

**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 and nine
months ended 30 September 2018**

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PJSC IDGC of North-West
*Consolidated Interim Condensed Statement of Profit or Loss and other comprehensive income
for the three and nine months ended 30 September 2018 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)*

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
Revenue	7	14,630,081	10,446,864	46,913,512	34,568,001
Operating expenses	9	(15,139,194)	(10,720,377)	(45,643,018)	(33,726,447)
Other income, net	8	236,077	434,940	674,033	953,126
Results from operating activities		(273,036)	161,427	1,944,527	1,794,680
Finance income	10	16,481	22,235	64,074	100,830
Finance costs	10	(287,028)	(386,960)	(959,686)	(1,193,073)
Total finance income/(costs)		(270,547)	(364,725)	(895,612)	(1,092,243)
Profit/(loss) before tax		(543,583)	(203,298)	1,048,915	702,437
Income tax expense		107,141	27,112	(304,950)	(197,672)
Profit/(loss) for the period		(436,442)	(176,186)	743,965	504,765
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net change in fair value of available-for-sale financial assets		–	1,415	–	(771)
Income tax		–	(289)	–	154
Total items that may be reclassified subsequently to profit or loss		–	1,126	–	(617)
<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		636	–	(2,132)	–
Remeasurement of the defined benefit liability		115,854	(13,811)	144,433	(30,855)
Income tax related to items that will never be reclassified subsequently to profit or loss		(23,299)	2,762	(28,461)	6,171
Total items that will not be reclassified subsequently to profit or loss		93,191	(11,049)	113,840	(24,684)
Other comprehensive loss for the period, net of income tax		93,191	(9,923)	113,840	(25,301)
Total comprehensive income for the period		(343,251)	(186,109)	857,805	479,464
Profit/(loss) attributable to:					
Owners of the Company		(436,436)	(176,181)	743,984	504,786
Non-controlling interest		(6)	(5)	(19)	(21)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(343,245)	(186,104)	857,824	479,485
Non-controlling interest		(6)	(5)	(19)	(21)
Earnings per share	17				
Basic and diluted earnings per ordinary share (in RUB)		(0,0046)	(0,0018)	0,0078	0,0053

These Consolidated Interim Condensed Financial Statements were approved by management on 21 November 2018 and were signed on its behalf by:

Director General

A.Y. Pidnik

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

I.G. Zhdanova

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

PJSC IDGC of North-West
Consolidated Interim Condensed Statement of Financial Position as at 30 September 2018 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	<u>Notes</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
ASSETS			
Non-current assets			
Property, plant and equipment	11	39,232,606	37,267,819
Intangible assets	12	227,670	206,972
Trade and other receivables	14	328,685	146,169
Assets related to employee benefits plans		379,975	414,244
Financial investments	13	497,972	472,667
Deferred tax assets		10,820	10,258
Total non-current assets		40,677,728	38,518,129
Current assets			
Inventories		1,115,567	785,535
Income tax prepayments		283,490	2,111
Trade and other receivables	14	8,939,924	8,990,103
Cash and cash equivalents	15	103,756	84,471
Total current assets		10,442,737	9,862,220
Total assets		51,120,465	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		107,601	(6,239)
Accumulated loss		(1,047,443)	(1,792,510)
Total equity attributable to owners of the Company		19,096,034	18,237,127
Non-controlling interest		303	322
Total equity		19,096,337	18,237,449
Non-current liabilities			
Loans and borrowings	18	8,518,743	8,522,335
Trade and other payables	19	2,225,341	1,049,082
Employee benefit liabilities		1,956,351	2,116,145
Deferred tax liabilities		901,022	884,362
Total non-current liabilities		13,601,457	12,571,924
Current liabilities			
Loans and borrowings	18	7,031,333	5,811,561
Trade and other payables	19	11,332,067	11,611,538
Provisions		59,271	27,363
Current income tax liabilities		–	120,514
Total current liabilities		18,422,671	17,570,976
Total liabilities		32,024,128	30,142,900
Total equity and liabilities		51,120,465	48,380,349

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

PJSC IDGC of North-West
Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2018
(unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Nine months ended 30 September 2018	Nine months ended 30 September 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		743,965	504,765
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortization of intangible assets	9	3,220,084	3,076,336
Finance costs	10	959,686	1,193,073
Finance income	10	(64,074)	(100,830)
Loss/(gain) on disposal of property, plant and equipment		3,073	(16,575)
Expected credit loss	9	479,881	573,251
Accounts receivable write-off		6,589	1,899
Gain from property, plant and equipment received free of charge		(3,650)	(4,251)
Accounts payable write-off		(5,350)	(3,716)
Other non-cash transactions		57,473	79,579
Income tax expense		304,950	197,672
Total effect of adjustments		5,702,627	5,501,203
Change in financial assets related to employee benefits plans		34,269	15,071
Change in Employee benefit liabilities		(125,854)	(81,218)
Cash flows from operating activities before changes in working capital and provisions		5,611,042	5,435,056
<i>Changes in working capital</i>			
Change in trade and other receivables (less expected credit loss)		(733,761)	1,174,558
Change in inventories (less provision for impairment of inventories)		(333,367)	(166,858)
Change in trade and other payables		1,382,783	(1,847,560)
Change in provisions		(22,230)	(53,382)
Other		2,030	(281,529)
Cash flows from operating activities before income tax and interest paid		5,906,497	4,260,285
Income tax paid		(718,975)	(547,870)
Interest paid		(931,213)	(985,542)
Net cash from operating activities		4,256,309	2,726,873

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PJSC IDGC of North-West
Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2018
(unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Nine months ended 30 September 2018	Nine months ended 30 September 2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(5,530,826)	(3,309,495)
Proceeds from the sale of property, plant and equipment and intangible assets		269	357
Interest received		34,644	8,066
Dividends received		574	421
Net cash used in investing activities		(5,495,339)	(3,300,651)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	18	35,729,432	33,152,088
Repayment of loans and borrowings	18	(34,467,433)	(32,521,581)
Dividends paid		–	(110,007)
Repayment of finance lease liabilities		(3,684)	(764)
Net cash used in financing activities		1,258,315	519,736
Net increase in cash and cash equivalents		19,285	(54,042)
Cash and cash equivalents at the year beginning		84,471	361,619
Cash and cash equivalents at the year end	15	103,756	307,577

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PJSC IDGC of North-West
Consolidated Interim Condensed Statement of Changes in Equity for the nine months ended 30 September 2018 (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 2017	9,578,592	10,457,284	255,684	490,891	20,782,451	347	20,782,798
Profit/(loss) for the period	–	–	–	504,786	504,786	(21)	504,765
Other comprehensive loss	–	–	(31,626)	–	(31,626)	–	(31,626)
Income tax related to other comprehensive loss	–	–	6,325	–	6,325	–	6,325
Total comprehensive income/(loss) for the period	–	–	(25,301)	504,786	479,485	(21)	479,464
Dividends to shareholders (Note 16)	–	–	–	(111,188)	(111,188)	–	(111,188)
Balance at 30 September 2017	9,578,592	10,457,284	230,383	884,489	21,150,748	326	21,151,074
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	–	–	–	743,984	743,984	(19)	743,965
Other comprehensive loss	–	–	142,301	–	142,301	–	142,301
Income tax related to other comprehensive loss	–	–	(28,461)	–	(28,461)	–	(28,461)
Total comprehensive income/(loss) for the period	–	–	113,840	743,984	857,824	(19)	857,805
Unclaimed dividends	–	–	–	1,083	1,083	–	1,083
Balance at 30 September 2018	9,578,592	10,457,284	107,601	(1,047,443)	19,096,034	303	19,096,337

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 as a result 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 “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 Constitution Square 3, 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 30 September 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 was assigned until announcing the winner of the tender in respect of specified service areas, but not more than for the period of 12 months.

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 was assigned until announcing 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 30 September 2018 has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 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 these consolidated interim condensed financial statements significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as of and for the year ended 31 December 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 of certain items in the comparative financial statements to comply with the current period presentation. The format of reporting was changed for the purpose of better transparency and information comparability. 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 performance obligation by transferring 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 (settlement month) and is estimated by the output method (cost of transferred electricity volumes). The tariffs for the distribution of electricity (in respect to all regions of the Russian Federation) and sale of electricity on the regulated market (in respect of regions of the Russian Federation, not included in the price zones of the wholesale electricity market) are approved by the executive authorities of the regions 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 electricity supply and connection of the consumer to the power grid on the basis of the act on the completion 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.

The Group made judgment that connection service is a separate performance obligation that is recognised when the respective services are provided. The customer obtains distinct connection service and there is no any other promises beyond the connection services agreement. Practically and in accordance with the law on electricity market, connection services and electricity transmission agreements are negotiated separately with different customers as different packages and with different commercial objectives with no relation in the contracts in pricing, purpose, acceptance, or type of service.

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

The Group applied judgment that technological connection is a separate obligation to perform that is recognised when the services are provided. The technological connection contract does not contain any further obligations after the provision of the connection service. According to established practice and laws regulating electricity market, technological connection and electricity transfer are subject to separate negotiations with different consumers as different services with different commercial purposes without connection in pricing, intentions, recognition or types of services.

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 1 January 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 amortized 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 financial assets and contractual terms of the cash flows.

Financial assets are classified at amortized 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 amortized cost.

Under IFRS 9, loss allowances are measured on either of the following bases: 12-month ECLs that result from possible 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 amount equal to lifetime ECLs. For other financial assets classified as at amortized cost, including some shareholder’s 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 amortized 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 equity (net of tax) was as follows:

	Effect on available-for-sale reserve	Effect on measured at fair value through other comprehensive income reserves	Effect on retained earnings/(accumulated loss)
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	–

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:		<i>Measured at fair value through other comprehensive income</i>			
Equity shares	<i>Available for sale</i>		14,898	14,898	–
Deposits with maturity of more than 12 months and promissory notes	<i>Held to maturity</i>	<i>Amortised cost</i>	457,769	457,769	–
Trade and other receivables, loans given	<i>Amortised cost</i>	<i>Amortised cost</i>	146,169	146,169	–
Current financial assets					
Trade and other receivables, loans given	<i>Amortised cost</i>	<i>Amortised cost</i>	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	<i>Amortised cost</i>	<i>Amortised cost</i>	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 recognize 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 its consolidated financial statements

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	30 September 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 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, Komienegero, 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 the similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

(i) **Information about reportable segments**

For the three months ended 30 September 2018:

	Electricity Transmission						Energy Retail						Unallocated items	Total
	Arkhen ergo	Vologda-ergo	Karel-ergo	Kol-ergo	Komi-ergo	Novgorod-ergo	Pskov-ergo	Arkhen ergo	Vologda-ergo	Kol-ergo	Pskov-ergosbyt	Other		
Revenue from external customers	808,275	1,336,415	1,568,841	1,488,600	1,523,627	1,071,398	240,004	2,304,543	2,721,978	–	1,558,671	7,729	–	14,630,081
Inter-segment revenue	–	–	13	–	–	2	746,816	–	–	–	129,325	77,166	–	953,322
Segment revenue	808,275	1,336,415	1,568,854	1,488,600	1,523,627	1,071,400	986,820	2,304,543	2,721,978	–	1,687,996	84,895	–	15,583,403
Including														
Electricity transmission	775,556	1,238,146	1,503,623	1,481,271	1,498,892	1,020,371	956,008	–	–	–	–	–	–	8,473,867
Connection services	16,343	5,787	23,115	1,918	11,052	41,639	21,145	–	–	–	–	–	–	120,999
Resale of electricity	–	–	–	–	–	–	–	2,304,543	2,721,978	–	1,687,730	–	–	6,714,251
Other revenue	16,376	92,482	42,116	5,411	13,683	9,390	9,667	–	–	–	266	84,895	–	274,286
EBITDA	(446,007)	139,421	241,696	(65,921)	127,666	328,278	46,663	252,035	143,449	–	16,864	(1,508)	3,477	786,113

For the three months ended 30 September 2017:

	Electricity Transmission						Energy Retail						Unallocated items	Total
	Arkhen ergo	Vologda-ergo	Karel-ergo	Kol-ergo	Komi-ergo	Novgorod-ergo	Pskov-ergo	Arkhen ergo	Vologda-ergo	Kol-ergo	Pskov-ergosbyt	Other		
Revenue from external customers	1,221,695	1,533,811	1,611,938	1,642,032	1,620,448	1,048,791	263,370	–	–	–	1,503,620	1,159	–	10,446,864
Inter-segment revenue	–	–	13	–	–	–	693,909	–	–	–	129,601	76,200	–	899,723
Segment revenue	1,221,695	1,533,811	1,611,951	1,642,032	1,620,448	1,048,791	957,279	–	–	–	1,633,221	77,359	–	11,346,587
Including														
Electricity transmission	1,090,490	1,508,398	1,562,772	1,625,207	1,592,016	1,034,865	937,410	–	–	–	–	–	–	9,351,158
Connection services	62,669	10,909	6,098	10,130	13,639	6,828	4,897	–	–	–	–	–	–	115,170
Resale of electricity	–	–	–	–	–	–	–	–	–	–	1,632,523	–	–	1,632,523
Other revenue	68,536	14,504	43,081	6,695	14,793	7,098	14,972	–	–	–	698	77,359	–	247,736
EBITDA	268,903	461,866	89,659	4,813	108,924	178,320	50,927	–	–	–	12,948	1,965	1,523	1,179,848

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For the nine months ended 30 September 2018:

	Electricity Transmission						Energy Retail					Unallocated items	Total	
	Arkhen- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkhen- energo	Vologda- energo	Kol- energo	Pskov- energosbyt			Other
Revenue from external customers	2,837,500	4,560,357	5,210,874	5,451,190	5,391,978	3,460,216	710,312	8,521,439	5,571,117	–	5,186,577	11,952	–	46,913,512
Inter-segment revenue	–	–	39	–	–	5	2,520,317	–	–	–	431,340	244,581	–	3,196,282
Segment revenue	2,837,500	4,560,357	5,210,913	5,451,190	5,391,978	3,460,221	3,230,629	8,521,439	5,571,117	–	5,617,917	256,533	–	50,109,794
Including														
<i>Electricity transmission</i>	2,734,372	4,412,587	5,055,462	5,426,165	5,262,792	3,329,288	3,172,461	–	–	–	–	–	–	29,393,127
<i>Connection services</i>	56,293	21,804	29,446	8,722	89,906	49,555	30,717	–	–	–	–	–	–	286,443
<i>Resale of electricity</i>	–	–	–	–	–	–	–	8,521,439	5,571,117	–	5,616,810	–	–	19,709,366
<i>Other revenue</i>	46,835	125,966	126,005	16,303	39,280	81,378	27,451	–	–	–	1,107	256,533	–	720,857
EBITDA	560,330	848,437	618,230	534,305	897,117	794,489	404,238	224,714	143,449	–	44,124	1,185	7,301	5,077,919

For the nine months ended 30 September 2017:

	Electricity Transmission						Energy Retail					Unallocated items	Total	
	Arkhen- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkhen- energo	Vologda- energo	Kol- energo	Pskov- energosbyt			Other
Revenue from external customers	4,064,030	5,174,051	5,706,426	5,268,868	5,484,985	3,239,605	882,044	–	–	–	4,745,023	2,969	–	34,568,001
Inter-segment revenue	–	–	39	–	–	–	2,213,840	–	–	–	395,812	232,969	–	2,842,660
Segment revenue	4,064,030	5,174,051	5,706,465	5,268,868	5,484,985	3,239,605	3,095,884	–	–	–	5,140,835	235,938	–	37,410,661
Including														
<i>Electricity transmission</i>	3,711,967	5,088,217	5,548,969	5,226,643	5,054,507	3,203,573	3,049,643	–	–	–	–	–	–	30,883,519
<i>Connection services</i>	114,781	37,265	32,031	23,763	387,072	15,455	15,296	–	–	–	–	–	–	625,663
<i>Resale of electricity</i>	–	–	–	–	–	–	–	–	–	–	5,138,847	–	–	5,138,847
<i>Other revenue</i>	237,282	48,569	125,465	18,462	43,406	20,577	30,945	–	–	–	1,988	235,938	–	762,632
EBITDA	684,948	1,467,258	477,621	253,223	768,018	809,584	484,656	–	–	–	33,070	5,586	6,629	4,990,593

As at 30 September 2018:

	Electricity Transmission						Energy Retail						Unallocated items	Total
	Arkh-energo	Vologda-energo	Karel-energo	Kol-energo	Komi-energo	Novgorod-energo	Pskov-energo	Arkh-energo	Vologda-energo	Kol-energo	Pskov-energosbyt	Other		
Segment assets	5,750,738	10,389,566	4,446,077	5,002,286	13,909,310	7,741,211	5,267,288	964,358	872,374	147	910,032	69,385	2,342,543	57,665,315
<i>Including property, plant and equipment and construction in progress</i>	4,182,920	8,835,724	3,469,796	4,086,982	12,512,361	6,264,230	4,594,884	–	–	–	51	15,968	41,505	44,004,421

As at 31 December 2017:

	Electricity Transmission						Energy Retail						Unallocated items	Total
	Arkh-energo	Vologda-energo	Karel-energo	Kol-energo	Komi-energo	Novgorod-energo	Pskov-energo	Arkh-energo	Vologda-energo	Kol-energo	Pskov-energosbyt	Other		
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
<i>Including property, plant and equipment and construction in progress</i>	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

(ii) Reconciliation of reportable segment EBITDA

Reconciliation of reportable segment EBITDA is presented below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
EBITDA of reportable segments	786,113	1,179,848	5,077,919	4,990,593
Discounting of receivables	124	4,039	560	10,476
Adjustment for expected credit loss	1,366	27,196	4,052	27,196
Adjustment for finance lease	919	1,234	2,756	1,234
Recognition of pension and other long-term employee benefit obligation	(21,052)	(13,768)	15,361	(21,913)
Adjustment for assets related to employee benefits	1,750	(16,420)	(34,269)	(15,071)
Adjustment for available-for-sale financial assets	(690)	(1,412)	2,140	695
Adjustment for value of property, plant and equipment	(1,082)	3,744	(3,138)	6,008
Other adjustments	14,488	(13,204)	51,924	(131,283)
EBITDA	781,936	1,171,257	5,117,305	4,867,935
Depreciation and amortization	(1,074,305)	(1,020,558)	(3,220,084)	(3,076,336)
Interest expenses on financial liabilities	(250,619)	(353,527)	(846,436)	(1,088,692)
Interest expenses on finance lease liabilities	(595)	(470)	(1,870)	(470)
Income tax expense	107,141	27,112	(304,950)	(197,672)
Profit/(loss) for the period per consolidated interim condensed statement of profit or loss and other comprehensive income	(436,442)	(176,186)	743,965	504,765

7 Revenue

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Electricity transmission	7,728,880	8,664,964	26,878,234	28,677,394
Sales of electricity and capacity	6,584,927	1,499,479	19,278,026	4,731,600
Technological connection services	121,000	115,170	286,443	625,663
Other revenue	195,273	167,251	470,809	533,344
	14,630,081	10,446,864	46,913,512	34,568,001

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

8 Operating expenses

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Personnel costs	3,269,899	2,961,569	10,017,494	9,001,313
Depreciation and amortization	1,074,306	1,020,558	3,220,084	3,076,336
Material expenses, including:				
Electricity for sale	4,189,388	881,799	11,928,014	2,747,408
Electricity for compensation of losses	712,470	849,670	2,997,770	3,093,398
Purchased electricity and heat power for own needs	16,287	21,548	177,215	180,264
Other material costs	819,287	712,498	1,961,183	1,644,058
<i>Production work and services, including:</i>				
Electricity transmission services	3,590,482	3,021,194	11,295,725	10,573,857
Repair and maintenance services	309,206	366,755	707,375	658,193
Taxes and charges other than income tax	173,150	130,692	522,973	396,357
Rent	87,541	41,363	273,393	126,759
Insurance	16,042	16,082	47,442	47,650
Other production works and services	64,855	32,510	135,532	152,534
<i>Other third-party services, including:</i>				
Security services	78,136	56,480	206,857	168,185
Transportation services	45,834	40,249	131,060	105,308
Communication services	46,809	27,213	125,244	83,098
Consulting, legal and audit services	20,652	9,525	60,775	34,689
Software costs and servicing	21,981	12,347	51,080	49,524
Other expenses	311,503	252,689	830,050	689,160
Other services	141,958	80,888	419,733	303,782
Expected credit loss	90,137	184,748	479,881	573,251
Provisions	59,271	–	54,138	21,323
	15,139,194	10,720,377	45,643,018	33,726,447

9 Other income, net

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Income from identified non-contracted electricity consumption	83,636	12,608	113,537	39,984
Income in the form of fines and penalties on commercial contracts	131,952	401,542	530,566	879,011
Gain/(loss) on disposal of property, plant and equipment	(832)	13,569	(3,073)	16,575

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	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Insurance reimbursement, net	14,006	519	20,935	4,364
Accounts payable write-off	3,382	988	5,350	3,716
Gain from property, plant and equipment and inventories received free of charge	1,376	1,585	3,809	4,972
Other income, net	2,557	4,129	2,909	4,504
	236,077	434,940	674,033	953,126

10 Finance income and costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Finance income				
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	6,531	8,795	34,644	26,505
Gain from disposal of available-for-sale financial assets	–	360	–	2,849
Gain from recovery of impairment of financial assets measured at amortised cost	9,375	–	27,437	–
Dividends receivable	38	421	574	421
Interest income on assets related to employee benefits	–	–	–	35,028
Amortization of discount on financial assets	537	4,172	1,419	11,194
Other finance income	–	8,487	–	24,833
	16,481	22,235	64,074	100,830
Finance costs				
Interest expenses on financial liabilities measured at amortized cost	(250,619)	(353,527)	(846,436)	(1,088,692)
Interest expenses on finance lease liabilities	(595)	(470)	(1,870)	(470)
Interest expenses on long-term employee benefit obligation	(35,395)	(32,812)	(110,493)	(103,131)
Effect from initial discounting of financial assets	(419)	(147)	(887)	(776)
Other finance costs	–	(4)	–	(4)
	(287,028)	(386,960)	(959,686)	(1,193,073)

11 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
<i>Cost/Deemed cost</i>						
At 1 January 2017	7,581,813	32,299,046	17,702,840	7,821,378	1,812,631	67,217,708

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	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
Additions	22,180	315,665	41,867	200,924	2,683,852	3,264,488
Transfers	17,023	836,116	179,375	92,745	43,896	1,169,155
Disposals	(1,778)	(3,430)	(1,834)	(12,748)	(1,245,117)	(1,264,907)
At 30 September 2017	7,619,238	33,447,397	17,922,248	8,102,299	3,295,262	70,386,444
<i>Accumulated depreciation and impairment</i>						
At 1 January 2017	(2,837,232)	(17,184,799)	(7,119,344)	(4,759,794)	(98,036)	(31,999,205)
Transfer of impairment losses upon commissioning assets into operation	(134)	(17,667)	(2,520)	(3,716)	24,037	–
Depreciation charge	(246,265)	(1,387,967)	(805,170)	(564,109)	–	(3,003,511)
Disposals	1,075	2,008	1,717	11,892	287	16,979
At 30 September 2017	(3,082,556)	(18,588,425)	(7,925,317)	(5,315,727)	(73,712)	(34,985,736)
<i>Net book value</i>						
At 1 January 2017	4,744,580	15,114,248	10,583,497	3,061,584	1,714,595	35,218,505
At 30 September 2017	4,536,682	14,858,972	9,996,931	2,786,572	3,221,550	35,400,708
<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
Reclassification between groups	9,467	(1,231)	156	(8,392)	–	–
Additions	–	–	–	–	4,986,956	4,986,956
Transfers	83,719	974,126	485,252	598,222	(2,141,319)	–
Disposals	(2,805)	(7,114)	(9,360)	(22,581)	119,719	77,859
At 30 September 2018	8,183,932	35,287,275	19,902,913	9,465,064	5,468,481	78,307,665
<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)
Reclassification between groups	(5,711)	1,176	(89)	4,624	–	–
Transfer of impairment losses upon commissioning assets into operation	(142)	(1,517)	(640)	(105)	2,404	–
Depreciation charge	(256,415)	(1,398,835)	(858,215)	(622,210)	–	(3,135,675)
Disposals	1,215	6,381	6,451	21,430	170	35,647
At 30 September 2018	(3,430,440)	(20,450,355)	(9,040,104)	(6,097,908)	(56,252)	(39,075,059)

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	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
<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 30 September 2018	4,753,492	14,836,920	10,862,809	3,367,156	5,412,229	39,232,606

Capitalized interest for the nine months ended 30 September 2018 amounted to RUB 40,772 thousand (for the nine months ended 30 September 2017: RUB 43,896 thousand), with capitalization rate used to calculate borrowing costs to be capitalized during the period of 6.0% - 7.2% (for 2016: 7.0% - 8.6%).

The depreciation charge for the nine months ended 30 September 2018 has not been capitalized to the cost of the capital construction objects (for the nine months ended 30 September 2017 has been capitalized: RUB 24,037 thousand).

12 Intangible assets

	Software	Certificates, licenses and patents	Other intangible assets	Total intangible assets
<i>Initial cost</i>				
At 1 January 2017	298,790	28,686	13,797	341,273
Additions	5,287	1,480	265	7,032
Disposals	(50,036)	(1,538)	–	(51,574)
At 30 September 2017	254,041	28,628	14,062	296,731
<i>Accumulated amortization and impairment</i>				
At 1 January 2017	(161,075)	(15,427)	(1,789)	(178,291)
Amortization charge	(67,639)	(4,693)	(278)	(72,610)
Disposals	49,854	1,537	–	51,391
At 30 September 2017	(178,860)	(18,583)	(2,067)	(199,510)
<i>Net book value</i>				
At 1 January 2017	137,715	13,259	12,008	162,982
At 30 September 2017	75,181	10,045	11,995	97,221
<i>Initial cost</i>				
At 1 January 2018	328,914	28,344	54,307	411,565
Additions	80,489	4,154	20,655	105,298
Disposals	(6,462)	(657)	–	(7,119)
At 30 September 2018	402,941	31,841	74,962	509,744
<i>Accumulated amortization and impairment</i>				
At 1 January 2018	(184,480)	(18,020)	(2,093)	(204,593)
Amortization charge	(78,784)	(5,370)	(255)	(84,409)
Disposals	6,271	657	–	6,928

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	Software	Certificates, licenses and patents	Other intangible assets	Total intangible assets
At 30 September 2018	(256,993)	(22,733)	(2,348)	(282,074)
<i>Net book value</i>				
At 1 January 2018	144,434	10,324	52,214	206,972
At 30 September 2018	145,948	9,108	72,614	227,670

13 Financial investments

	30 September 2018	31 December 2017
<i>Non-current</i>		
Financial assets measured at fair value through other comprehensive income	12 766	–
Financial assets measured amortized cost	485 206	–
Available-for-sale financial assets	–	14 898
Financial assets held to maturity	–	457 769
	497 972	472 667

As at 30 September 2018 financial assets measured amortised cost are represented by deposits placed in OJSC "Bank Tavrichesky" ("The Bank") of RUB 2,080,000 thousand at the rate of 0.51% per annum with maturity on 12 April 2035(as at 31 December 2017: RUB 2,080,000 thousand).

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

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

As at 30 September 2018 the financial investments (subordinated deposit) are measured at their fair value. The fair value of the Group's 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 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 deposit taking into consideration industry, market, financial and other risks, including investment risk. As at 30 September 2018, the allowance amounted to 1,594,794 thousand roubles (at 31 December 2017: 1,622,231 thousand roubles).

The Group recognized deferred tax asset on provision for impairment loss of financial investments in accordance with IAS 12 Income Taxes. As at 30 September 2018 the amount of this deferred tax asset was 318,959 thousand roubles (as at 31 December 2017: 337,580 thousand roubles).

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	Interest rate	Rating	Rating agency	30 September 2018	31 December 2017
Bank	0.51%	R	Standard & Poor's	485,206	457,769

14 Trade and other receivables

	30 September 2018	31 December 2017
Non-current trade and other accounts receivable		
Trade receivables	4,082	5,026
Other receivables	8,209	8,474
Advances given	10,381	12,340
VAT on advances from customers and clients	306,013	120,329
	328,685	146,169
Current trade and other accounts receivable		
Trade receivables	14,120,015	13,831,446
Trade receivables expected credit loss	(7,183,666)	(6,854,567)
Other receivables	1,320,691	1,356,721
Other receivables expected credit loss	(584,110)	(564,840)
Advances given	188,776	218,253
Advances given expected credit loss	(14,410)	(14,410)
VAT recoverable	385,337	292,908
VAT on advances from customers and clients	694,131	699,344
Prepaid taxes, other than income tax and VAT	13,160	25,248
	8,939,924	8,990,103

Balances with related parties are disclosed in Note 23.

15 Cash and cash equivalents

	30 September 2018	31 December 2017
Cash at bank and in hand	103,756	82,471
Cash equivalents	–	2,000
	103,756	84,471

	Rating	Rating agency	30 September 2018	31 December 2017
JSC «AB «Rossiya»	Ba2	Moody's Investors Service	5,036	731
PJSC «ROSBANK»	ruAAA	Expert RA	12,899	35
JSC «ALFA-BANK»	AA(RU)	AKRA	42	–
Federal Treasury *	–	–	3,585	3,654
JSC «Gazprombank» *	Ba2	Moody's Investors Service	52,914	39,705
PJSC «VTB Bank» *	Ba1	Moody's Investors Service	5,810	5,565

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PJSC «Sberbank of Russia» *	Ba1	Moody's Investors Service	21,407	31,679
Cash in hand			2,063	1,102
			103,756	82,471

*Government-related banks

Cash equivalents consist of short-term bank deposits:

	Interest rate	Rating	Rating agency	30 September 2018	31 December 2017
PJSC «Sberbank of Russia»*	4.59	Ba1	Moody's Investors Service	–	2,000

*Government-related banks

As at 30 September 2018 and 31 December 2017 all cash and cash equivalents balances are denominated in roubles.

16 Share capital

	Ordinary shares	
	30 September 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.

Dividends

At the end of 2017, dividends were not declared (at the end of 2016: the amount of declared dividends amounted to RUB 111,188 thousand).

Dividends in the amount of RUB 1,083 thousand have been recovered into retained earnings as at 30 September 2018 after expiration of three years period of limitation due to absence of requisites in the shareholders register (as at 30 September 2017: RUB 16 thousand).

17 Earnings per share

The calculation of basic earnings per share for the three and nine months ended 30 September 2018 and 2017 is presented below.

The Company has no dilutive financial instruments.

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	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Ordinary shares at 1 January	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
Weighted average number of shares for the three months ended 30 September	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Weighted average number of ordinary shares outstanding, for the period ended 30 September (shares)	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
Earnings for the period attributable to holders of ordinary shares	(436,436)	(176,181)	743,984	504,786
Earnings per ordinary share (in RUB) – basic and diluted	(0,0046)	(0,0018)	0,0078	0,0053

18 Loans and borrowings

	30 September 2018	31 December 2017
<i>Non-current liabilities</i>		
Unsecured loans and borrowings	11,500,000	13,500,000
Finance lease liabilities	23,624	27,308
Less: current portion of long-term finance lease liabilities	(4,881)	(4,973)
Less: current portion of long-term loans and borrowings	(3,000,000)	(5,000,000)
	8,518,743	8,522,335
<i>Current liabilities</i>		
Unsecured loans and borrowings	4,026,452	806,588
Current portion of long-term finance lease liabilities	4,881	4,973
Current portion of long-term loans and borrowings	3,000,000	5,000,000
	7,031,333	5,811,561
<i>Including:</i>		
Interests payable on loans and borrowings	24,966	16,052
	24,966	16,052

As at 30 September 2018 and 31 December 2017 all balances of loans and borrowings are denominated in rubles.

The Group raised the following bank loans during the 9 months ended 30 September 2018:

	Year of maturity	Effective interest rate	Carrying value
Unsecured loans and borrowings			
Unsecured bank loans *	2018	10,65%	335,000
Unsecured bank loans	2018	7,7%-9,05%	1,155,000
Unsecured bank loans *	2018-2021	7,49% - 9,15%	31,739,432

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Unsecured bank loans *	2019	7,5% - 7,75%	2,500,000
			35,729,432

*Loans and borrowings received from state-related companies

The Group repaid the following significant bank facilities during the nine months ended 30 September 2018 (including prematurely):

	Amount
Loans and borrowings received from state-related companies	33,602,433
Other loans and borrowings	865,000
	34,467,433

19 Trade and other payables

	30 September 2018	31 December 2017
<i>Non-current accounts payable</i>		
Other payables	252,021	260,532
Advances from customers	1,973,320	788,550
	2,225,341	1,049,082
<i>Current accounts payable</i>		
Trade payables	4,556,834	4,321,776
Other payables and accrued expenses	331,537	713,907
Payables to employees	847,060	939,256
Dividends payable	6,655	7,833
Advances from customers	4,503,505	4,712,383
	10,245,591	10,695,155
<i>Taxes payable</i>		
Value-added tax	611,377	514,362
Property tax	158,622	109,531
Social security contributions	228,159	197,942
Other taxes payable	88,318	94,548
	1,086,476	916,383
	11,332,067	11,611,538

Non-current advances from customers mainly relates to technological connection services contracts in the amount of RUB 1,838,189 thousand as at 30 September 2018 (as at 31 December 2017: RUB 754,769 thousand).

20 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 2017.

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

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	Note.	30 September 2018		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Loans given and receivables	14	7,685,316	7,685,316	–	–	7,685,316
Financial assets measured amortised cost	13	485,206	485,206	–	–	485,206
Financial assets measured at fair value through other comprehensive income	13	12,766	12,766	11,233	–	1,533
Cash and cash equivalents	15	103,756	103,756	103,756	–	–
Current and non-current loans and borrowings	18	(15,550,076)	(15,084,554)	–	–	(15,084,554)
Trade and other payables	19	(5,994,107)	(5,994,107)	–	–	(5,994,107)
		(13,257,139)	(12,791,617)	114,989	–	(12,906,606)

	Note.	31 December 2017		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Loans given and receivables	14	7,781,801	7,781,801	–	–	7,781,801
Financial assets measured amortised cost	13	14,896	14,896	13,365	–	1,531
Financial assets measured at fair value through other comprehensive income	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 and borrowings for the purpose of determining the fair value disclosed as at 30 September 2018 was 8,46% (as at 31 December 2017: 9.65%).

During three months ended 30 September 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 the beginning 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 2018	14,898
Change in fair value recognized through other comprehensive	(2,132)

**Financial assets measured
at fair value through other
comprehensive income**

income

As at 30 September 2018

12,766

As at 30 September 2018, the available limit on the Group's open but unused credit lines amounted to RUB 13,432,291 thousand (31 December 2017: RUB 13,120,513 thousand). The Group is able to raise additional funding within the respective limits, including to ensure the performance of its short-term obligations.

21 Capital commitments

As at 30 September 2018 the Group has outstanding commitments under contracts for the purchase and construction of property plant and equipment items for RUB 4,498,561 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 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.

(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 30 September 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 30 September				Carrying amount	
	2018	2017	2018	2017	30 September 2018	31 December 2017
Revenue, Net other income, Finance income						
The parent company						
Other revenue	308	308	923	923	–	–
Dividends receivable	–	–	–	61,576	–	–
Entities under common control of the parent company						
Technological connection services	–	–	–	85	–	–
Sales of electricity	285	3	561	3	–	–
Other revenue	43,878	1,688	48,077	3,280	70,906	22,720
Other operating income	127	–	2,277	180	–	–
Dividends receivable	38	39	38	39	–	–
	44,636	2,038	51,876	66,086	70,906	22,720

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	Amount of transaction for the period ended 30 September				Carrying amount	
	2018	2017	2018	2017	30 September 2018	31 December 2017
Operating expenses, Finance costs						
The parent company						
Consulting legal and audit services	33,322	52,212	93,345	151,426	23,151	11,381
Other production works and services	7,103	–	21,310	–	–	–
Interest expenses on financial liabilities measured at amortized cost	–	156,526	241,601	464,475	–	51,049
Entities under common control of the parent company						
Electricity for sale	12,338	6,653	37,718	12,619	268	–
Electricity transmission services	1,730,905	1,791,535	5,512,759	6,362,838	621,455	685,239
Technological connection services	840	–	1,445	59	–	–
Rent	136	302	530	4,253	409	446
Provisions	59,271	–	59,271	–	59,271	–
Other expenses	16,869	24,602	40,745	40,678	13,225	29,130
	1,860,784	2,031,830	6,008,724	7,036,348	717,779	777,245

	Carrying amount	
	30 September 2018	31 December 2017
The parent company		
Loans and borrowings	–	5,000,000
Entities under common control of the parent company		
Advances given	15,410	14,496
Advances received	2,461	2,535

For the year ended 31 December 2017 dividends attributable to the parent company are no accrued (for the year ended 31 December 2016, amounted dividends RUB 61,576 thousand). As at 31 December 2017 and 30 September 2018, no debt to the parent company for the payment of dividends.

(c) Transactions with key management personnel

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

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

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

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	Three months ended 30 September		Six months ended 30 September	
	2018	2017	2018	2017
Short-term remuneration for employees	38,545	42,040	194,644	186,253
Post employment benefits and other long-term benefits	604	957	1,812	2,873
	39,149	42,997	196,456	189,126

As at 30 September 2018, the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the consolidated statement of financial position includes liabilities related to the key management personnel for RUB 22,309 thousand (31 December 2017: RUB 21,457 thousand).

(d) Transactions with government-related entities

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

Revenues from government-related entities for the three and nine months ended 30 September 2018 constitute 22.21% and 18.5% (for the three and nine months ended 30 September 2017: 9.79% и 10.19%) of total Group revenues including 6.41% and 7.72% (for the three and nine months ended 30 September 2017: 7.52% и 8.02%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three and nine months ended 30 September 2018 constitute 58.29% и 55.1% (for the three and nine months ended 30 September 2017: 60.87% и 60.46%) of total electricity transmission costs.

Interest accrued on loans and borrowings from state-related banks for the three and nine months ended 30 September 2018 amounted to 81% и 83% (for the three and nine months ended 30 September 2017: 99% и 99%) of total interest accrued.

As at 30 September 2018 cash and cash equivalents held in government-related banks amounted to RUB 83,716 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 22 December 2017 the Ministry of Energy of the Russian Federation assigned the Company with the status of guaranteeing electric power supplier in the Arkhangelsk region effective from 1 January 2018. The status of guaranteeing electric power supplier was assigned until announcing the winner of the tender in respect of specified service areas, but not more than for the period of 12 months.

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

Energy retail operating results and active assets of energy retail segment Arkhenergo for three and nine months ended 30 September 2018 are disclosed in Note 6.