

PJSC “IDGC of North-West”

**Consolidated Interim Condensed Financial Statements
prepared in accordance with IAS 34 “Interim financial reporting”
as at and for three months ended 31 March 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 months ended 31 March 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)*

	Notes	Three months ended 31 March 2019	Three months ended 31 March 2018
Revenue	7	13,377,859	16,391,086
Operating expenses	9	(11,672,566)	(15,054,622)
Other income, net	8	92,452	285,579
Results from operating activities		1,797,745	1,622,043
Finance income	10	19,526	25,191
Finance costs	10	(347,648)	(371,555)
Net finance costs		(328,122)	(346,364)
Profit before tax		1,469,623	1,275,679
Income tax expense	11	(301,216)	(337,684)
Profit for the period		1,168,407	937,995
Other comprehensive income			
<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		579	(329)
Remeasurements of the defined benefit liability		(49,737)	(71,432)
Income tax	11	9,831	14,352
Other comprehensive loss for the period, net of income tax		(39,327)	(57,409)
Total comprehensive income for the period		1,129,080	880,586
Profit/(loss) attributable to:			
Owners of the Company		1,168,414	938,002
Non-controlling interest		(7)	(7)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		1,129,087	880,593
Non-controlling interest		(7)	(7)
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	19	0.0122	0.0098

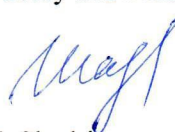
These Consolidated Interim Condensed Financial Statements were approved by management on 24 May 2019 and were signed on its behalf by:

Director General



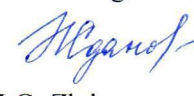
A.Y. Pidnik

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 31 March 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	31 March 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	12	40,148,264	40,447,544
Intangible assets	13	268,657	268,400
Right-of-use assets	14	712,449	–
Trade and other receivables	16	159,348	160,391
Assets related to employee benefits plans		349,658	370,051
Financial investments	15	515,652	505,219
Deferred tax assets		23,519	29,127
Total non-current assets		42,177,547	41,780,732
Current assets			
Inventories		1,072,496	858,074
Income tax prepayments		18,714	233,636
Trade and other receivables	16	7,252,668	8,139,965
Cash and cash equivalents	17	1,193,913	151,123
Total current assets		9,537,791	9,382,798
Total assets		51,715,338	51,163,530
EQUITY AND LIABILITIES			
Equity			
Share capital	18	9,578,592	9,578,592
Reserve related to business combination	18	10,457,284	10,457,284
Other reserves		(84,513)	(45,186)
Accumulated loss		522,959	(645,455)
Total equity attributable to owners of the Company		20,474,322	19,345,235
Non-controlling interest		246	253
Total equity		20,474,568	19,345,488
Non-current liabilities			
Loans and borrowings	20	8,574,710	8,517,335
Trade and other payables	21	1,110,482	1,141,617
Employee benefit liabilities		1,986,499	1,912,467
Deferred tax liabilities		1,034,802	949,701
Total non-current liabilities		12,706,493	12,521,120
Current liabilities			
Loans and borrowings	20	7,441,304	7,026,929
Trade and other payables	21	10,243,323	11,571,534
Provisions		633,155	698,268
Current income tax liabilities		216,495	191
Total current liabilities		18,534,277	19,296,922
Total liabilities		31,240,770	31,818,042
Total equity and liabilities		51,715,338	51,163,530

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 three months ended 31 March 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Three months ended 31 March 2019	Three months ended 31 March 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		1,168,407	937,995
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortization of intangible assets	9	1,137,600	1,072,803
Finance costs	10	347,648	371,555
Finance income	10	(19,526)	(25,191)
(Gain)/loss on disposal of property, plant and equipment		(9,323)	1,574
Expected credit loss	9	30,691	231,636
Bad debt write-off		266	257
Accounts payable write-off		(159)	(1,333)
Change in provisions		(11,737)	–
Gain from property, plant and equipment received free of charge		(1,777)	(866)
Other non-cash transactions		–	5,346
Income tax expense	11	301,216	337,684
Total effect of adjustments		2,943,306	2,931,460
Change in financial assets related to employee benefits plans		20,393	(36,031)
Change in employee benefit liabilities		(16,579)	104,993
Cash flows from operating activities before changes in working capital and provisions		2,947,120	3 000 422
<i>Changes in working capital</i>			
Change in trade and other receivables (less expected credit loss)		871,981	(1,139,910)
Change in inventories (less provision for impairment of inventories)		(215,789)	(249,322)
Change in trade and other payables		(867,138)	1,730,239
Change in provisions		–	(27,363)
Other		2,957	42,371
Cash flows from operating activities before income tax and interest paid		2,739,131	3,356,437
Income tax paid		230,550	(122,945)
Interest paid		(291,336)	(185,276)
Net cash from operating activities		2,678,345	3,048,216

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PJSC IDGC of North-West
Consolidated Interim Condensed Statement of Cash Flows for the three months ended 31 March 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Three months ended 31 March 2019	Three months ended 31 March 2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(1,340,605)	(1,548,714)
Proceeds from the sale of property, plant and equipment and intangible assets		8,927	160
Interest received		9,493	2,636
Net cash used in investing activities		(1,322,185)	(1,545,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	20	2,583,892	6,611,511
Repayment of loans and borrowings	20	(2,864,107)	(7,860,998)
Dividends paid		–	(1,096)
Repayment of finance lease liabilities		(33,155)	(267)
Net cash used in financing activities		(313,370)	(1,250,850)
Net increase in cash and cash equivalents		1,042,790	251,448
Cash and cash equivalents at the year beginning		151,123	84,471
Cash and cash equivalents at the year end	17	1,193,913	335,919

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 three months ended 31 March 2019 (unaudited)
(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 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
Balance at 1 January 2019	9,578,592	10,457,284	(45,186)	(645,455)	19,345,235	253	19,345,488
Profit/(loss) for the period	–	–	–	1,168,414	1,168,414	(7)	1,168,407
Other comprehensive loss	–	–	(49,158)	–	(49,158)	–	(49,158)
Income tax related to other comprehensive loss	–	–	9,831	–	9,831	–	9,831
Total comprehensive income/(loss) for the period	–	–	(39,327)	1,168,414	1,129,087	(7)	1,129,080
Balance at 31 March 2019	9,578,592	10,457,284	(84,513)	522,959	20,474,322	246	20,474,568

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

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 “Arkhenenergo”, OJSC “Vologdaenergo”, OJSC “AEK Komienergo”, OJSC “Novgorodenergo” OJSC “Pskovenergo”, OJSC “Karelenenergo”, 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.

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 continuing deterioration of the political situation caused by the growing tensions between the Russian Federation and the United States, the European Union and related events have led to an increase of the risk assessments of doing business 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.

1 Background (continued)

(c) Relations with state (continued)

As at 31 March 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. 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 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 (Branch Arkhenergo, the segment Arkhenergo).

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

As at 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 (Branch Vologdaenergo, the segment Vologdaenergo).

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

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 2019 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 2018.

(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 2018.

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)

(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 2018, except for the effect of adopted from 1 January 2019 of IFRS 16 "Leases" 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 accounting for leases from the lessee.

A contract as a whole or its individual components is a lease if the contract transfers the right to control the use of the identified asset for a certain period in exchange for compensation.

Right-of-use assets are initially measured at cost and depreciated to the earlier of the useful lives of the right-of-use asset or the lease end date. The initial cost of the right-of-use asset includes the amount of the initial estimate of the lease liability, lease payments made before or at the commencement of the lease, and initial direct costs. After recognition, the right-of-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. Right-of-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 implemented on inception of the lease and subsequently measured at amortized cost with recognition of costs in the form of interest 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 main objects of the group's lease are power grid facilities (power transmission networks, power transmission equipment, etc.) and land plots. The group also leases non-residential real estate and vehicles.

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

The panel has also used permitted simplifications of a practical nature and has not applied the new standard to leases that expire within twelve months of the date of transition.

3 Significant accounting policies (continued)

(a) IFRS 16 "Leases" (continued)

The effect of the initial application of IFRS 16 "Leases" had the following impact on the group's assets and liabilities:

	1 January 2019
Assets	
Right-of-use assets	702,738
Trade and other receivables	(7,911)
Liabilities	
Long-term lease liabilities	572,404
Short-term lease liabilities	142,239
Trade and other payables	(19,815)

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":

	1 January 2019
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)
Discount effect	(978,054)
Finance lease liabilities recognized as at 31 December 2018	22,335
Lease liabilities recognized as at 1 January 2019	736,978

(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 applied by the Group ahead of schedule:

3 Significant accounting policies (continued)

(b) Other standards and interpretations (continued)

- 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 analysing 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.

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.

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 22.

5 Significant subsidiaries

	Country of incorporation	31 March 2019 Ownership/voting shares, %	31 December 2018 Ownership/voting shares, %
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 by items in 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.

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, 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 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.

6 Information about segments (continued)

(i) Information about reportable segments (continued)

For the three months ended 31 March 2019:

	Electricity Transmission						Energy Retail					Total	
	Arkh- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkh- energo	Vologda- energo	Pskov- energosbyt	Other		Unallocate d items
Revenue from external customers	1,649,235	2,015,850	1,986,639	2,180,640	1,938,105	1,243,842	222,898	–	–	2,138,919	1,731	–	13,377,859
Inter-segment revenue	–	–	13	–	–	2	1,023,789	–	–	231,950	88,262	–	1,344,016
Segment revenue	1,649,235	2,015,850	1,986,652	2,180,640	1,938,105	1,243,844	1,246,687	–	–	2,370,869	89,993	–	14,721,875
Including													
<i>Electricity transmission</i>	1,535,945	1,984,349	1,941,006	2,173,373	1,918,014	1,231,963	1,227,790	–	–	–	–	–	12,012,440
<i>Connection services</i>	15,417	2,570	5,881	610	8,892	2,707	10,560	–	–	–	–	–	46,637
<i>Resale of electricity</i>	–	–	–	–	–	–	–	–	–	2,370,649	–	–	2,370,649
<i>Other revenue</i>	97,873	28,931	39,765	6,657	11,199	9,174	8,337	–	–	220	90,217	–	292,149
EBITDA	510,212	701,974	454,015	365,641	438,624	188,603	221,156	–	–	24,133	(499)	2,743	2,906,602

For the three months ended 31 March 2018:

	Electricity Transmission						Energy Retail					Total	
	Arkh- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkh- energo	Vologda- energo	Pskov- energosbyt	Other		Unallocated items
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													
<i>Electricity transmission</i>	1,088,371	1,880,951	2,007,284	2,183,857	2,044,681	1,239,219	1,243,148	–	–	–	–	–	11,687,511
<i>Connection services</i>	33,601	9,346	2,923	982	13,473	5,111	5,561	–	–	–	–	–	70,997
<i>Resale of electricity</i>	–	–	–	–	–	–	–	3,501,102	–	2,031,239	–	–	5,532,341
<i>Other revenue</i>	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

6 Information about segments (continued)

(i) Information about reportable segments (continued)

As at 31 March 2019:

	Electricity Transmission						Energy Retail						Total
	Arkhe- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkhe- energo	Vologda- energo	Pskov- energobyt	Other	Unallocated items	
Segment assets	5,802,507	10,261,848	4,677,711	5,559,323	13,823,553	7,199,866	5,294,353	292,799	136,142	1,042,810	77,824	3,265,548	57,434,284
<i>Including property, plant and equipment and construction in progress</i>	4,350,792	8,844,860	3,659,429	4,338,088	12,460,497	6,325,866	4,602,421	–	–	40	17,209	36,684	44,635,886

As at 31 December 2018:

	Electricity Transmission						Energy Retail						Total
	Arkhe- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkhe- energo	Vologda- energo	Pskov- energobyt	Other	Unallocated items	
Segment assets	5,811,562	10,605,344	4,658,672	5,477,091	13,798,251	7,347,539	5,161,504	355,067	966,394	999,692	67,769	2,236,076	57,484,961
<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 31 March 2019	Three months ended 31 March 2018
EBITDA of reportable segments	2,906,602	2,650,391
Adjustment for expected credit loss	(51,498)	1,336
Discounting of receivables	105	334
Adjustment for lease	36,705	919
Remeasurement of financial assets measured at fair value through other comprehensive income (transfer of remeasurement to equity)	(579)	372
Adjustment for value of property, plant and equipment	(216)	(397)
Recognition of pension and other long-term employee benefit obligation	(24,295)	36,031
Adjustment for assets related to employee benefits	(20,392)	(25,337)
Other adjustments	67,491	17,100
EBITDA	2,913,923	2,680,749
Depreciation and amortization	(1,137,600)	(1,072,803)
Interest expenses on financial liabilities	(274,808)	(331,615)
Interest expenses on finance lease liabilities	(31,892)	(652)
Income tax expense	(301,216)	(337,684)
Profit for the period per consolidated interim condensed statement of profit or loss and other comprehensive income	1,168,407	937,995

7 Revenue

	Three months ended 31 March 2019	Three months ended 31 March 2018
Electricity transmission	10,990,266	10,692,915
Sales of electricity and capacity	2,138,699	5,511,105
Technological connection services	46,637	70,997
Rental income	71,547	57,126
Other revenue	130,710	58,943
	13,377,859	16,391,086

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

8 Other income, net

	Three months ended 31 March 2019	Three months ended 31 March 2018
Income from identified non-contracted electricity consumption	12,192	11,362
Income in the form of fines and penalties on commercial contracts	68,207	266,746
Gain/(loss) on disposal of property, plant and equipment	9,323	(1,574)
Insurance reimbursement, net	675	2,923
Accounts payable write-off	159	1,333
Gain from property, plant and equipment and inventories received free of charge	1,777	866
Other income, net	119	3,923
	92,452	285,579

9 Operating expenses

	Three months ended 31 March 2019	Three months ended 31 March 2018
Personnel costs	3,347,109	3,429,776
Depreciation and amortization (Notes 12, 13, 14)	1,137,600	1,072,803
<i>Material expenses, including:</i>		
Electricity for compensation of losses	1,361,615	1,587,333
Electricity for sale	1,256,871	3,314,236
Purchased electricity and heat power for own needs	112,594	115,476
Other material costs	471,535	492,142
<i>Production work and services, including:</i>		
Electricity transmission services	3,306,951	3,806,535
Repair and maintenance services	85,530	144,762
Other production works and services	26,569	24,526
Taxes and charges other than income tax	105,677	175,513
Short-term lease / Lease	5,964	112,096
Insurance	15,322	15,521
<i>Other third-party services, including:</i>		
Communication services	34,789	33,530
Security services	69,758	63,868
Consulting, legal and audit services	5,139	31,056
Software costs and servicing	16,780	15,259
Transportation services	39,059	42,608
Other services	101,936	98,267
Expected credit loss	30,691	231,636
Provisions	(13,104)	(5,133)
Other expenses	154,181	252,812
	11,672,566	15,054,622

10 Finance income and costs

<i>Recognized in profit or loss</i>	Three months ended 31 March 2019	Three months ended 31 March 2018
<i>Finance income</i>		
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	9,493	15,816
Gain from recovery impairment of financial assets measured amortised cost	9,855	8,918
Amortization of discount on financial assets	178	457
	19,526	25,191
<i>Finance costs</i>		
Interest expenses on financial liabilities measured at amortized cost	(274,808)	(331,615)
Interest expenses on lease liabilities	(31,892)	(652)
Interest expenses on long-term employee benefit obligation	(40,874)	(39,155)
Effect from primary discounting of financial assets	(74)	(133)
	(347,648)	(371,555)

11 Income tax

	Three months ended 31 March 2019	Three months ended 31 March 2018
<i>Current income tax</i>		
Current tax	216,131	254,015
Adjustment for previous periods	(15,457)	12
Total current income tax	200,674	254,027
Deferred income tax	100,542	83,657
Income tax expense/ (benefit)	301,216	337,684

In 2019 and 2018, PJSC IDGC of North-West and its subsidiaries applied the standard rate of Russian corporate income tax of 20%.

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

11 Income tax (continued)

Profit before tax is reconciled to income tax expenses as follows:

	Three months ended 31 March 2019	%	Three months ended 31 March 2018	%
Profit before tax	1,469,623		1,275,679	
Income tax at the applicable tax rate	293,925	20	255,136	20
Tax effect on not taxable or non-deductible for tax purposes items	22,748	2	82,536	6
Adjustments for for previous periods	(15,457)	(1)	12	0
	301,216	21	337,684	26

Income tax recognized in other comprehensive income:

	Three months ended 31 March 2019			Three months ended 31 March 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	579	(116)	463	(329)	66	(263)
Remeasurements of the defined benefit liability	(49,737)	9,947	(39,790)	(71,432)	14,286	(57,146)
	(49,158)	9,831	(39,327)	(71,761)	14,352	(57,409)

12 Property, plant and equipment

	Land and buildings	Electricity transmis- sion networks	Equipment for electricity transmission	Other PPE	Construc- tion in progress	Total
<i>Cost/Deemed cost</i>						
At 1 January 2018	8,093,551	34,321,494	19,426,865	8,897,815	2,503,125	73,242,850
Additions	1,080	43,869	4,845	158,344	978,910	1,187,048
Transfer	2,486	134,030	36,740	65,416	(238,672)	–
Disposals	(485)	(617)	(1,488)	(5,401)	(7,220)	(15,211)
At 31 March 2018	8,096,632	34,498,776	19,466,962	9,116,174	3,236,143	74,414,687
<i>Accumulated depreciation and impairment</i>						
At 1 January 2018	(3,169,387)	(19,057,560)	(8,187,611)	(5,501,647)	(58,826)	(35,975,031)
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)
<i>Net book value</i>						
At 1 January 2018	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	3,177,596	37,399,317
<i>Cost/Deemed cost</i>						
At 1 January 2019	8,456,305	37,210,830	20,754,031	10,349,003	3,770,563	80,540,732
Reclassification between groups	(8,780)	(1,377)	(410)	10,567	–	–
Additions	–	–	–	–	781,189	781,189
Transfer	49,328	293,022	268,984	88,354	(699,688)	–
Disposals	(1,247)	(2,472)	(1,364)	(5,005)	(1,431)	(11,519)
At 31 March 2019	8,495,606	37,500,003	21,021,241	10,442,919	3,850,633	81,310,402
<i>Accumulated depreciation and impairment</i>						
At 1 January 2019	(3,514,199)	(20,910,040)	(9,326,267)	(6,294,532)	(48,150)	(40,093,188)
Reclassification between groups	(830)	720	410	(300)	–	–
Entry into fixed assets (transfer of impairment losses)	(4)	(149)	(65)	–	218	–
Depreciation charge	(87,891)	(476,601)	(289,987)	(222,931)	–	(1,077,410)
Disposals	875	2 117	585	4,883	–	8,460
At 31 March 2019	(3,602,049)	(21,383,953)	(9,615,324)	(6,512,880)	(47,932)	(41,162,138)
<i>Net book value</i>						
At 1 January 2019	4,942 106	16,300,790	11,427,764	4,054,471	3,722,413	40,447,544
At 31 March 2019	4,893,557	16,116,050	11,405,917	3,930,039	3,802,701	40,148,264

Capitalized interest for the three month ended 31 March 2019 amounted to RUB 15,824 thousand (for the three month ended 31 March 2018: RUB 4,568 thousand), with capitalization rate used to calculate borrowing costs to be capitalized during the period of 7.08-7.80% (for the three month ended 31 March 2018: 7.20-8.16%).

13 Intangible assets

	Software	Certificates, licenses and patents	Other intangible assets	Total
<i>Initial cost</i>				
At 1 January 2018	328,914	28,344	54,307	411,565
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
<i>Accumulated amortization</i>				
At 1 January 2018	(184,480)	(18,020)	(2,093)	(204,593)
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)
<i>Net book value</i>				
At 1 January 2018	144,434	10,324	52,214	206,972
At 31 March 2018	179,330	11,535	57,599	248,464
<i>Initial cost</i>				
At 1 January 2019	405,663	31,602	99,323	536,588
Additions	23,619	1,494	6,698	31,811
Disposals	(29,521)	(900)	–	(30,421)
At 31 March 2019	399,761	32,196	106,021	537,978
<i>Accumulated amortization</i>				
At 1 January 2019	(242,222)	(23,632)	(2,334)	(268,188)
Amortization charge	(27,879)	(2,140)	(1,042)	(31,061)
Disposals	29,036	892	–	29,928
At 31 March 2019	(241,065)	(24,880)	(3,376)	(269,321)
<i>Net book value</i>				
At 1 January 2019	163,441	7,970	96,989	268,400
At 31 March 2019	158,696	7,316	102,645	268,657

The amount of capitalized amortization of intangible assets amounted to 4 thousand (for the three months ended 31 March 2018 there is no capitalized amortization).

14 Right-of-use assets

	Land and buildings	Electricity transmis- sion networks	Equipment for electricity transmission	Other PPE	Total
<i>Initial cost</i>					
At 1 January 2019	647 210	40 031	12 490	3 007	702 738
Additions	2 883	45 019	900	–	48 802
Changes in lease terms	(10 469)	647	(136)	–	(9 958)
At 31 March 2019	639 624	85 697	13 254	3 007	741 582
<i>Accumulated amortization</i>					
At 1 January 2019	–	–	–	–	–
Amortization charge	(25 438)	(3 057)	(484)	(154)	(29 133)
At 31 March 2019	(25 438)	(3 057)	(484)	(154)	(29 133)
<i>Net book value</i>					
At 1 January 2019	647 210	40 031	12 490	3 007	702 738
At 31 March 2019	614 186	82 640	12 770	2 853	712 449

15 Financial investments

	31 March 2019	31 December 2018
<i>Non-current</i>		
Financial assets measured at fair value through other comprehensive income	10,980	10,401
Financial assets measured amortised cost	504,672	494,818
	515,652	505,219

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 10,980 thousand as at 31 March 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 three months ended 31 March 2019 the increase in the fair value of investments at fair value through other comprehensive income of RUB 579 thousand was recognized in other comprehensive income (for the three months ended 31 March 2018: decrease in the fair value of investments at fair value of RUB 329 thousand).

As at 31 March 2019 financial assets at amortized cost represented deposits at the OJSC "Bank Tavrichesky" ("The Bank") of RUB 2,080,000 thousand at the rate of 0.51% per annum maturing on 12 April 2035 (as at 31 December 2018: RUB 2,080,000 thousand).

The rehabilitation procedure in relation to the Bank was started at the beginning of 2015. Major creditors of the Bank: PJSC "Lenenergo" and PJSC "IDGC of North-West" agreed to participate in the reorganization and financial rehabilitation of the Bank, providing co-funding as referred to below. State

15 Financial investments (continued)

Corporation "Deposit insurance Agency" (DIA) 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 20 years deposit with quarterly payment of interest accrued at the rate of 0.51% per annum.

Currently, the Bank operates as usual, providing a full range of services to its customers, including timely settlements and payments.

In the consolidated financial statements the Group accrued an allowance for expected credit loss 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 deposit taking into consideration industry, market, financial and other risks, including investment risk. As at 31 March 2019, the allowance amounted to RUB 1,575,327 thousand (at 31 December 2018: RUB 1,585,182 thousand).

The Group recognized the deferred tax asset on provision for expected credit loss of financial investments in accordance with IAS 12 "Income Taxes". As at 31 March 2019 the amount of this deferred tax asset was RUB 315,065 thousand (as at 31 December 2018: RUB 317,036 thousand).

Financial assets measured at amortised cost at 31 March 2019 and at 31 December 2018 mainly represent bank deposits with an original maturity of more than three months:

	<u>Interest rate</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Bank	0.51%	504,672	494,818

16 Trade and other receivables

	<u>31 March 2019</u>	<u>31 December 2018</u>
Non-current trade and other accounts receivable		
Trade receivables	6,434	6,858
Other receivables	7,679	3,410
Total financial assets	14,113	10,268
Advances given	7,779	7,972
VAT on advances from customers and clients	137,456	142,151
	159,348	160,391
Current trade and other accounts receivable		
Trade receivables	13,871,010	14,525,061
Trade receivables expected credit loss	(7,763,783)	(7,772,528)
Other receivables	1,083,869	1,133,268
Other receivables expected credit loss	(680,085)	(695,723)
Total financial assets	6,511,011	7,190,078

16 Trade and other receivables (continued)

	<u>31 March 2019</u>	<u>31 December 2018</u>
Advances given	139,493	144,172
Advances given expected credit loss	(12,522)	(12,525)
VAT recoverable	20,742	218,743
VAT on advances from customers and clients and VAT on advances given for the purchase of property, plant and equipment	579,815	582,725
Prepaid taxes, other than income tax and VAT	14,129	16,772
	<u>7,252,668</u>	<u>8,139,965</u>

Balances with related parties are disclosed in Note 25.

17 Cash and cash equivalents

	<u>31 March 2019</u>	<u>31 December 2018</u>
Cash at bank and in hand	1,193,913	151,123
	<u>1,193,913</u>	<u>151,123</u>

	<u>Rating</u>	<u>Rating agency</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Bank 1	ruAA	Expert RA	1,046,443	107,697
Bank 2	NP	Moody's Investors Service	24,875	8,883
Bank 3	NP	Moody's Investors Service	56	7
Bank 4*	–	–	3,882	3,882
Bank 5*	NP	Moody's Investors Service	90,905	7,031
Bank 6*	P-3	Moody's Investors Service	268	6,083
Bank 7*	P-3	Moody's Investors Service	26,264	15,728
Cash in hand			1,220	1,812
			<u>1,193,913</u>	<u>151,123</u>

*Government-related banks

As at 31 March 2019 and 31 December 2018, all cash and cash equivalents balances are denominated in roubles.

As at 31 March 2019 and 31 December 2018 there is no cash equivalents/

18 Share capital

	<u>Ordinary shares</u>	
	<u>31 March 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	<u>95,785,923,138</u>	<u>95,785,923,138</u>

18 Share capital (continued)

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.

Dividends

There is no dividends been recovered into retained earnings as at 31 March 2019 after expiration of three years period of limitation due to absence of requisites in the shareholders register (as at 31 December 2018: RUB 1,083 thousand).

19 Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2019 and 31 March 2018 is presented below. The Company has no dilutive financial instruments.

	Three months ended 31 March 2019	Three months ended 31 March 2018
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	95,785,923,138	95,785,923,138
	Three months ended 31 March 2019	Three months ended 31 March 2018
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	1,168,414	938,002
Earnings per ordinary share (in RUB) – basic and diluted	0.0122	0.0098

20 Loans and borrowings

	31 March 2019	31 December 2018
<i>Non-current liabilities</i>		
Unsecured loans and borrowings	8,500,000	12,000,000
Lease liabilities	775,005	22,335
Less: current portion of long-term finance lease liabilities	(200,295)	(5,000)
Less: current portion of long-term loans and borrowings	(500,000)	(3,500,000)
	8,574,710	8,517,335
<i>Current liabilities</i>		
Unsecured loans and borrowings	6,741,009	3,521,929
Current portion of long-term lease liabilities	200,295	5,000
Current portion of long-term loans and borrowings	500,000	3,500,000
	7,441,304	7,026,929

20 Loans and borrowings (continued)

	<u>31 March 2019</u>	<u>31 December 2018</u>
<i>Including:</i>		
Interests payable on loans and borrowings	28,184	28,890
	<u>28,184</u>	<u>28,890</u>

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

The Group raised the following bank loans during the 3 months ended 31 March 2019:

	<u>Year of maturity</u>	<u>Effective interest rate</u>	<u>Carrying value</u>
Unsecured loans and borrowings			
Unsecured bank loans *	2019-2020	8,60% - 9,15%	914,051
Unsecured bank loans	2019	7,95%	230,000
Unsecured bank loans *	2019	8,25%	1,439,841
			<u>2,583,892</u>

*Loans and borrowings received from state-related companies

The Group repaid the following significant bank facilities during the three months ended 31 March 2019:

	<u>Amount</u>
Loans and borrowings received from state-related companies	2,814,107
Other loans and borrowings	50,000
	<u>2,864,107</u>

21 Trade and other payables

	<u>31 March 2019</u>	<u>31 December 2018</u>
Non-current accounts payable		
Other payables	244,081	246,687
Total financial liabilities	244,081	246,687
Advances from customers	866,401	894,930
	1,110,482	1,141,617
Current accounts payable		
Trade payables	3,507,246	5,019,265
Other payables and accrued expenses	195,379	583,716
Dividends payable	6,571	6,599
Total financial liabilities	3,709,196	5,609,580
Advances from customers	1,261,950	1,089,938
Payables to employees	3,775,205	3,805,283
	8,746,351	10,504,801
Taxes payable		
Value-added tax	917,246	588,920
Property tax	253,442	157,555
Social security contributions	233,211	216,863
Other taxes payable	93,073	103,395
	1,496,972	1,066,733
	10,243,323	11,571,534

Non-current advances from customers mainly relates to technological connection services contracts in the amount of RUB 727,434 thousand as at 31 March 2019 (as at 31 December 2018: RUB 757,928 thousand).

22 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.

22 Financial risk and capital management (continued)

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

		31 March 2019		Level of fair value hierarchy		
Note.	Carrying amount	Fair value	1	2	3	
Financial assets measured at fair value through other comprehensive income	15	10,980	10,980	9,680	–	1,300
Financial assets measured amortised cost	15	504,672	754,767	–	–	754,767
Current and non-current loans and borrowings	20	(16,016,014)	(15,517,760)	–	–	(15,517,760)
		(15,500,362)	(14,752,013)	9,680	–	(14,761,693)

		31 December 2018		Level of fair value hierarchy		
Note.	Carrying amount	Fair value	1	2	3	
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	20	(15,544,264)	(15,033,562)	–	–	(15,033,562)
		(15,039,045)	(14,236,838)	9,101	–	(14,245,939)

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 2019 was 9.68% (as at 31 December 2018: 9.27%).

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

	Financial assets measured at fair value through other comprehensive income
As at 1 January 2019	10,401
Change in fair value recognized through other comprehensive income	579
As at 31 March 2019	10 980

23 Capital commitments

As at 31 March 2019 the Group has outstanding commitments under contracts for the purchase and construction of property plant and equipment items for RUB 4,025,048 thousand including VAT (as at 31 December 2018: RUB 4,638,874 thousand including VAT).

24 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

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. The Group's management's interpretation of the legal provisions relating to the Group's operations and activities may be challenged by the relevant regional or Federal authorities.

In 2018, there was a further introduction of mechanisms against tax evasion using low-tax jurisdictions and aggressive tax planning structures, as well as a general adjustment of certain parameters of the tax system of the Russian Federation.

In particular, these changes included further development of the concept of beneficial ownership, tax residency of legal entities at the place of actual activity, as well as the approach to taxation of controlled foreign companies in the Russian Federation. In addition, since 2019, the total VAT rate is increased to 20%, as well as foreign suppliers of electronic services are required to register with the Russian tax authorities for VAT.

The Russian tax authorities continue to actively cooperate with the tax authorities of foreign countries in the international exchange of tax information, which makes the activities of companies on an international scale more transparent and requires detailed study in terms of confirming the economic purpose of the organization of the international structure in the framework of tax control procedures.

These changes, as well as recent trends in the application and interpretation of certain provisions of the Russian tax legislation, indicate that the tax authorities may take a tougher position in the interpretation of legislation and verification of tax calculations. As a result, the tax authorities may file claims for transactions and accounting methods for which they have not previously filed claims. As a result, significant taxes, penalties and fines may be charged. It is not possible to determine the amounts of claims for possible but not filed claims, as well as to assess the probability of an adverse outcome. Tax audits may cover three calendar years of activity immediately preceding the year of revision. Under certain conditions, earlier tax periods may also be subject to verification.

In management's opinion, as at 31 March 2019 and as at 31 December 2018, the relevant provisions of the legislation have been interpreted correctly and the probability of maintaining the position of the Group in relation to tax, currency and customs legislation is high.

Under the decision of MIFNS Russia № 4 for the largest taxpayers as a result of tax inspection for 2013-2015, the Group was charged with additional tax in the amount of RUB 66,179 thousand. The property classified by the Group for tax purposes as "movable", was classified by the tax authority as "immovable" (including power lines of low and medium voltage).

24 Contingencies (continued)

(b) Taxation contingencies (continued)

The Group on the basis of the claim paid this amount in 2018, reflecting the payment in correspondence with the account of settlements on claims, and disputes the decision of the tax authority in court.

(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.

25 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 2019 and 31 December 2018 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	
	2019	2018	31 March 2019	31 December 2018
Revenue, Net other income, Finance income				
The parent company				
Other revenue	308	308	–	–
Entities under common control of the parent company				
Sales of electricity	43	28	–	–
Other revenue	225	2,030	82,959	55,031
Other operating income	27,239	–	–	–
	27,815	2,366	82,959	55,031

25 Related party transactions (continued)

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

	Amount of transaction for the period ended 31 March		Carrying amount	
	2019	2018	31 March 2019	31 December 2018
Operating expenses, Finance costs				
The parent company				
Consulting legal and audit services	29,250	28,827	20,740	23,079
Other production works and services	7,103	7,103	–	–
Interest expenses on financial liabilities measured at amortized cost	–	153,101	–	–
Entities under common control of the parent company				
Electricity for sale	1,709	10,432	–	–
Electricity transmission services	1,887,884	1,914,869	639,851	635,715
Technological connection services	–	605	–	10
Lease	215	189	543	257
Provisions	150,659	–	–	–
Other expenses	9,325	11,143	30,342	31,177
	2,086,145	2,126,269	691,476	690,238
			Carrying amount	
			31 March 2019	31 December 2018
Entities under common control of the parent company				
Advances given		14,232		14,232
Advances received		2,409		2,436
		16,641		16,668

As at 31 March 2019, there is no dividends payable to the parent company (as at 31 December 2018, there was no dividends payable to the parent company).

(c) Transactions with key management personnel

In order to prepare these consolidated financial statements the key management personnel are members of the Board of Directors, General Director and his deputies .

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.

25 Related party transactions (continued)

(c) Transactions with key management personnel (continued)

	Year ended 31 March 2019	Year ended 31 March 2018
Short-term remuneration for employees	29,802	41,227
Post employment benefits and other long-term benefits	482	604
	30,284	41,831

As at 31 March 2019, the present value of the defined benefit liabilities recorded in the consolidated statement of financial position includes liabilities to key management personnel in the amount of RUB 19,119 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 period ended 31 March 2019 constitute 21.75% (for the period ended 31 March 2018: 11.72%) of total Group revenues including 17.77% (for the period ended 31 March 2018: 9.57%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the period ended 31 March 2019 constitute 64.66% (for the period ended 31 March 2018: 51.53%) of total electricity transmission costs.

Interest accrued on loans and borrowings from state-related banks for the period ended 31 March 2019 amounted to 100% (for the period ended 31 March 2018: 78%) of total interest accrued.

As at 31 March 2019 cash and cash equivalents held in government-related banks amounted to RUB 121,319 thousand (as at 31 December 2018: RUB 32,724 thousand).

Loans and borrowings received from government-related banks are disclosed in Note 20.