

**Interim Condensed Consolidated Financial Statements  
of Public Joint Stock Company "Interregional Distribution Grid Company of North-West"  
and its subsidiaries  
prepared in accordance with IAS 34 "Interim financial reporting"  
as at and for three and nine months ended 30 September 2019  
(unaudited)**

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**PJSC IDGC of North-West**  
*Consolidated Interim Condensed Statement of Profit or Loss and other comprehensive income  
for the three and nine months ended 30 September 2019 (unaudited)  
(in thousand of Russian rubles, unless otherwise stated)*

|   | Notes | Three months ended<br>30 September |                  | Nine months ended<br>30 September |                  |
|---|-------|------------------------------------|------------------|-----------------------------------|------------------|
|   |       | 2019                               | 2018             | 2019                              | 2018             |
| Revenue   | 7     | 10,659,741                         | 14,630,081       | 35,346,200                        | 46,913,512       |
| Operating expenses  | 10    | (11,016,602)                       | (15,049,057)     | (33,332,176)                      | (45,163,137)     |
| Expected credit losses  |       | (177,074)                          | (90,137)         | (451,415)                         | (479,881)        |
| Other income  | 8     | 140,394                            | 240,254          | 358,577                           | 686,925          |
| Other expenses  | 9     | (2,463)                            | (4,177)          | (9,888)                           | (12,892)         |
| <b>Results from operating activities</b>  |       | <b>(396,004)</b>                   | <b>(273,036)</b> | <b>1,911,298</b>                  | <b>1,944,527</b> |
| Finance income  | 11    | 49,402                             | 16,481           | 90,366                            | 64,074           |
| Finance costs   | 11    | (307,779)                          | (287,028)        | (1,019,126)                       | (959,686)        |
| <b>Total finance income/(costs)</b>   |       | <b>(258,377)</b>                   | <b>(270,547)</b> | <b>(928,760)</b>                  | <b>(895,612)</b> |
| <b>Profit before tax</b>  |       | <b>(654,381)</b>                   | <b>(543,583)</b> | <b>982,538</b>                    | <b>1,048,915</b> |
| Income tax expense  | 12    | 116,142                            | 107,141          | (232,641)                         | (304,950)        |
| <b>Profit for the period</b>  |       | <b>(538,239)</b>                   | <b>(436,442)</b> | <b>749,897</b>                    | <b>743,965</b>   |
| <b>Other comprehensive income</b>   |       |                                    |                  |                                   |                  |
| <i>Items that will never be reclassified subsequently to profit or loss</i>                           |       |                                    |                  |                                   |                  |
| Change in the fair value equity investments measured at fair value through other comprehensive income |       | 1,172                              | 636              | 4,083                             | (2,132)          |
| Remeasurement of the defined benefit liability  |       | (45,020)                           | 115,854          | (196,293)                         | 144,433          |
| Income tax  | 12    | 8,769                              | (23,299)         | 38,442                            | (28,461)         |
| <b>Other comprehensive loss/(income) for the period, net of income tax</b>                            |       | <b>(35,079)</b>                    | <b>93,191</b>    | <b>(153,768)</b>                  | <b>113,840</b>   |
| <b>Total comprehensive income for the period</b>  |       | <b>(573,318)</b>                   | <b>(343,251)</b> | <b>596,129</b>                    | <b>857,805</b>   |
| <b>Profit/(loss) attributable to:</b>   |       |                                    |                  |                                   |                  |
| Owners of the Company   |       | (538,235)                          | (436,436)        | 749,909                           | 743,984          |
| Non-controlling interest  |       | (4)                                | (6)              | (12)                              | (19)             |
| <b>Total comprehensive income/(loss) attributable to:</b>   |       |                                    |                  |                                   |                  |
| Owners of the Company   |       | (573,314)                          | (343,245)        | 596,141                           | 857,824          |
| Non-controlling interest  |       | (4)                                | (6)              | (12)                              | (19)             |
| <b>Earnings per share</b>   |       |                                    |                  |                                   |                  |
| Basic earnings per ordinary share (in RUB)  | 21    | (0.0056)                           | (0.0046)         | 0.0078                            | 0.0078           |

These Consolidated Interim Condensed Financial Statements were approved by management on 25 November 2019 and were signed on its behalf by:

General Director



A.Y. Pidnik

Deputy General Director for  
Economy and Finance



L.V. Shadrina

Chief Accountant – Head of  
Department of accounting and tax  
accounting and reporting



I.G. Zhdanova

**PJSC IDGC of North-West**  
*Consolidated Interim Condensed Statement of Financial Position as at 30 September 2019 (unaudited)*  
*(in thousand of Russian rubles, unless otherwise stated)*

|   | <u>Notes</u> | <u>30 September 2019</u> | <u>31 December 2018</u> |
|---|--------------|--------------------------|-------------------------|
| <b>ASSETS</b>   |              |                          |                         |
| <b>Non-current assets</b>                                 |              |                          |                         |
| Property, plant and equipment                             | 13           | 39,898,449               | 40,447,544              |
| Intangible assets   | 14           | 254,412                  | 268,400                 |
| Right-of-use assets                                       | 15           | 603,919                  | –                       |
| Trade and other receivables                               | 17           | 153,523                  | 10,268                  |
| Assets related to employee benefits plans                 |              | 432,718                  | 370,051                 |
| Financial investments                                     | 16           | 539,620                  | 505,219                 |
| Deferred tax assets                                       |              | 20,341                   | 29,127                  |
| Advances given and other non-current assets               | 18           | 354,056                  | 150,123                 |
| <b>Total non-current assets</b>                           |              | <b>42,257,038</b>        | <b>41,780,732</b>       |
| <b>Current assets</b>                                     |              |                          |                         |
| Inventories   |              | 1,141,788                | 858,074                 |
| Income tax prepayments                                    |              | 375,526                  | 233,636                 |
| Trade and other receivables                               | 17           | 5,753,033                | 7,190,078               |
| Advances given and other current assets                   | 18           | 583,348                  | 949,887                 |
| Cash and cash equivalents                                 | 19           | 186,901                  | 151,123                 |
| <b>Total current assets</b>                               |              | <b>8,040,596</b>         | <b>9,382,798</b>        |
| <b>Total assets</b>                                       |              | <b>50,297,634</b>        | <b>51,163,530</b>       |
| <b>EQUITY AND LIABILITIES</b>                             |              |                          |                         |
| <b>Equity</b>   |              |                          |                         |
| Share capital   | 20           | 9,578,592                | 9,578,592               |
| Reserve related to business combination                   | 20           | 10,457,284               | 10,457,284              |
| Other reserves  |              | (198,954)                | (45,186)                |
| Accumulated deficit                                       |              | (277,253)                | (645,455)               |
| <b>Total equity attributable to owners of the Company</b> |              | <b>19,559,669</b>        | <b>19,345,235</b>       |
| Non-controlling interest                                  |              | 241                      | 253                     |
| <b>Total equity</b>                                       |              | <b>19,559,910</b>        | <b>19,345,488</b>       |
| <b>Non-current liabilities</b>                            |              |                          |                         |
| Loans and borrowings                                      | 22           | 13,709,607               | 8,517,335               |
| Trade and other payables                                  | 23           | 276,926                  | 246,687                 |
| Advances from customers                                   | 24           | 2,241,848                | 894,930                 |
| Employee benefit liabilities                              |              | 1,890,127                | 1,912,467               |
| Deferred tax liabilities                                  |              | 1,092,923                | 949,701                 |
| <b>Total non-current liabilities</b>                      |              | <b>19,211,431</b>        | <b>12,521,120</b>       |
| <b>Current liabilities</b>                                |              |                          |                         |
| Loans and borrowings                                      | 22           | 2,515,249                | 7,026,929               |
| Trade and other payables                                  | 23           | 5,993,863                | 7,766,251               |
| Advances from customers                                   | 24           | 2,324,780                | 3,805,283               |
| Provisions  |              | 691,903                  | 698,268                 |
| Current income tax liabilities                            |              | 498                      | 191                     |
| <b>Total current liabilities</b>                          |              | <b>11,526,293</b>        | <b>19,296,922</b>       |
| <b>Total liabilities</b>                                  |              | <b>30,737,724</b>        | <b>31,818,042</b>       |
| <b>Total equity and liabilities</b>                       |              | <b>50,297,634</b>        | <b>51,163,530</b>       |

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

**PJSC IDGC of North-West**

*Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2019 (unaudited)*  
*(in thousand of Russian rubles, unless otherwise stated)*

|  | Notes | Nine months ended<br>30 September 2019 | Nine months ended<br>30 September 2018 |
|--|-------|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |       |  |  |
| Profit for the period  |       | <b>749,897</b>                         | <b>743,965</b>                         |
| <i>Adjustments for:</i>  |       |  |  |
| Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets | 10    | 3,434,211                              | 3,220,084                              |
| Finance costs  | 11    | 1,019,126                              | 959,686                                |
| Finance income   | 11    | (90,366)                               | (64,074)                               |
| (Gain)/loss on disposal of property, plant and equipment   |       | (17,900)                               | 6,391                                  |
| Expected credit loss   |       | 451,415                                | 479,881                                |
| Accounts receivable write-off  |       | 21,316                                 | 6,589                                  |
| Gain from property, plant and equipment received free of charge  |       | (4,485)                                | (3,650)                                |
| Accounts payable write-off   |       | (846)                                  | (5,350)                                |
| Change in provisions   |       | 161,568                                | 57,473                                 |
| Income tax expense   | 12    | 232,641                                | 304,950                                |
| <b>Total effect of adjustments</b>   |       | <b>5,956,577</b>                       | <b>5,705,945</b>                       |
| Change in financial assets related to employee benefits plans  |       | (62,667)                               | 34,269                                 |
| Change in employee benefit liabilities   |       | (338,175)                              | (125,854)                              |
| <b>Cash flows from operating activities before changes in working capital and provisions</b>             |       | <b>5,555,735</b>                       | <b>5,614,360</b>                       |
| <i>Changes in working capital</i>  |       |  |  |
| Change in trade and other receivables  |       | 802,856                                | 181,981                                |
| Change in advances given and other assets  |       | 162,606                                | (919,060)                              |
| Change in inventories  |       | (286,921)                              | (333,367)                              |
| Change in trade and other payables   |       | (1,356,809)                            | (271,032)                              |
| Change in advances from customers  |       | (133,585)                              | 1,631,585                              |
| Other  |       | 1,845                                  | 2,030                                  |
| <b>Cash flows from operating activities before income tax and interest paid</b>                          |       | <b>4,745,727</b>                       | <b>5,906,497</b>                       |
| Income tax paid  |       | (183,678)                              | (718,975)                              |
| Interest paid under lease agreements   |       | (112,595)                              | –                                      |
| Interest paid  |       | (891,768)                              | (931,213)                              |
| <b>Net cash from operating activities</b>  |       | <b>3,557,686</b>                       | <b>4,256,309</b>                       |

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

**PJSC IDGC of North-West**

*Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2019 (unaudited)*  
*(in thousand of Russian rubles, unless otherwise stated)*

|   | Notes | Nine months ended<br>30 September 2019 | Nine months ended<br>30 September 2018 |
|---|-------|--|--|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |       |  |  |
| Acquisition of property, plant and equipment and intangible assets            |       | (3,242,632)                            | (5,530,826)                            |
| Proceeds from the sale of property, plant and equipment and intangible assets |       | 22,054                                 | 269                                    |
| Interest received   |       | 32,054                                 | 34,644                                 |
| Dividends received  |       | 750                                    | 574                                    |
| <b>Net cash used in investing activities</b>                                  |       | <b>(3,187,774)</b>                     | <b>(5,495,339)</b>                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |       |  |  |
| Proceeds from loans and borrowings  | 22    | 16,553,183                             | 35,729,432                             |
| Repayment of loans and borrowings   | 22    | (16,506,294)                           | (34,467,433)                           |
| Dividends paid  |       | (379,528)                              | –                                      |
| Repayment of lease liabilities  |       | (1,495)                                | (3,684)                                |
| <b>Net cash used in financing activities</b>                                  |       | <b>(334,134)</b>                       | <b>1,258,315</b>                       |
| <b>Net increase in cash and cash equivalents</b>                              |       | <b>35,778</b>                          | <b>19,285</b>                          |
| <b>Cash and cash equivalents at the year beginning</b>                        |       | <b>151,123</b>                         | <b>84,471</b>                          |
| <b>Cash and cash equivalents at the year end</b>                              | 19    | <b>186,901</b>                         | <b>103,756</b>                         |

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

**PJSC IDGC of North-West**  
*Consolidated Interim Condensed Statement of Changes in Equity for the nine months ended 30 September 2019 (unaudited)*  
*(in thousand of Russian rubles, unless otherwise stated)*

**Equity attributable to owners of the Company**

|   | Share capital    | Reserve related to<br>business<br>combination | Other reserves   | Retained earnings  | Total             | Non-controlling<br>interest | Total equity      |
|---|------------------|---|------------------|--------------------|-------------------|-----------------------------|-------------------|
| <b>Balance at 1 January 2018</b>                        | <b>9,578,592</b> | <b>10,457,284</b>                             | <b>(6,239)</b>   | <b>(1,792,510)</b> | <b>18,237,127</b> | <b>322</b>                  | <b>18,237,449</b> |
| Profit/(loss) for the period                            | –                | –   | –                | 743,984            | <b>743,984</b>    | (19)                        | <b>743,965</b>    |
| Other comprehensive loss                                | –                | –   | 142,301          | –                  | <b>142,301</b>    | –                           | <b>142,301</b>    |
| Income tax related to other comprehensive loss          | –                | –   | (28,461)         | –                  | <b>(28,461)</b>   | –                           | <b>(28,461)</b>   |
| <b>Total comprehensive income/(loss) for the period</b> | –                | –   | <b>113,840</b>   | <b>743,984</b>     | <b>857,824</b>    | <b>(19)</b>                 | <b>857,805</b>    |
| <b>Dividends to shareholders (Note 20)</b>              | –                | –   | –                | <b>1,083</b>       | <b>1,083</b>      | –                           | <b>1,083</b>      |
| <b>Balance at 30 September 2018</b>                     | <b>9,578,592</b> | <b>10,457,284</b>                             | <b>107,601</b>   | <b>(1,047,443)</b> | <b>19,096,034</b> | <b>303</b>                  | <b>19,096,337</b> |
| <br>  |                  |   |                  |                    |                   |                             |                   |
| <b>Balance at 1 January 2019</b>                        | <b>9,578,592</b> | <b>10,457,284</b>                             | <b>(45,186)</b>  | <b>(645,455)</b>   | <b>19,345,235</b> | <b>253</b>                  | <b>19,345,488</b> |
| Profit/(loss) for the period                            | –                | –   | –                | 749,909            | <b>749,909</b>    | (12)                        | <b>749,897</b>    |
| Other comprehensive loss                                | –                | –   | (192,210)        | –                  | <b>(192,210)</b>  | –                           | <b>(192,210)</b>  |
| Income tax related to other comprehensive loss          | –                | –   | 38,442           | –                  | <b>38,442</b>     | –                           | <b>38,442</b>     |
| <b>Total comprehensive income/(loss) for the period</b> | –                | –   | <b>(153,768)</b> | <b>749,909</b>     | <b>596,141</b>    | <b>(12)</b>                 | <b>596,129</b>    |
| <b>Dividends to shareholders (Note 20)</b>              | –                | –   | –                | (381,707)          | <b>(381,707)</b>  | –                           | <b>(381,707)</b>  |
| <b>Balance at 30 September 2019</b>                     | <b>9 578 592</b> | <b>10 457 284</b>                             | <b>(198,954)</b> | <b>(277,253)</b>   | <b>19,559,669</b> | <b>241</b>                  | <b>19,559,910</b> |

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

## **1 Background**

### **(a) The Group and its operations**

The primary activities of PJSC IDGC of North-West and its subsidiaries (hereinafter jointly referred to as the "Group") are provision of services for transmission and distribution of electricity for power grids, as well as provision of services for technological connection of consumers to the network and sale of electricity to end customers in the territory of North-West Region of Russia. The main subsidiaries are listed in Note 5.

The parent company is PJSC "ROSSETI".

The registered office (location) of the Company is Constitution Square 3, lit. "A", room 16N, Saint Petersburg, 196247.

### **(b) Russian business environment**

The Group's operations are located in the Russian Federation.

In Russia, economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy are continuing. The stability of the Russian economy in the future will largely depend on the progress of these reforms, as well as on the effectiveness of the measures taken by the government in the field of economy, financial and monetary policy. The future economic development of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Sanctions imposed on Russia by some countries have a negative impact on the Russian economy, which has led to a decrease in the availability of capital and an increase in its cost, as well as to increased uncertainty about further economic growth, which may adversely affect the financial position, results of operations and economic prospects of the Group. The management of the Group believes that it is taking appropriate measures to maintain the economic sustainability of the Group in the current environment.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

### **(c) Relations with state**

The Russian Government, through the Federal Agency for the Management of State Property, is the ultimate controlling party of the Group.

As at 30 September 2019, the Russian Government owned 88.04% in the share capital of the parent company PJSC "ROSSETI" including 88.89% of the voting ordinary shares and 7.01% of the preference shares (as at 31 December 2018: 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares).

The Russian Government directly affects the Group's operations through tariffs regulations. Under Russian law, the Group's tariffs are regulated by the executive authority responsible for tariff regulation in the relevant federal region of Russia. The consumers of the Group's services include large number of enterprises under state control.

On 22 December 2017, the Ministry of Energy of the Russian Federation granted the Company with the status of guaranteeing electric power supplier function in Arkhangelsk region of the service area of PJSC "Arkhangelsk Energy Retail Company" effective from 1 January 2018. The status of guaranteeing electric power supplier was granted until announcing the winner of the tender in respect of specified service areas, but not more than for the period of 12 months.



## **1 Background (continued)**

### **(c) Relations with state (continued)**

In accordance with the Order of the Ministry of Energy of 14 September 2018, №763 the status of guaranteeing electric power supplier regarding the area of activity of PJSC "IDGC of the North-West" (Arkhenergo segment) was granted to LLC "TGC-2 Energy" from 01 October 2018.

On 23 March 2018, the Ministry of Energy of the Russian Federation granted the Company with the status of guaranteeing electric power supplier function in Vologda region of the service area of PJSC "Vologda Energy Retail Company" effective from 1 April 2018. The status of guaranteeing electric power supplier was granted until announcing the winner of the tender in respect of specified service areas, but not more than for the period of 12 months.

In accordance with the Order of the Ministry of Energy of 29 November 2018, №1110 the status of guaranteeing electric power supplier regarding the area of activity of PJSC "IDGC of the North-West" (Vologdaenergo segment) was granted LLC "North sales company" from 01 January 2019.

## **2 Basis of preparation of consolidated financial statements**

### **(a) Statement of compliance**

These Consolidated Interim Condensed Financial Statements for the three and nine months ended 30 September 2019 have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards (IFRS).

### **(b) Going Concern**

These consolidated interim condensed financial statements have been prepared on the assumption that the Group will continue to operate for the foreseeable future. Despite the working capital deficit, which as at 30 September 2019 amounted to RUB 3,485,697 thousand (as at 31 December 2018: RUB 9,914,124 thousand), the Group has positive cash flow from operating activities, which amounted to RUB 3,557,686 thousand for nine months ended 30 September 2019 (for nine months ended 30 September 2018: RUB 4,256,309 thousand), and unused credit lines, of which as at 30 September 2019 amounted to RUB 19,463,440 thousand (31 December 2018: RUB 18,680,086 thousand), which confirms the validity of the going concern assumption.

### **(c) Use of professional judgments and estimates**

The preparation of consolidated financial statements in conformity with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated interim condensed financial statements significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as of and for the year ended 31 December 2018 except for estimates and assumptions used in connection with the adoption of IFRS 16 "Leases" (Note 3 (a)).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## **2 Basis of preparation of consolidated financial statements (continued)**

### **(d) Change in presentation**

#### *Reclassification of comparatives*

The Group changed presentation of certain items in the comparative financial statements to comply with the current period presentation. The format of reporting was changed for the purpose of better transparency and information comparability:

- Non-current and current advances to customers (contract liabilities) previously disclosed in the note "Trade and other payables" are shown separately in the consolidated interim condensed statement of financial position;
- Non-current and current advances given and other non-financial assets previously disclosed in the note "Trade and other receivables" are shown separately as "Advances given and other non-current assets", "Advances given and other current assets" in the consolidated interim condensed statement of financial position;
- Rental income previously disclosed as part of other revenue in the note "Revenue" is allocated to a separate line;
- Expected credit losses previously disclosed within "Operating expenses" is set out as a separate item in the consolidated interim condensed statement of profit or loss and other comprehensive income;
- Other income and other expenses previously disclosed within "Other income, net" are allocated to separate items in the consolidated interim condensed statement of profit or loss and other comprehensive income.

## **3 Significant accounting policies**

The principal accounting policies and methods of computation followed by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2018, except for the adoption of IFRS 16 "Leases" as of 1 January 2019 as described below.

### **(a) IFRS 16 "Leases"**

The new IFRS 16 "Leases", issued in 2016, replaces IAS 17 "Leases", as well as the corresponding interpretations of the provisions of IFRS concerning leases; abolishing the classification of leases into operating and financial, the standard is a single guide to lessee accounting.

A contract, or part of a contract is a lease if the contract conveys the right to use of the identified asset for a certain period in exchange for consideration.

The right-of-use assets are initially measured at cost and depreciated to the earlier of the useful lives of the right-of-use assets or the end of the lease term. The initial cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, lease payments made before or at the commencement of the lease, and initial direct costs. After recognition, the right-to-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. The right-to-use assets are presented in the statement of financial position as a separate item.

Obligation under the lease shall be measured initially at the present value of the lease payments that have not yet been paid on inception of the lease and subsequently measured at amortized cost with interest on the lease liability being recognized in the Finance costs in the consolidated statement of profit and loss. Lease liabilities are presented in the Statement of financial position under Loans and borrowings (long-term and short-term). The election for leases for which the underlying asset is of low-value can be made on a lease-by-lease basis. Lease payments under such contract will be recognized as an expense on a straight-line basis over the lease term.

### 3 Significant accounting policies (continued)

The Group defines lease term as a non - cancellable period during which the Group is entitled to use the underlying assets, together with the:

- periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term, the Group considers the following factors:

- whether the underlying asset is a specialized;
- location of the asset;
- the presence of the Group and the lessor's practical ability to select an alternative contractor (for the selection of alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- the presence of significant improvements to the leased facilities.

The main objects of the Group's leases are power grid facilities (power transmission networks, power transmission equipment, etc.) and land plots. The Group also leases non-residential real estate and vehicles.

For lease agreements of land plots under power grid facilities with an indefinite term, or with a term under the contract not exceeding 1 year with the possibility of annual prolongation, the Group determines the term of the contract, using as a basic criterion the useful life of fixed assets located on leased land plots.

For lease contracts of power grid facilities with an indefinite term or with a term under the contract of not more than 1 year with the possibility of annual prolongation, the Group determines the term of the contract, using as a basic criterion the useful life of its own fixed assets with similar technical characteristics.

The Group adopted a modified retrospective approach whereby the cumulative effect of the initial application of the standard is recognized as at the date of initial application, 1 January 2019. The weighted average incremental borrowings rate applied to lease liabilities recognized in the statement of financial position at the date of initial application was 8.55%.

The Group has also used permitted practical expedient and has not applied the new standard to leases that expire within twelve months of the date of transition.

The effect of the initial application of IFRS 16 leases had the following impact on the Group's assets and liabilities:

|                              | <b>1 January 2019</b> |
|------------------------------|-----------------------|
| <b>Assets</b>                |                       |
| Right-of-use assets          | 702,738               |
| Trade and other receivables  | (7,911)               |
| <b>Liabilities</b>           |                       |
| Long-term lease liabilities  | 572,404               |
| Short-term lease liabilities | 142,239               |
| Trade and other payables     | (19,816)              |

Reconciliation between the contractual obligations under operating leases, disclosed in accordance with IAS 17 on 31 December 2018 and the lease liabilities recognized in the statement of financial position on 1 January 2019 in accordance with IFRS 16 "Leases":

|  | <b>1 January 2019</b> |
|--|-----------------------|
| Operating lease liabilities as at 31 December 2018, disclosed in consolidated financial statements | 1,546,423             |
| Options for renewal /termination of leases for which there is sufficient confidence                | 152,390               |
| Exemption for the recognition of short-term leases   | (6,116)               |
| Discounting effect   | (978,054)             |
| Finance lease liabilities recognized as at 31 December 2018  | 22,335                |
| <b>Lease liabilities recognized as at 1 January 2019</b>   | <b>736,978</b>        |

### **3 Significant accounting policies (continued)**

#### **(b) Other standards and interpretations**

Except for the changes in accounting policies described in section 3 (a), the following amendments and clarifications, effective 1 January 2019, have no effect on these consolidated interim condensed financial statements:

- Clarification of the IFRIC 23 "Uncertainty concerning the rules of calculating tax on the profit";
- Amendments to IFRS 9, "Conditions on early repayment with potential negative reimbursement";
- Amendments to IFRS 3 "Business Enterprises";
- Amendments to IFRS 11 "Joint enterprise";
- Amendments to IAS 12 "Income Taxes" - Tax consequences of payments on financial instruments classified as equity;
- Amendments to IAS 23 "Expenses on borrowing";
- Amendments to IAS 28 "Long-term investments in associates and joint ventures";
- Amendments to IAS 19 "Changes in the program, reducing the program or repayment program".

The following new standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2020 and have not been early adopted by the Group:

- IFRS 17 "Insurance Contracts";
- Amendments to IFRS 3 "Business Enterprises" – "Definition of a business";
- Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors".

In March 2018, the IASB issued a new version of the Conceptual framework for financial reporting. The new version shall enter into force for mandatory application starting from the annual periods after 1 January 2020.

The Group is currently analyzing the impact of the revised Conceptual framework and new standards and interpretations on the consolidated financial statements.

### **4 Measurement of fair values**

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

Fair value is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that a transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The Group must have access to the principal or most advantageous market.

The fair value of an asset or liability is measured using assumptions that would be used by market participants to determine the price of the asset or liability, if market participants are acting in their best economic interests.

The fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

#### **4 Measurement of fair values (continued)**

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

For the purposes of fair value disclosure, the Group classified assets and liabilities based on their nature, characteristics and risks, and the applicable level in the fair value hierarchy, as set out above.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair value of financial instruments that are measured at fair value or the fair value of which is to be disclosed in the financial statements is disclosed in the Note 25.

#### **5 Significant subsidiaries**

|                              | <b>Country of<br/>incorporation</b> | <b>30 September 2019<br/>Ownership/voting<br/>shares, %</b> | <b>31 December 2018<br/>Ownership/voting<br/>shares, %</b> |
|------------------------------|-------------------------------------|---|--|
| JSC Pskovenergosbyt          | Russian Federation                  | 100   | 100  |
| JSC Pskovenergoagent         | Russian Federation                  | 100   | 100  |
| JSC Energoservice North-West | Russian Federation                  | 100   | 100  |
| OJSC Lesnaya Skazka          | Russian Federation                  | 98*   | 98*  |

\* Non-controlling interest of subsidiary OJSC Lesnaya skazka is not significant (2%) that is why it is not disclosed in these consolidated financial statements.

During the extraordinary General meeting of shareholders of OJSC Lesnaya Skazka from 22 of May 2019, it was decided to liquidate OJSC "Lesnaya skazka". The liquidation process is expected to be completed no more than 12 months after the decision. Management believes that this event does not have a material impact on these consolidated financial statements.

#### **6 Information about segments**

The Management Board of PJSC IDGC of North-West has been determined as the chief operating decision maker.

The Group's primary activity is the provision of services for electricity transmission and distribution, technological connection to electricity grids and sale of electricity to end customers in the territory of North-West Region of the Russian Federation.

The internal management reporting system is based on segments (branches formed on a territorial basis) related to transmission and distribution of electricity, technological connection to electricity grids and sale of electricity to end customers in the territory of North-West Region of the Russian Federation.

## **6 Information about segments (continued)**

Revenue indicators, EBITDA are used to reflect the performance of each reportable segment, since they are included in internal management reporting prepared on the basis of RAS reporting data and are regularly analyzed and evaluated by the Management Board. EBITDA is calculated as profit or loss before interest expenses, taxation and depreciation and amortization. The Management Board believes that these indicators are most relevant when assessing the performance of certain segments in relation to other segments and other companies that operate in these industries. In accordance with the requirements of IFRS 8 the following reportable segments were identified based on segment revenue, EBITDA and the total assets reported to the Management Board:

- Electricity Transmission Segments – Arkhenergo, Vologdaenergo, Karelenegero, Kolenergo, Komienergo, Novgorodenergo and Pskovenergo;
- Energy Retail Segment – Pskovenergosbyt, (for the three and nine months ended 30 September 2018: Pskovenergosbyt, Arkhenergo, Vologdaenergo);
- Other Segments – other Group companies.

Unallocated items comprise corporate balances of the Company's headquarters, which do not constitute an operating segment under IFRS 8 requirements.

Segment items are based on financial information reported in statutory accounts and can differ significantly from those used in the consolidated financial statements prepared under IFRSs. The reconciliation of reportable segment measurements reported to the Management Board with the similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

**(i) Information about reportable segments**

For the three months ended 30 September 2019:

|                                 | Electricity Transmission |                  |                  |                  |                  |                  | Energy Retail    |             |                |                  |                | Unallocated items | Total             |
|---------------------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------|----------------|------------------|----------------|-------------------|-------------------|
|                                 | Arkhenegero              | Vologda-energo   | Karel-energo     | Kol-energo       | Komi-energo      | Novgorod-energo  | Pskov-energo     | Arkhenegero | Vologda-energo | Pskov-energosbyt | Other          |                   |                   |
| Revenue from external customers | 1,340,649                | 1,558,692        | 1,602,981        | 1,588,256        | 1,579,161        | 1,137,790        | 199,153          | –           | –              | 1,743,504        | 6,507          | –                 | 10,756,693        |
| Inter-segment revenue           | –                        | –                | 4                | –                | –                | –                | 815,717          | –           | –              | 153,713          | 94,021         | –                 | 1,063,455         |
| <b>Segment revenue</b>          | <b>1,340,649</b>         | <b>1,558,692</b> | <b>1,602,985</b> | <b>1,588,256</b> | <b>1,579,161</b> | <b>1,137,790</b> | <b>1,014,870</b> | <b>–</b>    | <b>–</b>       | <b>1,897,217</b> | <b>100,528</b> | <b>–</b>          | <b>11,820,148</b> |
| Including                       |                          |                  |                  |                  |                  |                  |                  |             |                |                  |                |                   |                   |
| <i>Electricity transmission</i> | 1,138,286                | 1,535,599        | 1,554,253        | 1,582,579        | 1,557,167        | 1,119,183        | 997,718          | –           | –              | –                | –              | –                 | 9,484,785         |
| <i>Connection services</i>      | 125,809                  | 6,468            | 6,574            | 518              | 9,784            | 10,483           | 7,631            | –           | –              | –                | –              | –                 | 167,267           |
| <i>Resale of electricity</i>    | –                        | –                | –                | –                | –                | –                | –                | –           | –              | 1,896,908        | –              | –                 | 1,896,908         |
| <i>Other revenue</i>            | 73,012                   | 13,451           | 4,331            | 3,624            | 7,456            | 6,361            | 3,878            | –           | –              | 309              | 100,408        | –                 | 212,830           |
| <i>Rental income</i>            | 3,542                    | 3,174            | 37,827           | 1,535            | 4,754            | 1,763            | 5,643            | –           | –              | –                | 120            | –                 | 58,358            |
| <b>EBITDA</b>                   | <b>(182,343)</b>         | <b>122,777</b>   | <b>105,653</b>   | <b>(70,477)</b>  | <b>63,004</b>    | <b>(2,136)</b>   | <b>53,820</b>    | <b>–</b>    | <b>–</b>       | <b>44,318</b>    | <b>(564)</b>   | <b>2,523</b>      | <b>136,575</b>    |

For the three months ended 30 September 2018:

|                                 | Electricity Transmission |                  |                  |                  |                  |                  | Energy Retail  |                  |                  |                  |                | Unallocated items | Total             |
|---------------------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|-------------------|-------------------|
|                                 | Arkhenegero              | Vologda-energo   | Karel-energo     | Kol-energo       | Komi-energo      | Novgorod-energo  | Pskov-energo   | Arkhenegero      | Vologda-energo   | Pskov-energosbyt | Other          |                   |                   |
| Revenue from external customers | 808,275                  | 1,336,415        | 1,568,841        | 1,488,600        | 1,523,627        | 1,071,398        | 240,004        | 2,304,543        | 2,721,978        | 1,558,671        | 7,729          | –                 | 14,630,081        |
| Inter-segment revenue           | –                        | –                | 13               | –                | –                | 2                | 746,816        | –                | –                | 129,325          | 77,166         | –                 | 953,322           |
| <b>Segment revenue</b>          | <b>808,275</b>           | <b>1,336,415</b> | <b>1,568,854</b> | <b>1,488,600</b> | <b>1,523,627</b> | <b>1,071,400</b> | <b>986,820</b> | <b>2,304,543</b> | <b>2,721,978</b> | <b>1,687,996</b> | <b>84,895</b>  | <b>–</b>          | <b>15,583,403</b> |
| Including                       |                          |                  |                  |                  |                  |                  |                |                  |                  |                  |                |                   |                   |
| <i>Electricity transmission</i> | 775,556                  | 1,238,146        | 1,503,623        | 1,481,271        | 1,498,892        | 1,020,371        | 956,008        | –                | –                | –                | –              | –                 | 8,473,867         |
| <i>Connection services</i>      | 16,343                   | 5,787            | 23,115           | 1,918            | 11,052           | 41,639           | 21,145         | –                | –                | –                | –              | –                 | 120,999           |
| <i>Resale of electricity</i>    | –                        | –                | –                | –                | –                | –                | –              | 2,304,543        | 2,721,978        | 1,687,731        | –              | –                 | 6,714,252         |
| <i>Other revenue</i>            | 11,648                   | 89,447           | 4,298            | 4,120            | 8,464            | 7,653            | 3,930          | –                | –                | 265              | 84,621         | –                 | 214,446           |
| <i>Rental income</i>            | 4,728                    | 3,035            | 37,818           | 1,291            | 5,219            | 1,737            | 5,737          | –                | –                | –                | 274            | –                 | 59,839            |
| <b>EBITDA</b>                   | <b>(446,007)</b>         | <b>139,421</b>   | <b>241,696</b>   | <b>(65,921)</b>  | <b>127,666</b>   | <b>328,278</b>   | <b>46,663</b>  | <b>252,035</b>   | <b>143,449</b>   | <b>16,864</b>    | <b>(1,508)</b> | <b>3,477</b>      | <b>786,113</b>    |

**PJSC IDGC of North-West**  
*Notes to the Consolidated Interim Condensed Financial Statements  
for the three and nine months ended 30 September 2019 (unaudited)  
(in thousand of Russian rubles, unless otherwise stated)*

For the nine months ended 30 September 2019:

|                                 | Electricity Transmission |                    |                  |                  |                  |                     | Energy Retail    |                   |                    |                      |                | Unallocated items | Total             |
|---------------------------------|--------------------------|--------------------|------------------|------------------|------------------|---------------------|------------------|-------------------|--------------------|----------------------|----------------|-------------------|-------------------|
|                                 | Arkhen-<br>energo        | Vologda-<br>energo | Karel-<br>energo | Kol-<br>energo   | Komi-<br>energo  | Novgorod-<br>energo | Pskov-<br>energo | Arkhen-<br>energo | Vologda-<br>energo | Pskov-<br>energosbyt | Other          |                   |                   |
| Revenue from external customers | 4,250,495                | 5,258,683          | 5,292,163        | 5,666,952        | 5,146,355        | 3,479,805           | 664,219          | –                 | –                  | 5,672,647            | 11,833         | –                 | 35,443,152        |
| Inter-segment revenue           | –                        | –                  | 30               | –                | –                | 3                   | 2,669,034        | –                 | –                  | 495,689              | 266,397        | –                 | 3,431,153         |
| <b>Segment revenue</b>          | <b>4,250,495</b>         | <b>5,258,683</b>   | <b>5,292,193</b> | <b>5,666,952</b> | <b>5,146,355</b> | <b>3,479,808</b>    | <b>3,333,253</b> | –                 | –                  | <b>6,168,336</b>     | <b>278,230</b> | –                 | <b>38,874,305</b> |
| Including                       |                          |                    |                  |                  |                  |                     |                  |                   |                    |                      |                |                   |                   |
| <i>Electricity transmission</i> | 3,856,034                | 5,161,996          | 5,143,426        | 5,485,814        | 5,076,810        | 3,432,585           | 3,233,097        | –                 | –                  | –                    | –              | –                 | 31,389,762        |
| <i>Connection services</i>      | 145,505                  | 15,622             | 25,926           | 163,641          | 31,414           | 14,685              | 22,693           | –                 | –                  | –                    | –              | –                 | 419,486           |
| <i>Resale of electricity</i>    | –                        | –                  | –                | –                | –                | –                   | –                | –                 | –                  | 6,167,496            | –              | –                 | 6,167,496         |
| <i>Other revenue</i>            | 238,081                  | 48,900             | 9,354            | 13,023           | 23,380           | 27,232              | 60,530           | –                 | –                  | 840                  | 277,842        | –                 | 699,182           |
| <i>Rental income</i>            | 10,875                   | 32,165             | 113,487          | 4,474            | 14,751           | 5,306               | 16,933           | –                 | –                  | –                    | 388            | –                 | 198,379           |
| <b>EBITDA</b>                   | <b>408,777</b>           | <b>1,215,918</b>   | <b>923,513</b>   | <b>517,171</b>   | <b>772,665</b>   | <b>406,345</b>      | <b>434,052</b>   | –                 | –                  | <b>115,410</b>       | <b>793</b>     | <b>7,809</b>      | <b>4,802,453</b>  |

For the nine months ended 30 September 2018:

|                                 | Electricity Transmission |                    |                  |                  |                  |                     | Energy Retail    |                   |                    |                      |                | Unallocated items | Total             |
|---------------------------------|--------------------------|--------------------|------------------|------------------|------------------|---------------------|------------------|-------------------|--------------------|----------------------|----------------|-------------------|-------------------|
|                                 | Arkhen-<br>energo        | Vologda-<br>energo | Karel-<br>energo | Kol-<br>energo   | Komi-<br>energo  | Novgorod-<br>energo | Pskov-<br>energo | Arkhen-<br>energo | Vologda-<br>energo | Pskov-<br>energosbyt | Other          |                   |                   |
| Revenue from external customers | 2,837,500                | 4,560,357          | 5,210,874        | 5,451,190        | 5,391,978        | 3,460,216           | 710,312          | 8,521,439         | 5,571,117          | 5,186,577            | 11,952         | –                 | 46,913,512        |
| Inter-segment revenue           | –                        | –                  | 39               | –                | –                | 5                   | 2,520,317        | –                 | –                  | 431,340              | 244,581        | –                 | 3,196,282         |
| <b>Segment revenue</b>          | <b>2,837,500</b>         | <b>4,560,357</b>   | <b>5,210,913</b> | <b>5,451,190</b> | <b>5,391,978</b> | <b>3,460,221</b>    | <b>3,230,629</b> | <b>8,521,439</b>  | <b>5,571,117</b>   | <b>5,617,917</b>     | <b>256,533</b> | –                 | <b>50,109,794</b> |
| Including                       |                          |                    |                  |                  |                  |                     |                  |                   |                    |                      |                |                   |                   |
| <i>Electricity transmission</i> | 2,734,372                | 4,412,587          | 5,055,462        | 5,426,165        | 5,262,792        | 3,329,288           | 3,172,461        | –                 | –                  | –                    | –              | –                 | 29,393,127        |
| <i>Connection services</i>      | 56,293                   | 21,804             | 29,446           | 8,722            | 89,906           | 49,555              | 30,717           | –                 | –                  | –                    | –              | –                 | 286,443           |
| <i>Resale of electricity</i>    | –                        | –                  | –                | –                | –                | –                   | –                | 8,521,439         | 5,571,117          | 5,616,810            | –              | –                 | 19,709,366        |
| <i>Other revenue</i>            | 34,524                   | 116,791            | 12,647           | 12,521           | 23,898           | 76,262              | 10,323           | –                 | –                  | 1,107                | 256,259        | –                 | 544,331           |
| <i>Rental income</i>            | 12,311                   | 9,175              | 113,358          | 3,782            | 15,382           | 5,116               | 17,128           | –                 | –                  | –                    | 274            | –                 | 176,526           |
| <b>EBITDA</b>                   | <b>560,330</b>           | <b>848,437</b>     | <b>618,230</b>   | <b>534,305</b>   | <b>897,117</b>   | <b>794,489</b>      | <b>404,238</b>   | <b>224,714</b>    | <b>143,449</b>     | <b>44,124</b>        | <b>1,185</b>   | <b>7,301</b>      | <b>5,077,919</b>  |



As at 30 September 2019:

|   | Electricity Transmission |                   |                  |                  |                   |                  | Energy Retail    |               |                |                  |               | Unallocated items | Total             |
|---|--------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|---------------|----------------|------------------|---------------|-------------------|-------------------|
|   | Arkh-energo              | Vologda-energo    | Karel-energo     | Kol-energo       | Komi-energo       | Novgorod-energo  | Pskov-energo     | Arkh-energo   | Vologda-energo | Pskov-energosbyt | Other         |                   |                   |
| <b>Segment assets</b>   | <b>5,818,966</b>         | <b>10,010,229</b> | <b>4,640,935</b> | <b>5,557,309</b> | <b>13,563,870</b> | <b>7,223,107</b> | <b>5,152,065</b> | <b>81,917</b> | <b>119,699</b> | <b>982,372</b>   | <b>93,113</b> | <b>2,473,402</b>  | <b>55,716,984</b> |
| <i>Including property, plant and equipment and construction in progress</i> | 4,362,306                | 8,624,190         | 3,630,372        | 4,461,817        | 12,244,103        | 6,273,740        | 4,559,914        | –             | –              | 1,336            | 16,822        | 27,404            | 44,202,004        |

As at 31 December 2018:

|   | Electricity Transmission |                   |                  |                  |                   |                  | Energy Retail    |                |                |                  |               | Unallocated items | Total             |
|---|--------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|----------------|----------------|------------------|---------------|-------------------|-------------------|
|   | Arkh-energo              | Vologda-energo    | Karel-energo     | Kol-energo       | Komi-energo       | Novgorod-energo  | Pskov-energo     | Arkh-energo    | Vologda-energo | Pskov-energosbyt | Other         |                   |                   |
| <b>Segment assets</b>   | <b>5,811,562</b>         | <b>10,605,344</b> | <b>4,658,672</b> | <b>5,477,091</b> | <b>13,798,251</b> | <b>7,347,539</b> | <b>5,161,504</b> | <b>355,067</b> | <b>966,394</b> | <b>999,692</b>   | <b>67,769</b> | <b>2,236,076</b>  | <b>57,484,961</b> |
| <i>Including property, plant and equipment and construction in progress</i> | 4,374,908                | 9,031,519         | 3,710,568        | 4,312,094        | 12,545,450        | 6,408,287        | 4,598,487        | –              | –              | 45               | 16,240        | 38,739            | 45,036,337        |

## 6 Information about segments (continued)

### (ii) Reconciliation of reportable segment EBITDA

Reconciliation of reportable segment EBITDA is presented below:

|  | Three months ended<br>30 September |                  | Nine months ended<br>30 September |                  |
|--|------------------------------------|------------------|-----------------------------------|------------------|
|  | 2019                               | 2018             | 2019                              | 2018             |
| <b>EBITDA of reportable segments</b>   | <b>136,575</b>                     | <b>786,113</b>   | <b>4,802,453</b>                  | <b>5,077,919</b> |
| Discounting of receivables   | 26,491                             | 124              | (3,391)                           | 560              |
| Adjustment for expected credit loss  | 272,745                            | 1,366            | 65,800                            | 4,052            |
| Adjustment for lease   | 36,187                             | 919              | 109,355                           | 2,756            |
| Recognition of pension and other long-term employee benefit obligation   | 281,141                            | (21,052)         | 218,633                           | 15,361           |
| Adjustment for assets related to employee benefits   | 91,782                             | 1,750            | 62,667                            | (34,269)         |
| Adjustment for available-for-sale financial assets   | (1,172)                            | (690)            | (4,083)                           | 2,140            |
| Adjustment for value of property, plant and equipment  | 5,636                              | (1,082)          | 13,450                            | (3,138)          |
| Other adjustments  | (82,080)                           | 14,488           | 20 814                            | 51,924           |
| <b>EBITDA</b>  | <b>767,305</b>                     | <b>781,936</b>   | <b>5,285,698</b>                  | <b>5,117,305</b> |
| Depreciation and amortization  | (1,153,171)                        | (1,074,305)      | (3,434,211)                       | (3,220,084)      |
| Interest expenses on financial liabilities at amortized cost   | (285,277)                          | (250,619)        | (824,727)                         | (846,436)        |
| Interest expenses on lease liabilities   | 16,762                             | (595)            | (44,222)                          | (1,870)          |
| Income tax expense   | 116,142                            | 107,141          | (232,641)                         | (304,950)        |
| <b>Profit for the period per consolidated interim condensed statement of profit or loss and other comprehensive income</b> | <b>(538,239)</b>                   | <b>(436,442)</b> | <b>749,897</b>                    | <b>743,965</b>   |

## 7 Revenue

|                                   | Three months ended<br>30 September |                   | Nine months ended<br>30 September |                   |
|-----------------------------------|------------------------------------|-------------------|-----------------------------------|-------------------|
|                                   | 2019                               | 2018              | 2019                              | 2018              |
| Electricity transmission          | 8,573,826                          | 7,728,880         | 28,628,890                        | 26,878,234        |
| Sales of electricity and capacity | 1,743,195                          | 6,581,791         | 5,671,807                         | 19,278,026        |
| Technological connection services | 167,267                            | 121,000           | 419,486                           | 286,443           |
| Other revenue                     | 118,445                            | 139,898           | 431,732                           | 298,265           |
|                                   | <b>10,602,733</b>                  | <b>14,571,569</b> | <b>35,151,915</b>                 | <b>46,740,968</b> |
| Rental income                     | 57,008                             | 58,512            | 194,285                           | 172,544           |
|                                   | <b>10,659,741</b>                  | <b>14,630,081</b> | <b>35,346,200</b>                 | <b>46,913,512</b> |

## 7 Revenue (continued)

Other revenues are mainly comprised of revenue from services for repair and maintenance of electricity network equipment.

Part of the revenue from the sale of electricity and capacity for the three and nine months ended 30 September 2018 includes proceeds from the sale of electricity of RUB 5,026,521 thousand and RUB 14,092,556 thousand, respectively, obtained as a result of assigning the status of guaranteeing supplier in the Arkhangelsk and Vologda regions (Note 1 (c)). From 1 October 2018 and 1 January 2019 respectively, the Group ceased to perform the function of a guaranteeing electric power supplier in the above areas as mentioned in note 1(c).

## 8 Other income

|   | Three months ended<br>30 September |                | Nine months ended<br>30 September |                |
|---|------------------------------------|----------------|-----------------------------------|----------------|
|   | 2019                               | 2018           | 2019                              | 2018           |
| Income from identified non-contracted electricity consumption                   | 6,925                              | 83,636         | 19,470                            | 113,537        |
| Income in the form of fines and penalties on commercial contracts               | 113,560                            | 131,952        | 300,752                           | 530,566        |
| Insurance reimbursement, net  | 1,200                              | 14,006         | 2,753                             | 20,935         |
| Accounts payable write-off  | 259                                | 3,382          | 846                               | 5,350          |
| Gain from property, plant and equipment and inventories received free of charge | 1,778                              | 1,376          | 4,485                             | 3,809          |
| Gain on disposal of property, plant and equipment                               | 11,449                             | –              | 17,900                            | –              |
| Other income  | 5,223                              | 5,902          | 12,371                            | 12,728         |
|   | <b>140,394</b>                     | <b>240,254</b> | <b>358,577</b>                    | <b>686,925</b> |

## 9 Other expenses

|   | Three months ended<br>30 September |              | Nine months ended<br>30 September |               |
|---|------------------------------------|--------------|-----------------------------------|---------------|
|   | 2019                               | 2018         | 2019                              | 2018          |
| Loss on disposal of property, plant and equipment | –                                  | 1,082        | –                                 | 6,39          |
| Other expenses                                    | 2,463                              | 3,095        | 9,888                             | 6,501         |
|   | <b>2,463</b>                       | <b>4,177</b> | <b>9,888</b>                      | <b>12,892</b> |

## 10 Operating expenses

|  | Three months ended<br>30 September |                   | Nine months ended<br>30 September |                   |
|--|------------------------------------|-------------------|-----------------------------------|-------------------|
|  | 2019                               | 2018              | 2019                              | 2018              |
| Personnel costs                                    | 2,968,274                          | 3,269,899         | 9,571,170                         | 10,017,494        |
| Depreciation and amortization                      | 1,153,171                          | 1,074,305         | 3,434,211                         | 3,220,084         |
| <i>Material expenses, including:</i>               |                                    |                   |                                   |                   |
| Electricity for compensation of losses             | 982,086                            | 712,470           | 3,116,869                         | 2,997,770         |
| Electricity for sale                               | 997,080                            | 4,189,388         | 3,232,733                         | 11,928,014        |
| Purchased electricity and heat power for own needs | 22,737                             | 16,287            | 179,391                           | 177,215           |
| Other material costs                               | 745,258                            | 819,287           | 1,819,029                         | 1,961,183         |
| <i>Production work and services, including:</i>    |                                    |                   |                                   |                   |
| Electricity transmission services                  | 2,916,093                          | 3,590,482         | 9,152,494                         | 11,295,725        |
| Repair and maintenance services                    | 299,474                            | 309,206           | 625,129                           | 707,375           |
| Other production works and services                | 66,352                             | 64,855            | 159,605                           | 135,532           |
| Taxes and charges other than income tax            | 104,172                            | 173,150           | 314,834                           | 522,973           |
| Rent   | 12,682                             | 87,541            | 25,168                            | 273,393           |
| Insurance  | 14,872                             | 16,042            | 44,889                            | 47,442            |
| <i>Other third-party services, including:</i>      |                                    |                   |                                   |                   |
| Communication services                             | 33,178                             | 46,809            | 101,372                           | 125,244           |
| Security services                                  | 69,589                             | 78,136            | 217,659                           | 206,857           |
| Consulting, legal and audit services               | 45,879                             | 53,974            | 121,564                           | 154,120           |
| Software costs and servicing                       | 14,971                             | 21,981            | 46,278                            | 51,080            |
| Transportation services                            | 30,820                             | 45,834            | 102,089                           | 131,060           |
| Other services                                     | 173,643                            | 141,958           | 443,252                           | 419,733           |
| Provisions   | 198,244                            | 59,271            | 158,361                           | 54,138,           |
| Other expenses                                     | 168,027                            | 278,182           | 466,079                           | 736,705           |
|  | <b>11,016,602</b>                  | <b>15,049,057</b> | <b>33,332,176</b>                 | <b>45,163,137</b> |

## 11 Finance income and costs

|   | Three months ended<br>30 September |                  | Nine months ended<br>30 September |                  |
|---|------------------------------------|------------------|-----------------------------------|------------------|
|   | 2019                               | 2018             | 2019                              | 2018             |
| <i>Finance income</i>   |                                    |                  |                                   |                  |
| Interest income on loans, bank deposits, promissory notes and balances in bank accounts | 12,103                             | 6,531            | 32,054                            | 34,644           |
| Unwind of discount on financial assets measured at amortised cost                       | 10,359                             | 9,375            | 30,318                            | 27,437           |
| Dividends receivable  | 44                                 | 38               | 750                               | 574              |
| Effect from initial discounting of financial liabilities                                | 24,522                             | –                | 24,522                            | –                |
| Amortization of discount on financial assets  | 2,374                              | 537              | 2,722                             | 1,419            |
|   | <b>49,402</b>                      | <b>16,481</b>    | <b>90,366</b>                     | <b>64,074</b>    |
| <i>Finance costs</i>  |                                    |                  |                                   |                  |
| Interest expenses on financial liabilities measured at amortized cost                   | (285,277)                          | (250,619)        | (824,727)                         | (846,436)        |
| Interest expenses on lease liabilities  | 16,762                             | (595)            | (44,222)                          | (1,870)          |
| Interest expenses on long-term employee benefit obligation                              | (38,862)                           | (35,395)         | (119,542)                         | (110,493)        |
| Effect from initial discounting of financial assets                                     | (235)                              | (419)            | (30,468)                          | (887)            |
| Amortization of discount on financial liabilities                                       | (167)                              | –                | (167)                             | –                |
|   | <b>(307,779)</b>                   | <b>(287,028)</b> | <b>(1,019,126)</b>                | <b>(959,686)</b> |

## 12 Income tax

|  | Three months ended<br>30 September |                  | Nine months ended<br>30 September |                |
|--|------------------------------------|------------------|-----------------------------------|----------------|
|  | 2019                               | 2018             | 2019                              | 2018           |
| <b>Current income tax</b>              |                                    |                  |                                   |                |
| Current tax                            | (129,300)                          | (98,934)         | 107,527                           | 326,474        |
| Adjustment of tax for previous periods | 151                                | (9,312)          | 244                               | (9,162)        |
| <b>Total</b>                           | <b>(129,149)</b>                   | <b>(108,246)</b> | <b>107,771</b>                    | <b>317,312</b> |
| Deferred income tax                    | 13,007                             | 1,105            | 124,870                           | (12,362)       |
| <b>Income tax expense</b>              | <b>(116,142)</b>                   | <b>(107,141)</b> | <b>232,641</b>                    | <b>304,950</b> |

Income tax rate officially established by Russian legislation in 2019 and 2018 was 20%.

Income tax expense is recognized based on management's best estimate of the weighted average expected income tax rate for the full financial year at the reporting date.

Profit before tax is related to income tax expense as follows:

|  | Three months ended<br>30 September |                  | Nine months ended<br>30 September |                  |
|--|------------------------------------|------------------|-----------------------------------|------------------|
|  | 2019 года                          | 2018 года        | 2019 года                         | 2018 года        |
| <b>Profit/(loss) before tax</b>                                    | <b>(654,381)</b>                   | <b>(543,583)</b> | <b>982,538</b>                    | <b>1,048,915</b> |
| <b>Income tax at the applicable tax rate</b>                       | <b>(130,876)</b>                   | <b>(108,717)</b> | <b>196,508</b>                    | <b>209,783</b>   |
| Tax effect on not taxable or non-deductible for tax purposes items | 14,584                             | 10,888           | 35,890                            | 104,329          |
| Adjustments for prior years  | 150                                | (9,312)          | 243                               | (9,162)          |
|  | <b>(116,142)</b>                   | <b>(107,141)</b> | <b>232,641</b>                    | <b>304,950</b>   |

Income tax recognized in other comprehensive income:

|  | Three months ended<br>30 September 2019 |                 |                 | Nine months ended<br>30 September 2019 |                 |                  |
|--|---|-----------------|-----------------|--|-----------------|------------------|
|  | Before tax                              | Income tax      | Net of tax      | Before tax                             | Income tax      | Net of tax       |
| Financial assets measured at fair value through other comprehensive income | 1 171                                   | (235)           | 936             | 4,083                                  | (817)           | 3,266            |
| Remeasurements of the defined benefit liability                            | (45,020)                                | 9,004           | (36,016)        | (196,293)                              | 39,259          | (157,034)        |
|  | <b>(43,849)</b>                         | <b>8,769</b>    | <b>(35,080)</b> | <b>(192,210)</b>                       | <b>(38,442)</b> | <b>(153,768)</b> |
|  | Three months ended<br>30 September 2018 |                 |                 | Nine months ended<br>30 September 2018 |                 |                  |
|  | Before tax                              | Income tax      | Net of tax      | Before tax                             | Income tax      | Net of tax       |
| Financial assets measured at fair value through other comprehensive income | 637                                     | (128)           | 509             | (2,132)                                | 426             | (1,706)          |
| Remeasurements of the defined benefit liability                            | 115,854                                 | (23,171)        | 92,683          | 144,433                                | (28,887)        | 115,546          |
|  | <b>116,491</b>                          | <b>(23,299)</b> | <b>93,192</b>   | <b>142,301</b>                         | <b>(28,461)</b> | <b>113,840</b>   |

### 13 Property, plant and equipment

|  | Land and<br>buildings | Electricity<br>transmis-<br>sion<br>networks | Equipment for<br>electricity<br>transmission | Other              | Construction<br>in progress | Total               |
|--|-----------------------|--|--|--------------------|-----------------------------|---------------------|
| <i>Cost/Deemed cost</i>  |                       |  |  |                    |                             |                     |
| <b>At 1 January 2018</b>   | <b>8,093,551</b>      | <b>34,321,494</b>                            | <b>19,426,865</b>                            | <b>8,897,815</b>   | <b>2,503,125</b>            | <b>73,242,850</b>   |
| Reclassification between groups  | 9,467                 | (1,231)                                      | 156  | (8,392)            | –                           | –                   |
| Additions  | –                     | –  | –  | –                  | 4,986,956                   | 4,986,956           |
| Transfer   | 83,719                | 974,126                                      | 485,252                                      | 598,222            | (2,141,319)                 | –                   |
| Disposals  | (2,805)               | (7,114)                                      | (9,360)                                      | (22,581)           | 119,719                     | 77,859              |
| <b>At 30 September 2018</b>  | <b>8,102,244</b>      | <b>34,845,565</b>                            | <b>19,578,775</b>                            | <b>9,266,290</b>   | <b>4,802,068</b>            | <b>76,594,942</b>   |
| <i>Accumulated depreciation and impairment</i>                         |                       |  |  |                    |                             |                     |
| <b>At 1 January 2018</b>   | <b>(3,169,387)</b>    | <b>(19,057,560)</b>                          | <b>(8,187,611)</b>                           | <b>(5,501,647)</b> | <b>(58,826)</b>             | <b>(35,975,031)</b> |
| Reclassification between groups  | (5,711)               | 1,176  | (89)   | 4,624              | –                           | –                   |
| Transfer of impairment losses upon commissioning assets into operation | (142)                 | (1,517)                                      | (640)  | (105)              | 2,404                       | –                   |
| Depreciation charge  | (256,415)             | (1,398,835)                                  | (858,215)                                    | (622,210)          | –                           | (3,135,675)         |
| Disposals  | 1,215                 | 6,381  | 6,451  | 21,430             | 170                         | 35,647              |
| <b>At 30 September 2018</b>  | <b>(3,430,440)</b>    | <b>(20,450,355)</b>                          | <b>(9,040,104)</b>                           | <b>(6,097,908)</b> | <b>(56,252)</b>             | <b>(39,075,059)</b> |
| <i>Net book value</i>  |                       |  |  |                    |                             |                     |
| <b>At 1 January 2018</b>   | <b>4,924,164</b>      | <b>15,263,934</b>                            | <b>11,239,254</b>                            | <b>3,396,168</b>   | <b>2,444,299</b>            | <b>37,267,819</b>   |
| <b>At 30 September 2018</b>  | <b>4,753,492</b>      | <b>14,836,920</b>                            | <b>10,862,809</b>                            | <b>3,367,156</b>   | <b>5,412,229</b>            | <b>39,232,606</b>   |
| <i>Cost/Deemed cost</i>  |                       |  |  |                    |                             |                     |
| <b>At 1 January 2019</b>   | <b>8,456,305</b>      | <b>37,210,830</b>                            | <b>20,754,031</b>                            | <b>10,349,003</b>  | <b>3,770,563</b>            | <b>80,540,732</b>   |
| Reclassification between groups  | (7,234)               | (2,813)                                      | (517)  | 10,564             | –                           | –                   |
| Additions  | –                     | –  | –  | –                  | 2,709,226                   | 2,709,226           |
| Transfer   | 138,934               | 1,045,539                                    | 604,320                                      | 303,140            | (2,091,933)                 | –                   |
| Disposals  | (1,586)               | (7,002)                                      | (3,374)                                      | (17,508)           | (13,889)                    | (43,359)            |
| <b>At 30 September 2019</b>  | <b>8,586,419</b>      | <b>38,246,554</b>                            | <b>21,354,460</b>                            | <b>10,645,199</b>  | <b>4,373,967</b>            | <b>83,206,599</b>   |
| <i>Accumulated depreciation and impairment</i>                         |                       |  |  |                    |                             |                     |
| <b>At 1 January 2019</b>   | <b>(3,514,199)</b>    | <b>(20,910,040)</b>                          | <b>(9,326,267)</b>                           | <b>(6,294,532)</b> | <b>(48,150)</b>             | <b>(40,093,188)</b> |
| Reclassification between groups  | (2,393)               | 2,179  | 514  | (300)              | –                           | –                   |
| Transfer of impairment losses upon commissioning assets into operation | (46)                  | (283)  | (194)  | (51)               | 574                         | –                   |
| Depreciation charge  | (264,928)             | (1,433,268)                                  | (874,384)                                    | (669,205)          | –                           | (3,241,785)         |
| Disposals  | 1,128                 | 5,904  | 2,342  | 17,282             | 166                         | 26,822              |
| <b>At 30 September 2019</b>  | <b>(3,780,438)</b>    | <b>(22,335,508)</b>                          | <b>(10,197,989)</b>                          | <b>(6,946,806)</b> | <b>(47,410)</b>             | <b>(43,308,151)</b> |
| <i>Net book value</i>  |                       |  |  |                    |                             |                     |
| <b>At 1 January 2019</b>   | <b>4,942,106</b>      | <b>16,300,790</b>                            | <b>11,427,764</b>                            | <b>4,054,471</b>   | <b>3,722,413</b>            | <b>40,447,544</b>   |
| <b>At 30 September 2019</b>  | <b>4,805,981</b>      | <b>15,911,046</b>                            | <b>11,156,471</b>                            | <b>3,698,393</b>   | <b>4,326,557</b>            | <b>39,898,448</b>   |

Capitalized interest for the three months ended 30 September 2019 amounted to RUB 60,570 thousand (for the three month ended 30 September 2018: RUB 40,772 thousand), with capitalization rate of 7.08% –8.04% (for the nine month ended 30 September 2018: 6.0% - 7.2%).

The cost of property, plant and equipment includes number of objects received under financial lease agreements (leasing) that will be transferred to the Group's ownership at the end of the lease term. As at 30 September 2019, the value of leased property, plant and equipment amounted to RUB 16,570 thousand (as at 01 January 2019: RUB 20,956 thousand).

## 14 Intangible assets

|  | Software         | Certificates, licenses<br>and patents | Other intangible<br>assets | Total intangible<br>assets |
|--|------------------|---------------------------------------|----------------------------|----------------------------|
| <i>Initial cost</i>                            |                  |                                       |                            |                            |
| <b>At 1 January 2018</b>                       | <b>328,914</b>   | <b>28,344</b>                         | <b>54,307</b>              | <b>411,565</b>             |
| Additions                                      | 80,489           | 4,154                                 | 20,655                     | 105,298                    |
| Disposals                                      | (6,462)          | (657)                                 | –                          | (7,119)                    |
| <b>At 30 September 2018</b>                    | <b>402,941</b>   | <b>31,841</b>                         | <b>74,962</b>              | <b>509,744</b>             |
| <i>Accumulated amortization and impairment</i> |                  |                                       |                            |                            |
| <b>At 1 January 2018</b>                       | <b>(184,480)</b> | <b>(18,020)</b>                       | <b>(2,093)</b>             | <b>(204,593)</b>           |
| Amortization charge                            | (78,784)         | (5,370)                               | (255)                      | (84,409)                   |
| Disposals                                      | 6,271            | 657                                   | –                          | 6,928                      |
| <b>At 30 September 2018</b>                    | <b>(256,993)</b> | <b>(22,733)</b>                       | <b>(2,348)</b>             | <b>(282,074)</b>           |
| <i>Net book value</i>                          |                  |                                       |                            |                            |
| <b>At 1 January 2018</b>                       | <b>144,434</b>   | <b>10,324</b>                         | <b>52,214</b>              | <b>206,972</b>             |
| <b>At 30 September 2018</b>                    | <b>145,948</b>   | <b>9,108</b>                          | <b>72,614</b>              | <b>227,670</b>             |
| <i>Initial cost</i>                            |                  |                                       |                            |                            |
| <b>At 1 January 2019</b>                       | <b>405,663</b>   | <b>31,602</b>                         | <b>99,323</b>              | <b>536,588</b>             |
| Additions                                      | 58,886           | 505                                   | 24,872                     | 84,263                     |
| Disposals                                      | (44,058)         | (3,389)                               | –                          | (47,447)                   |
| <b>At 30 September 2019</b>                    | <b>420,491</b>   | <b>28,718</b>                         | <b>124,195</b>             | <b>573,404</b>             |
| <i>Accumulated amortization and impairment</i> |                  |                                       |                            |                            |
| <b>At 1 January 2019</b>                       | <b>(242,222)</b> | <b>(23,632)</b>                       | <b>(2,334)</b>             | <b>(268,188)</b>           |
| Amortization charge                            | (89,233)         | (5,191)                               | (3,136)                    | (97,559)                   |
| Disposals                                      | 43,375           | 3,381                                 | –                          | 46,756                     |
| <b>At 30 September 2019</b>                    | <b>(288,080)</b> | <b>(25,442)</b>                       | <b>(5,470)</b>             | <b>(318,991)</b>           |
| <i>Net book value</i>                          |                  |                                       |                            |                            |
| <b>At 1 January 2019</b>                       | <b>163,441</b>   | <b>7,970</b>                          | <b>96,989</b>              | <b>268,400</b>             |
| <b>At 30 September 2019</b>                    | <b>132,411</b>   | <b>3,276</b>                          | <b>118,725</b>             | <b>254,412</b>             |

The amount of capitalized amortization of intangible assets amounted to RUB 8 thousand (for the nine months ended 30 September 2018: RUB 119 thousand).

## 15 Right-of-use assets

|  | Land and<br>buildings | Electricity<br>transmis-<br>sion<br>networks | Equipment for<br>electricity<br>transmission | Other        | Total           |
|--|-----------------------|--|--|--------------|-----------------|
| <i>Initial cost</i>                            |                       |  |  |              |                 |
| <b>At 1 January 2019</b>                       | <b>647,210</b>        | <b>40,031</b>                                | <b>12,490</b>                                | <b>3,007</b> | <b>702,738</b>  |
| Additions                                      | 8,860                 | 45,070                                       | 1,612  | 1,814        | 57,356          |
| Changes in lease terms                         | (32,450)              | (444)  | (8,298)                                      | 319          | (40,873)        |
| Disposal or termination of lease               | (20,845)              | (36)   | (214)  | –            | (21,095)        |
| <b>At 30 September 2019</b>                    | <b>602,775</b>        | <b>84,621</b>                                | <b>5,590</b>                                 | <b>5,140</b> | <b>698,126</b>  |
| <i>Accumulated amortization and impairment</i> |                       |  |  |              |                 |
| <b>At 1 January 2019</b>                       | –                     | –  | –  | –            | –               |
| Amortization charge                            | (80,639)              | (11,939)                                     | (1,666)                                      | (632)        | (94,876)        |
| Disposal or termination of lease               | 658                   | –  | 11   | –            | 669             |
| <b>At 30 September 2019</b>                    | <b>(79,981)</b>       | <b>(11,939)</b>                              | <b>(1,655)</b>                               | <b>(632)</b> | <b>(94,207)</b> |
| <i>Net book value</i>                          |                       |  |  |              |                 |
| <b>At 1 January 2019</b>                       | <b>647,210</b>        | <b>40,031</b>                                | <b>12,490</b>                                | <b>3,007</b> | <b>702,738</b>  |
| <b>At 30 September 2019</b>                    | <b>522,794</b>        | <b>72,682</b>                                | <b>3,935</b>                                 | <b>4,508</b> | <b>603,919</b>  |

## 16 Financial investments

|   | <u>30 September 2019</u> | <u>31 December 2018</u> |
|---|--------------------------|-------------------------|
| <i>Non-current</i>  |                          |                         |
| Financial assets at fair value through other comprehensive income | 14,484                   | 10,401                  |
| Financial assets at amortized cost                                | 525,136                  | 494,818                 |
|   | <u><b>539,620</b></u>    | <u><b>505,219</b></u>   |

Financial assets at fair value through other comprehensive income include shares of PJSC "TGC-1" and JSC "FGC UES", as well as other securities, the fair value of which amounted to RUB 14,484 thousand as at 30 September 2019 (RUB 10,401 thousand as at 31 December 2018). At the end of each reporting period, the fair value of the shares of PJSC "TGC-1" and JSC "FGC UES" was determined using market quotes (level 1 inputs), fair value of other securities was estimated without the use of observable market data (unobservable inputs – level 3).

For the nine months ended 30 September 2019 the decrease in the fair value of investments at fair value through other comprehensive income of RUB 4,083 thousand was recognized in other comprehensive income (for the nine months ended 30 September 2018: RUB 2,132 thousand).

As at 30 September 2019 financial assets at amortised cost are represented by deposits placed in OJSC "Bank Tavrishesky" ("The Bank") of RUB 2,080,000 thousand at the rate of 0.51% per annum with maturity on 12 April 2035 (as at 31 December 2018: RUB 2,080,000 thousand).

At the beginning of 2015 to the Bank Tavrishesky was initiated bailouts process. Major creditors of the Bank: PJSC "Lenenergo" and PJSC "IDGC of North-West" as agreed to participate in the reorganization and financial rehabilitation of the Bank, providing co-funding as referred to below. ASV allocated 28 billion roubles received from the bank of Russia with maturity of 10 years to facilitate the Bank financial restructuring. In accordance with the plan of restructuring part of JSC "IDGC of North-West" deposit (including accrued interest for the use of the deposit) in the Bank was replaced with a 20 years subordinated deposit of 2,080,000 thousands roubles with an interest payable on a quarterly basis at a rate of 0.51% per annum.

Currently, the Bank operates on a routine basis, providing a full range of services to the customers, including settlements and payments on a timely basis.

Financial assets at amortized cost as at 30 September 2019 and 31 December 2018 are Bank deposits with an initial maturity of more than three months:

|      | <u>Interest rate</u> | <u>30 September<br/>2019</u> | <u>31 December<br/>2018</u> |
|------|----------------------|------------------------------|-----------------------------|
| Bank | 0.51%                | 525,136                      | 494,818                     |



## 17 Trade and other receivables

|   | <u>30 September 2019</u> | <u>31 December 2018</u> |
|---|--------------------------|-------------------------|
| <b>Non-current trade and other accounts receivable</b>  |                          |                         |
| Trade receivables                                       | 3,999                    | 6,858                   |
| Other receivables                                       | 149,524                  | 3,410                   |
|   | <u><b>153,523</b></u>    | <u><b>10,268</b></u>    |
| <b>Current trade and other accounts receivable</b>      |                          |                         |
| Trade receivables                                       | 13,099,395               | 14,525,061              |
| Allowance for expected credit loss on trade receivables | (7,782,929)              | (7,772,528)             |
| Other receivables                                       | 1,151,149                | 1,133,268               |
| Allowance for expected credit loss on other receivables | (714,582)                | (695,723)               |
|   | <u><b>5,753,033</b></u>  | <u><b>7,190,078</b></u> |

Balances with related parties are disclosed in Note 23.

## 18 Advances given and other assets

|   | <u>30 September 2019</u> | <u>31 December 2018</u> |
|---|--------------------------|-------------------------|
| <b>Non-current</b>  |                          |                         |
| Advances given  | 8,786                    | 7,972                   |
| VAT on advances from customers and clients  | 345,270                  | 142,151                 |
|   | <u><b>354,056</b></u>    | <u><b>150,123</b></u>   |
| <b>Current</b>  |                          |                         |
| Advances given  | 175,152                  | 144,172                 |
| Advances given impairment provision   | (12,522)                 | (12,525)                |
| VAT recoverable   | 34,140                   | 218,743                 |
| VAT on advances from customers VAT on advances given for acquisition<br>of fixed assets | 368,404                  | 582,725                 |
| Prepaid taxes, other than income tax  | 18,174                   | 16,772                  |
|   | <u><b>583,348</b></u>    | <u><b>949,887</b></u>   |

Information about balances with related parties is disclosed in Note 23.

## 19 Cash and cash equivalents

|                          | <u>30 September<br/>2019</u> | <u>31 December<br/>2018</u> |
|--------------------------|------------------------------|-----------------------------|
| Cash at bank and in hand | 186,901                      | 151,123                     |
|                          | <b><u>186,901</u></b>        | <b><u>151,123</u></b>       |

|                             | <b>Rating</b> | <b>Rating agency</b>               | <b>30 September 2019</b> | <b>31 December 2018</b> |
|-----------------------------|---------------|------------------------------------|--------------------------|-------------------------|
| JSC "AB "Rossiya"           | A+(RU)        | Analytical Credit<br>Rating Agency | 124                      | 107,697                 |
| PJSC "ROSBANK"              | ruAAA         | Expert RA                          | 13,583                   | 8,883                   |
| JSC "ALFA-BANK"             | ruAAA         | Expert RA                          | 41                       | 7                       |
| Federal Treasury *          | –             | –                                  | 2,212                    | 3,882                   |
| JSC "Gazprombank" *         | ruAA+         | Expert RA                          | 69,098                   | 7,031                   |
| PJSC "VTB Bank" *           | ruAAA         | Expert RA                          | 2,926                    | 6,083                   |
| PJSC "Sberbank of Russia" * | AAA(RU)       | Analytical Credit<br>Rating Agency | 97,455                   | 15,728                  |
| Cash in hand                |               |                                    | 1,462                    | 1,812                   |
|                             |               |                                    | <b><u>186,901</u></b>    | <b><u>151,123</u></b>   |

\*Government-related banks

## 20 Share capital

|                                       | <b>Ordinary shares</b>       |                              |
|---------------------------------------|------------------------------|------------------------------|
|                                       | <u>30 September 2019</u>     | <u>31 December 2018</u>      |
| Par value (RUB)                       | 0.1                          | 0.1                          |
| On issue at 1 January                 | 95,785,923,138               | 95,785,923,138               |
| On issue at end of period, fully paid | <b><u>95,785,923,138</u></b> | <b><u>95,785,923,138</u></b> |

### Reserve related to business combination

The Group was formed in 2008 as a result of combination of a number of businesses under common control. The carrying value of the net assets of the businesses contributed were determined based on as amounts recorded in the IFRS financial statements of the predecessor, rather than the fair values of those net assets. The difference between the value of the share capital issued and the IFRS carrying values of the contributed net assets and non-controlling interests was recorded as a common control combination reserve within equity.

### Dividends

At the end of 2018, the amount of declared dividends amounted to RUB 381,707 thousand (at the end of 2017, dividends were not declared).

As at 30 September 2019, there are no unclaimed dividends that have been restored to the retained earnings of previous years due to the expiration of the limitation period for the payment of dividends (as at 30 September 2018: 1,083 thousand rubles).

## 21 Earnings per share

The calculation of basic earnings per share for the three and nine month ended 30 September 2019 and 2018 is presented below.

The Company has no dilutive financial instruments.

|  | Three months ended 30 September |                       | Nine months ended 30 September |                       |
|--|---------------------------------|-----------------------|--------------------------------|-----------------------|
|  | 2019                            | 2018                  | 2019                           | 2018                  |
| Ordinary shares at 1 January   | 95,785,923,138                  | 95,785,923,138        | 95,785,923,138                 | 95,785,923,138        |
| Weighted average number of shares for the period ended 30 September                                | <b>95,785,923,138</b>           | <b>95,785,923,138</b> | <b>95,785,923,138</b>          | <b>95,785,923,138</b> |
|  |                                 |                       |                                |                       |
|  | Three months ended 30 September |                       | Nine months ended 30 September |                       |
|  | 2019                            | 2018                  | 2019                           | 2018                  |
| Weighted average number of ordinary shares outstanding, for the period ended 30 September (shares) | 95,785,923,138                  | 95,785,923,138        | 95,785,923,138                 | 95,785,923,138        |
| Earnings for the period attributable to holders of ordinary shares                                 | (538,235)                       | (436,436)             | 749,909                        | 743,984               |
| <b>Earnings per ordinary share (in RUB) – basic and diluted</b>                                    | <b>(0.0056)</b>                 | <b>(0.0046)</b>       | <b>0.0078</b>                  | <b>0.0078</b>         |

## 22 Loans and borrowings

|  | 30 September 2019 | 31 December 2018 |
|--|-------------------|------------------|
| <b><i>Non-current liabilities</i></b>                        |                   |                  |
| Unsecured loans and borrowings                               | 15,800,000        | 12,000,000       |
| Lease liabilities  | 662,506           | 22,335           |
| Less: current portion of long-term finance lease liabilities | (252,899)         | (5,000)          |
| Less: current portion of long-term loans and borrowings      | (2,500,000)       | (3,500,000)      |
|  | <b>13,709,607</b> | <b>8,517,335</b> |
| <b><i>Current liabilities</i></b>                            |                   |                  |
| Unsecured loans and borrowings                               | (237,650)         | 3,521,929        |
| Current portion of long-term lease liabilities               | 252,899           | 5,000            |
| Current portion of long-term loans and borrowings            | 2,500,000         | 3,500,000        |
|  | <b>2,515,249</b>  | <b>7,026,929</b> |
| <b><i>Including:</i></b>                                     |                   |                  |
| Interests payable on loans and borrowings                    | 22,420            | 28,890           |
|  | <b>22,420</b>     | <b>28,890</b>    |

As at 30 September 2019 and 31 December 2018 all balances of loans and borrowings are denominated in rubles.

## 22 Loans and borrowings (continued)

The Group raised the following bank loans during the 6 months ended 30 September 2019:

|                        | Year of maturity | Effective interest rate | Carrying value    |
|------------------------|------------------|-------------------------|-------------------|
| Unsecured bank loans   | 2019             | 7.95% - 8.25%           | 591,000           |
| Unsecured bank loans   | 2019-2022        | 8.10% - 9.15%           | 3,128,600         |
| Unsecured bank loans * | 2019-2021        | 8.15% - 9.6%            | 5,443,612         |
| Unsecured bank loans * | 2019-2022        | 8.25% - 9.18%           | 7,389,971         |
|                        |                  |                         | <b>16,553,183</b> |

\*Loans and borrowings received from state-related companies

The Group repaid the following significant bank facilities during the nine months ended 30 September 2019 (including prematurely for RUB 10,506,293 thousand):

|  | Amount            |
|--|-------------------|
| Loans and borrowings received from state-related companies | 14,566,294        |
| Other loans and borrowings                                 | 1,940,000         |
|  | <b>16,506,294</b> |

## 23 Trade and other payables

|  | 30 September 2019 | 31 December 2018 |
|--|-------------------|------------------|
| <b><i>Non-current accounts payable</i></b> |                   |                  |
| Other payables                             | 276,926           | 246,687          |
| <b>Total financial liabilities</b>         | <b>276,926</b>    | <b>246,687</b>   |
| <b><i>Current accounts payable</i></b>     |                   |                  |
| Trade payables                             | 3,425,043         | 5,019,265        |
| Other payables and accrued expenses        | 313,583           | 583,716          |
| Dividends payable                          | 8,778             | 6,599            |
| <b>Total financial liabilities</b>         | <b>3,747,404</b>  | <b>5,609,580</b> |
| Payables to employees                      | 1,072,084         | 1,089,938        |
|  | <b>4,819,488</b>  | <b>6,699,518</b> |
| <b><i>Taxes payable</i></b>                |                   |                  |
| Value-added tax                            | 768,960           | 588,920          |
| Property tax                               | 95,435            | 157,555          |
| Social security contributions              | 225,060           | 216,863          |
| Other taxes payable                        | 84,920            | 103,395          |
|  | <b>1,174,375</b>  | <b>1,066,733</b> |
|  | <b>5,993,863</b>  | <b>7,766,251</b> |

## 24 Advances from customers

|  | <b>30 September 2019</b> | <b>31 December 2018</b> |
|--|--------------------------|-------------------------|
| Advances for connection services                 | 2,178,672                | 757,928                 |
| Other payables                                   | 63,176                   | 137,002                 |
| <b>Total non-current advances from customers</b> | <b>2,241,848</b>         | <b>894,930</b>          |
| Advances for connection services                 | 1,724,123                | 3,456,146               |
| Other payables                                   | 600,657                  | 349,137                 |
| <b>Total current advances from customers</b>     | <b>2,324,780</b>         | <b>3,805,283</b>        |

As at 30 September 2019 and 31 December 2018 advances received are reflected including VAT.

## 25 Financial risk and capital management

The Group's financial risk and capital management objectives and policies and the assumptions made in measuring fair values are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

The fair values and carrying amounts of financial assets and liabilities are as follows:

|  | Note | <b>30 September 2019</b> |                     | <b>Level of fair value hierarchy</b> |          |                     |
|--|------|--------------------------|---------------------|--------------------------------------|----------|---------------------|
|  |      | <b>Carrying amount</b>   | <b>Fair value</b>   | <b>1</b>                             | <b>2</b> | <b>3</b>            |
| Financial assets at fair value through other comprehensive income          | 15   | 14,484                   | 14,484              | 13,184                               | –        | 1,300               |
| Financial assets at amortised cost   | 15   | 525,136                  | 674,220             | –                                    | –        | 674,220             |
| Current and non-current loans and borrowings                               | 22   | (16,224,856)             | (15,785,333)        | –                                    | –        | (15,785,333)        |
|  |      | <b>(15,685,236)</b>      | <b>(15,096,629)</b> | <b>13,184</b>                        | <b>–</b> | <b>(15,109,813)</b> |
|  | Note | <b>31 December 2018</b>  |                     | <b>Level of fair value hierarchy</b> |          |                     |
|  |      | <b>Carrying amount</b>   | <b>Fair value</b>   | <b>1</b>                             | <b>2</b> | <b>3</b>            |
| Financial assets measured at fair value through other comprehensive income | 15   | 10,401                   | 10,401              | 9,101                                | –        | 1,300               |
| Financial assets measured amortised cost                                   | 15   | 494,818                  | 786,323             | –                                    | –        | 786,323             |
| Current and non-current loans and borrowings                               | 22   | (15,544,264)             | (15,033,562)        | –                                    | –        | (15,033,562)        |
|  |      | <b>(15,039,045)</b>      | <b>(14,236,838)</b> | <b>9,101</b>                         | <b>–</b> | <b>(14,245,939)</b> |

## 25 Financial risk and capital management (continued)

The interest rate used to discount the expected future cash flows for long-term and short-term loans and borrowings for the purpose of determining the fair value disclosed as at 30 September 2019 was 9.14% (as at 31 December 2018: 9.27%).

During three months ended 30 September 2019 there were no transfers between the levels of the fair value hierarchy.

The reconciliation of financial assets measured at fair value through other comprehensive income as at the beginning and end of period is presented below (the Group has no financial assets measured fair value through profit or loss):

|  | <b>Financial assets measured<br/>at fair value through other<br/>comprehensive income</b> |
|--|---|
| <b>As at 1 January 2019</b>  | 10,401  |
| Change in fair value recognized through other comprehensive income | 4,083   |
| <b>As at 30 September 2019</b>                                     | <b>14,484</b>   |

As at 30 September 2019, the available limit on the Group's open but unused credit lines amounted to RUB 19,463,440 thousand (31 December 2018: RUB 18,680,086 thousand). The Group is able to raise additional funding within the respective limits, including those to be used to enable performance of its current obligations.

## 26 Capital commitments

As at 30 September 2019 the Group has outstanding commitments under contracts for the purchase and construction of property plant and equipment items for RUB 4,701,011 thousand, including VAT (as at 31 December 2018: RUB 4,638,874 thousand, including VAT).

## 27 Contingencies

### (a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets civil liability and other insurable risks. The main business assets of the Group have insurance coverage including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and financial position of the Group in the case of damage caused to third parties and also as a result of damage or loss of assets insurance protection of which is non-existent or not fully implemented.

### (b) Taxation contingencies

The current taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation official pronouncements and court decisions which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines penalties and interest charges. A tax year remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

## **27 Contingencies (continued)**

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines but creating additional uncertainty in practical application of tax legislation in certain circumstances.

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.

In connection with court proceedings on additional tax on property by the decision of MIFNS Russia №4 on-site tax audit for 2013-2015 (reclassification of movable property in real estate) management does not exclude the risk of being obliged to pay additional tax on property for the nine months ended 30 September 2019 in the amount of RUB 280,043 thousand.

In the opinion of management, the relevant provisions of the legislation have been interpreted correctly and the Group's position in terms of tax compliance can be justified and protected.

### **(c) Legal proceedings**

The Group is party to a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the consolidated financial statements.

### **(d) Environmental matters**

The Group has been operating in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is being reconsidered. Potential liabilities arising as a result of a change in interpretation of existing regulations civil litigation or changes in legislation cannot be estimated. Under existing legislation management believes that there are no probable liabilities which will have a material adverse effect on the Group's financial position results of operations or cash flows.

## **28 Related party transactions**

### **(a) Control relationships**

Related parties are shareholders affiliates and entities under common ownership and control of the Group members of the Board of Directors and key management personnel of the Company. The Company's parent as at 30 September 2019 and 31 December 2018 was PJSC ROSSETI. The ultimate controlling party is the state represented by the Federal Property Management Agency, which held majority of the voting rights of PJSC "ROSSETI".

## 28 Related party transactions (continued)

### (b) Transactions with the parent its subsidiaries and associates

Transactions with the parent, its subsidiaries and associates include transactions with PJSC "ROSSETI" its subsidiaries and associates:

|  | Amount of transaction |               |                   |               | Carrying amount          |                        |
|--|-----------------------|---------------|-------------------|---------------|--------------------------|------------------------|
|  | Three months ended    |               | Nine months ended |               | 30<br>Septem<br>ber 2019 | 31<br>December<br>2018 |
|  | 30 September          | 30 September  | 30 September      | 30 September  |                          |                        |
| 2019   | 2018                  | 2019          | 2018              |               |                          |                        |
| <b>Revenue, Net other income, Finance income</b>           |                       |               |                   |               |                          |                        |
| <b>The parent company</b>                                  |                       |               |                   |               |                          |                        |
| Other revenue  | 308                   | 308           | 923               | 923           | –                        | –                      |
| <b>Entities under common control of the parent company</b> |                       |               |                   |               |                          |                        |
| Sales of electricity                                       | 22                    | 285           | 120               | 561           | –                        | –                      |
| Other revenue  | 2,417                 | 43,878        | 37,834            | 48,077        | 89,020                   | 54,313                 |
| Other operating income                                     | –                     | 127           | 27,239            | 2,277         | 34,613                   | 718                    |
| Dividends receivable                                       | –                     | 38            | –                 | 38            | –                        | –                      |
|  | <b>2,747</b>          | <b>44,636</b> | <b>66,116</b>     | <b>51,876</b> | <b>123,633</b>           | <b>55,031</b>          |

|   | Amount of transaction |                  |                   |                  | Carrying amount         |                        |
|---|-----------------------|------------------|-------------------|------------------|-------------------------|------------------------|
|   | Three months ended    |                  | Nine months ended |                  | 30<br>September<br>2019 | 31<br>December<br>2018 |
|   | 30 September          | 30 September     | 30 September      | 30 September     |                         |                        |
| 2019  | 2018                  | 2019             | 2018              |                  |                         |                        |
| <b>Operating expenses, Finance costs</b>                              |                       |                  |                   |                  |                         |                        |
| <b>The parent company</b>   |                       |                  |                   |                  |                         |                        |
| Consulting legal and audit services                                   | 33,745                | 33,322           | 93,155            | 93,345           | 24,126                  | 23,079                 |
| Other production works and services                                   | 7,103                 | 7,103            | 21,310            | 21,310           | –                       | –                      |
| Interest expenses on financial liabilities measured at amortized cost | –                     | –                | –                 | 241,601          | –                       | –                      |
| <b>Entities under common control of the parent company</b>            |                       |                  |                   |                  |                         |                        |
| Electricity for sale  | 1,299                 | 12,338           | 4,282             | 37,718           | –                       | –                      |
| Electricity transmission services                                     | 1,868,986             | 1,730,905        | 5,588,968         | 5,512,759        | 589,193                 | 635,715                |
| Technological connection services                                     | –                     | 840              | 15                | 1,445            | 4                       | 10                     |
| Repair and maintenance services                                       | –                     | –                | 652               | –                | –                       | –                      |
| Rent  | 105                   | 136              | 472               | 530              | 412                     | 257                    |
| Reserves  | 22,069                | 59,271           | 23,315            | 59,271           | 134,373                 | 150,659                |
| Other expenses  | 19,860                | 16,869           | 37,355            | 40,745           | 25,708                  | 31,177                 |
|   | <b>1,953,167</b>      | <b>1,860,784</b> | <b>5,769,524</b>  | <b>6,008,724</b> | <b>773,816</b>          | <b>840,897</b>         |

|  | 30 September 2019 | 31 December 2018 |
|--|-------------------|------------------|
| <b>Entities under common control of the parent company</b> |                   |                  |
| Advances given   | 18,086            | 14,232           |
| Advances received  | 2,359             | 2,436            |
|  | <b>20,445</b>     | <b>16,668</b>    |



## 28 Related party transactions (continued)

The amount of dividends attributable to the parent company accrued to payment for the year ended 31 December 2018 amounted to RUB 211,391 thousand (there were no dividends attributable to the parent company accrued for the year ended 31 December 2017). As at 30 September 2019, there is no debt to the parent company for the payment of dividends (as at 31 December 2018, there is no debt to the parent company for the payment of dividends).

### (c) Transactions with key management personnel

In order to prepare these consolidated financial statements the key management personnel are members of the Management Board and the Board of Directors.

The Group has no transactions with key management personnel and close family members except their remuneration in the form of salary and bonuses.

The amounts of key management personnel remuneration disclosed in the table are recognized as an expense related to key management personnel during the reporting period and included in personnel costs.

|   | <b>Three month ended<br/>30 September</b> |               | <b>Nine month ended<br/>30 September</b> |               |
|---|---|---------------|--|---------------|
|   | <b>2019</b>                               | <b>2018</b>   | <b>2019</b>                              | <b>2018</b>   |
| Short-term remuneration for employees                 | 218,166                                   | 25,481        | 276,627                                  | 90,488        |
| Post employment benefits and other long-term benefits | 482                                       | 604           | 1,446                                    | 1 812         |
|   | <b>218,648</b>                            | <b>26,085</b> | <b>278,073</b>                           | <b>92,300</b> |

As at 30 September 2019, the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the consolidated statement of financial position includes liabilities related to the key management personnel for RUB 22,035 thousand (31 December 2018: RUB 18,074 thousand).

### (d) Transactions with government-related entities

In the course of its operating activities the Group is engaged in many transactions with government-related entities. These transactions are carried out in accordance with regulated tariffs or based on market prices.

Revenues from government-related entities for the three and nine month ended 30 September 2019 constitute 17.84% and 19.60% (for the three and nine month ended 30 September 2018: 22.21% and 18.5%) of total Group revenues including 14.72% and 16.07% (for the three and nine month ended 30 September 2018: 7.52% and 8.02%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three and nine month ended 30 September 2019 constitute 73.01% and 69.87% (for the three and nine month ended 30 September 2018: 58.29% and 55.1%) of total electricity transmission costs.

Interest accrued on loans and borrowings from state-related banks for the three and nine month ended 30 September 2019 amounted to 83.67% and 80.92% (for the three and nine month ended 30 September 2018: 81% and 83%) of total interest accrued.

As at 30 September 2019 cash and cash equivalents held in government-related banks amounted to RUB 171,691 thousand (as at 31 December 2018: RUB 32,724 thousand).

Loans and borrowings received from government-related banks are disclosed in Note 22.