Interregional Distribution Grid Company of Volga, PJSC

Consolidated Interim Condensed Financial Statements Prepared in Accordance with IFRS (IAS) 34 “Interim Financial Reporting” for Three months Ended on March 31, 2018, and as of This Date

Table of Contents	Page

Consolidated Interim Condensed Statement of Profit and Loss and other Comprehensive Income (non-audited)	3
Consolidated Interim Condensed Statement of Financial Position (non-audited)	4
Consolidated Interim Condensed Statement of Cash Flows (non-audited)	6
Consolidated Interim Condensed Capital Statement (non-audited)	8
Notes to the Consolidated Interim Condensed Financial Statements (non-audited)	

1 GENERAL DATA.......... 9

2 PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS PREPARATION.......... 10

3 MAIN PRINCIPLES OF ACCOUNTING POLICY.......... 10

4 FAIR VALUE EVALUATION.......... 15

5 MAIN SUBSIDIARIES.......... 16

6 INFORMATION BY SEGMENTS.......... 17

7 REVENUE.......... 21

8 NET OTHER INCOME / (EXPENSES).......... 22

9 OPERATING COSTS.......... 23

10 FINANCIAL INCOME AND EXPENSES.......... 24

11 FIXED ASSETS.......... 25

12 INTANGIBLE ASSETS.......... 27

13 FINANCIAL INVESTMENTS.......... 29

14 TRADE AND OTHER RECEIVABLES.......... 29

15 CASH AND CASH EQUIVALENTS.......... 30

16 AUTHORIZED CAPITAL.......... 30

17 PROFIT PER SHARE.......... 31

Attached notes are an integral part of these consolidated financial statements

18 LOANS AND CREDITS 32

19 TRADE AND OTHER RECEIVABLES 33

20 MANAGEMENT OF FINANCIAL RISKS AND CAPITAL 34

21 LIABILITIES OF CAPITAL NATURE 36

22 CONTINGENT LIABILITIES 36

23 RELATED PARTIES TRANSACTIONS 37

24 EVENTS AFTER THE REPORTING DATE 40

(in thousands of Russian rubles, unless specified otherwise)

	Note	For three months ended on March 31, 2018 (non-audited)	For three months ended on March 31, 2017 (non-audited)
Revenue	7	16,564,325	14,927,823
Operating costs	9	(14,728,528)	(13,273,498)
Net other income	8	730,892	203,706
Operating results		**2,566,689**	**1,858,031**
Financial income	10	51,035	80,067
Financial expenses	10	(88,846)	(210,779)
Net financial expenses		**(37,811)**	**(130,712)**
Profit before taxation		**2,528,878**	**1,727,319**
Profit tax expenditure		(648,091)	(559,350)
Profit for reporting year		**1,880,787**	**1,167,969**
Other comprehensive income			
Items, which may not be further reclassified as profit or loss			
Changes to fair value of equity investments recorded at fair value through other comprehensive income		10	–
Revaluation of pension plan liability with established payments		(77,567)	(30,627)
Profit tax related to items, which may not be further reclassified as profit or loss		6,975	1,952
Total items, which may not be further reclassified as profit or loss		**(70,582)**	**(28,675)**
Other comprehensive income for reporting period, minus profit tax		**(70,582)**	**(28,675)**
Total comprehensive income for reporting year		**1,810,205**	**1,139,294**
Profit per share			
Underlying profit per ordinary share (RUB)	17	0.01	0.0064

These consolidated interim condensed financial statements were approved by the management on May 28, 2018 and signed on behalf of the management by the following persons:

Deputy General Director
for Economics and Finance, Department of

under Power of Attorney No. D/17-315 dated 15.08.2017

____________________ I.Yu. Puchkova

Chief Accountant – Head

Fiscal and Tax Accounting and Reporting

_________________ I.A. Tamlenova

Attached notes are an integral part of these consolidated financial statements

(in thousands of Russian rubles, unless specified otherwise)

	Note	March 31, 2018 (non-audited)	December 31, 2017
ASSETS			
Non-current assets			
Fixed assets	11	38,450,593	38,451,916
Intangible assets	12	202,235	178,793
Trade and other receivables	14	538,625	156,908
Assets related to liabilities for remunerations to employees		512,902	509,234
Financial investments	13	123	113
Total non-current assets		**39,704,478**	**39,296,964**
Current assets			
Inventories		2,271,446	1,569,808
Pre-payment for profit tax		1,657	1,189
Trade and other receivables	14	7,347,974	7,654,759
Cash and cash equivalents	15	3,187,767	3,847,013
Total current assets		**12,808,844**	**13,072,769**
Total assets		**52,513,322**	**52,369,733**
CAPITAL AND LIABILITIES			
Capital			
Authorized capital	16	18,830,796	18,830,796
Other reserves		(958,690)	(888,108)
Retained profit		19,778,333	17,897,546
Total capital		**37,650,439**	**35,840,234**
Long-term liabilities			
Loans and credits	18	3,370,000	4,370,000
Trade and other receivables	19	841,450	799,531
Liabilities for remunerations to employees		1,783,920	1,681,087
Deferred tax liabilities		2,830,536	2,669,175
Total long-term liabilities		**8,825,906**	**9,519,793**
Short-term liabilities			
Loans and credits	18	4,007	5,855
Trade and other receivables	19	5,859,289	6,760,396
Reserves		1,156	6,781
Debt on current profit tax		172,525	236,674
Total short-term liabilities		**6,036,977**	**7,009,706**
Total liabilities		**14,862,883**	**16,529,499**
Total capital and liabilities		**52,513,322**	**52,369,733**

Attached notes are an integral part of these consolidated financial statements

(in thousands of Russian rubles, unless specified otherwise)

	Note	For three months ended on March 31, 2018 (non-audited)	For three months ended on March 31, 2017 (non-audited)
OPERATING CASH FLOW		1,880,787	1,167,969
Profit/(loss) for the period			
Adjustments:			
Depreciation of fixed assets and intangible assets	9	1,063,047	1,116,520
Financial expenses	10	88,846	210,779
Financial income	10	(51,035)	(80,067)
Profit/(loss) from fixed asset retirement		(14,645)	(987)
Impairment of accounts receivable	9	18,402	281,857
Write-off of bad debts		120	62
Amortization of accounts payable		(1,513)	(1,048)
Income from gratuitously received fixed assets		(570,080)	(671)
Other non-monetary transactions		(8)	–
Profit tax (income)/expense		648,091	559,350
Monetary flows from operations before changes to current capital and reserves		**3,062,012**	**3,253,764**
Changes to current capital:			
Change of trade and other receivables (minus the provision for impairment)		(93,476)	191,157
Change to financial assets related to liabilities for remunerations to employees		(811)	7,548
Change to inventories (minus the provision for impairment of inventories)		(667,085)	(603,843)
Change to trade and other payables		(344,042)	556,882
Change to liabilities for remunerations to employees		(5,655)	(32,529)
Change to reserves		(5,625)	8,835
Other		8	–
Cash flows from operations before payment of profit tax and interest		**1,945,326**	**3,381,814**
Profit tax paid		(544,371)	(362,418)
Interest paid		(67,318)	(190,155)
Net cash received/(used) from operations		**1,333,637**	**2,829,241**
INVESTING CASH FLOW			
Purchase of fixed assets and intangible assets		(1,058,222)	(600,173)
Proceeds from sale of fixed assets and intangible assets		17,328	28
Interest received		48,178	48,705
Net cash received/(used) from investment activities		**(992,716)**	**(551,440)**

Attached notes are an integral part of these consolidated financial statements

(in thousands of Russian rubles, unless specified otherwise)

	Note	For three months ended on 2018 (non-audited)	For three months ended on 2017 (non-audited)
FINANCING CASH FLOW			
Fund raising		3,370,000	2,400,000
Repayment of loans		(4,370,000)	(3,900,000)
Dividends paid		(167)	–
Net cash received/(used) from financial activities		**(1,000,167)**	**(1,500,000)**
Net increase/(decrease) of cash and cash equivalents		**(659,246)**	**777,801**
Cash and cash equivalents as of reporting period start		**3,847,013**	**2,265,917**
Cash and cash equivalents as of reporting period end		**3,187,767**	**3,043,718**

Attached notes are an integral part of these consolidated financial statements

(in thousands of Russian rubles, unless specified otherwise)

	Capital due to Company owners				
	Authorized capital	**Provision for issue of shares**	**Reserves**	**Retained profit**	**Total capital**
Balance as of January 1, 2018	**18,830,796**	–	**(888,108)**	**17,897,546**	**35,840,234**
Profit for reporting period	–	–	–	1,880,787	1,880,787
Other comprehensive income	–	–	(77,557)	–	(77,557)
Profit tax in respect to other comprehensive income	–	–	6,975	–	6,975
Total comprehensive income for reporting period	**–**	**–**	**(70,582)**	**1,880,787**	**1,810,205**
Balance as of March 31, 2018	**18,830,796**	–	**(958,690)**	**19,778,333**	**37,650,439**

	Capital due to Company owners				
	Authorized capital	**Provision for issue of shares**	**Reserves**	**Retained profit**	**Total capital**
Balance as of January 1, 2017	**18,109,460**	**470,920**	**(771,520)**	**13,616,531**	**31,425,391**
Profit for reporting period	–	–	–	1,167,969	1,167,969
Other comprehensive income	–	–	(30,627)	–	(30,627)
Profit tax in respect to other comprehensive income	–	–	1,952	–	1,952
Total comprehensive income for reporting period	**–**	–	**(28,675)**	**1,167,969**	**1,139,294**
Balance as of March 31, 2017	**18,109,460**	**470,920**	**(800,195)**	**14,784,500**	**32,564,685**

Attached notes are an integral part of these consolidated financial statements

1 General Data

(a) Group and its business

Public Joint Stock Company Interregional Distribution Grid Company of Volga (hereinafter referred to as “Company”) and its subsidiaries (hereinafter jointly referred to as “Group”) include joint stock companies established and registered in accordance with the Civil Code of the Russian Federation. The Company was registered on June 29, 2017 on the basis of the resolution of the sole founder (Regulation of OJSC Russian Joint Stock Company United Energy Systems of Russia (hereinafter referred to as RAO UES) No. 191r dated June 22, 2007) within implementation of the resolution of the Board of Directors of RAO UES on participation in IDGC (minutes No. 250 dated April 27, 2007).

Legal and actual address of the Company: 410031, Russian Federation, Saratov, ul. Pervomayskaya, 42/44.

Main business of the Public Joint Stock Company Interregional Distribution Grid Company of Volga (hereinafter referred to as IDGC of Volga, PJSC, or the “Company”) and its subsidiaries (hereinafter jointly referred to as the “Group”) is provision of services for transmission and distribution of power along power grids and services of technological connection of consumers to grids.

The ultimate parent company is Rosseti, PJSC.

(б) Economic environment, where the Group does it business

The Group does its business in the Russian Federation.

Accordingly, business of the Group is influenced by the economy and financial markets of the Russian Federation that have typical features of a developing market. Legal, tax and regulatory systems continue developing, but they are connected to risk of ambiguous interpretation of their requirements, which are also subject to frequent changes, and this, in combination with other legal and fiscal obstacles, creates additional problems for enterprises doing business in the Russian Federation.

Continuing deterioration of a political situation caused by rising tension between the Russian Federation and the USA, the European Union, and related events, resulted in upward risk estimates of doing business in the Russian Federation. Introduction of economic sanctions in respect to the Russian citizens and legal entities from the side of the European Union, the United States of America, Japan, Canada, Australia and other countries, as well as response sanctions introduced by the government of the Russian Federation, resulted in increased economic uncertainty, including higher volatility in the capital markets, dropped exchange value of the Russian ruble, reduced volume of foreign and internal direct investments, and considerable reduction of debt financing sources availability. In particular, some Russian companies may experience difficulties when accessing the international stock market and debt capital market, which may result in their rising dependence on the Russian governmental banks. It is difficult to estimate consequences of introduced sanctions and threat of introducing new sanctions in the future in the longer term.

The direction of economic development of the Russian Federation to a large extent depends on efficiency of actions taken by the Government in the sphere of economics, finance and monetary policy, and also improvement of the taxation system, legal framework and development of political processes.

The presented consolidated financial reporting reflects the opinion of the management on the influence provided by business conditions in the Russian Federation at operations and financial status of the Group. Actual influence of future business conditions may differ from their estimates provided by the management.

(в) Relations with the government

The Government of the Russian Federation represented by the Federal Agency for State Property Management is the end controlling party of the Company.

As of March 31, 2018 the share of the Russian Federation in the authorized capital of the ultimate parent company Rosseti, PJSC, amounted to 88.04%, including in ordinary voting shares – 88.89%, in preferred shares – 7.01%, which, in its turn, owns 67.97% of the Company shares.

The government directly influences Group operations by tariff regulation. In accordance with the Russian laws, Group tariffs are regulated by executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs. Consumers of Group services include many enterprises controlled by the government.

2 Principles of Consolidated Financial Statements Preparation

(a) Statement of Compliance with IFRS

These consolidated interim condensed financial statements for three months ended on March 31, 2018, was prepared in accordance with IFRS (IAS) 34 "Interim Financial Reporting". These consolidated interim condensed financial statements shall be considered jointly with the consolidated financial statements for the year ended on December 31, 2017, which was prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as IFRS).

(б) Use of Educated Estimates and Assumptions

Preparation of consolidated interim condensed financial statements in accordance with IFRS requires use of assumptions and educated estimates by the management, which influence the way the provisions of the accounting policy are applied, and the amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

Primary estimates and assumptions used by the Group to prepare the consolidated interim condensed financial statements comply with the ones described in the audited consolidated financial statements for the year ended on December 31, 2017.

The management continuously revises the estimates and assumptions made, based on gained experience and other factors that were used to define the book value of assets and liabilities. Amendments to estimates and assumptions are recognized in the period, when they were made, if the amendment relates to such period only, or are recognized in the period, to which the amendment relates, and in subsequent periods, if the amendment impacts both this and future periods.

3 Main Principles of Accounting Policy

Main elements of the accounting policy and the calculation methodology used by the Group comply with those described in the audited consolidated statements for the year ended on December 31, 2017, apart from the influence of applying new standards, as described below.

The Group started to use the below new standards since January 1, 2018:

(a) IFRS 15 "Revenue from contracts with customers"

The Group recognizes revenue, when (or as soon as) the obligation to be fulfilled is complied with by transfer of the promised product or service (i.e. asset) to the customer. The revenue is estimated at the transaction price or its part equal to the amount of compensation, the right to which the Group expects to receive in exchange for transfer of the promised assets to the customer, excluding amounts received from third parties (for example, minus the recovered taxes).

<u>Power Transmission and Sale Services</u>

Revenue from power transmission and sale is recognized during the period (billing month) and is estimated by the result method (cost of transmitted power volumes). Tariffs for power transmission services (in respect to all constituent entities of the Russian Federation) and power sale in the regulated market (in respect to constituent entities of the Russian Federation not united into price zones of the wholesale power market) are approved by the executive authorities of the constituent entities of the Russian Federation in respect to state regulation of tariffs (hereinafter referred to as regional regulatory authorities) within limit minimum and (or) maximum levels approved by the Federal Anti-Monopoly Service.

Services of Technological Connection to Electric Grids

Recognition of revenue from this type of services is done at the moment of power supply start and connection of a consumer to an electric grid based on a technological connection certificate.

A fee for technological connection within an individual project, standardized tariffs, fees per unit of maximum capacity and formula of payment for technological connection are approved by a regional power commission (department of prices and tariffs in a corresponding region) and do not depend on the revenue from provision of the power transmission services.

A fee for technological connection to the united national (all-Russian) electric grid is approved by the Federal Anti-Monopoly Service.

Other services

Revenue from services of installation, repair and maintenance, and also revenue from other sales is recognized at the moment when the customer has obtained control over the asset.

According to transitional provisions of IFRS 15, the Group chose the opportunity to apply the standard retrospectively with recognition of the total impact of primary application within the preliminary value of retained profit as of January 1, 2018. Application of this standard had no significant impact at consolidated interim financial statements of the Group, accordingly the balance of the retained profit as of January 1, 2018 was not adjusted.

(б) IFRS 9 “Financial instruments”

The standard introduces new requirements for classification and evaluation of financial instruments, accounting of impairment and hedging. Since the Group does not account for hedging, main amendments of the standard applicable to the Group influenced its accounting policy on classification of financial instruments and impairment of financial assets.

According to IFRS 9, financial assets must be classified in accordance with the following categories of evaluation: evaluated further at depreciated cost, evaluated at fair value through profit or loss and evaluated at fair value through other comprehensive income. The classification depends on a business model for management of financial assets and cash flow characteristics specified by agreements.

Financial assets are classified as evaluated at fair value, if the following conditions are met: the asset is retained within a business model, the objective of which is to retain assets to receive cash flows specified by the agreement, and terms of the agreement provide for receipt of cash flows being exclusively payments against the debt principal amount and interest on the unpaid part of the debt principal amount on the specified dates.

In respect to impairment, IFRS 9 replaces the model of “incurred loss” applied in IFRS (IAS) 39, “Financial instruments: recognition and evaluation” for a new model of “expected credit loss” (hereinafter referred to as “ECL”), designed to provide for timely recognition of expected credit losses. Provision for expected credit losses is created for financial assets classified as evaluated by depreciated cost.

According to IFRS 9, provisions for impairment are evaluated either on the basis of 12-month ECL, which is the result of possible failures to comply with obligations within 12 months after the reporting date, or ECL for the entire life cycle, which is the result of all potential failures to comply with obligations during the expected life of a financial instrument. Provision for impairment of trade receivables is evaluated by the Group using a simplified approach in the amount equal to ECL for the entire life cycle. Provisions for impairment of other financial assets classified as evaluated at depreciated cost are evaluated on the basis of 12-month ECL, unless there was considerable increase of a credit risk from the moment of recognition. Otherwise, the provision is calculated on the basis of ECL for the entire life cycle.

According to transitional provisions of IFRS 9, the Group applied the new rules retrospectively, excluding instruments, whose recognition was already terminated as of the date of initial application, i.e. as of January 1, 2018. The Group also used exemption provided by IFRS 9, making it possible not to recalculate the previous provided periods as a result of using new classification and evaluation rules, but to recognize differences within the preliminary value of retained profit as of January 1, 2018. Initial application of this standard did not result in any significant changes in evaluation of financial instruments.

(in thousands of Russian rubles, unless specified otherwise)

As of January 1, 2018 (date of initial application of IFRS 9 "Financial instruments"), the Group evaluated business models it used to manage financial assets and classified retained financial instruments according to the corresponding categories of IFRS 9. Main effects of the completed classification were as follows:

		Reclassification of financial assets as of January 1, 2018	
	Balance as of January 1, 2018 according to IFRS (IAS) 39	Evaluated at fair value through other comprehensive income	**Balance as of January 1, 2018 according to IFRS 9**
Financial assets available for sale	113	(113)	–
Evaluated at fair value through other comprehensive income	–	113	113
Total:	**113**	**–**	**113**

(in thousands of Russian rubles, unless specified otherwise)

Please find below the initial evaluation category according to IAS 39 and new evaluation category according to IFRS 9:

	Evaluation category		**Book value**		
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**	**Difference**
Non-current financial assets					
Financial investments, including: *Shares*	*Available for sale*	*Evaluated at fair value through other comprehensive income*	113	113	–
Trade and other receivables	Depreciated cost	Depreciated cost	156,908	156,908	–
Current financial assets					
Trade and other receivables	Depreciated cost	Depreciated cost	7,415,530	7,415,530	–
Cash and cash equivalents			3,847,013	3,847,013	–
Long-term and short-term financial liabilities					
Credits and loans, payables	Depreciated cost	Depreciated cost	9,122,556	9,122,556	–

The following amendments and explanations effective since January 1, 2018 had no influence at these consolidated interim condensed financial statements:

- Classification and evaluation of payment transactions based on shares (Amendments to IFRS 2);
- Transfer of investment properties from a category to a category (Amendments to IFRS (IAS) 40);
- Annual improvements of IFRS, 2014-2016;
- Explanation of IFRIC 22 Transactions in foreign currency and pre-payment.

The following new standards and interpretations were issued and become effective in respect to yearly periods starting since January 1, 2019, or after this date, and were not applied by the Group in advance:

IFRS 16 "Lease". IFRS 16 "Lease" was issued in January 2016 and replaced IFRS (IAS) 17 "Lease", Explanation of IFRIC 4 "Definition of lease criteria in agreement", Explanation of SIC 15 "Operating lease – stimuli" and Explanation of SIC 27 "Definition of substance of transactions with legal status of lease". IFRS 16 establishes principles of recognition, evaluation, representation and disclosure of information on lease, and requests that lessees reflected all lease agreements using a single model of accounting in the balance sheet, similarly to the accounting procedure specified in IFRS (IAS) 17 for financial lease. The standard provides for two exemptions from recognition for lessees – in respect to lease of assets with low cost (for example, personal computers) and short-term lease (i.e. lease with duration not exceeding 12 months). The Group intends to apply both exemptions. On the date of lease start, the lessee will recognize the liability in respect to lease payments (i.e. lease liability), and the asset providing the right to use an underlying asset during the lease period (i.e. asset in the form of right to use). The Group will have to recognize the interest income from lease liability separately from expenses for asset depreciation in the form of the right to use. The Group may apply this standard using a retrospective approach or a modified retrospective approach. The Group considers influence of this standard at its consolidated financial statements.

The following standards, amendments to standards and explanations, as expected, will not provide significant influence at consolidated financial statements of the Group:

- Sale or contribution of assets in a transaction between an investor and its associated or joint venture (Amendments to IFRS 10 and IFRS (IAS) 28);
- Explanation of IFRIC 23 Ambiguity in respect to profit tax computation rules;
- IFRS 17 "Insurance agreements".

4 Fair Value Evaluation

Certain provisions of the Group's accounting policy and some disclosures require evaluation of fair value of both financial and non-financial assets and liabilities.

When evaluating fair value of an asset or a liability, the Group applies, as far as practicable, the observed market data. Fair value estimates are related to different levels of fair value hierarchy depending on source data used within the relevant evaluation methods:

Level 1: quoted (uncorrected) prices for identical assets and liabilities at active markets.

Level 2: source data, apart from quoted prices applied for estimates of Level 1, which are observed either directly (i.e. such as prices) or indirectly (i.e. defined on the basis of prices).

Level 3: source data for assets and liabilities, which are not based on observed market data (unobserved source data).

If source data used for evaluation of asset fair value, may be referred to different levels of fair value hierarchy, fair value evaluation as a whole relates to that level of hierarchy, which the source data of lowest level comply with, being substantial for the entire evaluation.

The Group recognizes transfers between levels of fair value hierarchy on the end date of the reporting period, when such change took place.

(in thousands of Russian rubles, unless specified otherwise)

5 Main subsidiaries

		March 31, 2018	December 31, 2017
	Country of registration	**Ownership interest / voting shares, %**	**Ownership interest / voting shares, %**
Chuvash Motor Transport Company, JSC	Russian Federation	99.99	99.99
Solnechny Sanatorium-Preventorium, JSC	Russian Federation	99.99	99.99
Social sphere-M, JSC	Russian Federation	100	100
Energoservice of Volga, JSC	Russian Federation	100	100

6 Information by segments

The Management Board of IDGC of Volga, PJSC, is the supreme authority making decisions on operations.

Primary business of the Group is provision of services of power transmission and distribution, technological connection to electric grids in some regions of the Russian Federation.

The internal management reporting system is based on segments (branches formed according to the territorial principle), which are related to power transmission and distribution, technological connection to electric grids in some regions of the Russian Federation.

To reflect business results of each reporting segments, revenue, EBITDA indicators are used, since they are included into the internal management reporting prepared on the basis of RAS reporting and are regularly analyzed and evaluated by the Management Board. The EBITDA indicator is calculated as profit or loss before interest expenses, taxation and depreciation. The Management Board believes that such indicators are most relevant in evaluation of results of identified segments in respect to other segments and companies that operate in these industries.

In accordance with IFRS 8 requirements based on data on revenue of segments, EBITDA and total amount of assets, provided to the Management Board, the following reporting segments were identified:

- Power transmission segments – Republic of Mordovia, Republic of Chuvashia, Orenburg region, Penza region, Samara region, Saratov region, Ulyanovsk region – branches of IDGC of Volga, PJSC
- Other segments – other companies of the Group

Undistributed indicators include general indicators of the Company’s executive apparatus, which is not an operating segment in accordance with requirements of IFRS 8.

Indicators of segments are based on management information prepared on the basis of RAS reporting data, and may differ from similar ones presented in the financial statements prepared in accordance with IFRS. Reconciliation of indicators in the estimate provided to the Management Board, and similar indicators in these consolidated financial statements, includes those reclassifications and adjustments, which are required to provide the statements in accordance with IFRS.

(in thousands of Russian rubles, unless specified otherwise)

(a) Information on reporting segments

For three months ended on March 31, 2018:

	Saratov Region	**Orenburg Region**	**Samara Region**	**Penza Region**	**Ulyanovsk Region**	**Republic of Chuvashia**	**Republic of Mordovia**	**Other**	**Total**
Revenue from external buyers	3,963,832	3,608,718	3,299,706	2,053,971	1,633,313	1,108,542	882,376	13,867	**16,564,325**
Revenue from sales between segments	–	–	–	–	–	–	1	28,227	**28,228**
Segment revenue	**3,963,832**	**3,608,718**	**3,299,706**	**2,053,971**	**1,633,313**	**1,108,542**	**882,377**	**42,094**	**16,592,553**
Including									
Electric power transmission	3,953,968	3,580,642	3,282,894	2,047,661	1,630,865	1,102,038	879,647	–	**16,477,715**
Services of Technological Connection to Electric Grids	5,510	3,960	12,820	3,932	996	3,228	1,752	–	**32,198**
Other revenue	4,354	24,116	3,992	2,378	1,452	3,276	977	13,867	**54,412**
EBITDA	**939,324**	**774,354**	**978,882**	**388,533**	**156,072**	**175,594**	**229,924**	**(7,281)**	**3,635,402**

(in thousands of Russian rubles, unless specified otherwise)

For three months ended on March 31, 2017:

	Saratov Region	**Orenburg Region**	**Samara Region**	**Penza Region**	**Ulyanovsk Region**	**Republic of Chuvashia**	**Republic of Mordovia**	**Other**	**Total**
Revenue from external buyers	3,477,238	3,184,060	3,053,641	1,867,008	1,515,118	1,061,970	751,523	17,265	**14,927,823**
Revenue from sales between segments	–	71	–	–	–	–	–	27,599	**27,670**
Segment revenue	**3,477,238**	**3,184,131**	**3,053,641**	**1,867,008**	**1,515,118**	**1,061,970**	**751,523**	**44,864**	**14,955,493**
Including									
Electric power transmission	3,465,832	3,123,778	3,035,088	1,859,045	1,511,662	1,056,261	737,094	–	**14,788,760**
Services of Technological Connection to Electric Grids	6,316	33,889	14,193	4,710	2,033	2,723	13,389	–	**77,253**
Other revenue	5,090	26,393	4,360	3,253	1,423	2,986	1,040	17,265	**61,810**
EBITDA	**742,525**	**543,214**	**691,535**	**317,290**	**216,081**	**284,727**	**185,489**	**(11,046)**	**2,969,815**

(in thousands of Russian rubles, unless specified otherwise)

March 31, 2018:

	Saratov Region	Orenburg Region	Samara Region	Penza Region	Ulyanovsk Region	Republic of Chuvashia	Republic of Mordovia	Other	Total
Assets of segments	**15,279,473**	**11,922,679**	**16,096,513**	**5,819,999**	**5,238,166**	**4,900,858**	**3,696,593**	**224,441**	**63,178,722**
Including fixed assets and construction in progress	13,374,647	9,249,829	13,274,794	4,115,960	3,369,449	3,063,684	2,894,647	101,013	**49,444,023**

December 31, 2017:

	Saratov Region	Orenburg Region	Samara Region	Penza Region	Ulyanovsk Region	Republic of Chuvashia	Republic of Mordovia	Other	Total
Assets of segments	**15,133,798**	**12,079,680**	**16,036,587**	**5,759,401**	**5,300,894**	**5,036,909**	**3,729,892**	**226,588**	**63,303,749**
Including fixed assets and construction in progress	13,665,302	9,372,080	12,974,899	4,144,594	3,437,915	3,122,237	2,921,922	105,531	**49,744,480**

(in thousands of Russian rubles, unless specified otherwise)

(б) Reconciliation of EBITDA indicators of reporting segments is provided below:

	For three months ended on March 31, 2018	For three months ended on March 31, 2017
EBITDA of reporting segments	**3,635,402**	**2,969,815**
Discounting of accounts receivable	284	(759)
Recognition of pension and other long-term liabilities to employees	(17,930)	50,746
Adjustment on assets related to liabilities for remunerations to employees	(3,668)	(23,811)
Adjustment of fixed assets value	35,965	26,536
Other adjustments	(225)	1,869
Undistributed indicators		
EBITDA	**3,649,828**	**3,024,396**
Depreciation	(1,063,047)	(1,116,520)
Interest expenses for financial liabilities	(57,903)	(180,557)
Profit tax expenditure	(648,091)	(559,350)
Consolidated profit/loss per year in profit or loss and other comprehensive income statement	**1,880,787**	**1,167,969**

7 Revenue

	For three months ended on March 31, 2018	For three months ended on March 31, 2017
Electric power transmission	16,477,715	14,788,762
Services of Technological Connection to Electric Grids	32,198	77,253
Other revenue	54,412	61,808
	16,564,325	**14,927,823**

Other revenue mainly includes revenue from repair and maintenance, lease and transport services.

(in thousands of Russian rubles, unless specified otherwise)

8 Net other income / (expenses)

	For three months ended on March 31, 2018	**For three months ended on March 31, 2017**
Income from detected consumption of power without execution of agreements	440	573
Income in the form of fines and penalties under economic contracts	145,163	196,022
Profit/ (loss) from fixed asset retirement	14,645	987
Insurance indemnity, net	(1,871)	3,561
Amortization of accounts payable	1,513	1,048
Income from gratuitously received fixed assets and inventories	570,080	669
Other net income/(expenses)	922	846
	730,892	**203,706**

(in thousands of Russian rubles, unless specified otherwise)

9 Operating costs

	For three months ended on March 31, 2018	For three months ended on March 31, 2017
Expenses for remunerations to employees	3,332,799	3,090,433
Depreciation	1,063,047	1,116,520
Material costs, including		
Power to compensate technological losses	2,928,469	2,465,886
Purchased electric and thermal energy for auxiliaries	226,367	206,733
Other material costs	304,432	282,753
Works and services of a productive nature, including		
Power transmission services	6,122,195	5,152,443
Repair and maintenance services	46,798	33,944
Other works and services of a productive nature	5,022	5,610
Taxes and fees, apart from profit tax	233,014	193,520
Lease	96,156	95,330
Insurance	18,602	19,543
Other services of third-party companies, including:		
Communication services	38,761	38,992
Security	55,949	54,247
Consulting, legal and auditor services	3,030	5,275
Software and support expenses	46,777	35,060
Transportation services	2,390	2,902
Other services	129,900	110,049
Provision for expected credit loss	18,402	281,857
Reserves	(1,346)	13,542
Other expenses	57,764	68,859
	14,728,528	**13,273,498**

(in thousands of Russian rubles, unless specified otherwise)

10 Financial income and expenses

	For three months ended on March 31, 2018	For three months ended on March 31, 2017
Financial income		
Interest income on loans granted, bank deposits, bills of exchange and balances at bank accounts	47,872	48,648
Profit from retirement of financial assets available for sale	–	1
Interest income on assets related to liabilities for remunerations to employees	2,857	31,359
Depreciation of discount on financial assets	306	56
Other financial income	–	3
	51,035	**80,067**
Financial expenses		
Interest income on financial liabilities accounted for at depreciated cost	(57,903)	(180,557)
Interest income on long-term liabilities for remuneration to employees	(30,921)	(29,405)
Effect from initial discounting of financial assets	(22)	(815)
Other financial expenses	–	(2)
	(88,846)	**(210,779)**

(in thousands of Russian rubles, unless specified otherwise)

11 Fixed assets

	Land plots and buildings	Power transmission lines	Power transmission equipment	Other fixed assets	Construction in progress	Total
Initial / deemed cost						
As of January 1, 2017	**17,000,816**	**26,126,152**	**15,675,626**	**13,934,803**	**1,446,784**	**74,184,181**
Proceeds	–	630	38	9,803	261,844	272,315
Commissioning	58,975	99,695	200,766	25,877	(385,313)	–
Retirements	(375)	–	(15)	(24,871)	(2,351)	(27,612)
As of March 31, 2017	**17,059,416**	**26,226,477**	**15,876,415**	**13,945,612**	**1,320,964**	**74,428,884**
Accumulated depreciation and impairment						
As of January 1, 2017	**(5,961,752)**	**(14,141,850)**	**(6,144,415)**	**(9,183,901)**	**—**	**(35,431,918)**
Accumulated depreciation	(228,719)	(342,239)	(226,735)	(291,880)	—	(1,089,573)
Retirements	271	–	15	24,870	—	25,156
As of March 31, 2017	**(6,190,200)**	**(14,484,089)**	**(6,371,135)**	**(9,450,911)**	**—**	**(36,496,335)**
Residual value						
As of January 1, 2017	**11,039,064**	**11,984,302**	**9,531,211**	**4,750,902**	**1,446,784**	**38,752,263**
As of March 31, 2017	**10,869,216**	**11,742,388**	**9,505,280**	**4,494,701**	**1,320,964**	**37,932,549**
Initial / deemed cost						
As of January 1, 2018	**17,294,641**	**27,308,451**	**17,705,019**	**14,613,796**	**1,195,428**	**78,117,335**
Reclassification between groups	(1,967)	(3,806)	2,291	3,482	–	–
Proceeds	–	570,079	180	5,085	468,354	1,043,698
Commissioning	71,078	204,391	221,356	26,919	(523,744)	–
Retirements	(3,801)	(8,125)	(1)	(12,859)	(2,064)	(26,850)
As of March 31, 2018	**17,359,951**	**28,070,990**	**17,928,845**	**14,636,423**	**1,137,974**	**79,134,183**

(in thousands of Russian rubles, unless specified otherwise)

	Land plots and buildings	**Power transmission lines**	**Power transmission equipment**	**Other fixed assets**	**Construction in progress**	**Total**
Accumulated depreciation and impairment						
As of January 1, 2018	**(6,801,649)**	**(15,467,510)**	**(7,098,563)**	**(10,297,697)**	**–**	**(39,665,419)**
Reclassification between groups	22	35	3,332	(3,389)	–	–
Accumulated depreciation	(211,023)	(316,868)	(250,033)	(257,639)	–	(1,035,563)
Retirements	1,217	6,893	1	9,281	–	17,392
As of March 31, 2018	**(7,011,433)**	**(15,777,450)**	**(7,345,263)**	**(10,549,444)**	**–**	**(40,683,590)**
Residual value						
As of January 1, 2018	**10,492,992**	**11,840,941**	**10,606,456**	**4,316,099**	**1,195,428**	**38,451,916**
As of March 31, 2018	**10,348,518**	**12,293,540**	**10,583,582**	**4,086,979**	**1,137,974**	**38,450,593**

(in thousands of Russian rubles, unless specified otherwise)

For three months ended on March 31, 2018, capitalized interest amounted to 7,457 thousand rubles (for three months ended on March 31, 2017: 6,635 thousand rubles), capitalization rate 8.13 % (for three months ended on March 31, 2017: 9.95%).

For three months ended on March 31, 2018, depreciation charges were capitalized in the cost of capital construction facilities in the amount of 649 thousand rubles (for three months ended on December 31, 2017, in the amount of 1,157 thousand rubles).

12 Intangible assets

	Software	**R&D**	**Other intangible assets**	**Total intangible assets**
Original value				
As of January 1, 2017	**341,061**	**26,788**	**25,752**	**393,601**
Proceeds	17,855	2,392	2,034	22,281
Retirements	(14,610)	–	–	(14,610)
As of March 31, 2017	**344,306**	**29,180**	**27,786**	**401,272**
Accumulated depreciation and impairment				
As of January 1, 2017	**(214,582)**	**(15,466)**	**(10,550)**	**(240,598)**
Accumulated depreciation	(26,183)	(244)	(1,676)	(28,103)
Retirements	14,610	–	–	14,610
As of March 31, 2017	**(226,155)**	**(15,710)**	**(12,226)**	**(254,091)**
Residual value				
As of January 1, 2017	**126,479**	**11,322**	**15,202**	**153,003**
As of March 31, 2017	**118,151**	**13,470**	**15,560**	**147,181**

(in thousands of Russian rubles, unless specified otherwise)

	Software	**R&D**	**Other intangible assets**	**Total intangible assets**
Original value				
As of January 1, 2018	**336,480**	**54,799**	**27,786**	**419,065**
Proceeds	48,040	3,534	–	51,574
Retirements	(4,232)	–	–	(4,232)
As of March 31, 2018	**380,288**	**58,333**	**27,786**	**466,407**
Accumulated depreciation and impairment				
As of January 1, 2018	**(206,686)**	**(18,542)**	**(15,044)**	**(240,272)**
Accumulated depreciation	(26,156)	(1,039)	(937)	(28,132)
Retirements	4,232	–	–	4,232
As of March 31, 2018	**(228,610)**	**(19,581)**	**(15,981)**	**(264,172)**
Residual value				
As of January 1, 2018	**129,794**	**36,257**	**12,742**	**178,793**
As of March 31, 2018	**151,678**	**38,752**	**11,805**	**202,235**

For three months ended on March 31, 2018, capitalized interest amounted to 110 thousand rubles (for three months ended on March 31, 2017: 106 thousand rubles), capitalization rate 8.13% (for three months ended on March 31, 2017: 9.95%).

Notes to the consolidated interim condensed financial statements for three months ended on March 31, 2018 and as of this date (in thousands of Russian rubles, unless specified otherwise)

13 Financial investments

	March 31, 2018	December 31, 2017
Non-current		
Financial assets evaluated at fair value, changes of which are reflected through other comprehensive income	123	–
Financial assets available for sale	–	113
	123	**113**

Non-current financial assets evaluated at fair value, changes of which are reflected through other comprehensive income as of March 31, 2018, and assets available for sale as of December 31, 2017, include shares of the Russian companies.

For three months ended on March 31, 2018, increase of fair value in the total amount of 10 thousand rubles is reflected in other comprehensive income.

14 Trade and other receivables

	March 31, 2018	December 31, 2017
Trade and other long-term receivables		
Trade receivables	392,941	16,274
Other receivables	8,185	8,279
Total financial assets	**401,126**	**24,553**
Advances paid	10,465	11,787
VAT on advances of buyers and customers	127,034	120,568
	137,499	**132,355**
Trade and other short-term receivables		
Trade receivables	7,518,229	7,807,059
Provision for expected credit loss on trade receivables	(805,893)	(791,308)
Other receivables	533,021	474,381
Provision for expected credit loss on other receivables	(97,624)	(99,155)
Total financial assets	**7,147,733**	**7,390,977**
Advances paid	121,882	186,119
Provision for impairment of advances paid	(1,463)	(4,341)
VAT on advances of buyers and customers	72,799	75,054
Pre-payment on taxes, apart from profit tax and VAT	7,023	6,950
	200,241	**263,782**

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

Notes to the consolidated interim condensed financial statements for three months ended on March 31, 2018 and as of this date (in thousands of Russian rubles, unless specified otherwise)

15 Cash and cash equivalents

	March 31, 2018	December 31, 2017
Cash at bank and in hand	3,156,967	3,698,413
Cash equivalents	30,800	148,600
	3,187,767	**3,847,013**

	Rating	Rating agency	March 31, 2018	December 31, 2017
Sberbank*	Ba2 ruAA+	Moody's Investors Service; Expert RA	207,553	447,491
Gazprombank*	Ba2 ruAA+	Moody's Investors Service; Expert RA	590,405	3,250,778
Bank Rossiya (Joint-Stock Bank Rossiya) *	ruAA+	Expert RA	2,358,881	1
Other			3	2
Cash in hand			125	141
			3,156,967	**3,698,413**

* Banks related to the government

Cash equivalents include short-term contributions to bank deposits:

	Interest rate	Rating	Rating agency	March 31, 2018	December 31, 2017
Sberbank*	4.71	Ba2 ruAA+	Moody's Investors Service; Expert RA	2,000	123,000
Gazprombank*	6.2	Ba2 ruAA+	Moody's Investors Service; Expert RA	28,800	25,600
				30,800	**148,600**

* Banks related to the government

As of March 31, 2018 and December 31, 2017 all cash and equivalents balances are nominated in rubles.

16 Authorized capital

	Ordinary shares	
	March 31, 2018	**December 31, 2017**
Nominal value of one share	0.1	0.1
Outstanding as of January 1	188,307,958,733	181,094,601,146
Outstanding as of the end of the year and fully paid	188,307,958,733	188,307,958,733

(a) Ordinary and preferred shares

Owners of ordinary shares may receive declared dividends and right of one vote per share when passing resolutions at general meetings of Company shareholders.

17 Profit per share

Calculation of base profit per share for three months ended on March 31, 2018, and three months ended on March 31, 2017, is provided below.

The Company has no dilutive financial instruments.

In millions shares	**For three months ended on March 31, 2018**	**For three months ended on March 31, 2017**
Ordinary shares as of January 1	188,307,958,733	181,094,601,146
Effect from share placing	–	–
Weighted average quantity of shares for the period ended on March 31	**188,307,958,733**	**188,094,601,146**

	For three months ended on March 31, 2018	**For three months ended on March 31, 2017**
Weighted average quantity of ordinary shares outstanding for the reporting period ended on March 31 (in thousand pieces)	188,307,959	188,094,601
Profit for the period due to owners of ordinary shares	1,880,787	1,167,969
Profit per ordinary share - base and diluted (in Russian rubles)	**0.01**	**0.0064**

(in thousands of Russian rubles, unless specified otherwise)

18 Loans and credits

	March 31, 2018	December 31, 2017
Long-term liabilities		
Unsecured loans and credits	3,370,000	4,370,000
	3,370,000	**4,370,000**
Short-term liabilities		
Unsecured loans and credits	4,007	5,855
	4,007	**5,855**
Including:		
Debt on interest due on loans and credits	4,007	5,855
	4,007	**5,855**

As of March 31, 2018 and December 31, 2017, all balances of loans and credits are nominated in rubles.

For three months ended on March 31, 2018, the Group raised the following substantial bank loans:

	Repayment date	Nominal interest rate	Nominal value
Unsecured loans and credits			
Sberbank*	2018-2021	7.6%-7.85%	3,370,000
			3,370,000

* Loans and credits received from companies related to the government

For three months ended in 2017, the Group repaid the following substantial bonded loans, bank loans:

	Nominal value
Loans and credits received from organizations related to the government	4,370,000
	4,370,000

(in thousands of Russian rubles, unless specified otherwise)

19 Trade and other receivables

	March 31, 2018	**December 31, 2017**
Long-term debt		
Trade payables	–	–
Other payables	9,045	9,777
Total financial liabilities	**9,045**	**9,777**
Advances of buyers	832,405	789,754
	841,450	**799,531**
Short-term debt		
Trade payables	3,196,118	3,838,188
Other payables and charged expenses	122,278	48,764
Payroll debts	953,847	837,424
Dividends payable	12,381	12,548
Total financial liabilities	**4,284,624**	**4,736,924**
Advances from buyers	456,160	465,130
	4,740,784	**5,202,054**
Taxes payable		
VAT	539,560	1,020,885
Property tax	234,757	176,020
Social security contributions	234,304	228,362
Other taxes payable	109,884	133,075
	1,118,505	**1,558,342**
	5,859,289	**6,760,396**

Long-term advances of buyers include advances for services of technological connection to electric grids in the amount of 824,944 thousand rubles as of March 31, 2018; 782,815 thousand rubles as of December 31, 2017).

(in thousands of Russian rubles, unless specified otherwise)

20 Management of financial risks and capital

Objectives and policies of the Group in respect to management of financial risks and capital, and procedure for determination of fair value comply with those disclosed in the consolidated financial statements for the year ended on December 31, 2017.

Please find below fair book values of financial assets and liabilities:

		March 31, 2018		**Fair value hierarchy level**		
	Note	**Book value**	**Fair value**	**1**	**2**	**3**
Loans granted and receivables	14	7,548,859	7,548,859	–	–	7,548,859
Financial assets evaluated at fair value through other comprehensive income	13	123	123	123	–	–
Cash and cash equivalents	15	3,187,767	3,187,767	3,187,767	–	–
Short-term and long-term loans and credits	18	(3,374,007)	(3,295,863)	–	(3,295,863)	–
Trade and other receivables	19	(4,293,669)	(4,293,669)	–	–	(4,293,669)
Total:		**3,069,073**	**3,147,217**	**3,187,890**	**(3,295,863)**	**3,255,190**

Notes to the consolidated interim condensed financial statements for three months ended on March 31, 2018 and as of this date (in thousands of Russian rubles, unless specified otherwise)

		December 31, 2017		Fair value hierarchy level		
	Note	**Book value**	**Fair value**	**1**	**2**	**3**
Loans granted and receivables	14	7,415,530	7,415,530	–	–	7,415,530
Financial assets available for sale	13	113	113	113	–	–
Cash and cash equivalents	15	3,847,013	3,847,013	3,847,013	–	–
Short-term and long-term loans and credits	18	(4,375,855)	(4,233,778)	–	(4,233,778)	–
Trade and other receivables	19	(4,746,701)	(4,746,701)	–	–	(4,746,701)
Total:		**2,140,100**	**2,282,177**	**3,847,126**	**(4,233,778)**	**2,668,829**

Interest rate used to discount expected future cash flows, for short-term and long-term borrowed funds for the purposes of identification of disclosed fair value as of March 31, 2018 amounted to 8.61% (as of December 31, 2017: 9.74%).

For three months ended on March 31, 2018, there were no transfers between levels of fair value hierarchy.

(in thousands of Russian rubles, unless specified otherwise)

Reconciliation of book value of financial assets evaluated at fair value through profit or loss and financial assets evaluated at fair value through other comprehensive income at the beginning and end of the reporting period is provided in the table below:

	Financial assets evaluated at fair value through other comprehensive income
As of January 1, 2018	113
Purchase	–
Sale	–
Change of fair value recognized within other comprehensive income	10
As of March 31, 2018	**123**

21 Liabilities of capital nature

Sum of capital liabilities of the Group under agreements for purchase and construction of fixed assets, amounts to 1,483,904 thousand RUB, VAT included, as of March 31, 2018 (as of December 31, 2017: 884,957 thousand RUB, VAT included).

22 Contingent liabilities

(a) Insurance

The Group has common requirements in respect to volumes of insurance coverage, reliability of insurance companies and procedure of insurance protection organization. The Group insures assets, third-party liability and other insured risks. Main production assets of the Group have insurance coverage, including coverage for damage or loss of fixed assets. Nevertheless, there are risks of negative influence at operations and financial status of the Group, if damage is done to third parties, and also as a result of loss or damage of assets, insurance protection of which is absent, or is not provided in full.

(б) Contingent tax liabilities

The taxation system of the Russian Federation continues to be characterized by frequent changes in legislation, official explanations and judgments that are sometimes unclear and contradictory which results in their ambiguous interpretation by various tax authorities. Inspections and investigations concerning the correctness of tax calculations are carried out by several regulatory bodies having the right to impose large fines and penalties. The accuracy of tax calculation in the reporting period can be tested over the next three calendar years; however, under certain circumstances, such period may be extended. Lately, the practice in the Russian Federation is that the tax authorities take a more assertive position in the interpretation and tax compliance requirements, attempting to detect instances of gaining unjustified tax benefits. These circumstances can make the tax risks in the Russian Federation much higher than in other countries.

Management of the Group, based on its understanding of applicable Russian taxation laws, official explanations and court decisions, believes that tax liabilities and assets are reflected in the adequate amount; the position of the Group from the point of view of compliance with tax, currency and customs legislation may be justified and defended. Nevertheless, interpretation of such provisions by relevant authorities may be different, and if they are able to prove appropriateness of their position, this may influence these consolidated financial statements.

Since January 1, 2012, new legislation on transfer pricing took effect, which significantly altered the transfer pricing rules, having made them closer to principles of the Organization for Economic Co-Operation and Development (OECD), but also creating additional uncertainty in connection with practical application of taxation laws in individual cases.

Practice of applying new transfer pricing rules by tax authorities and courts is unavailable, since tax audits for compliance with new transfer pricing rules have started recently. However, it is expected that operations regulated by transfer pricing rules will become the object of detailed audit, which may potentially affect these consolidated financial statements.

(в) Legal Proceedings

The Group participates in several legal proceedings (both as a plaintiff and a defendant), arising in process of regular business operations. In opinion of the management, currently there are no unsettled claims or other actions that could have significantly influenced business results or financial position of the Group and wouldn't be recognized or disclosed in the consolidated financial statements.

(г) Environmental Obligations

The Group has been doing business in the field of power engineering in the Russian Federation for many years. The environmental legislation in the Russian Federation continues to evolve, obligations of authorized state bodies supervising compliance with it are being revised. Potential environmental liabilities arising in connection with amended interpretations of existing legislation, legal actions or changes to the legislation may not be assessed. In opinion of the management, under the existing system of control and current legislation, there are no probable liabilities that may have substantial negative impact at financial position, results of operations or cash flows of the Group.

23 Related parties transactions

(a) Control relations

Related parties are shareholders, affiliates and organizations under common ownership and control of the Group, members of the Board of Directors and key management personnel of the Company. As of March 31, 2018 and December 31, 2017, control over the Company belonged to Rosseti, PJSC. The end controlling party is the government represented by the Federal Agency for Property Management, which owns the controlling interest of Rosseti, PJSC.

(in thousands of Russian rubles, unless specified otherwise)

(б) Transactions with parent company, its subsidiaries and affiliates

Transactions with the parent company, its subsidiaries and affiliates include transactions with Rosseti PJSC, its subsidiaries and affiliates:

	Amount of transaction		Book value	
Revenue, net other income, financial income	**For three months ended on 2018**	**For three months ended on 2017**	**March 31, 2018**	**December 31, 2017**
Parent company				
Other revenue	272	272	–	–
Enterprises under common control of parent company				
Other revenue	140	912	57	7,370
	412	**1,184**	**57**	**7,370**

	Amount of transaction		Book value	
Operating expenses, financial expenses	**For three months ended on 2018**	**For three months ended on 2017**	**March 31, 2018**	**December 31, 2017**
Parent company				
Consulting, legal and auditor services	(44,341)	(62,457)	(22,923)	(14,169)
Enterprises under common control of parent company				
Power transmission services	(3,205,231)	(2,609,290)	(670,411)	(1,306,157)
Services of technological connection to electric grids	–	(88)	–	–
Other expenses	(18,477)	(9,192)	(14,250)	(13,518)
Interest income on financial liabilities accounted for at depreciated cost				
	(3,268,049)	**(2,681,027)**	**(707,584)**	**(1,333,844)**

	Book value	
	March 31, 2018	**December 31, 2017**
Enterprises under common control of parent company		
Advances paid	12,154	12,155
Advances received	(32)	(32)
	12,122	**12,123**

(in thousands of Russian rubles, unless specified otherwise)

(в) Transactions with key management personnel

For the purposes of preparing these consolidated financial statements, key management personnel includes members of the Board of Directors of the Company, Management Board of the Company, General Director and its deputies.

The Group makes no transactions and has no balances of settlements with key management employees and their close relatives, excluding payment of their remuneration in the form of salaries and bonuses.

Amounts of remuneration to key management personnel, disclosed in the table, are expenses of the current period for the key management personnel reflected within expenses for remunerations to employees.

	For three months ended in 2018	**For three months ended in 2017**
Short-term remunerations to employees	18,672	15,197
	18,672	**15,197**

As of March 31, 2018 the current cost of liabilities on plans with established payments, reflected in the consolidated statement of financial position, includes liabilities in respect to the key management personnel in the amount of 821 thousand RUB (as of December 31, 2017: 725 thousand RUB).

(г) Transactions with companies related to the government

In process of its business the Group performs many transactions with companies related to the government. These transactions are carried out in accordance with regulated tariffs or in accordance with market prices.

Revenue from companies related to the government is 19% of the total revenue of the Group for three months ended on March 31, 2018 (for three months ended on March 31, 2017: 18%), including 19% of revenue from power transmission (for three months ended on March 31, 2017: 18%).

Expenses for power transmission (including compensation of technological losses) for companies related to the government are 11% of the total power transmission expenses for three months ended on March 31, 2018 (for three months ended on March 31, 2017: 11%).

Interest charged on loans and credits from banks related to the government for three months ended on March 31, 2018, amounted to 100% of the total amount of charged interest (for three months ended on March 31, 2017: 100%).

As of March 31, 2018, the balance of cash and cash equivalents in banks related to the government amounted to 3,156,717 thousand RUB (as of December 31, 2017 3,698,269 thousand RUB).

Information on loans and credits received from banks related to the government is disclosed in Note 18.

24 Events after the reporting date

No events were detected after the reporting date to be included into the statements.