Consolidated Interim Condensed 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 months ended 31 March 2018 (unaudited)

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(in thousand of Russian rubles, unless otherwise stated)

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
Revenue	7	16,391,086	13,090,482
Operating expenses	9	(15,054,622)	(11,858,061)
Other income, net	8	285,579	260,320
Results from operating activities		**1,622,043**	**1,492,741**
Finance income	10	25,191	58,545
Finance costs	10	(371,555)	(409,565)
Net finance costs		**(346,364)**	**(351,020)**
Profit before tax		**1,275,679**	**1,141,721**
Income tax expense		(337,684)	(247,906)
Profit for the period		**937,995**	**893,815**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		–	(30)
Income tax related to items that may be reclassified subsequently to profit or loss		–	6
Total items that may be reclassified subsequently to profit or loss		–	**(24)**
Items that will never be reclassified subsequently to profit or loss			
Change in the fair value equity investments measured at fair value through other comprehensive income		(329)	–
Remeasurements of the defined benefit liability		(71,432)	(20,537)
Income tax related to items that will never be reclassified subsequently to profit or loss		14,352	4,107
Total items that will not be reclassified subsequently to profit or loss		**(57,409)**	**(16,430)**
Other comprehensive loss for the period, net of income tax		**(57,409)**	**(16,454)**
Total comprehensive income for the period		**880,586**	**877,361**
Profit/(loss) attributable to:			
Owners of the Company		938,002	893,824
Non-controlling interest		(7)	(9)
Total comprehensive income/(loss) attributable to:			
Owners of the Company			
Non-controlling interest		880,593	877,370
Earnings per share		(7)	(9)
Basic and diluted earnings per ordinary share (in RUB)	17	0.0098	0.0093

These Consolidated Interim Condensed Financial Statements were approved by management on 25 May 2018 and were signed on its behalf by:

Acting Director General	Chief Accountant – Head of Department of accounting and tax accounting and reporting
D.A. Orlov	I.G. Zhdanova

	Notes	31 March 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	37,399,317	37,267,819
Intangible assets	12	248,464	206,972
Trade and other receivables	14	192,320	146,169
Assets related to employee benefits plans		450,275	414,244
Financial investments	13	481,257	472,667
Deferred tax assets		11,055	10,258
Total non-current assets		**38,782,688**	**38,518,129**
Current assets			
Inventories		1,033,812	785,535
Income tax prepayments		2,096	2,111
Trade and other receivables	14	10,027,542	8,990,103
Cash and cash equivalents	15	335,919	84,471
Total current assets		**11,399,369**	**9,862,220**
Total assets		**50,182,057**	**48,380,349**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	9,578,592	9,578,592
Reserve related to business combination	16	10,457,284	10,457,284
Other reserves		(63,648)	(6,239)
Retained earnings		(853,419)	(1,792,510)
Total equity attributable to owners of the Company		**19,118,809**	**18,237,127**
Non-controlling interest		315	322
Total equity		**19,119,124**	**18,237,449**
Non-current liabilities			
Loans and borrowings	18	7,721,015	8,522,335
Trade and other payables	19	1,362,807	1,049,082
Employee benefit liabilities		2,221,138	2,116,145
Deferred tax liabilities		954,460	884,362
Total non-current liabilities		**12,259,420**	**12,571,924**
Current liabilities			
Loans and borrowings	18	5,514,686	5,811,561
Trade and other payables	19	13,037,257	11,611,538
Provisions		–	27,363
Current income tax liabilities		251,570	120,514
Total current liabilities		**18,803,513**	**17,570,976**
Total liabilities		**31,062,933**	**30,142,900**
Total equity and liabilities		**50,182,057**	**48,380,349**

(in thousand of Russian rubles, unless otherwise stated)

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**937,995**	**893,815**
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangible assets	9	1,072,803	1,028,563
Finance costs	10	371,555	409,565
Finance income	10	(25,191)	(58,545)
Loss/(gain) on disposal of property, plant and equipment		1,574	(1,658)
Expected credit loss	9	231,636	102,838
Bad debt write-off		257	24,409
Accounts payable write-off		(1,333)	(208)
Gain from property, plant and equipment received free of charge		(866)	(993)
Other non-cash transactions		5,346	13,133
Income tax expense		337,684	247,906
Cash flows from operating activities before changes in working capital and provisions		**2,931,460**	**2,658,825**
Changes in working capital			
Change in trade and other receivables (less expected credit loss)		(1,139,910)	(334,945)
Change in financial assets related to employee benefits plans		(36,031)	(20,963)
Change in inventories (less provision for impairment of inventories)		(249,322)	(157,470)
Change in trade and other payables		1,730,239	484,011
Change in employee benefit liabilities		104,993	20,605
Change in provisions		(27,363)	(32,059)
Other		42,371	(69,234)
Cash flows from operating activities before income tax and interest paid		**3,356,437**	**2,548,770**
Income tax paid		(122,945)	(110,411)
Interest paid		(185,276)	(229,115)
Net cash from operating activities		**3,048,216**	**2,209,244**

(in thousand of Russian rubles, unless otherwise stated)

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(1,548,714)	(1,598,349)
Proceeds from the sale of property, plant and equipment and intangible assets		160	40
Interest received		2,636	9,845
Net cash used in investing activities		**(1,545,918)**	**(1,588,464)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	18	6,611,511	8,619,300
Repayment of loans and borrowings	18	(7,860,998)	(9,118,300)
Dividends paid		(1,096)	(45)
Repayment of finance lease liabilities		(267)	–
Net cash used in financing activities		**(1,250,850)**	**(499,045)**
Net increase in cash and cash equivalents		**251,448**	**121,735**
Cash and cash equivalents at the year beginning		84,471	361,619
Cash and cash equivalents at the year end	15	**335,919**	**483,354**

(in thousand of Russian rubles, unless otherwise stated)

	Equity attributable to owners of the Company						
	Share capital	**Reserve related to business combination**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2017	**9,578,592**	**10,457,284**	**255,684**	**490,891**	**20,782,451**	**347**	**20,782,798**
Profit/(loss) for the period	–	–	–	893,824	**893,824**	(9)	**893,815**
Other comprehensive loss	–	–	(20,567)	–	**(20,567)**	–	**(20,567)**
Income tax related to other comprehensive loss	–	–	4,113	–	**4,113**	–	**4,113**
Total comprehensive income/(loss) for the period	**–**	**–**	**(16,454)**	**893,824**	**877,370**	**(9)**	**877,361**
Balance at 31 March 2017	**9,578,592**	**10,457,284**	**239,230**	**1,384,715**	**21,659,821**	**338**	**21,660,159**

Balance at 1 January 2018	**9,578,592**	**10,457,284**	**(6,239)**	**(1,792,510)**	**18,237,127**	**322**	**18,237,449**
Profit/(loss) for the period	–	–	–	938,002	**938,002**	(7)	**937,995**
Other comprehensive loss	–	–	(71,761)	–	**(71,761)**	–	**(71,761)**
Income tax related to other comprehensive loss	–	–	14,352	–	**14,352**	–	**14,352**
Total comprehensive income/(loss) for the period	–	–	**(57,409)**	**938,002**	**880,593**	**(7)**	**880,586**
Balance at 31 March 2018	**9,578,592**	**10,457,284**	**(63,648)**	**(854,508)**	**19,117,720**	**315**	**19,118,035**

1 Background

(a) The Group and its operations

Public Joint Stock Company Interregional Distribution Grid Company of North-West (hereinafter referred to as PJSC "IDGC of North-West" or the "Company") was established in December 2004 in accordance with the laws of the Russian Federation. The Company was formed during the process of re-organization of OJSC RAO "UES of Russia" ("RAO UES") as the owner and operator of the electric power transmission and distribution grid in the North-West Region of Russia.

On 27 April 2007 the Board of Directors of RAO UES approved the structure of the Interregional Distribution Grid Companies. Under the approved structure, the IDGC of North-West was incorporated with IDGC of North-West and seven branches, located in Arkhangelsk, Vologda, Syktyvkar, Novgorod, Pskov, Petrozavodsk and Murmansk and subsidiaries (the "Group"). The principal subsidiaries are listed in Note 5.

The branches were formed on the basis of seven Regional Distribution Grid Companies: OJSC "Arkhenergo", OJSC "Vologdaenergo", OJSC "AEK Komienergo", OJSC "Novgorodenergo" OJSC "Pskovenergo", OJSC "Karelenergo", OJSC "Kolenergo", all of which were subsidiaries of RAO UES prior to the formation of the Group. The merger was a business combination among entities under common control, and has been accounted for using the predecessor accounting method.

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 the 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 parent company is PJSC "ROSSETI".

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

(b) Russian business environment

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

Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

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.

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 Company.

As at 31 March 2018, 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 2017: 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. In accordance with the Russian legislation, the Group's tariffs are regulated by executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs. The consumers of the Group's services include a large number of enterprises under state control.

As at 22 December 2017 the Ministry of Energy of the Russian Federation assigned 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 in-charge in all cases was assigned till assigning of guaranteeing supplier status to the winner of the tender in respect of specified service areas, but not more than for the period of 12 months.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

These Consolidated Interim Condensed Financial Statements for the three months ended 31 March 2018 has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

(b) 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 this consolidated interim condensed financial report 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 2017.

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.

(c) Change in presentation

Reclassification of comparatives

The Group changed presentation in the comparative financial statements items to comply with the current period presentation. The format of reporting was changed for the purpose of transparency and information capacity. All reclassifications are immaterial.

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 2017, except for the effect of adopted new standards as described below.

The following new standards were adopted by the Group starting from the annual period beginning on 1 January 2018:

(a) IFRS 15 «Revenue from Contracts with Customers»

The Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is measured at the fair value of the consideration received or a portion thereof. To the extent that the Group expects to recover in exchange for the transfer of the pledged assets to the customer, excluding any amounts received from third parties (e.g., net of recoverable taxes).

Electricity distribution and sales of electricity

Revenue from distribution and sales of electricity is recognized during the period (settlements month) and is estimated by the results method (cost of transferred electricity volumes). The tariffs for the distribution of electricity (in respect to all subjects of the Russian Federation) and sale of electricity on the regulated market (in respect of subjects of the Russian Federation, not united in the price zones of the wholesale electricity market) are approved by the executive authorities of subjects of the Russian Federation (hereinafter - regional regulatory authority) in the sphere of the state energy tariff regulation within the range of cap and (or) floor tariffs approved by the Federal Antimonopoly Service of the Russian Federation.

Services for technological connection to electric grids

Recognition of revenue from this type of service is made at the time of the beginning of the electricity supply and the connection of the consumer to the power grid on the basis of the act on the implementation of technological connection. In cases where under the terms of the contracts technological connection to power grids is performed in stages, revenue is recognized upon completion of stages of services.

Payment for technological connection based on individual project, standardized tariff rates, rates per unit of maximum supplied power and fee's formula for the technical connection are approved by the regional energy commission (tariffs and fees department of the local region) and do not depend on revenue from electricity distribution.

Payment for technological connection to the unified national electric network is approved by the Federal Antimonopoly Service.

Other revenue

Revenue from installation, repair and maintenance services and other sales is recognized when the customer obtains control over the asset.

In accordance with the transition provisions in IFRS 15, the Group elected to apply IFRS 15 retrospectively with cumulative effect of initially applying a Standard to be recognized as an adjustment to retained earnings as at 1 January 2018. The application of the standard had no material impact on the Group's consolidated interim condensed financial statements and therefore the retained earnings as at 1January 2018 were not restated.

(b) IFRS 9 «Financial instruments»

The standard introduces new requirements for classification and measurement of financial instruments, impairment, and hedge accounting. As the Group does not apply hedge accounting, the main changes relevant to the Group impacted its accounting policies for classification financial instruments and impairment of financial assets.

According to IFRS 9, the financial assets are classified in the following measurement categories: those to be measured subsequently at amortised cost, those to be measured at fair value through profit or loss, and those to be measured at fair value through other comprehensive income. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are classified as at amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In respect of impairment, IFRS 9 replaced the "incurred loss" model used in IAS 39, Financial instruments:

Recognition and Measurement, with a new "expected credit loss" ("ECL") model that requires a more timely recognition of expected credit losses. An allowance for expected credit losses shall be recorded for financial assets classified as at amortised cost.

(in thousand of Russian rubles, unless otherwise stated)

Under IFRS 9, loss allowances are measured on either of the following bases: 12-month ECLs that result frompossible default events within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument. For trade receivables, the Group measures loss allowances applying a simplified approach at an amount equal to lifetime ECLs. For other financial assets classified as at amortised cost, including some shareholders' loans provided, loss allowances are measured as 12-month ECLs unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the lifetime ECLs.

In accordance with the transition provisions in IFRS 9, the Group applied the new rules retrospectively, except for the items that have already been derecognized at the date of initial application, which is 1 January 2018. The Group also used an exemption in IFRS 9 allowing not to restate prior periods presented as a result of adoption of the new classification and measurement requirements, but rather recognize any differences in the opening retained earnings as at 1 January 2018. The initial application of the standard did not result in any material changes of the Group's financial instruments measurement.

On 1 January 2018 the Group has assessed which business models apply to the financial assets held at the date of initial application of IFRS 9 "Financial instruments" and has classified its financial instruments onto appropriate IFRS 9 categories. The main effects resulting from those reclassification are as follows:

		Reclassification of financial assets as at 1 January 2018			
	Balance as at 1 January 2018 under IAS 39	Carried at fair value through profit or loss	Carried at fair value through other comprehensive income	Carried at amortised cost	**Balance as at 1 January 2018 under IFRS 9**
Financial assets available-for-sale	14,898	–	(14,898)	–	–
Financial assets held to maturity	457,769	–	–	(457,769)	–
At fair value through profit or loss	–	–	–	–	–
At fair value through other comprehensive income	–	–	14,898	–	14,898
At amortised cost	–	–	–	457,769	457,769
Total:	**472,667**	**–**	**–**	**–**	**472,667**

The impact of the changes on the Group's including deferred tax equity was as follows:

	Effect on available-for-sale reserve	Effect on measured at fair value through other comprehensive income reserves	Effect on retained earnings
Opening balance at 1 January 2018 - IAS 39	**7,711**	**–**	**–**
Reclassification of investments from available-for-sale into measured at fair value through other comprehensive income	(7,711)	7,711	–
Total impact	**(7,711)**	**7,711**	**–**
Opening balance at 1 January 2018 - IFRS 9	**–**	**7,711**	**–**

(in thousand of Russian rubles, unless otherwise stated)

The table below reflects the original measurement category according to IAS 39 and the new measurement category according to IFRS 9:

	Measurement category		**Carrying amount**		
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**	**Difference**
Non-current financial assets					
Financial investments, including:					
Equity shares	*Available for sale*	*Measured at fair value through other comprehensive income*	14,898	14,898	–
Deposits with maturity of more than 12 months and promissory notes	*Held to maturity*	*Amortised cost*	457,769	457,769	–
Trade and other receivables, loans given	*Amortised cost*	*Amortised cost*	146,169	146,169	–
Current financial assets					
Trade and other receivables, loans given	*Amortised cost*	*Amortised cost*	8,990,103	8,990,103	–
Cash and cash equivalents			84,471	84,471	–
Non-current and current financial liabilities					
Loans and borrowings, trade and other payables	*Amortised cost*	*Amortised cost*	26,994,516	26,994,516	–

The following new standards and interpretations, which are effective as at 1 January 2018, had no impact on the Group's consolidated interim condensed financial statements:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Transfers of Investment Property (Amendments to IAS 40).
- Annual Improvements to IFRSs 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The following new standards and interpretations that are mandatory for the annual periods beginning on or after 1 January 2019, and which the Group has not early adopted:

IFRS 16 Leases. The standard was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees − leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Group intends to apply both exemptions. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The Group will be required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is considering the implication of this standard for the Group's consolidated financial statements

(in thousand of Russian rubles, unless otherwise stated)

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 Insurance Contracts

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.

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.

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

5 Significant subsidiaries

	Country of incorporation	31 March 2018 Ownership/voting shares, %	31 December 2017 Ownership/voting shares, %
OJSC Pskovenergosbyt	Russian Federation	100	100
OJSC Pskovenergoagent	Russian Federation	100	100
OJSC 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 by items in these consolidated financial statements.

6 Information about segments

The Management Board of PJSC IDGC of North-West has been determined as thechief 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.

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, Karelenergo, Kolenergo, Komienergo, Novgorodenergo and Pskovenergo;
- Energy Retail Segment – Pskovenergosbyt, Arkhenergo;
- 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 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.

Capital expenditure represents total investments made during the year in acquisition of property, plant and equipment, including advances given and acquisition of construction materials.

(in thousand of Russian rubles, unless otherwise stated)

(i) Information about reportable segments

For the three months ended 31 March 2018:

	Electricity Transmission							Energy Retail					
	Arkh-energo	**Vologda-energo**	**Karel-energo**	**Kol-energo**	**Komi-energo**	**Novgorod-energo**	**Pskov-energo**	**Arkh-energo**	**Kol-energo**	**Pskov-energosbyt**	**Other**	**Unallocated items**	**Total**
Revenue from external customers	1,136,156	1,909,903	2,052,073	2,190,788	2,070,859	1,253,631	259,682	3,501,102	–	2,015,857	1,035	–	16,391,086
Inter-segment revenue	–	–	13	–	–	2	995,940	–	–	209,542	87,080	–	1,292,577
Segment revenue	**1,136,156**	**1,909,903**	**2,052,086**	**2,190,788**	**2,070,859**	**1,253,633**	**1,255,622**	**3,501,102**	–	**2,225,399**	**88,115**	–	**17,683,663**
Including													
Electricity transmission	1,088,371	1,880,951	2,007,284	2,183,857	2,044,681	1,239,219	1,243,148	–	–	–	–	–	11,687,511
Connection services	33,601	9,346	2,923	982	13,473	5,111	5,561	–	–	–	–	–	70,997
Resale of electricity	–	–	–	–	–	–	–	3,501,102	–	2,031,239	–	–	5,532,341
Other revenue	14,184	19,606	41,879	5,949	12,705	9,303	6,913	–	–	194,160	88,115	–	392,814
EBITDA	**640,104**	**355,150**	**152,951**	**431,558**	**449,955**	**266,894**	**249,016**	**91,902**	–	**15,522**	**(4,356)**	**1,695**	**2,650,391**

For the three months ended 31 March 2017:

	Electricity Transmission							Energy Retail					
	Arkh-energo	**Vologda-energo**	**Karel-energo**	**Kol-energo**	**Komi-energo**	**Novgorod-energo**	**Pskov-energo**	**Arkh-energo**	**Kol-energo**	**Pskov-energosbyt**	**Other**	**Unallocated items**	**Total**
Revenue from external customers	1,550,688	1,937,953	2,173,358	1,938,330	2,249,037	1,163,225	349,657	–	–	1,726,803	1,433	–	13,090,484
Inter-segment revenue	–	–	13	–	–	2	813,071	–	–	181,098	78,737	–	1,072,921
Segment revenue	**1,550,688**	**1,937,953**	**2,173,371**	**1,938,330**	**2,249,037**	**1,163,227**	**1,162,728**	–	–	**1,907,901**	**80,170**	–	**14,163,405**
Including													
Electricity transmission	1,440,157	1,915,703	2,130,076	1,929,678	1,885,600	1,152,551	1,148,253	–	–	–	–	–	11,602,018
Connection services	23,329	5,385	3,047	2,755	349,488	2,124	6,735	–	–	–	–	–	392,863
Resale of electricity	–	–	–	–	–	–	–	–	–	1,741,426	–	–	1,741,426
Other revenue	87,202	16,865	40,248	5,897	13,949	8,552	7,740	–	–	166,475	80,170	–	427,098
EBITDA	**284,511**	**614,369**	**248,638**	**244,936**	**567,412**	**335,027**	**263,461**	–	–	**8,449**	**2,610**	**2,436**	**2,571,849**

(in thousand of Russian rubles, unless otherwise stated)

As at 31 March 2018:

	Electricity Transmission							Energy Retail					
	Arkh-energo	**Vologda-energo**	**Karel-energo**	**Kol-energo**	**Komi-energo**	**Novgorod-energo**	**Pskov-energo**	**Arkh-energo**	**Kol-energo**	**Pskov-energosbyt**	**Other**	**Unallocated items**	**Total**
Segment assets	**5,839,889**	**10,750,718**	**4,647,469**	**4,921,742**	**13,348,395**	**7,280,819**	**5,353,640**	**1,248,348**	**346**	**1,113,640**	**80,507**	**2,371,894**	**56,957,407**
Including property, plant and equipment and construction in progress	4,144,641	9,017,942	3,517,636	3,744,213	11,814,588	5,576,501	4,520,571	–	–	71	14,825	27,154	42,378,142

As at 31 December 2017:

	Electricity Transmission							Energy Retail					
	Arkh-energo	**Vologda-energo**	**Karel-energo**	**Kol-energo**	**Komi-energo**	**Novgorod-energo**	**Pskov-energo**	**Arkh-energo**	**Kol-energo**	**Pskov-energosbyt**	**Other**	**Unallocated items**	**Total**
Segment assets	**5,881,081**	**11,123,167**	**4,595,851**	**4,965,217**	**13,070,203**	**7,060,220**	**5,143,816**		**215**	**1,007,457**	**75,809**	**2,111,337**	**55,034,373**
Including property, plant and equipment and construction in progress	4,167,836	9,176,591	3,484,616	3,825,902	11,819,062	5,265,790	4,573,633	–	–	71	13,989	28,628	42,356,118

(in thousand of Russian rubles, unless otherwise stated)

(ii) Reconciliation of reportable segment EBITDA

Reconciliation of reportable segment EBITDA is presented below:

	Three months ended 31 March 2018	Three months ended 31 March 2017
EBITDA of reportable segments	**2,650,391**	**2,571,849**
Adjustment for expected credit loss	1,336	–
Discounting of receivables	334	3,208
Adjustment for finance lease	919	–
Adjustment of available-for-sale financial assets	372	(22)
Adjustment for value of property, plant and equipment	(397)	(2,589)
Recognition of pension and other long-term employee benefit obligation	36,031	20,895
Adjustment for assets related to employee benefits	(25,337)	2,506
Other adjustments	17,100	(52,735)
EBITDA	**2,680,749**	**2,543,112**
Depreciation and amortization	(1,072,803)	(1,028,563)
Interest expenses on financial liabilities	(331,615)	(372,828)
Interest expenses on finance lease liabilities	(652)	–
Income tax expense	(337,684)	(247,906)
Profit for the period per consolidated interim condensed statement of profit or loss and other comprehensive income	**937,995**	**893,815**

7 Revenue

	Three months ended 31 March 2018	Three months ended 31 March 2017
Electricity transmission	10,692,915	10,791,330
Sales of electricity and capacity	5,511,105	1,721,418
Technological connection services	70,997	392,863
Other revenue	116,069	184,871
	16,391,086	**13,090,482**

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

(in thousand of Russian rubles, unless otherwise stated)

8 Other income, net

	Three months ended 31 March 2018	Three months ended 31 March 2017
Income from identified non-contracted electricity consumption	11,362	8,111
Income in the form of fines and penalties on commercial contracts	266,746	247,180
(Gain)/loss on disposal of property, plant and equipment	(1,574)	1,658
Insurance reimbursement, net	2,923	1,498
Accounts payable write-off	1,333	208
Gain from property, plant and equipment and inventories received free of charge	866	1,527
Other income, net	3,923	138
	285,579	**260,320**

9 Operating expenses

	Three months ended 31 March 2018	Three months ended 31 March 2017
Personnel costs	3,429,776	3,064,291
Depreciation and amortization (Notes 11, 12)	1,072,803	1,028,563
Material expenses, including:		
Electricity for compensation of losses	1,587,333	1,425,494
Electricity for sale	3,314,236	1,040,261
Purchased electricity and heat power for own needs	115,476	107,135
Other material costs	492,142	409,501
Production work and services, including:		
Electricity transmission services	3,806,535	3,976,303
Repair and maintenance services	144,762	64,737
Other production works and services	24,526	16,642
Taxes and charges other than income tax	175,513	133,199
Rent	112,096	41,698
Insurance	15,521	15,689
Other third-party services, including:		
Communication services	33,530	30,591
Security services	63,868	55,581
Consulting, legal and audit services	31,056	20,337
Software costs and servicing	15,259	10,799
Transportation services	42,608	28,727
Other services	98,267	106,764
Expected credit loss	231,636	102,838
Provisions	(5,133)	56
Other expenses	252,812	178,855
	15,054,622	**11,858,061**

(in thousand of Russian rubles, unless otherwise stated)

10 Finance income and costs

Recognized in profit or loss	Three months ended 31 March 2018	Three months ended 31 March 2017
Finance income		
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	15,816	9,419
Gain from disposal of available-for-sale financial assets	–	1,940
Gain from recovery impairment of financial assets measured amortised cost	8,918	–
Interest income on assets related to employee benefits	–	35,427
Amortization of discount on financial assets	457	3,688
Other finance income	–	8,071
	25,191	**58,545**
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(331,615)	(372,828)
Interest expenses on finance lease liabilities	(652)	–
Interest expenses on long-term employee benefit obligation	(39,155)	(36,235)
Effect from primary discounting of financial assets	(133)	(502)
	(371,555)	**(409,565)**

(in thousand of Russian rubles, unless otherwise stated)

11 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
Cost/Deemed cost						
At 1 January 2017	**7,581,813**	**32,299,047**	**17,702,840**	**7,821,377**	**1,812,631**	**67,217,708**
Reclassification between groups	8	–	–	(8)	–	–
Additions	14,081	24,021	2,313	21,327	579,123	640,865
Transfer	3,054	112,631	28,517	22,146	(166,348)	–
Disposals	(740)	(2,650)	(1,447)	(3,730)	(43,311)	(51,878)
At 31 March 2017	**7,598,216**	**32,433,049**	**17,732,223**	**7,861,112**	**2,182,095**	**67,806,695**
At 1 January 2018	**8,093,551**	**34,321,494**	**19,426,865**	**8,897,815**	**2,503,125**	**73,242,850**
Reclassification between groups	–	–	–	–	–	–
Additions	1,080	43,869	4,845	158,344	1,078,896	1,287,034
Transfer	2,486	134,030	36,740	65,416	(238,672)	–
Disposals	(485)	(617)	(1,488)	(5,401)	(107,203)	(115,194)
At 31 March 2018	**8,096,632**	**34,498,776**	**19,466,962**	**9,116,174**	**3,236,146**	**74,414,689**
Accumulated depreciation and impairment						
At 1 January 2017	**(2,837,233)**	**(17,184,799)**	**(7,119,343)**	**(4,759,793)**	**(98,036)**	**(31,999,204)**
Reclassification between groups	(7)	–	–	7	–	–
Entry into fixed assets (transfer of impairment losses)	(105,249)	(166,646)	(15,427)	(1,037)	47,007	(241,352)
Depreciation charge	(82,570)	(463,846)	(268,557)	(189,146)	–	(1,004,119)
Disposals	644	1,549	1,442	3,489	126	7,250
At 31 March 2017	**(3,024,415)**	**(17,813,742)**	**(7,401,885)**	**(4,946,480)**	**(50,903)**	**(33,237,425)**
At 1 January 2018	**(3,169,387)**	**(19,057,560)**	**(8,187,611)**	**(5,501,647)**	**(58,826)**	**(34,127,470)**
Reclassification between groups	–	–	–	–	–	–
Entry into fixed assets (transfer of impairment losses)	(2)	(226)	(51)	–	279	–
Depreciation charge	(85,376)	(468,732)	(287,511)	(205,363)	–	(1,046,982)
Disposals	224	420	956	5,043	–	6,643
At 31 March 2018	**(3,254,541)**	**(19,526,098)**	**(8,474,217)**	**(5,701,967)**	**(58,547)**	**(37,015,370)**
Net book value						
At 31 March 2017	**4,924,164**	**15,263,934**	**11,239,254**	**3,396,168**	**2,444,299**	**37,267,819**
At 31 March 2018	**4,842,091**	**14,972,678**	**10,992,745**	**3,414,207**	**3,177,599**	**37,399,317**

Capitalized interest for the three month ended 31 March 2018 amounted to RUB 4,568 thousand (for the three month ended 31 March 2017: RUB 7,283 thousand), with capitalization rate used to calculate borrowing costs to be capitalized during the period of 8.54% (for 2016: 10.37%).

The depreciation charge for the three month ended 31 March 2018 of RUB 279 thousand (for the three month ended 31 March 2017: RUB 3,525 thousand) has been capitalized to the cost of the capital construction objects.

(in thousand of Russian rubles, unless otherwise stated)

12 Intangible assets

	Software	Certificates, licenses and patents	Other intangible assets	Total intangible assets
Initial cost				
At 1 January 2017	298,790	28,686	13,797	341,273
Reclassification between groups	–	–	–	–
Additions	1,691	68	335	1,424
Disposals	(7,984)	(271)	–	(8,255)
At 31 March 2017	**292,497**	**28,483**	**13,462**	**334,442**
At 1 January 2018	328,914	28,344	54,307	411,565
Reclassification between groups	–	–	–	–
Additions	59,192	2,707	5,470	67,369
Disposals	(1,196)	–	–	(1,196)
At 31 March 2018	**386,910**	**31,051**	**59,777**	**477,738**
Accumulated amortization and impairment				
At 1 January 2017				
Reclassification between groups	(161,075)	(15,427)	(1,789)	(178,291)
Amortization charge	–	–	–	–
Disposals	(22,741)	(1,547)	(87)	(24,375)
At 31 March 2017	**(175,838)**	**(16,705)**	**(1,876)**	**(194,419)**
At 1 January 2018	(184,480)	(18,020)	(2,093)	(204,593)
Reclassification between groups	–	–	–	–
Amortization charge	(24,240)	(1,496)	(85)	(25,821)
Disposals	1,140	–	–	1,140
At 31 March 2018	**(207,580)**	**(19,516)**	**(2,178)**	**(229,274)**
Net book value				
At 31 March 2017	**144,434**	**10,324**	**52,214**	**206,972**
At 31 March 2018	**179,330**	**11,535**	**57,599**	**248,464**

(in thousand of Russian rubles, unless otherwise stated)

13 Financial investments

	31 March 2018	31 December 2017
Non-current		
Financial assets measured amortised cost	466,688	–
Financial assets measured at fair value through other comprehensive income	14,569	–
Available-for-sale financial assets	–	14,898
Financial assets held to maturity	–	457,769
	481,257	**472,667**

Financial assets measured at fair value through other comprehensive income as at 31 March 2018 and available-for-sale financial assets as at 31 December 2017 are represented by the shares of PJSC TGC-1 and other securities. Fair value of these shares is based on published market quotations and amounted to RUB 14,569 thousand and RUB 18,898 thousand as at 31 March 2018 and 31 December 2017 respectively.

For the three months ended 31 March 2018 the decrease in the fair value of these financial assets in the total amount of RUB 329 thousand was recognized in other comprehensive income (for the year ended 31 December 2016: RUB 3,484 thousand).

As at 31 March 2018 financial assets measured amortised cost are represented by deposits placed in OJSC "Bank Tavrichesky" ("The Bank") in the amount of RUB 2,080,000 thousand at the rate of 0.51% per annum with maturity 12 April 2035. (as at 31 December 2017: RUB 2,080,000 thousand).

A feature of this project of reorganization is the participation of major creditors of the Bank: PJSC "Lenenergo" and PJSC "IDGC of North-West", providing co-funding of actions reorganization. In view of the aforesaid ASV allocated 28 billion roubles at the expense at the bank of Russia with maturity of 10 years to facilitate the Bank financial restructuring. In accordance with the plan of restructuration of the bank's obligations to JSC "IDGC of North-West" the full amount of the deposit (including accrued interest for the use of the deposit) was back on the company's account in April of 2015. At the same time for the purposes of financial rehabilitation the amount of 2,080,000 thousands roubles have been placed to the Bank on a 20 years subordinated deposit with an interest payable on a quarterly basis at a rate of 0.51% per annum. In addition, before July 2022 there is a plan to reorganize the Bank in the form of its merger with the Investor.

Currently, ASV exercises the complete control over the process of financial recovery of the Bank based on the general agreement between the Investor, the Bank, PJSC "Lenenergo" and PJSC "IDGC of North-West", this agreement contemplating the provision of comprehensive information on the Bank's financial position.

The Bank actively utilizes the funds of the Bank of Russia, thus facilitating the improvement of its financial performance indicators and guaranteeing the Bank's ability to meet its liabilities to creditors.

The analysis of the Bank's financial operations and prior year statistical data indicate at the stabilization of the Bank's the financial position and the mitigation of the negative trends that might impact the Bank's financial stability in future. 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.

As at 31 March 2018 the financial investments (subordinated deposit) with undetermined current market value are measured at their fair value. The fair value of the Group's debt financial investment is defined as the amount of economic benefits that the Group expects to receive from these financial investments under normal operating conditions.

(in thousand of Russian rubles, unless otherwise stated)

In the consolidated financial statements the Group made an allowance for impairment of financial investments (the Bank deposit) equalling the difference between their historical cost and fair value. The fair value of financial investments was determined using the method of discounting of long-term debt taking into consideration industry, market, financial and other risks, including investment risk. As at 31 March 2018, the allowance amounted to 1,613,312 thousand roubles (at 31 December 2017: 1,622,231 thousand roubles).

The Group formed the deferred tax asset from provision for impairment loss of financial investments in accordance with IAS 12 Income Taxes. As at 31 March 2018 value of this deferred tax asset amounted to 322,662 thousand roubles (as at 31 December 2017: 337,580 thousand roubles).

	Interest rate	**Rating**	**Rating agency**	**31 March 2018**	**31 December 2017**
Bank	0.51%	R	Standard & Poor's	466,688	457,769

14 Trade and other receivables

	31 March 2018	**31 December 2017**
Non-current trade and other accounts receivable		
Trade receivables	4,394	5,026
Other receivables	8,345	8,474
Total financial assets	**12,739**	**13,500**
Advances given	10,774	12,340
VAT on advances from customers and clients	168,807	120,329
	192,320	**146,169**
Current trade and other accounts receivable		
Trade receivables	15,083,857	13,831,446
Trade receivables expected credit loss	(6,964,185)	(6,854,567)
Other receivables	1,378,065	1,356,721
Other receivables expected credit loss	(631,519)	(564,840)
Total financial assets	**8,866,218**	**7,768,760**
Advances given	129,326	218,253
Advances given expected credit loss	(14,410)	(14,410)
VAT recoverable	1,027,163	987,495
VAT on advances from customers and clients	7,786	4,757
Prepaid taxes, other than income tax and VAT	11,459	25,248
	10,027,542	**8,990,103**

Balances with related parties are disclosed in Note 23.

(in thousand of Russian rubles, unless otherwise stated)

15 Cash and cash equivalents

	31 March 2018	31 December 2017
Cash at bank and in hand	334,419	82,471
Cash equivalents	1,500	2,000
	335,919	**84,471**

	Rating	Rating agency	31 March 2018	31 December 2017
Bank 1	ruAA	Expert RA	1,729	731
Bank 2	Ba2	Moody's Investors Service	30	35
Bank 3*	–	–	2,987	3,654
Bank 4*	Ba2	Moody's Investors Service	211,174	39,705
Bank 5*	NP	Moody's Investors Service	6,884	5,565
Bank 6*	Ba1	Moody's Investors Service	109,637	31,679
Cash in hand			1,978	1,102
			334,419	**82,471**

*Government-related banks

Cash equivalents consist of short-term bank deposits:

	Interest rate	Rating	Rating agency	31 March 2018	31 December 2017
Bank 1*	5.42	NP	Moody's Investors Service	1,500	2,000

*Government-related banks

As at 31 March 2018 and 31 December 2017, all cash and cash equivalents balances are denominated in roubles.

16 Share capital

	Ordinary shares	
	31 March 2018	31 December 2017
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	**95,785,923,138**	**95,785,923,138**

Reserve related to business combination

The Group was formed in 2008 as a result of the 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.

(in thousand of Russian rubles, unless otherwise stated)

Dividends

Dividends in the amount of RUB 1,089 thousand have been recovered into retained earnings as at 31 March 2018 after expiration of three years period of limitation due to absence of requisites in the shareholders register (as at 31 December 2017: RUB 16 thousand).

17 Earnings per share

The calculation of basic earnings per share for the three months ended 2018 and 2017 is presented below.

The Company has no dilutive financial instruments.

	2018	**2017**
Ordinary shares at 1 January	95,785,923,138	95,785,923,138
Weighted average number of shares for the three months ended 31 March 2018	**95,785,923,138**	**95,785,923,138**

	Three months ended 31 March 2018	**Three months ended 31 March 2017**
Weighted average number of ordinary shares outstanding, for the period ended 31 March (shares)	95,785,923,138	95,785,923,138
Earnings for the period attributable to holders of ordinary shares	938,002	893,824
Earnings per ordinary share (in RUB) – basic and diluted	**0.0098**	**0.0093**

18 Loans and borrowings

	31 March 2018	**31 December 2017**
Non-current liabilities		
Unsecured loans and borrowings	12,700,000	13,500,000
Finance lease liabilities	27,041	27,308
Less: current portion of long-term finance lease liabilities	(6,026)	(4,973)
Less: current portion of long-term loans and borrowings	(5,000,000)	(5,000,000)
	7,721,015	**8,522,335**
Current liabilities		
Unsecured loans and borrowings	508,660	806,588
Current portion of long-term finance lease liabilities	6,026	4,973
Current portion of long-term loans and borrowings	5,000,000	5,000,000
	5,514,686	**5,811,561**
Including:		
Interests payable on loans and borrowings	218,660	67,101
	218,660	**67,101**

All balances of loans and borrowings are denominated in rubles as at 31 March 2018.

The Group raised the following bank loans during the 3 months ended 31 March 2018:

(in thousand of Russian rubles, unless otherwise stated)

	Year of maturity	Effective interest rate	Carrying value
Unsecured loans and borrowings			
Unsecured bank loans *	2018	10.65%	215,000
Unsecured bank loans	2018	9.05%	135,000
Unsecured bank loans *	2018-2021	7.85% - 9.15%	6,261,511
			6,611,511

*Loans and borrowings received from state-related companies

The Group repaid the following significant bank facilities during the three months ended 31 March 2018:

	Amount
Loans and borrowings received from state-related companies	7,845,998
Other loans and borrowings	15,000
	7,860,998

19 Trade and other payables

	31 March 2018	31 December 2017
Non-current accounts payable		
Other payables	256,465	260,532
Total financial liabilities	**256,465**	**260,532**
Advances from customers	1,106,342	788,550
	1,362,807	**1,049,082**
Current accounts payable		
Trade payables	4,981,179	4,321,776
Other payables and accrued expenses	370,556	713,907
Payables to employees	1,201,074	939,256
Dividends payable	6,737	7,833
Total financial liabilities	**6,559,546**	**5,982,772**
Advances from customers	4,977,853	4,712,383
	11,537,399	**10,695,155**
Taxes payable		
Value-added tax	893,349	514,362
Property tax	275,427	109,531
Social security contributions	234,840	197,942
Other taxes payable	96,242	94,548
	1,499,858	**916,383**
	13,037,257	**11,611,538**

Non-current advances from customers mainly relates to technological connection services contracts in the amount of RUB 1,071,057 thousand as at 31 March 2018 (as at 31 December 2017: RUB 754,769 thousand).

(in thousand of Russian rubles, unless otherwise stated)

20 Financial risk and capital management

The Croup'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 2017.

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

		31 March 2018		**Level of fair value hierarchy**		
	Note.	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Loans given and receivables	14	8,879,015	8,879,015	–	–	8,879,015
Financial assets measured amortised cost	13	466,688	466,688	–	–	466,688
Financial assets measured at fair value through other comprehensive income	13	14,569	14,569	13,036	–	1,533
Cash and cash equivalents	15	335,919	335,919	335,919	–	–
Current and non-current loans and borrowings	18	(13,235,701)	(12,822,830)	–	–	(12,822,830)
Trade and other payables	19	(6,815,964)	(6,815,964)	–	–	(6,815,964)
		(10,355,474)	**(9,942,603)**	**348,955**	**–**	**(10,291,558)**

		31 December 2017		**Level of fair value hierarchy**		
	Note.	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Loans given and receivables	14	7,781,801	7,781,801	–	–	7,781,801
Available-for-sale financial assets	13	14,896	14,896	13,365	–	1,531
Financial assets held to maturity	13	457,771	457,771	–	–	457,771
Cash and cash equivalents	15	84,471	84,471	84,471	–	–
Current and non-current loans and borrowings	18	(14,333,896)	(14,015,573)	–	–	(14,015,573)
Trade and other payables	19	(6,243,262)	(6,243,262)	–	–	(6,243,262)
		(12,238,219)	**(11,919,896)**	**97,836**	**–**	**(12,017,732)**

The interest rate used to discount the expected future cash flows for long-term and short-term loans borrowings for the purpose of determining the fair value disclosed as at 31 March 2018 was 8.65% (as at 31 December 2017: 9.65%).

During three months ended 31 March 2018 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 entry and end of period is presented below (the Group has no financial assets measured fair value through profit or loss):

(in thousand of Russian rubles, unless otherwise stated)

	Financial assets measured at fair value through other comprehensive income
As at 1 January 2018	14,898
Change in fair value recognized through other comprehensive income	(329)
As at 31 March 2018	**14,569**

21 Capital commitments

As at 31 March 2018 the Group has outstanding commitments under contracts for the purchase and construction of property plant and equipment items for RUB 3,936,521 thousand including VAT (as at 31 December 2017: RUB 3,540,697 thousand including VAT).

22 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 the 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. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management of the Group believes that it has adequately provided for tax assets and liabilities based on its interpretations of applicable Russian tax legislation official pronouncements and court decisions; the Group's tax currency and customs positions will be sustained. However the interpretations of the relevant authorities could differ and have an effect on these consolidated financial statements if the authorities were successful in enforcing their interpretations.

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.

(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.

(in thousand of Russian rubles, unless otherwise stated)

(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.

23 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 31 March 2018 and 31 December 2017 was PJSC ROSSETI. The ultimate controlling party is the state represented by the Federal Property Management Agency which held the majority of the voting rights of PJSC ROSSETI.

(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 for the period ended 31 March		**Carrying amount**	
Revenue, Net other income, Finance income	**2018**	**2017**	**31 March 2018**	**31 December 2017**
The parent company				
Other revenue	308	308	–	–
Entities under common control of the parent company				
Sales of electricity	28	–	–	85
Other revenue	2,030	267	3,838	3,874
Other operating income	–	180	21,299	18,760
	2,366	**755**	**25,137**	**22,720**

(in thousand of Russian rubles, unless otherwise stated)

	Amount of transaction for the period ended 31 March		**Carrying amount**	
Operating expenses, Finance costs	**2018**	**2017**	**31 March 2018**	**31 December 2017**
The parent company				
Consulting legal and audit services	28,827	50,475	17,847	11,381
Other production works and services	7,103	–	–	–
Interest expenses on financial liabilities measured at amortized cost	153,101	153,124	–	–
Entities under common control of the parent company				
Electricity for sale	10,432	3,990	313	243
Electricity transmission services	1,914,869	2,336,104	707,788	685,238
Technological connection services	605	–	–	–
Rent	189	2,254	491	227
Provisions	–	–	–	974
Other expenses	11,143	3,909	10,099	28,134
	2,126,269	**2,549,856**	**736,538**	**726,197**

	Carrying amount	
	31 March 2018	**31 December 2017**
The parent company		
Loans and borrowings	5,204,150	5,051,049
Entities under common control of the parent company		
Advances given	15,675	14,496
Advances received	2,509	2,535
	5,222,334	**5,068,080**

(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.

(in thousand of Russian rubles, unless otherwise stated)

	Year ended 31 March 2018	Year ended 31 March 2017
Short-term remuneration for employees	77,543	79,987
Post employment benefits and other long-term benefits	604	958
	78,147	**80,945**

(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 period ended 31 March 2018 constitute 11.72% (for the period ended 31 March 2017: 10.49%) of total Group revenues including 9.57% (for the period ended 31 March 2017: 8.39%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the period ended 31 March 2018 constitute 51.53% (for the period ended 31 March 2017: 58.70%) of total electricity transmission costs.

Interest accrued on loans and borrowings from state-related banks for the period ended 31 March 2018 amounted to 78% (for the period ended 31 March 2017: 99%) of total interest accrued.

As at 31 March 2018 cash and cash equivalents held in government-related banks amounted to RUB 330,682 thousand (as at 31 December 2017: RUB 80,601 thousand).

Loans and borrowings received from government-related banks are disclosed in Note 18.

24 Events after the reporting date

As at 23 March 2018 the Ministry of Energy of the Russian Federation assigned 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 in-charge in all cases was assigned till assigning of guaranteeing supplier status to the winner of the tender in respect of specified service areas but not more than for the period of 12 months.