

PJSC «IDGC of Centre»

**Consolidated Interim Condensed Financial Statements prepared in accordance
with IAS 34 “Interim Financial Reporting” as at and for the three months ended
31 March 2019
(unaudited)**

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PJSC "IDCG of Centre"
Consolidated Interim Condensed Statement of profit or loss and other comprehensive income
for three months ended 31 March 2019 (unaudited)
In thousands of Russian rubles, unless otherwise stated

	Notes	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated)
Revenue	7	25,110,014	25,444,407
Operating expenses	9	(22,567,528)	(22,154,350)
Other income, net	8	331,983	241,856
Result from operating activities		2,874,469	3,531,913
Finance income	10	40,752	33,817
Finance costs	10	(935,144)	(927,346)
Net finance costs		(894,392)	(893,529)
Profit before income tax		1,980,077	2,638,384
Income tax expense	11	(491,221)	(672,353)
Profit for the period		1,488,856	1,966,031
Other comprehensive income			
<i>Items that will never be reclassified subsequently to profit or loss</i>			
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income		(684)	24,800
Remeasurements of the defined benefit liability		(97,722)	(144,435)
Income tax related to items that will never be reclassified subsequently to profit or loss	11	9,438	9,195
Total items that will not be reclassified subsequently to profit or loss		(88,968)	(110,440)
Other comprehensive income for the period, net of income tax		(88,968)	(110,440)
Total comprehensive income for the period		1,399,888	1,855,591
Profit attributable to:			
Equity holders of the Company		1,469,587	1,950,307
Non-controlling interests		19,269	15,724
Total comprehensive income attributable to:			
Equity holders of the Company		1,380,619	1,839,867
Non-controlling interest		19,269	15,724
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	19	0.035	0.046

These consolidated interim condensed financial statements were approved by management on 27 May 2019 and were signed on this behalf by:



[Signature]

Chief Accountant

L.A. Sklyarova

[Signature]

PJSC "IDGC of Centre"
Consolidated Interim Condensed Statement of Financial Position
as at 31 March 2019 (unaudited)
In thousand of Russian rubles, unless otherwise stated

	<u>Notes</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
ASSETS			
Non-current assets			
Property, plant and equipment	12	86,651,102	87,860,303
Intangible assets	13	2,677,843	2,784,394
Right-of-use assets	14	2,250,078	-
Trade and other receivables	16	449,480	585,262
Assets related to employee benefits plans		542,606	549,081
Financial investments	15	191,216	191,900
Total non-current assets		92,762,325	91,970,940
Current assets			
Inventories		3,300,187	2,735,443
Income tax prepayments		93,143	379,356
Trade and other receivables	16	12,937,666	12,252,673
Cash and cash equivalents	17	1,293,917	787,053
Total current assets		17,624,913	16,154,525
Total assets		110,387,238	108,125,465
EQUITY AND LIABILITIES			
Equity			
Share capital	18	4,221,794	4,221,794
Reserves		(288,253)	(199,285)
Retained earnings		42,050,230	40,580,643
Total equity attributable to equity holders of the Company		45,983,771	44,603,152
Non-controlling interest		279,091	259,822
Total equity		46,262,862	44,862,974
Non-current liabilities			
Loans and borrowings	20	32,015,338	29,076,926
Trade and other payables	21	782,176	708,840
Employee benefits		2,048,402	1,950,777
Deferred tax liabilities		5,129,369	5,129,281
Total non-current liabilities		39,975,285	36,865,824
Current liabilities			
Loans and borrowings	20	11,671,560	11,312,750
Trade and other payables	21	11,555,971	14,266,857
Provisions		859,651	812,931
Current income tax liabilities		61,909	4,129
Total current liabilities		24,149,091	26,396,667
Total liabilities		64,124,376	63,262,491
Total equity and liabilities		110,387,238	108,125,465

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

PJSC "IDGC of Centre"
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 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		1,980,077	2,638,384
<i>Adjustments for:</i>			
Depreciation and amortization of fixed assets, right-of-use assets and intangible assets	9,12,13,14	2,694,014	2,440,768
Finance costs	10	935,144	927,346
Finance income	10	(40,752)	(33,817)
Loss on disposal of property, plant and equipment		300	211
Allowance for expected credit losses	9	120,176	129,365
Bad debt write-off		1,888	837
Other non-cash transactions		22,309	17,835
Total impact of adjustments		3,733,079	3,482,545
Change in assets related to employee benefits plans		6,475	20,720
Change in employee benefit liabilities		(41,390)	(29,149)
Cash flows from operating activities before changes in working capital and provisions		5,678,241	6,112,500
<i>Changes in working capital and provisions:</i>			
Change in trade and other receivables		(708,158)	(657,401)
Change in inventories		(564,738)	(840,585)
Change in trade and other payables		(1,704,445)	1,060,412
Change in provisions		46,720	87,278
Cash flows from operating activities before income taxes and interest paid		2,747,620	5,762,204
Income tax paid		(137,701)	(126,149)
Interest on the lease liability paid		(53,384)	(230)
Interest paid		(748,349)	(738,648)
Net cash flows from operating activities		1,808,186	4,897,177
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(2,210,044)	(2,837,908)
Proceeds from the sale of property, plant and equipment and intangible assets		449	2,412
Interest received		34,386	29,070
Dividends received		-	6,999
Net cash flows used in investing activities		(2,175,209)	(2,799,427)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		2,788,710	28,014,529
Repayment of loans and borrowings		(1,873,710)	(30,714,529)
Dividends paid		(413)	(241)
Repayment of lease liabilities		(40,700)	(338)
Net cash flows from/(used in) financing activities		873,887	(2,700,579)
Net increase/(decrease) in cash and cash equivalents		506,864	(602,829)
Cash and cash equivalents at the beginning of period		787,053	1,362,307
Cash and cash equivalents at the end of period	17	1,293,917	759,478

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

1 Background

(a) The Group and its operation

The primary activities of PJSC "IDGC of Centre" (hereinafter referred to as the PJSC "IDCG of Centre" or the "Company") and its subsidiaries (hereinafter together 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, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation.

The parent company is PJSC "Rosseti".

PJSC "IDGC of Centre" and its subsidiaries comprise Russian public and joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 17 December 2004 based on Resolution no. 154p of 9 December 2004 and pursuant to the Board of Directors' decision (board of directors' meeting minutes no. 178 of 1 October 2004) and Management Board decision (Management Board meeting minute no. 1102 of 15 November 2004) of Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereinafter - "RAO UES"). From 07 July 2015, OJSC "IDGC of Centre" is renamed as PJSC "IDGC of Centre" based on the Decision of the Annual General Meeting of Shareholders of OJSC "IDGC of Centre" dated 25.06.2015 (minutes No. 01/15 of 26.06.2015), in order to bring it in line with the legal requirements.

The Company's registered office is 2nd Yamskaya St., 4, Moscow, 127018, Russia.

The Company's de facto address is 2nd Yamskaya St., 4, Moscow, 127018, Russia.

In September 2017, the Company took over the functions of the sole Executive body of Public joint stock company "Interregional distribution grid company of Centre and Volga region" (hereafter PJSC "IDGC of Centre and Volga region") pursuant to the Board of Directors' decision (Board of directors' meeting Minutes no. 22/17 of 07 September 2017). Between PJSC "IDGC of Centre" and JSC "IDGC of Centre and Volga region" concluded agreement no. 7700/00313/17 of 11.09.2017 for a period of three years. In accordance with the agreement, PJSC "IDGC of Centre" is the management company for PJSC "IDGC of Centre and Volga region". The Company exercises the rights and carries out the duties of the sole Executive body of PJSC "IDGC of Centre and Volga region" to the extent and with those limitations which are determined by the legislation of the Russian Federation, the Articles of Association, the internal documents, the decisions of the General meeting of shareholders and/or the Board of Directors of PJSC "IDGC of Centre and Volga region".

The Group consists of PJSC "IDGC of Centre" and its subsidiaries, presented in Note 5.

(b) Russian business environment

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

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by the market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. The Ruble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is responding appropriately to support the sustainability of the Group's business in the current circumstances.

The consolidated interim condensed 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.

1 Background (continued)

(c) Relation with state

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

As at 31 March 2019, the share of the Russian Federation in the authorized capital of the parent company of PJSC "Rosseti" was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares. As at 31 December 2018, the share of the Russian Federation in the authorized capital of the parent company of PJSC "Rosseti" was 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares.

PJSC "Rosseti", in its turn, owns 50.23% of the Company's 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 number of consumers of the Group's services includes a large number of enterprises under state control.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

These consolidated interim condensed financial statements for three months ended 31 March 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting". These consolidated interim condensed financial statements should be read in conjunction with consolidated financial statements as at 31 December 2018 that have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Use of estimates and professional judgments

The preparation of consolidated interim condensed 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.

The key estimates and judgments used by the Group in preparing the consolidated interim condensed financial statements are consistent with those described in the audited consolidated financial statements for the year ended 31 December 2018.

The management continuously reviews estimates and assumptions made based on experience and other factors that were used to determine the book value of assets and liabilities. Changes in estimates and assumptions are recognized in the period in which they were taken if the change affects only that period or are recognized in the period to which the change relates and in subsequent periods if the change affects both the given and for future periods.

2 Basis of preparation of consolidated financial statements (continued)

(c) Change in presentation

Reclassification of comparative date

Certain amounts in the comparative information for the previous period have been reclassified to be comparable with the reporting in the current reporting year. All reclassifications made are immaterial.

(d) Retrospective restatement

From 1 January 2018, the Group has changed its accounting treatment for initial measurement of the gratuitously received items of property, plant and equipment and subject to recognition in the statement of financial position in accordance with the requirements of the industry and Federal regulations to ensure reliable and uninterrupted power supply and maintenance of power grid facilities in proper conditions.

Previously, the Group recognised such items of property, plant and equipment in the statement of financial position at deemed cost which was based on independent measurement of the fair value of such items and recognised as income in the consolidated statement of profit or loss and other comprehensive income. Based on the technical condition of the items, the Group has recognised similar items of property, plant and equipment in the amount of actual expenditure since 1 January 2018. The Group applied this change in the accounting policies retrospectively.

In the Consolidated Interim Condensed Financial Statements for the three months, ended 31 March 2019, the Group also made a retrospective restatement of deferred tax in respect of allowance for impairment of accounts receivable and for the reserve established in court proceedings in connection with the recognition of permanent tax differences and recalculation of the amount of deferred tax.

The effect of the restatement on these Consolidated Interim Condensed Financial Statements is as follows:

Consolidated Interim Condensed Statement of Cash Flows for the three months ended 31 March 2018

For the three months ended 31 March 2018	As previously reported	Effect of change	As restated
Profit before income tax	2,589,411	48,973	2,638,384
Depreciation and amortization	2,489,741	(48,973)	2,440,768
Cash flows from operating activities before changes in working capital and provisions	6,112,500	-	6,112,500
Cash flows from operating activities before income taxes and interest paid	5,762,204	-	5,762,204

2 Basis of preparation of consolidated financial statements (continued)

Consolidated Interim Condensed Statement of profit or loss and other comprehensive income for the three months ended 31 March 2018

For the three months ended 31 March 2018	As previously reported	Effect of change	As restated
Revenue	25,444,407	-	25,444,407
Operating expenses	(22,203,323)	48,973	(22,154,350)
Other income, net	241,856	-	241,856
Result from operating activities	3,482,940	48,973	3,531,913
Finance income	33,817	-	33,817
Finance costs	(927,346)	-	(927,346)
Total financial costs	(893,529)	-	(893,529)
Profit before income tax	2,589,411	48,973	2,638,384
Income tax expense	(670,225)	(2,128)	(672,353)
Profit for the period	1,919,186	46,845	1,966,031
Other comprehensive income for the period	1,808,746	46,845	1,855,591
Profit attributable to:			
Equity holders of the Company	1,903,462	46,845	1,950,307
Non-controlling interests	15,724	-	15,724
Total comprehensive income attributable to:			
Equity holders of the Company	1,793,022	46,845	1,839,867
Non-controlling interests	15,724	-	15,724
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	0.045	0.001	0.046

3 Significant accounting policies

The key elements of the accounting policies and accounting methods used by the Group are consistent with described in the audited consolidated financial statements for the year ended 31 December 2018, except for the effect of the application of IFRS 16 Leases effective 1 January 2018, as described below.

(a) IFRS 16 Leases

The new standard, issued in 2016, replaces the previous leases standard, IAS 17 *Leases*, and the related interpretations; IFRS 16 eliminates the classification of leases as either operating leases or finance leases thus establishing a single lessee accounting model.

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

Lease liability shall be measured initially at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortized cost with recognition of interest costs as the component of finance costs in the consolidated statement of profit or loss and other comprehensive income. 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 lands. The group also leases non-residential real estate and vehicles.

3 Significant accounting policies (continued)

The group applied a modified retrospective approach, which implies a reflection of the cumulative effect of the initial application of the standard at the date of initial application as at January 1, 2019. The weighted average rate of additional borrowing, applied to lease liabilities recognized in the statement of financial position at the date of initial application was 9.74%.

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

The effect of the initial application of IFRS 16 Leases has had the following effects on the Group's assets and liabilities:

	As at 1 January 2019
<i>Assets</i>	
Right-of-use assets	2,300,692
Trade and other receivables	(35,349)
<i>Liabilities</i>	
Long-term lease liabilities	2,058,189
Short-term lease liabilities	223,620
Trade and other payables	(16,466)

Reconciliation between the contractual obligations under operating leases, disclosed in accordance with IFRS (IAS) 17 on 31 December 2018 and the lease obligation recognized in the statement of financial position on 1 January 2019 in accordance with IFRS (IFRS) 16 Leases is presented below.

	As at 1 January 2019
Operating lease liabilities as at 31 December 2018 disclosed in the consolidated financial statements of the Group	5,097,924
Exemption for the recognition of short-term leases	(1,644)
Effect of discounting	(2,820,540)
Finance lease liabilities recognized as at 31 December 2018	696
Other factors	6,069
Lease liabilities recognized as at 1 January 2019	2,282,505

Except for the changes in accounting policies described in sections 2 (d) and 3 (a), the following amendments and explanations, effective 1 January 2019, have no effect on these consolidated interim condensed financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Early repayment terms with potential negative reimbursement;
- Amendments to IFRS 3 Business Combinations;
- Amendments to IFRS11 Joint Arrangements;

3 Significant accounting policies (continued)

- Amendments to IAS 12 Income Taxes – Tax consequences of payments for Financial Instruments classified as Equity;
- Amendments to IAS 23 Borrowing Costs;
- Amendments to IAS 28 Long-term investments in associates and joint ventures;
- Amendments to IAS 19 - Making changes to a program, reducing a program, or paying off program commitments;

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:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 3 Business Combinations;
- 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 is mandatory from the annual periods after January 1, 2020.

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

4 Measurement of fair value

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

5 Significant subsidiaries

	Country of incorporation	31 March 2019	31 December 2018
		Ownership/voting, %	Ownership/voting, %
JSC “Sanatorium “Energetic”	Russian Federation	100	100
JSC “Yaroslavl Electric Grid Company”	Russian Federation	51	51

6 Information about segments

The Management Board of PJSC “IDGC of Centre” is the supreme body that makes decisions on operating activities.

The primary activities of 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, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation. From 2016, the division of the Company Tverenergo performs the electricity guarantee supplier function in the territory of Tver Region.

The internal management system is based on segments (branches formed on a territorial basis) related to transmission and distribution of electricity, technological connection to electric grids and electricity sales to the end user in a number of regions of the Russian Federation.

Revenue indicators and 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. 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 amount of assets submitted to the Management Board:

- Branch Belgorodenergo, branch Bryanskenergo, branch Voronezhenergo, branch Kostromaenergo, branch Kurskenergo, branch Lipetskenergo, branch Orelenergo, branch Smolenskenergo, branch Tambovenrgo, branch Tverenergo, branch Yarenergo
- Others

The category of “Others” include operations of subsidiaries and the head office branch. None of them meets any of the quantitative thresholds for determining reportable segments.

Segment indicators are based on management information, which is prepared on the basis of RAS financial statements and may differ those presented in the financial statements prepared in accordance with IFRS. The reconciliation of the indicators in the evaluation to the Management Board and similar indicators in these consolidated interim condensed financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

6 Information about segments (continued)

(a) Information about reportable segments

As at 31 March 2019 and for the three months ended 31 March 2019:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostrova energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	Others	Total
Revenue from external customers	3,191,292	1,441,156	3,819,134	1,422,009	1,892,413	2,342,269	1,238,413	2,126,792	1,885,083	3,035,834	2,681,823	33,796	25,110,014
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	230	139,800	140,030
Segment revenue	3,191,292	1,441,156	3,819,134	1,422,009	1,892,413	2,342,269	1,238,413	2,126,792	1,885,083	3,035,834	2,682,053	173,596	25,250,044
Including													
<i>Electricity transmission</i>	3,100,736	1,428,972	3,771,342	1,405,797	1,863,375	2,310,554	1,226,633	2,103,219	1,619,146	2,867,097	2,629,632	137,975	24,464,478
<i>Technological connection services</i>	8,064	3,164	16,352	3,214	12,026	4,396	3,924	4,239	255,914	1,786	31,690	70	344,839
<i>Sale of electricity and capacity</i>	-	-	-	-	-	-	-	-	-	154,880	-	-	154,880
<i>Other revenue</i>	82,492	9,020	31,440	12,998	17,012	27,319	7,856	19,334	10,023	12,071	20,731	35,551	285,847
EBITDA	840,788	339,159	685,842	344,327	252,380	253,989	206,114	523,556	672,875	473,926	711,536	68,121	5,372,613
Segments assets	25,288,955	5,413,179	13,527,469	6,981,659	7,468,948	16,640,190	4,151,989	7,903,849	6,368,337	11,036,641	15,519,763	2,551,285	122,852,264
Including property, plant and equipment and construction in progress	23,323,983	4,606,425	11,306,438	5,991,481	6,094,127	13,968,803	3,523,690	6,609,157	4,326,105	8,735,736	11,199,504	624,528	100,309,977

6 Information about segments (continued)

For the three months ended 31 March 2018:

	Belgorod energy	Bryansk energy	Voronezh energy	Kostroma energy	Kursk energy	Lipetsk energy	Orel energy	Smolensk energy	Tambov energy	Tver energy	Yar energy	Others	Total
Revenue from external customers	3,354,108	1,438,876	3,842,412	1,436,197	1,929,541	2,451,759	1,236,594	2,195,601	1,641,690	3,077,094	2,803,016	37,519	25,444,407
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	561	120,978	121,539
Segment revenue	3,354,108	1,438,876	3,842,412	1,436,197	1,929,541	2,451,759	1,236,594	2,195,601	1,641,690	3,077,094	2,803,577	158,497	25,565,946
Including													
<i>Electricity transmission</i>	3,252,017	1,414,440	3,777,279	1,414,528	1,894,897	2,411,516	1,228,161	2,100,364	1,598,154	2,864,399	2,761,965	119,091	24,836,811
<i>Technological connection services</i>	23,887	18,487	32,455	10,320	25,220	23,117	400	70,449	28,759	34,398	17,925	372	285,789
<i>Sale of electricity and capacity</i>	-	-	-	-	-	-	-	-	-	167,081	-	-	167,081
<i>Other revenue</i>	78,204	5,949	32,678	11,349	9,424	17,126	8,033	24,788	14,777	11,216	23,687	39,034	276,265
EBITDA	958,495	375,977	911,400	391,095	365,342	489,350	232,302	634,153	529,855	164,335	819,777	55,862	5,927,943

As at 31 December 2018:

	Belgorod energy	Bryansk energy	Voronezh energy	Kostroma energy	Kursk energy	Lipetsk energy	Orel energy	Smolensk energy	Tambov energy	Tver energy	Yar energy	Others	Total
Segment assets	25,625,951	5,508,794	13,607,776	7,029,696	7,646,412	16,737,565	4,185,379	7,870,331	6,325,171	11,141,294	15,221,820	2,258,111	123,158,300
Including property, plant and equipment and construction in progress	23,712,163	4,695,334	11,536,025	6,104,301	6,249,496	14,208,731	3,576,415	6,659,461	4,399,114	8,886,188	11,368,806	585,582	101,981,616

6 Information about segments (continued)

(b) The reconciliation of reportable segments EBITDA:

	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated)
EBITDA of reportable segments	5,372,613	5,927,943
Discounting receivables	6,340	4,747
Adjustment for lease	105,968	545
Recognition of pension and other long-term liabilities to employees	97	(15,606)
Adjustment on assets related to employee benefit liabilities	(6,475)	(20,720)
Re-measurement of investments (transfer of revaluation to equity)	684	(24,800)
Adjustment of the value of property, plant and equipment	(2,328)	803
Other adjustments	85,781	86,715
EBITDA	5,562,680	5,959,627
Depreciation and amortization	(2,694,014)	(2,440,768)
Interest expenses on financial liabilities	(835,205)	(880,245)
Interest on the lease liabilities	(53,384)	(230)
Income tax expense	(491,221)	(672,353)
Profit for the period per statement of profit or loss and other comprehensive income	1,488,856	1,966,031

7 Revenue

	Three months ended 31 March 2019	Three months ended 31 March 2018
Electricity transmission	24,326,503	24,717,720
Technological connection services	344,825	285,789
Sale of electricity and capacity	154,880	167,081
Other revenue	283,806	273,817
	25,110,014	25,444,407

Other revenues are comprised of repair and maintenance services, rental income and other. Other revenue includes also revenue from performing the functions of the sole Executive body of PJSC "IDGC of Centre and Volga region" for the three months ended 31 March 2019 in the amount of RUB 27,509 thousand (for the three months ended 31 March 2018: RUB 27,577 thousand).

8 Net other income

	Three months ended 31 March 2019	Three months ended 31 March 2018
Income from identified non-contracted electricity consumption	24,864	28,694
Income in the form of fines and penalties on commercial contracts	225,225	142,175
Accounts payable write-off	9,126	11,747
Other income	72,768	59,240
	331,983	241,856

9 Operating expenses

	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated)
Personnel costs	4,703,482	4,701,403
Depreciation and amortization	2,694,014	2,440,768
<i>Material expenses, including:</i>		
Electricity for compensation of losses	5,020,149	4,907,628
Electricity for sale	134,019	148,032
Purchased electricity and heat power for own needs	186,384	189,032
Other material costs	435,420	383,222
<i>Production work and services, including:</i>		
Electricity transmission services	7,948,893	7,838,253
Repair and maintenance services	68,634	54,573
Other works and industrial services	37,274	78,293
Taxes and levies other than income tax	527,789	475,276
Short-term rent/Rent	1,051	113,772
Insurance	35,834	35,636
<i>Other third-party services, including:</i>		
Communication services	66,671	66,070
Security services	75,039	74,579
Consulting, legal and audit services	5,396	4,640
Software costs and services	71,568	81,508
Transportation services	6,818	4,195
Other services	180,641	166,235
Allowance for expected credit losses	120,176	129,365
Provisions	55,451	99,885
Other expenses	192,825	161,985
	22,567,528	22,154,350

10 Finance income and costs

	<u>Three months ended 31 March 2019</u>	<u>Three months ended 31 March 2018</u>
Finance income		
Interest income on bank deposits and balances on bank accounts	34,412	29,070
Other finance income	6,340	4,747
	<u>40,752</u>	<u>33,817</u>
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(835,205)	(880,245)
Interest expenses on lease liabilities	(53,384)	(230)
Interest expenses on long-term employee benefit liabilities	(41,293)	(44,755)
Other finance costs	(5,262)	(2,116)
	<u>(935,144)</u>	<u>(927,346)</u>

11 Income tax

	<u>Three months ended 31 March 2019</u>	<u>Three months ended 31 March 2018 (restated)</u>
Current income tax		
Accrual of current tax	(505,510)	(694,604)
Adjustment of the tax for the previous periods	23,816	36,777
Total	<u>(481,694)</u>	<u>(657,827)</u>
Deferred income tax	(9,527)	(14,526)
Income tax expense	<u>(491,221)</u>	<u>(672,353)</u>

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

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

The profit before taxation is correlated to income tax expenses as follows:

	<u>Three months ended 31 March 2019</u>	<u>%</u>	<u>Three months ended 31 March 2018 (restated)</u>	<u>%</u>
Profit before income tax	<u>1,980,077</u>	<u>100</u>	<u>2,638,384</u>	<u>100</u>
Income tax calculated at the applicable tax rate	<u>(396,015)</u>	<u>(20)</u>	<u>(527,677)</u>	<u>(20)</u>
Tax effect of items not deductible/not taxable for taxation purposes	(119,022)	(6)	(181,453)	(7)
Adjustments for prior years	23,816	1	36,777	1
	<u>(491,221)</u>	<u>(25)</u>	<u>(672,353)</u>	<u>(26)</u>

11 Income tax (continued)

Income tax recognized in other comprehensive income:

	Three months ended 31 March 2019			Three months ended 31 March 2018		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Financial assets at fair value through other comprehensive income	(684)	137	(547)	24,800	(4,960)	19,840
Remeasurements of the defined benefit liability	(97,722)	9,301	(88,421)	(144,435)	14,155	(130,280)
	(98,406)	9,438	(88,968)	(119,635)	9,195	(110,440)

12 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/deemed cost</i>						
At 1 January 2018	36,484,045	64,105,627	37,287,887	20,421,418	3,890,860	162,189,837
Reclassification between groups	165	144	(309)	-	-	-
Additions	-	-	-	-	1,782,620	1,782,620
Transfer	141,259	631,705	336,317	213,872	(1,323,153)	-
Disposals	(1,448)	(2,765)	(3,007)	(32,808)	(979)	(41,007)
At 31 March 2018	36,624,021	64,734,711	37,620,888	20,602,482	4,349,348	163,931,450
<i>Accumulated depreciation and impairment</i>						
At 1 January 2018	(14,430,538)	(32,799,642)	(16,324,832)	(13,803,169)	(197,724)	(77,555,905)
Reclassification between groups	(67)	(4)	71	-	-	-
Transfer to property, plant and equipment (transfer of impairment losses)	(8,657)	(12,055)	(48,330)	(3,843)	72,885	-
Depreciation charge (restated)	(386,346)	(988,113)	(508,545)	(446,694)	-	(2,329,698)
Disposals	1,254	2,280	2,357	32,111	66	38,068
At 31 March 2018 (restated)	(14,824,354)	(33,797,534)	(16,879,279)	(14,221,595)	(124,773)	(79,847,535)
<i>Net book value</i>						
At 1 January 2018	22,053,507	31,305,985	20,963,055	6,618,249	3,693,136	84,633,932
At 31 March 2018 (restated)	21,799,667	30,937,177	20,741,609	6,380,887	4,224,575	84,083,915

12 Property, plant and equipment (continued)

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
<i>Cost/deemed cost</i>						
At 1 January 2019	38,274,038	68,988,195	39,527,879	24,088,027	3,867,435	174,745,574
Reclassification between groups	(523)	366	(1,598)	1,755	-	-
Additions	-	-	-	-	1,293,805	1,293,805
Transfer	88,019	446,114	211,004	233,522	(978,659)	-
Disposals	(402)	(1,883)	(2,615)	(18,207)	-	(23,107)
At 31 March 2019	38,361,132	69,432,792	39,734,670	24,305,097	4,182,581	176,016,272
<i>Accumulated depreciation and impairment</i>						
At 1 January 2019	(16,001,193)	(36,857,256)	(18,475,981)	(15,462,222)	(88,619)	(86,885,271)
Reclassification between groups	(1)	20	(20)	1	-	-
Transfer to property, plant and equipment (transfer of impairment losses)	(431)	(730)	(413)	(2,091)	3,665	-
Depreciation charge	(403,589)	(1,054,813)	(536,866)	(506,557)	-	(2,501,825)
Disposals	324	1,566	1,864	18,087	85	21,926
At 31 March 2019	(16,404,890)	(37,911,213)	(19,011,416)	(15,952,782)	(84,869)	(89,365,170)
<i>Net book value</i>						
At 1 January 2019	22,272,845	32,130,939	21,051,898	8,625,805	3,778,816	87,860,303
At 31 March 2019	21,956,242	31,521,579	20,723,254	8,352,315	4,097,712	86,651,102

12 Property, plant and equipment (continued)

Capitalized borrowing costs amounted to RUB 26,328 thousand with a capitalization rate 7.69 – 8.50% for the three months ended 31 March 2019 (for three months ended 31 March 2018: RUB 37,632 thousand with a capitalization rate 8.47 – 9.42%).

Depreciation charge has been capitalized to the cost of capital construction objects in the amount of RUB 7,668 thousand for the three months ended 31 March 2019 (for the three months ended 31 March 2018: RUB 8,331 thousand).

13 Intangible assets

	Software	R&D	Other intangible assets	Total
<i>Initial costs</i>				
At 1 January 2018	1,703,552	21,255	1,271,281	2,996,088
Additions	334,764	146	-	334,910
Disposals	(6,628)	-	-	(6,628)
At 31 March 2018	2,031,688	21,401	1,271,281	3,324,370
<i>Accumulated amortization and impairment</i>				
At 1 January 2018	(447,525)	-	(168,393)	(615,918)
Amortization charge	(101,209)	-	(18,192)	(119,401)
Disposals	6,628	-	-	6,628
At 31 March 2018	(542,106)	-	(186,585)	(728,691)
<i>Net book value</i>				
At 1 January 2018	1,256,027	21,255	1,102,888	2,380,170
At 31 March 2018	1,489,582	21,401	1,084,696	2,595,679
<i>Initial costs</i>				
At 1 January 2019	2,336,066	35,516	1,310,223	3,681,805
Additions	18,247	-	1,020	19,267
Disposals	(19,549)	-	-	(19,549)
At 31 March 2019	2,334,764	35,516	1,311,243	3,681,523
<i>Accumulated amortization and impairment</i>				
At 1 January 2019	(655,729)	-	(241,682)	(897,411)
Amortization charge	(106,129)	-	(19,689)	(125,818)
Disposals	19,549	-	-	19,549
At 31 March 2019	(742,309)	-	(261,371)	(1,003,680)
<i>Net book value</i>				
At 1 January 2019	1,680,337	35,516	1,068,541	2,784,394
At 31 March 2019	1,592,455	35,516	1,049,872	2,677,843

13 Intangible assets (continued)

Amortization of intangible assets included in operating expenses in consolidated interim condensed statement of profit or loss and other comprehensive income for the three months ended 31 March 2019 is RUB 125,818 thousand (for the three months ended 31 March 2018: RUB 119,401 thousand).

Other intangible assets include objects of intellectual property, R&D results and objects of Service Concession Arrangement

Into the structure of intangible assets in the subgroup "other intangible assets", the Group include a right to charge fee from users of services on electricity transmission in accordance with "Service Concession Arrangement concerning the financing, establishment and operation of facilities for the transmission and distribution of electric energy on the territory of the Tambov region". This agreement provides for the construction by a Group of objects for the purposes of transmission and distribution of electricity in the Tambov region and the provision of transmission services, electricity distribution and connection services with the use of objects of the Service Concession Arrangement. Ownership of the constructed objects belongs to the Tambov region, and the Group receives the right of possession and use of objects for the Group activities. The Service Concession Arrangement is concluded in 2015 for 20 years. The Concession Agreement may be amended or terminated by agreement of the parties in the manner and in the cases provided by law, by the expiration of the term, as well as on the basis of a court decision. The objects of the Concession Agreement shall be included in the planning document for the privatization of property for the period corresponding to the expiration of the Concession Agreement. At the same time, the Group has a preferential right to purchase these objects.

During the Concession Agreement, the Administration of the Tambov Region may grant subsidies to the Group, both in respect of payment of remuneration for construction, and in respect of compensation for lost revenue from electricity transmission.

The net book value of the objects of the Concession Agreement as at 31 March 2019 is RUB 919,487 thousand (as at 31 December 2018: RUB 933,203 thousand). Amortization for the objects of the Concession Agreement is RUB 13,716 thousand for the three months ended 31 March 2019 (for three months ended 31 March 2018: RUB 13,716 thousand).

14 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2019	2,071,525	121,286	81,312	26,569	2,300,692
Additions	51,134	18,405	1,028	23	70,590
Changes in lease terms	(12,850)	292	52	72	(12,434)
Disposal or termination of lease agreements	(34,826)	-	-	-	(34,826)
At 31 March 2019	2,074,983	139,983	82,392	26,664	2,324,022
<i>Accumulated depreciation and impairment</i>					
At 1 January 2019	-	-	-	-	-
Depreciation charge	(62,508)	(6,480)	(3,727)	(1,324)	(74,039)
Changes in lease terms	2	18	3	-	23
Disposal or termination of lease agreements	72	-	-	-	72
At 31 March 2019	(62,434)	(6,462)	(3,724)	(1,324)	(73,944)
<i>Net book value</i>					
At 1 January 2019	2,071,525	121,286	81,312	26,569	2,300,692
At 31 March 2019	2,012,549	133,521	78,668	25,340	2,250,078

15 Financial investments

	31 March 2019	31 December 2018
Non-current		
Financial assets at fair value through other comprehensive income	191,216	191,900
	191,216	191,900

Finance assets at fair value through other comprehensive income as at 31 March 2019 and as at 31 December 2018 include shares of PJSC "Unipro", PJSC "IDGC of Center and Volga region", PJSC "FGC UES". Fair value of these investments is RUB 191,216 thousand and RUB 191,900 thousand respectively.

For the three months ended 31 March 2019 the decrease in fair value in the total amount of RUB 684 thousand is reflected in other comprehensive income (for the three months ended 31 March 2018 the increase: RUB 24,800 thousand).

16 Trade and other receivables

	31 March 2019	31 December 2018
Non-current trade and other account receivables		
Trade receivables	289,398	417,928
Other receivables	149,547	157,521
Total financial assets	438,945	575,449
Advances given	10,535	9,813
Total trade and other receivables	449,480	585,262
Current trade and other account receivables		
Trade receivables	23,455,518	22,752,087
Allowance for expected credit losses on trade receivables	(11,540,321)	(11,549,586)
Other receivables	1,487,220	1,454,604
Allowance for expected credit losses on other receivables	(1,044,106)	(974,448)
Total financial assets	12,358,311	11,682,657
Advances given	181,507	176,447
Advances given impairment allowance	(15,165)	(15,165)
VAT recoverable	29,656	9,950
VAT on advances to customers and clients and advances given for the purchase of property, plant and equipment	360,070	373,413
Prepaid taxes, other than income tax and VAT	23,287	25,371
	12,937,666	12,252,673

Balances with related parties are disclosed in Note 25.

17 Cash and cash equivalents

	31 March 2019	31 December 2018
Cash in bank accounts and cash on hand	1,293,917	787,053
	1,293,917	787,053

	Rating	Rating agency	31 March 2019	31 December 2018
PJSC "Sberbank of Russia"*	Baa3	Moody's	123,241	37,782
JSC "Bank GPB"*	Ba1	Moody's	100	34,204
PJSC "VTB bank"*	Baa3	Moody's	368,771	684,040
JSC "Alfa-Bank"	Ba1	Moody's	33	49
JSC "AB Rossia"	ruAA	Expert RA	785,199	58
PJSC "Promsvyazbank"	Ba3	Moody's	44	29
PJSC "Rosbank"	Ba1	Moody's	16,289	30,719
PJSC "Sovcombank"	Ba3	Moody's	15	-
Cash on hand			225	172
* State-controlled banks			1,293,917	787,053

17 Cash and cash equivalents (continued)

All balance of cash are denominated in rubles as at 31 March 2019 and as at 31 December 2018.

As at 31 March 2019, the balance on the current account with JSC "AB Rossia" represents cash in the form of a non-reducible balance in the amount of RUB 785,000 thousand at 7.00-7.10% per annum (as at 31 December 2018: nil).

18 Equity

	Ordinary shares	
	31 March 2019	31 December 2018
Par value	0.10	0.10
On issue at 1 January	42,217,941,468	42,217,941,468
On issue at the end of the period, fully paid	42,217,941,468	42,217,941,468

(a) Dividends

In accordance with the Russian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

19 Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2019 was based on the earnings attributable to ordinary shareholders for the three months 2019 in the amount of RUB 1,469,587 thousand (for the three months 2018: earnings of RUB 1,950,307 thousand), and a weighted average number of ordinary shares outstanding of 42,218 million for the three months 2019 (for the three months 2018: 42,218 million).

The Company has no dilutive financial instruments.

<i>In millions of shares</i>	Three months ended 31 March 2019	Three months ended 31 March 2018
Ordinary shares at 1 January	42,218	42,218
Weighted average number of shares for the period ended 31 March	42,218	42,218
	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated)
Weighted average number of ordinary shares outstanding, for the period ended 31 March (millions of shares)	42,218	42,218
Earnings for the period attributable to holders of ordinary shares	1,469,587	1,950,307
Earnings per ordinary share (in RUB) – basic and diluted	0.035	0.046

20 Loans and borrowings

	<u>31 March 2019</u>	<u>31 December 2018</u>
Non-current liabilities		
Unsecured loans and borrowings	26,015,642	25,098,458
Unsecured bonds	15,402,682	15,290,522
Lease liabilities	2,268,574	696
Less: current portion of lease liabilities	(245,950)	(696)
Less: current portion of long-term loans and borrowings	(1,015,642)	(1,013,458)
Less: current portion of long-term bonds	(10,409,968)	(10,298,596)
	<u>32,015,338</u>	<u>29,076,926</u>
Current liabilities		
Current portion of lease liabilities	245,950	696
Current portion of long-term loans and borrowings	1,015,642	1,013,458
Current portion of long-term bonds	10,409,968	10,298,596
	<u>11,671,560</u>	<u>11,312,750</u>
Including:		
Debts on interest payable on loans and borrowings	15,642	13,458
Debts on interest payable on bonds	419,750	308,750
	<u>435,392</u>	<u>322,208</u>

All balances of loans and borrowings are denominated in rubles as at 31 March 2019 and 31 December 2018. For the three months ended 31 March 2019, the Group has attracted the following significant bank loans:

	<u>Year of maturity</u>	<u>Nominal interest rate</u>	<u>Nominal value</u>
Unsecured loans and borrowings*	2019 - 2020	8.25% - 10.00%	2,788,710
			<u>2,788,710</u>

* Loans and borrowings received from companies related to the state

For the three months ended 31 March 2019, the Group repaid the following significant bank loans:

	<u>Nominal value</u>
Loans and borrowings received from companies related to the state	1,873,710
	<u>1,873,710</u>

21 Trade and other payables

	31 March 2019	31 December 2018
Non-current liabilities		
Trade payables	8,484	8,729
Other payables	77,279	81,675
Total financial liabilities	85,763	90,404
Advances from customers	696,413	618,436
	782,176	708,840
Current liabilities		
Trade payables	5,366,978	6,035,790
Other payables and accrued expenses	193,526	3,054,427
Payables to employees	1,658,253	1,463,903
Dividends payables	42,741	43,154
Total financial liabilities	7,261,498	10,597,274
Advances from customers	1,431,122	1,626,437
	8,692,620	12,223,711
Taxes payable		
Value-added tax	1,859,109	1,017,695
Property tax	498,702	441,310
Social security contributions	350,948	433,439
Other taxes payables	154,592	150,702
	2,863,351	2,043,146
	11,555,971	14,266,857

Long-term advances from customers include advances for services of technological connection to electric grids in the amount of RUB 614,132 thousand as at 31 March 2019 (as at 31 December 2018: RUB 541,567 thousand).

22 Financial risk and capital management

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

The Group's management believes that the fair value of other financial assets and financial liabilities approximates their carrying value.

Reconciliation of the carrying amount of financial assets at fair value through other comprehensive income at the beginning and end of the reporting and comparable periods are presented in the table below:

	Financial assets at fair value through other comprehensive income Three months ended 31 March 2019	Financial assets at fair value through other comprehensive income Three months ended 31 March 2018
At 1 January	191,900	189,945
Change in fair value recognized in other comprehensive income	(684)	24,800
At 31 March	191,216	214,745

As at 31 March 2019 amount of free limit on open but unused credit lines of the Group amounted to RUB 27,017,000 thousand (as at 31 December 2018: RUB 27,930,000 thousand). The group is able to attract additional funding within the relevant limits, including ensuring the fulfillment of its short-term obligations.

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 8,764,832 thousand inclusive of VAT (as at 31 December 2018: RUB 9,286,190 thousand inclusive of 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 in case of damage or loss 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 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 and customs legislation allows for different interpretations with respect to the group's operations and activities. Accordingly, the relevant regional or Federal authorities can successfully challenge the management's interpretation of tax legislation and its formal documentation. Tax administration in Russia is gradually increasing. In particular, increases the risk of review of tax aspects of transactions with no apparent economic sense or with contractors who violate the tax laws. Tax audits may cover three calendar years prior to the year of the tax audit decision. Under certain conditions, earlier periods may also be subject to verification.

New transfer pricing legislation came into force since 1 January 2012, which significantly changed the rules for transfer pricing, bringing them closer to the principles of the organization for economic cooperation and

24 Contingencies (continued)

development (OECD), but also to create additional uncertainty in connection with practical application of tax legislation in individual cases.

The practice of applying new rules on transfer pricing by tax authorities and laws is absent, since tax inspections for compliance with new rule of transfer pricing have recently begun. However, it is expected that transactions that are governed by transfer pricing rules will be subject to detailed verification, which could potentially have an impact on these consolidated interim condensed financial statements.

As a further development of the practice application of the taxation rules on property, tax authorities and courts can be challenged by the criterion of attributing a property to movable or immovable things used by the Group. The management of the Group cannot predict the outcome and the amount of possible costs to address potential tax risks.

As at 31 March 2019, management believes that the relevant provisions of the legislation have been interpreted correctly and the group's position in terms of compliance with tax, currency and customs legislation can be justified and protected.

(c) Litigations

The Group is a party to a number of litigations (both as a plaintiff and as respondent) arising in the ordinary course of business. In the opinion of Management, there are currently no outstanding claims or other claims that could have a material impact on the Group's results of operations or financial position and would not be recognized or disclosed in the consolidated interim condensed financial statements.

(d) Environmental matters

The Group has operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation continues to evolve, responsibilities of authorized Government bodies to oversee are being reconsidered. Potential environmental liabilities arise from changes in interpretations of existing legislation, lawsuits or changes in legislation can be assessed. In the opinion of management under the existing control system and under current legislation, there are no probable liabilities that could have a material adverse effect on the financial position, results of operations or cash flows of the Group.

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 "Russian Grids". The final controlling party is the state represented by the Federal Property Management Agency, which owns a controlling stake in PJSC "Russian Grids".

25 Related party transactions (continued)

(b) Transactions with parent company, its subsidiaries and associates

Transactions with parent company, its subsidiaries and associates include operations with PJSC "Russian Grids", its subsidiaries and associates:

	Amount of transaction		Carrying amount	
	Three months ended	Three months ended	31 March	31 December
	31 March 2019	31 March 2018	2019	2018
Revenue, net other income, finance income				
Parent company				
Net other income	195	195	-	-
Entities under common control of the parent company				
Other revenue	52,525	28,360	209,807	207,120
	52,720	28,555	209,807	207,120

	Amount of transaction		Carrying amount	
	Three months ended	Three months ended	31 March	31 December
	31 March 2019	31 March 2018	2019	2018
Operating costs, finance costs				
Parent company				
Expenses for services related to the organization of the functioning and development of the EEC	55,864	54,880	37,948	46,753
Technical supervision services	10,562	10,562	-	-
Other expenses	3,418	3,312	-	-
Interest expenses on financial liabilities recorded at amortized cost	257,650	410,750	255,050	229,750
Entities under common control of the parent company				
Electricity transmission services	4,356,253	4,288,181	921,005	871,099
Repair and maintenance services	-	-	121,240	138,552
Other expenses	9,850	10,373	61,742	124,714
	4,693,597	4,778,058	1,396,985	1,410,868

25 Related party transactions (continued)

	Carrying amount	
	31 March 2019	31 December 2018
Parent company		
Loans and borrowings	10,245,268	10,219,596
Entities under common control of the parent company		
Advances given	64,411	67,498
Advances received	202,643	202,669
	10,512,322	10,489,763

As at 31 March 2019 and 31 December 2018, there is no debt to the parent company for the dividend payments.

(c) Transaction with key management personnel

In order to prepare these consolidated interim condensed financial statements, the key management personnel are members of the Board of Directors, the management Board, General Directors of subsidiaries and other key management personnel.

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

The amounts of remuneration to key management personnel disclosed in the table represent the current period expenses for key management personnel reflected in employee benefits.

	Three months ended 31 March 2019	Three months ended 31 March 2018
Short-term employee benefits	40,153	47,121
	40,153	47,121

As at 31 March 2019, the carrying amount of liabilities under defined benefit plans recorded in the consolidated interim condensed statement of financial position includes liabilities to key management personnel in the amount of RUB 14,901 thousand (31 December 2018: RUB 13,727 thousand).

(d) Transaction with government-related entities

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

Revenues from state-controlled entities for the three months ended 31 March 2019 constitute 42% (for the three months ended 31 March 2018: 42%) of total Group revenues, including 43% (for the three months ended 31 March 2018: 43%) of electricity transmission revenues.

Electricity transmission services costs (including compensation of technological losses) for state-controlled entities for the three months ended 31 March 2019 constitute 60% (for the three months ended 31 March 2018: 58%) of total electricity transmission services costs.

Interest expenses for government-related entities account for 58% of the total interest expenses for the three months ended 31 March 2019 (for the three months ended 31 March 2018: 58%).

As at 31 March 2019, the balance of cash and cash equivalents held with state-controlled banks is RUB 492,112 thousand (as at 31 December 2018: RUB 756,026 thousand).

25 Related party transactions (continued)

Loans and borrowings received from state-controlled banks are disclosed in Note 20.

26 Events after the reporting date

Events after the reporting date, which should be reflected in the consolidated interim condensed financial statements for the reporting period, have not been identified.