however, the Company reflects these payments in Account 97 in order to allocate the expenses evenly throughout the insurance period and ensure segregation. When preparing its financial statements, the Company classifies these payments as other accounts receivable.

13.5. Deferred expenses shall be written off to cost accounts depending on the type of activities covered by such expenses. Deferred expenses on voluntary and compulsory insurance of employees are classified as general business expenses.

13.6. If it takes a long time to dispose of a fixed asset (over 2 months), the Company shall accumulate the expenses on such disposal in account 97.97 ‘Deferred expenses’. Fixed assets disposal expenses shall be written off simultaneously with writing off fixed assets to Account 91 ‘Other income and expenses’.

13.7. Deferred expenses, except for insurance expenses, shall be reflected in the statements in terms of write-off to expenses in 12 or more months as other non-current assets, and in terms of short-term assets – as other current assets.


## 14. SETTLEMENTS, OTHER ASSETS AND LIABILITIES

14.1. Settlements with other debtors shall be reflected on the basis of contractual prices for accounting and reporting purposes.

Accounts receivable shall be classified as short-term if the payback period does not exceed 12 months from the reporting date. Other accounts receivable shall be classified as long-term. Meanwhile, the calculation of the term shall start on the first day of the calendar month following the reporting month.

14.2. The Company shall create a Bad Debt Provision (hereinafter referred to as Provision) in the amount of accounts receivable declared doubtful as of the end of each quarter.

The receivables and payables with expired limitation periods shall be written off pursuant to the Company’s local regulation from the source specified in such regulation. To secure the Company’s right of claim, written-off debt shall be charged on off-balance accounts for 5 years following the write-off period.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

The payables with expired limitation periods shall also be written off pursuant to the Company's local regulation.

14.3. A payment received by the Company during the same reporting period when the goods were actually sold or works and services were actually delivered shall not be recognised as advance payment. The advance payment amount shall be determined as of the end of the reporting period for each contract and counterparty separately by comparing the payments received and shipments made during the month. The amount by which the payment amount exceeds the cost of the services actually delivered during the reporting period shall represent the advance payment on account of onward deliveries of the future periods. A period shall be understood as one calendar month for the purposes of said clause.

14.4. Assignment agreements for intermediary's claims at the value of the future claim to the counterparty with respect to the sale of electric power, capacity, heat, and other core activities shall represent a debtor replacement transaction. Meanwhile, the following entries shall be made in the records:

- According to the intermediary counterparty's code: Debit 76 Credit 62 reclassification of accounts receivable under an intermediary agreement to an assignment agreement in the amount laid down therein;
- Debit 62 (intermediary debtor's code) Credit 76 (intermediary counterparty's code) reclassification of receivables under an assignment agreement to the relevant purchase agreement for electric power, capacity, heat, etc. in the amount specified in the assignment agreement.

## 15. CREDITS AND LOANS


15.1. Accounts payable on the credits and loans received shall be recognised and reflected in the statements including the interests due at the end of the reporting period. The interests charged shall be recorded separately.

15.2. Interests on the loans and credits received shall be recognised as other expenses of the period when they were incurred, except for the part thereof that is to be included in the value of the investment asset to be determined evenly in accordance herewith.

15.3. Additional expenses associated with securing credits and loans shall be included in the other expenses at the time of incurrence thereof except for capitalised expenses in accordance herewith. Long-term payables on the loans and credits received shall be reclassified as short-term if pursuant to the loan and/or credit agreement, the remaining time until the principal payback date equals 365 (366) days.

## 16. ESTIMATED LIABILITIES

16.1. A liability shall be recognised by the Company as an estimated liability, if it arose:

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

- Out of the provisions of laws and other regulatory legal acts, court rulings or contracts;
- Out of deeds of charge;
- Out of the company's actions indicating that the company is making certain commitments.

16.2. The Company shall recognise estimated liabilities if the following conditions are concurrently met:

- There is a liability arising out of the previous events that the Company cannot evade. In case of doubts regarding the existence of such liability, the Company shall recognise an estimated liability, if an examination of all circumstances and conditions, including experts' opinions, indicates that the liability is more likely to exist than not;
- A decrease of the Company's economic benefits required to discharge the estimated liability is very likely;
- The amount of the estimated liability may reasonably be determined.

16.3. Estimated liabilities shall be reflected in the account of the provision for future expenses (Account 96). When recognising an estimated liability – depending on its character – the amount of the estimated liability shall be carried over to expenses on core activities or to other expenses or included in the value of the asset.

16.4. Estimated liabilities shall be recovered from the debit of Account 96\*\* 'Provision for future expenses' in correspondence with Account 91\*\* 'Other income and expenses' regardless of the period when estimated liabilities were accrued.


16.5. Contingent assets and contingent liabilities shall not be recognised in the accounting records, information on such assets and liabilities shall be disclosed in the Company's explanatory note.

#### **16.1.1. Creation of Estimated Liabilities on Legal Disputes**

16.1.1.1. The Company shall create an estimated liability on legal disputes when it becomes a party to judicial proceedings or out-of-court settlement of the matters associated with legal disputes with counterparties on the business contracts made therewith, as well as on potential disputes with respect to taxes and levies. An estimated liability shall be created if the Company estimates its chances of securing a favourable resolution under 50% and the amount of estimated expenses exceeds RUB 15 mln.

16.1.1.2. An estimated liability shall be created on a quarterly basis.

16.1.1.3. Creation/increase of liabilities under this provision shall be reflected in the Debit of Account 91 (99 with regard to the income tax) in correspondence with the Credit of Account 96.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

16.1.1.4. The long-term part of the liability (with a payback period over 12 months counted from the reporting date) shall be discounted and reflected as long-term liabilities. The discounting costs shall be reflected as financial expenses.

16.1.1.5. If the event covered by the provision occurs, the expenses on this event shall be reflected as utilisation of the provision as the Debit of Account 96 Credit of other debtors' and creditors' accounts /taxes and levies.

#### **16.1.2. Creation of Estimated Liabilities for Vacations and Bonuses.**

16.1.2.1. In order to ensure an even distribution of expenses, the Company shall create estimated liabilities as follows:

- For vacation allowances;
- For quarterly bonuses;
- For annual bonuses;

16.1.2.2. Estimated liabilities shall be created on a monthly basis for the total amount of all expected expenses on vacation allowances, quarterly, and annual bonuses and shall be composed of three parts for each type:


- Amounts of estimated liabilities for payments to employees;
- Amounts of estimated liabilities for insurance contributions to extra-budgetary funds to be charged on the liability to pay to employees;
- Amounts of estimated liabilities for contributions to the Social Insurance Fund of the Russian Federation for workplace injuries and work-related illnesses charged on the liability to pay to employees.

The Company shall reflect future expenses on estimated liabilities as:

- Provisions for vacation allowances, insurance contributions charged on the amounts of the provisions for future vacations in Account 96.02.00 'Estimated liabilities for Unused Vacations';
- Provisions for quarterly bonuses, insurance contributions charged on the amounts of the provisions for quarterly bonuses in Account 96.04.00 'Estimated liabilities for the branches' quarterly bonuses';
- Provisions for annual bonuses, insurance contributions charged on the amounts of the provisions for annual bonuses in Account 96.03.00 'Estimated liabilities for annual bonuses'.

16.1.2.3. The methodological aspects of accounting estimated liabilities for vacations and bonuses are set out in the local regulation.

#### **16.1.3. Creation of Other Estimated Liabilities**

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

16.1.3.1. If the Company has the information concerning:

- Expenses incurred under financial business contracts, but the Company is unable to enter such expenses into the books for various reasons;
- Future expenses under which the Company has liabilities, but no documented expenses;
- Other similar liabilities when the Company is certain of asset outflow / decrease in the Company's benefit, but the Company is unable to reflect the expense at the time of preparing the statements, the Company shall create an estimated liability.

The Company shall create an estimated liability when the Company is certain of asset outflow with a likelihood over 50% and when the estimate of potential expenses exceeds RUB 15 mln.

16.1.3.2. An estimated liability shall be created on a biannual basis.

16.1.3.3. The creation/increase of liabilities under this provision shall be reflected on the Debit of expense accounts depending on the liability in correspondence with the credit of Account 96\*\* 'Provision for future expenses'.

16.1.3.4. The long-term part of the liability (with a payback period over 12 months counted from the reporting date) shall be discounted and reflected as long-term liabilities. The discounting costs shall be reflected as financial expenses.

16.1.3.5. If the event covered by the provision occurs, the expenses on this event shall be reflected as utilisation of the provision as the debit of Account 96 Credit of debtors' and creditors' accounts.

16.1.3.6. Estimated liabilities under financial business contracts within the Group shall be reflected separately.


## **17. COMPANY'S INCOME**

17.1. The Company shall divide income into income from core activities and other income.

17.2. Income from core activities (in case of sale of goods and products, delivery of works and services) shall be reflected in balance sheet Account 90.

Income from core activities includes:

- Income from sale of electric power at existing production facilities;
- Income from sale of electric power at new production facilities;
- Income from sale of heat;
- Income from sale of heat in the grids;
- Income from sale of the heat carrier (chemically purified water);
- Income from sale of potable water;

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>


- Income from sale of process water;
- Income from sale of water disposal services (effluent discharge);
- Income from sale of discharge treatment services;
- Income from sale of demineralised water;
- Income from sale of services for connection to the heat supply system;
- Rental income;
- Income from sale of other industrial products and services;
- Income from sale of catering products;
- Income from retail sales;
- Income from delivery of works and services, sale of long-lead products;
- Income from other types of works and services.

#### 17.3. Other income includes:

- Income from shareholdings in other companies;
- Income from sale of fixed assets and other assets;
- Interests received for provision of funds for use, as well as interests received for the use of funds on the account by the bank;
- Income from container operations;
- Income from provision of rights to intellectual property and equivalent intellectual property designations;
- Income from reassignment of claims;
- Income under forward contracts;
- Income under option transactions;
- Income under futures contracts;
- Penalties, fines, and forfeits for breach of contracts;
- Assets acquired by the Company free of charge;
- Profit of past years;
- Write-down of accounts payable;
- Foreign exchange differences;
- Results of asset inventory audit;
- Value of inventories received from write-off of fixed assets;
- Indemnification;
- Income from recovery of estimated liabilities;
- Receipts resulting from force majeure (natural disasters, fires, accidents, etc.) value of inventories remaining after write-off of assets that cannot be restored and are unfit for further use, etc.;
- Budget refund for heat;
- etc.

17.3. Income from sale of goods (works, services) shall be recognised on the date of titling the goods to the buyers and titling the deliverables of completed works and paid services to customers in accordance with the contracts made therewith. Title to electricity and heat shall be transferred at the time it is released to the consumer.



	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

17.4. Income from delivery of works and services, sale of long-lead products shall be recognised as far as the works, services, and products are available for use. Availability shall be determined based on the ratio of the expenses actually incurred as of the reporting date based on the report presented by the project manager and approved by the General Director.

The stage of completion of works under contract shall be determined based on the ratio of the work scope completed as of the reporting date in the full work scope under contract. The estimated value of the work scope shall be determined by expert assessment of the scope of completed works or by calculating the ratio.

17.5. Income in the form of penalties, fines under business contracts shall be recorded at the time of payment or by court order and/or upon signing the liability set-off. Income in the form of penalties and fines with respect to taxes and levies shall be reflected as other income.

17.6. If the goods are sold through a commission agent, the income from sale shall be reflected as of the date of sale specified in the commission agent's sales report.

17.7. The Company shall allocate other income as income associated with regulated types of activities on a monthly basis reflecting the information on off-balance sheet accounts prorated to the prime cost of regulated types of activities accounted on the debit of Account 90.

## 18. COMPANY'S EXPENSES

The Company shall recognise the costs separately with regard to the types of activities using accounts and sub-accounts for accounting purposes, as well as supplementary sub-accounting systems.

18.1. Production costs shall be booked in the reporting period when they were incurred.

18.2. General business expenses shall be recognised as the cost of core business products (services), as well as the secondary business works and services delivered to third parties broken down by cost centres. General business expenses on secondary business services intended for in-house use by the branches and nonindustrial products shall not be allocated.


At the end of the month, the balances in Account 26.00.00 'General business expenses' at the branches shall be allocated to the following sub-accounts:

20.01.00 – Electric power generation – broken down by 'Facility – Unit' analytics

20.02.00 – Heat generation;

20.04.00 – Transportation of heat;

20.05.00 – Other production – broken down by 'Tax accounting' analytics characterising the activity type on a pro-rata basis to the shop cost.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

Property tax shall be charged on a monthly basis on the cost accounts where the fixed asset is depreciated.

General business expenses of Unipro PJSC Headquarters at the end of the month shall be allocated to the following sub-accounts:

- 20.01.00 – Electric power generation – broken down by ‘Facility – Unit’ analytics
- 20.02.00 – Heat generation;
- 20.05.00 – Other production in case of costs under this account in the Headquarters’ records.

The expenses shall be allocated on pro-rata basis to the branches’ actual costs under such types of activities broken down by each individual branch and unit (analytics – department).

The cost by activity types recognised in Account 20\* shall be closed to the following accounts:

- 43 – Finished products (electric power), new production
- 43 – Finished products (electric power), existing production
- 43 – Finished products (heat)
- 43 – Finished products (transportation of heat)
- 43 – Finished industrial products for a different type of product
- 90.02.05 – Cost of sales (other commercial sales) – in the part of other services.
- 08 – Investments in non-current assets.

If a branch renders core business services to another branch, the write-off shall be made from the credit of Account 20 ‘Core business’ for a specific type of activities to the debit of Accounts 79 ‘In-house settlements’.

Account 29 ‘Service plants and facilities’ shall reflect the maintenance costs of non-industrial assets on the Company’s books whose operations are not directly related to core business, but the Company uses these assets to render services to third parties (housing and utilities, children’s and sports facilities, canteens, etc.).

Account 29 ‘Service plants and facilities’ shall be debited to Account 90 ‘Sales’ (in case of delivering works and services to third parties).

If a branch renders services to another branch when expenses on such services are reflected in the records as ‘Service plants and facilities’, the write-off shall be made from the credit of Account 29 ‘Service plants and facilities’ to the debit of Accounts 79 ‘In-house settlements’.

18.3. Other expenses includes:

- Expenses on the sale of fixed assets;
- Expenses on the sale of inventories;

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>


- Expenses on the sale of intangible assets;
- Expenses on the conversion of securities;
- Expenses on the write-off and transfer of fixed assets free of charge;
- Expenses on the sale of apartments;
- Expenses on the sale of securities;
- Sale of bills;
- Expenses under forward contracts;
- Expenses under option transactions;
- Expenses under futures contracts;
- Expenses on shareholdings in other companies;
- Expenses under claim assignment agreements;
- Maintenance of preserved production facilities;
- Interest paid under credit / loan agreements (except for those included in the investment asset value), bank account fees;
- Interest paid under bills;
- Services of credit institutions;
- Penalties paid for breach of business contracts;
- Fines paid for breach of business contracts;
- Forfeits paid for breach of business contracts;
- Damages paid to third parties;
- Losses of past years;
- Uncollectable accounts receivable; Foreign exchange differences;
- Social payments;
- Expenses incurred as a result of force majeure (natural disasters, fire, accident, etc.);
- Costs of creating estimated liabilities;
- etc.

Foreign exchange differences arising under foreign exchange transactions and currency units shall be reflected separately as income under positive foreign exchange differences, as expenses under negative foreign exchange differences. In accordance with the accounting data, income and expenses shall be reflected in the Company's statements.

18.4. The expenses associated with the procurement of lifetime licences for specific types of activities shall not constitute deferred expenses and shall be entered in the records according to the standard procedure.

18.5. The subsidiaries shall recognise costs in accordance with local regulations approved by such entities.

18.6. The Company shall allocate other expenses as expenses associated with regulated types of activities on a monthly basis reflecting the information on off-balance sheet accounts prorated to the prime cost of regulated types of activities accounted on the debit of Account 90.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

## 19. IN-HOUSE SETTLEMENTS

19.1. The branches' financial business relations shall be governed by the Branch Regulation. The branches maintain the records of their transactions independently. To ensure the accuracy of in-house settlements accounting, the information shall be exchanged between the branches and/or the Company Headquarters and its branches by executing an aviso for the entry of the data on the flows of assets and liabilities and profit or loss in the accounting records of the relevant company branch. In case of in-house settlements between the Company branches, an aviso for the branch shall be processed in correspondence with Account 79.02.01 'In-house settlements with HQ'. Meanwhile, the Headquarters shall make entry Debit of Account 79 Credit of Account 79 of the relevant branches.

When the Headquarters male payments for the branches, the branch shall reflect the payment with entry Debit 60, 76, 71, 73, etc. Credit of Accounts 79.02.01 specifying the analytics Cost Centre 790214 (payment transferred to the branch). Meanwhile, the Headquarters shall make entry Debit of Account 79 of the relevant branches specifying the analytics Cost Centre 790214 (payment transferred to the branch) Credit of Account 51.

Transfer of money between the checking accounts of the Headquarters and the branches shall be reflected by an entry between Accounts 79 of the relevant branch specifying the analytics Cost Centre 790205 (current transactions) in correspondence with Account 51 depending on the type of the transaction (receipt, transfer)

19.2. The profits and losses of the branches shall be communicated to the Headquarters on a monthly basis through the in-house settlements account 79 'In-house settlements' in order to recognise the profits/losses for the Company as a whole.


## 20. EVENTS AFTER THE REPORTING DATE

20.1. The Company's accounting statements shall reflect the events after the reporting date that affected or may potentially affect the Company's financial situation, cash flows or profit or loss and that took place in the period between the reporting date and the date of signing the accounting statements for the reporting year.

20.2. The events after the reporting date include:

- Events attesting to the business environment as of the reporting date in which the Company carried out its activities;
- Events attesting to the business environment after the reporting date in which the Company is carrying out its activities.

20.3. A relevant event after the reporting date must be reflected in the accounting statements for the reporting year regardless of whether it is a favourable or an unfavourable event for the Company.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

An event after the reporting date shall be viewed as a relevant event if it is impossible for the users of the accounting statements to reliably determine the Company's financial situation, cash flows or profit or loss without awareness thereof.

An amount shall be deemed a significant amount if the ratio of such amount to the bottom line of the relevant data for the reporting year is equal to or above 15 per cent.

20.4. Events after the reporting date shall be reflected in the accounting statements after adjusting the data on the Company's relevant assets, liabilities, capital, income, and expenses, or by disclosing the relevant information in the explanatory note.

## 21. RELATED PARTY INFORMATION

21.1. The Company shall disclose information on related parties exclusively in the explanatory note serving as an appendix to the annual report.

Meanwhile, the Company treat a legal entity and/or a private individual to be a related party if such entity or individual:


1. Is controlled by or under a material influence of a legal entity and/or a private individual;
2. The Company controls or exerts material influence on a legal entity;

21.2. The list of related parties whose information is to be disclosed in the Company's accounting statements shall be determined on an annual basis at the end of the year subject to the substance-over-form requirement.

## 22. INFORMATION BY SEGMENTS

22.1. The Company's activities constitute a single operating and geographical segment. The Company's core business is generation of electric power, heat, and capacity (the sales of these commodities definitely predominate in the Company's revenue mix), as well as the processes that are interdependent in terms of production and are exposed to similar risk factors. Furthermore, the Company carries out other activities that are not significant and do not form any separate reporting segments whether jointly or individually. This is why information on operating segments shall not be disclosed.

The Company's activities are limited to the territory of the Russian Federation and the Company has no geographic segments, as the sources and nature of risks are more or less the same throughout the entire Russian Federation.

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

## 23. ACCOUNTING OF TAX LIABILITIES.

This accounting policy considers solely those accounting peculiarities that differ from standard rules and/or are not regulated by the laws on accounting and tax liabilities. The assessment of taxes is examined in detail in the accounting policy for tax accounting purposes.

### 23.1. VAT Accounting.

23.1.1. When receiving advances (pre-payments) on the delivery of goods, products, other valuables or on delivery of works (services), the whole amount specified in the documents for the advances (pre-payments) received shall be reflected in the debit of cash accounts and credit of Sub-Account 62\* 'Settlements for advances received ...'.

23.1.2. In the meantime, the value added tax amount assessed at the statutory rate pursuant to the documents on advances (payments) received under other sales shall be entered in the books to the debit of Account 76.06.02 'VAT on advances received from customers' and credit of Sub-Account 68.02.02 'VAT Settlements'.

23.1.3. In case of advances received from core activities, the value added tax amount shall be allocated at the end of the month to the balance of the credit of Sub-Account 62\* 'Settlements for advances received ...' and shall be entered in the books to the debit of Account 76.06.02 'VAT on advances received from customers' and credit of Sub-Account 68.02.02 'VAT Settlements'.

23.1.4. When paying advances to a supplier/contractor pursuant to the terms of the contract and receiving the counterparty's VAT-invoice for the advance received, the amount of VAT shall be refunded from the budget concurrently reflecting accounts payable on Account 76.06.03 'VAT on advances paid to suppliers'.

23.1.5. To ensure the calculation accuracy and timeline of VAT deductions, the Company maintains the following sub-accounts on Account 19:

19.01.00	VAT on the acquisition of fixed assets
19.02.00	VAT on acquired intangible assets
19.03.00	VAT on acquired inventories and services and equipment to be installed
19.04.00	VAT on in-house construction
19.05.00	VAT on facilities to be commissioned
19.06.00	VAT on imported goods payable to tax authorities
19.07.00	Non-refundable VAT

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

19.08.00	Allocable VAT
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The Company shall reflect VAT on purchased goods (works, services) related to general business expenses to be separated into taxable and tax-exempt activities in Account 19\*\* 'Value added tax on acquired valuables'.

23.1.6. The Company shall start separating input VAT in the quarter when the event mandating separate accounting of VAT takes place for tax purposes according to the accounting policy. Once this event takes place (exceeding the 5% threshold for the period (quarter), the Company shall separate VAT, accumulated in Account 19\*\* 'Value added tax on acquired valuables' at the end of the same quarter in compliance with the rules laid down in the accounting policy for tax purposes. Meanwhile, non-refundable VAT shall be reflected in other expenses as the expenses on VAT-exempt activities.

## **23.2. Accounting of Assessed Insurance Contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Compulsory Medical Insurance Fund.**

23.2.1. The Company shall recognise the liabilities on of assessed insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Compulsory Medical Insurance Fund of the Russian Federation the Company in Account 69\* 'Social insurance and welfare settlements' and in the sub-accounts thereto.

23.2.2. The Company shall single out the contributions assessed prior to 2017 and after 01 January 2017 by breaking down payables by the counterparty – funds / tax authorities.

23.2.3. The amounts of assessed insurance contributions relating to the amounts of vacation allowances assessed to the employees shall be carried over to the utilisation of the vacation provision created.

23.2.4. The amounts of assessed contributions accrued on payments to employees that are not accepted for the purpose of income tax base reduction shall be reflected in the production costs and shall be recognised as acceptable expenses for income tax purposes.

## **23.3. Income Tax Accounting.**

23.3.1. The Company shall maintain the records of income tax settlements in compliance with the requirements of RAS 18/02 'Income tax accounting'.


This section depicts the income tax settlement procedure that makes it possible to reflect the differences in recognising accounting profit (loss) and taxable profit (loss) in the accounting records and accounting statements.

23.3.2. Accounting profit (loss) is an indicator reflecting the profit (loss) assessed according to the procedure established by the regulatory legal acts of the Russian Federation on accounting.

Taxable profit (loss) is the income tax base for the reporting period calculated according to the procedure established by the laws of the Russian Federation on taxes and levies.

### **23.3.3. Permanent and temporary differences**

The difference between the accounting profit (loss) and taxable profit (loss) of the reporting period caused by the use of different rules of recognising income and expenses laid down in the accounting laws and regulatory legal acts of and laws of the Russian Federation on taxes and levies consists of permanent and temporary differences.

	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

Permanent differences shall be understood as income and expenses:

- Generating the accounting profit (loss) of the reporting period, but not recognised for the purposes of the income tax base of either the reporting period or the future reporting periods;
- Recognised for the purposes of the income tax base of the reporting period, but not recognised for accounting purposes as income and expenses of either the reporting period or the future reporting periods.

Permanent differences may arise in the following case (without limitation):

- If actual expenses (income) recognised for the purpose of accounting profit (loss) exceed the expenses (income) accepted for tax purposes that involve expense limits, including:
  - Creation of bad debt provisions in accounting and tax accounting;
  - Other similar expenses.

- If the expenses associated with the free transfer of assets (goods, works, services) are not recognised for tax purposes in the value of the assets (goods, works, services) alongside with the expenses associated with said transfer;
- Other similar differences.

Temporary differences shall be understood as income and expenses creating the accounting profit (loss) in a certain reporting period and the income tax base – in another or multiple other reporting periods.

Depending on their nature and impact on the taxable profit (loss), temporary differences shall be divided into:

- Deductible temporary differences;
- Taxable temporary differences.


Deductible temporary differences shall arise in the following instances (without limitation):

- In case of using different approaches to charging depreciation for accounting and tax purposes;
- In case of the loss carry forward that has not been used to reduce the income tax base in the reporting period, but that will be recognised for tax purposes in the future reporting periods, except as otherwise required by the law of the Russian Federation on taxes and levies;
- In case of assessing an estimated provision for legal/tax disputes and provision for other liabilities;
- In case of loss from the sale of fixed assets to be reflected as part of other expenses in equal amounts throughout the period in tax accounting defined as the difference between the useful life of such assets and its actual life prior to sale;
- In case of other similar differences.

Taxable temporary differences shall arise in the following instances (without limitation):

- In case of using different approaches to charging depreciation for accounting and tax purposes;
- In case of expenses creating the historic value of fixed assets and intangible assets in accounting records that are accepted for the reduction of the taxable profit simultaneously in the period when they are incurred;
- In case of using different criteria for accounting and tax purposes when booking the fixed assets meeting the requirements set out in Clause 4 of RAS 6/01 'Accounting of Fixed Assets' in case of booking the assets with a value up to RUB 100,000;



	<b>Accounting Policy for Business Accounts</b>	<b>STO No.</b>	<b>UUio-P.01</b>
		<b>Version No.</b>	<b>1.0</b>

- In case of using a depreciation bonus in the accounting records;
- In case of other similar differences.

The information on the permanent and temporary differences shall be reflected in the accounting records based on the source accounting records directly for the accounts. Meanwhile, the accounting records shall reflect permanent and temporary differences shall be reflected separately. Sub-accounting records shall reflect temporary differences broken down by types of assets and liabilities whose estimates give rise to a temporary difference.

#### 23.3.4. Recognition of Permanent Tax Liabilities (Assets)

A permanent tax liability (asset) shall be understood as a tax amount resulting in the increase (decrease) in income tax payments in the reporting period.

The Company shall recognise a permanent tax liability (asset) in the reporting period when such temporary difference occurs.

A permanent tax liability (asset) is equal to the value calculated as the product of the temporary difference occurring in the reporting period by the income tax rate established by the law of the Russian Federation on taxes and levies and effective as of the reporting date.

Permanent tax liabilities (assets) shall be reflected in Account 99 'Profits and losses', Sub-Account 99.02.03 'Permanent tax liability' ('Permanent tax asset') in correspondence with the relevant sub-account of Account 68.

#### 23.3.5. Recognition of Deferred Tax Liabilities (Assets)

Deferred tax liability shall be understood as a part of the deferred income tax supposed to result in the increase of the income tax amount payable to the budget in the period following the reporting period or in the future reporting periods.

Deferred tax liabilities are equal to the value calculated as the product of taxable differences occurring in the reporting period by the income tax rate established by the law of the Russian Federation on taxes and levies and effective as of the reporting date.

The accounting records shall reflect deferred tax liabilities in Account 77. Meanwhile, sub-accounting records shall reflect deferred tax liabilities separately (by types of liabilities).

A deferred tax asset shall be understood as a part of the deferred income tax supposed to result in the decrease of the income tax amount payable to the budget in the period following the reporting period or in the future reporting periods.

Deferred tax assets are equal to the value calculated as the product of deductible temporary differences occurring in the reporting period by the income tax rate established by the law of the Russian Federation on taxes and levies and effective as of the reporting date.

The accounting records shall reflect deferred tax assets in Account 09. Meanwhile, sub-accounting records shall reflect deferred tax assets separately (by types of assets).

#### 23.3.6. Withdrawal of Deferred Tax Liabilities (Assets)

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

In case of withdrawing an asset and/or a type of liabilities, on which deferred tax liabilities (assets) have been accrued, the balance of such deferred tax liabilities (assets) recognised in Accounts 09 and/or 77 shall be written off to Account 68 'Income tax settlements'.

If the period for recognising the previously recognised losses in the tax records expires, the amounts of the previously created deferred tax assets must be written off on the expiration date to the relevant Account 99 'Profits and losses').

#### 23.3.7. Income Tax Accounting

The amount of the income tax to be determined based on the accounting profit (loss) and reflected in the accounting records regardless of the taxable profit (loss) amount shall represent contingent income tax expense (income).

Contingent expense (contingent income) shall be equal to the value calculated as the product of the accounting profit generated in the reporting period by the income tax rate established by the law of the Russian Federation on taxes and levies and effective as of the reporting date.

Accounting records shall reflect contingent income tax expense (contingent income) separately in the profit and loss account.

The Company shall recognise the income tax determined on the basis of the contingent expense (contingent income) amount adjusted by the amounts of the permanent tax liability (asset), increase or decrease in the amount of deferred tax asset and deferred tax liability of the reporting period as the current income tax.

If pursuant to regional law, a reduced income tax rate applies in the region of a Company representative office's / branch's operations, the Headquarters shall assess a permanent tax asset with regard to income tax savings on a monthly basis following the generation of the tax register for tax allocation among the regions.


The Company shall determine the amount of the current income tax on a monthly basis using the data reflected in the accounting records.

The information on the amount of the current income tax with due regard to the effect of permanent tax liabilities, deferred tax assets (liabilities) shall be reflecting in the relevant Account 68. Upon the end of the reporting quarter, subject to the developed tax returns, the tax amount for the quarter shall be transferred to the relevant accounts 'Income tax (budget settlements)' of Account 68 depending on the recipient's budget.

The accounting records shall reflect the income tax amounts that have been overpaid to the budget in the relevant account for income tax settlements of Account 68.03.01 'Income tax budget settlements'.

23.3.8. The accounting records shall reflect the settlements for penalties and fines under the income tax in the relevant Account 99 in correspondence with Account 68.03.01 'Income tax budget settlements for penalties and fines'.

23.3.9. Disclosure of Income Tax Accounting Information in the Accounting Statements

	Accounting Policy for Business Accounts	STO No.	UUio-P.01
		Version No.	1.0

The balance sheet shall reflect the amount of deferred tax assets and deferred tax liabilities separately. Meanwhile:

- The balance of deferred tax assets shall be reflected as non-current assets in the group 'Deferred tax assets';
- The balance of deferred tax assets shall be reflected as long-term liabilities in the group 'Deferred tax liabilities'.

Furthermore, the balance sheet shall reflect:

- The outstanding amount of current income tax liabilities in the line 'Taxes and levies payable';
- Overpayment with respect to the current income tax in the amount of the overpaid and/or overcharged tax amount as part of the line 'Other debtors'.

The profit and loss statement shall reflect the following amounts recognised and affecting the current income tax amount in the reporting period:

- Deferred tax assets – in group 'Changes in deferred tax assets';
- Deferred tax liabilities – in group 'Changes in deferred tax liabilities';
- Current income tax – in group 'Current income tax';
- Permanent tax liabilities (assets) – in group 'Including permanent tax liabilities (assets)'.

#### **23.4 Property Tax Accounting.**

The Company shall maintain the records of property tax settlements in compliance with internal regulations, including in accordance with the approved Cost Calculation Procedure.

Property tax base in the reporting period: net book value of operated fixed assets as of the end of the reporting period according to the accounting data.

The calculation shall not include the fixed assets associated with the land plots and assets exempt from the corporate property tax (depreciation groups 01 and 02).

Property tax shall be assessed on a monthly basis to the debit of those cost accounts that reflect the depreciation of inventory fixed assets.