

**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 2018  
(unaudited)**

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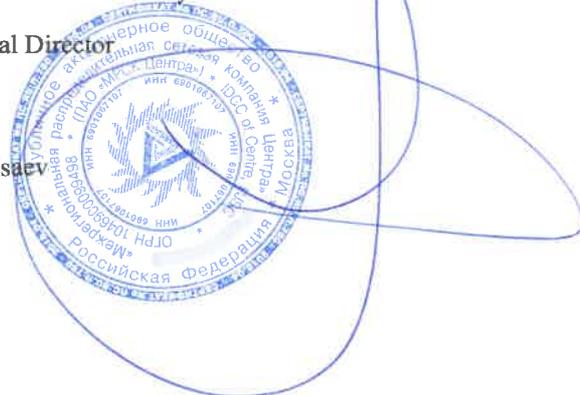
**PJSC "IDCG of Centre"**  
**Consolidated Interim Condensed Statement of profit or loss and other comprehensive income**  
**for three months ended 31 March 2018 (unaudited)**  
*In thousands of Russian rubles, unless otherwise stated*

	Notes	For three months ended 31 March 2018	For three months ended 31 March 2017
Revenue	7	25,444,407	24,297,765
Operating expenses	9	(22,203,323)	(20,249,055)
Other income, net	8	241,856	145,306
<b>Result from operating activities</b>		<b>3,482,940</b>	<b>4,194,016</b>
Finance income	10	33,817	167,248
Finance costs	10	(927,346)	(1,117,459)
<b>Net finance costs</b>		<b>(893,529)</b>	<b>(950,211)</b>
<b>Profit before income tax</b>		<b>2,589,411</b>	<b>3,243,805</b>
Income tax expense		(670,225)	(790,620)
<b>Profit for the period</b>		<b>1,919,186</b>	<b>2,453,185</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale financial assets		-	(12,650)
Income tax related to items that may be reclassified subsequently to profit or loss		-	2,530
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>-</b>	<b>(10,120)</b>
<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		24,800	-
Remeasurements of the defined benefit liability		(144,435)	(47,044)
Income tax related to items that will never be reclassified subsequently to profit or loss		9,195	3,650
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>(110,440)</b>	<b>(43,394)</b>
<b>Other comprehensive income for the year, net of income tax</b>		<b>(110,440)</b>	<b>(53,514)</b>
<b>Total comprehensive income for the period</b>		<b>1,808,746</b>	<b>2,399,671</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		1,903,462	2,436,648
Non-controlling interests		15,724	16,537
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		1,793,022	2,383,134
Non-controlling interest		15,724	16,537
<b>Earnings per share</b>			
Basic and diluted earnings per ordinary share (in RUB)	17	0.045	0.058

These consolidated interim condensed financial statements were approved by management on 28.05.2018 and were signed on this behalf by:

General Director

O.Y. Isaev



Chief Accountant

L.A. Sklyarova

**PJSC "IDGC of Centre"**  
**Consolidated Interim Condensed Statement of Financial Position**  
**as at 31 March 2018 (unaudited)**  
*In thousand of Russian rubles, unless otherwise stated*

	Notes	31 March 2018	31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	85,122,299	85,721,289
Intangible assets	12	2,595,679	2,380,170
Trade and other receivables	14	1,046,624	1,037,558
Assets related to employee benefits plans		520,959	541,679
Financial investments	13	214,745	189,945
<b>Total non-current assets</b>		<b>89,500,306</b>	<b>89,870,641</b>
<b>Current assets</b>			
Inventories		2,969,590	2,128,986
Income tax prepayments		166,903	421,709
Trade and other receivables	14	11,795,287	11,295,073
Cash and cash equivalents	15	759,478	1,362,307
<b>Total current assets</b>		<b>15,691,258</b>	<b>15,208,075</b>
<b>Total assets</b>		<b>105,191,564</b>	<b>105,078,716</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	4,221,794	4,221,794
Reserves		(429,175)	(318,735)
Retained earnings		41,963,693	40,060,231
<b>Total equity attributable to equity holders of the Company</b>		<b>45,756,312</b>	<b>43,963,290</b>
Non-controlling interest		214,949	199,225
<b>Total equity</b>		<b>45,971,261</b>	<b>44,162,515</b>
<b>Non-current liabilities</b>			
Loans and borrowings	18	33,488,851	33,989,210
Trade and other payables	19	993,030	923,355
Employee benefits		2,592,176	2,432,135
Deferred tax liabilities		4,683,287	4,680,085
<b>Total non-current liabilities</b>		<b>41,757,344</b>	<b>42,024,785</b>
<b>Current liabilities</b>			
Loans and borrowings	18	5,471,752	7,491,456
Trade and other payables	19	11,055,317	10,828,220
Provisions		575,021	487,743
Current income tax liabilities		360,869	83,997
<b>Total current liabilities</b>		<b>17,462,959</b>	<b>18,891,416</b>
<b>Total liabilities</b>		<b>59,220,303</b>	<b>60,916,201</b>
<b>Total equity and liabilities</b>		<b>105,191,564</b>	<b>105,078,716</b>

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

**PJSC "IDGC of Centre"**  
**Consolidated Interim Condensed Statements of Cash Flows**  
**for the three months ended 31 March 2018 (unaudited)**  
*In thousand of Russian rubles, unless otherwise stated*

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		2,589,411	3,243,805
<i>Adjustments for:</i>			
Depreciation and amortization of property, plant and equipment and intangible assets	9,11,12	2,489,741	2,366,794
Finance costs	10	927,346	1,117,459
Finance income	10	(33,817)	(167,248)
Loss/(gain) on disposal of property, plant and equipment		211	(290)
Allowance for expected credit losses	9	129,365	244,947
Bad debt write-off		837	12,166
Other non-cash transactions		17,835	(46,942)
<b>Cash flows from operating activities before changes in working capital and provisions</b>		<b>6,120,929</b>	<b>6,770,691</b>
<i>Changes in working capital and provisions:</i>			
Change in trade and other receivables		(657,401)	1,919,637
Change in assets related to employee benefits plans		20,720	(45,630)
Change in inventories		(840,585)	(805,497)
Change in trade and other payables		1,060,412	1,195,361
Change in employee benefit liabilities		(29,149)	(41,300)
Change in provisions		87,278	(367,530)
<b>Cash flows from operating activities before income taxes and interest paid</b>		<b>5,762,204</b>	<b>8,625,732</b>
Income tax paid		(126,149)	282,051
Interest paid		(738,878)	(782,360)
<b>Net cash flows from operating activities</b>		<b>4,897,177</b>	<b>8,125,423</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets		(2,837,908)	(2,688,739)
Proceeds from the sale of property, plant and equipment and intangible assets		2,412	170
Interest received		29,070	120,306
Dividends received		6,999	7,300
<b>Net cash flows used in investing activities</b>		<b>(2,799,427)</b>	<b>(2,560,963)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		28,014,529	3,900,000
Repayment of loans and borrowings		(30,714,529)	(3,904,680)
Dividends paid		(241)	(130)
Repayment of finance lease liabilities		(338)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>(2,700,579)</b>	<b>(4,810)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(602,829)</b>	<b>5,559,650</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>1,362,307</b>	<b>2,567,305</b>
<b>Cash and cash equivalents at the end of period</b>		<b>759,478</b>	<b>8,126,955</b>

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 Center and Volga region" (hereafter PJSC "IDGC of Center 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 Center 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 Center and Volga region". The Company exercises the rights and carries out the duties of the sole Executive body of PJSC "IDGC of Center 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 Center 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.

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

The continuing deterioration of the political situation caused by the growing tensions between the Russian Federation and the United States, the European Union and related events have led to a revision of the risk assessments of doing business in the Russian Federation in the direction of increasing. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and other countries, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on

## **1 Background (continued)**

Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The future economic development of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

The consolidated 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.

### **(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 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. As at 31 December 2017, 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 2018 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 2017 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 2017.

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*

The Group has consistently applied the accounting policies to all period presented in these consolidated interim condensed financial statements.

Certain amounts of the previous year have been adjusted to conform to the current year disclosures.

When necessary, comparative information for the prior periods has been reclassified due to the application of the extended data presentation. The quantitative impact of this reclassification on the comparative information specified in the statement for the three months of 2017 is set below.

In the comparative period, the Group allocated an allowance for impairment of trade and other receivables and loans from the allowance for impairment of receivables to the allowance for expected credit losses. The effect of reclassification has attached the relevant articles of the Consolidated Interim Condensed Statement of Cash Flows and Note 9 "Operating expenses". The amounts of impairment of advances issued are included in other non-cash transactions/other expenses:

31 March 2017	As previously reported	Effect of change	As restated
Allowance for expected credit losses	-	244,947	244,947
Other non-cash transactions / Other expenses	-	(92,510)	(92,510)
Allowance for impairment of accounts receivable	152,437	(152,437)	-

Other reclassification:

In note 9 "Operating expenses", information of expenditure items was updated:

31 March 2017	As previously reported	Effect of change	As restated
Other works and industrial services	12,889	47,796	60,685
Communication services	61,409	2,451	63,860
Software costs and services	70,270	3,072	73,342
Other services	153,159	41,323	194,482
Other expenses	250,565	(94,642)	155,923

### **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 2017, except for the effect of the application of the new standards as described below.

The Group has applied the following new standards since 1 January 2018:

#### **(a) IFRS 15 Revenue from Contracts with Customers**

The Group recognizes revenue when (or as) the performance obligation is fulfilled by transferring the promised good or service (i.e. an asset) to customer. Revenue is measured at the transaction price or its part equal to the amount of consideration to which the Group expects to be entitled in exchange for transferring promised assets to a customer, excluding amounts collected on behalf of third parties (for example, net of recoverable taxes).

##### Electricity transmission and sales of electricity and capacity

Revenue from electricity transmission and sale is recognized during the period (accounting month) and is estimated by the output methods (cost of transferred volumes of electric energy). The tariffs for the electricity transmission (in respect to all subjects of the Russian Federation) and sale of electricity and capacity on the regulated market (in respect of constituent entities of the Russian Federation, not united in price zones of the wholesale electricity market) are approved by the executive authorities of subjects of the Russian Federation in the field of state regulation of tariffs (hereinafter – regional authority) within the limit minimum and (or) maximum levels approved by the Federal Antimonopoly Service.

##### Technological connection services

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

Payment for technological connection for an individual project, the standardized tariff rates, the rates for an unit of maximum capacity and the form of payment for technological connection are approved by the regional energy commission (the department of prices and tariffs of the corresponding region) and do not depend on the proceeds from the provision of electricity transmission services.

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

##### Other services

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

In accordance with IFRS 15 transition requirements, the Group has chosen to apply the standard retrospectively with the recognition of the cumulative effect of the initial application as part of the retained earnings opening balance as at 1 January 2018. The application of this standard had no a material impact on the Group's consolidated interim condensed financial statements, respectively, the opening balance of the retained earnings as at 1 January 2018 was not adjusted.

#### **(b) IFRS 9 Financial Instruments**

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

### 3 Significant accounting policies (continued)

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

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

In respect of impairment, IFRS 9 replaced the "incurred loss" model used in IAS 39 Financial instruments: Recognition and Measurement with a new "expected credit loss" ("ECL") model that requires a more timely recognition of expected credit losses. An allowance for expected credit losses shall be recorded for financial assets classified as at amortized cost.

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

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

On 1 January 2018 (the date of the initial application of IFRS 9 Financial Instruments), The Group assessed the business models it uses to manage financial assets and classified the financial instruments held at that date onto appropriate IFRS 9 measurement categories. The main effects of the classification were the following:

	<b>The balance at 1 January 2018 in accordance with IAS 39</b>	<b>Reclassification of financial assets as at 1 January 2018</b>	<b>The balance at 1 January 2018 un accordance with IFRS 9</b>
Available-for-sale financial assets	189,945	(189,945)	–
Financial assets at fair value through other comprehensive income	–	189,945	189,945
<b>Total</b>	<b>189,945</b>	<b>–</b>	<b>189,945</b>

### 3 Significant accounting policies (continued)

The previous measurement category according to IAS 39 and the new measurement category according to IFRS 9 are presented below:

	Measurement category		Carrying amount		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Difference
<b>Non-current financial assets</b>					
Financial investments, including:					
<i>Shares</i>	<i>Available-for-sale</i>	<i>At fair value through other comprehensive income</i>	189,945	189,945	-
Trade and other receivables	Amortized cost	Amortized cost	1,034,282	1,034,282	-
<b>Current financial assets</b>					
Trade and other receivables	Amortized cost	Amortized cost	10,681,995	10,681,995	-
Cash and cash equivalents			1,362,307	1,362,307	-
<b>Non-current and current financial liabilities</b>					
Loans and borrowings, accounts payables	Amortized cost	Amortized cost	48,312,192	48,312,192	-

The following amendments to standards and interpretations effective from 1 January 2018 did not have an impact on these consolidated interim condensed financial statements:

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

The following new standards and interpretations have been issued and become effective for annual periods beginning on or after 1 January 2019 and have not been early adopted by the Group:

**IFRS 16 Leases.** The standard was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Group intends to apply both exemptions. At the commencement date of a lease, a lessee will recognize a liability to

### **3 Significant accounting policies (continued)**

make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The Group will be required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 is effective for annual period beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is considering the implication of this standard for the Group's consolidated financial statements.

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

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

### **4 Measurement of fair 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 2018	31 December 2017
		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 Oreleenergo, 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**

For the three months ended 31 March 2018:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Tver energo	Yar energo	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
<b>Segment revenue</b>	<b>3,354,108</b>	<b>1,438,876</b>	<b>3,842,412</b>	<b>1,436,197</b>	<b>1,929,541</b>	<b>2,451,759</b>	<b>1,236,594</b>	<b>2,195,601</b>	<b>1,641,690</b>	<b>3,077,094</b>	<b>2,803,577</b>	<b>158,497</b>	<b>25,565,946</b>
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	2,938,686	2,761,965	119,091	24,911,098
<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>	-	-	-	-	-	-	-	-	-	92,794	-	-	92,794
<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
<b>EBITDA</b>	<b>958,495</b>	<b>375,977</b>	<b>911,400</b>	<b>391,095</b>	<b>365,342</b>	<b>489,350</b>	<b>232,302</b>	<b>634,153</b>	<b>529,855</b>	<b>164,335</b>	<b>819,777</b>	<b>55,862</b>	<b>5,927,943</b>

**6 Information about segments (continued)**

For the three months ended 31 March 2017:

	Belgorod energo	Bryansk energo	Voronezh energo	Kostroma energo	Kursk energo	Lipetsk energo	Orel energo	Smolensk energo	Tambov energo	Iver energo	Yar energo	Others	Total
Revenue from external customers	3,830,361	1,304,798	3,444,648	1,327,755	1,858,319	2,449,376	1,143,294	1,937,205	1,607,730	2,862,732	2,523,101	7,284	24,296,603
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	507	105,900	106,407
<b>Segment revenue</b>	<b>3,830,361</b>	<b>1,304,798</b>	<b>3,444,648</b>	<b>1,327,755</b>	<b>1,858,319</b>	<b>2,449,376</b>	<b>1,143,294</b>	<b>1,937,205</b>	<b>1,607,730</b>	<b>2,862,732</b>	<b>2,523,608</b>	<b>113,184</b>	<b>24,403,010</b>
Including													
<i>Electricity transmission</i>	3,664,596	1,296,327	3,393,846	1,292,879	1,835,297	2,427,617	1,131,008	1,887,642	1,492,413	2,759,588	2,473,790	103,903	23,758,906
<i>Technological connection services</i>	85,210	2,051	16,080	22,682	14,202	14,099	3,764	24,476	107,552	4,609	20,633	44	315,402
<i>Sale of electricity and capacity</i>	-	-	-	-	-	-	-	-	-	89,430	-	-	89,430
<i>Other revenue</i>	80,555	6,420	34,722	12,194	8,820	7,660	8,522	25,087	7,765	9,105	29,185	9,237	239,272
<b>EBITDA</b>	<b>1,345,532</b>	<b>345,704</b>	<b>826,164</b>	<b>411,354</b>	<b>304,313</b>	<b>430,592</b>	<b>242,591</b>	<b>570,889</b>	<b>568,474</b>	<b>714,639</b>	<b>765,605</b>	<b>53,228</b>	<b>6,579,085</b>

**6 Information about segments (continued)**

31 March 2018:

	Belgorod	Bryansk	Voronezh	Kostroma	Kursk	Lipetsk	Orel	Smolensk	Tambov	Tver	Yar	Others	Total
	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	
Segments assets	25,869,429	5,120,298	12,978,087	6,639,740	7,567,441	16,672,973	4,067,883	7,871,024	6,050,485	10,979,934	14,307,740	1,851,967	119,977,001
Including property, plant and equipment and construction in progress	23,567,667	4,403,616	11,132,938	5,837,226	6,272,368	13,968,468	3,463,843	6,568,237	4,122,054	8,253,303	11,017,987	457,129	99,064,836

31 December 2017:

	Belgorod	Bryansk	Voronezh	Kostroma	Kursk	Lipetsk	Orel	Smolensk	Tambov	Tver	Yar	Others	Total
	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	energo	
Segment assets	26,023,341	5,167,212	12,542,480	6,575,565	7,601,480	16,600,411	4,061,848	7,833,945	5,926,503	10,985,392	14,191,286	2,644,900	120,154,363
Including property, plant and equipment and construction in progress	23,886,119	4,492,707	11,125,720	5,872,914	6,354,909	14,165,537	3,523,284	6,643,501	4,137,633	8,312,812	11,148,100	419,324	100,082,560

## 6 Information about segments (continued)

### (b) The reconciliation of reportable segments EBITDA:

	Three months ended 31 March 2018	Three months ended 31 March 2017
<b>EBITDA of reportable segments</b>	<b>5,927,943</b>	<b>6,579,085</b>
Discounting receivables	4,747	4,759
Adjustment for finance lease	545	-
Recognition of pension and other long-term liabilities to employees	(15,606)	(4,192)
Adjustment on assets related to employee benefit liabilities	(20,720)	45,630
Re-measurement of investments (transfer of revaluation to equity)	(24,800)	12,650
Adjustment of the value of property, plant and equipment	803	311
Other adjustments	86,715	41,363
<b>EBITDA</b>	<b>5,959,627</b>	<b>6,679,606</b>
Depreciation and amortization	(2,489,741)	(2,366,794)
Interest expenses on financial liabilities	(880,245)	(1,069,007)
Interest expenses of finance lease liabilities	(230)	-
Income tax expense	(670,226)	(790,620)
<b>Profit for the period per statement of profit or loss and other comprehensive income</b>	<b>1,919,185</b>	<b>2,453,185</b>

## 7 Revenue

	Three months ended 31 March 2018	Three months ended 31 March 2017
Electricity transmission	24,717,720	23,585,068
Technological connection services	285,789	315,402
Sale of electricity and capacity	167,081	159,365
Other revenue	273,817	237,930
	<b>25,444,407</b>	<b>24,297,765</b>

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 Center and Volga region" for the three months ended 31 March 2018 in the amount of RUB 27,577 thousand (for the three months ended 31 March 2017 nil).

## 8 Net other income

	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
Income from identified non-contracted electricity consumption	28,694	21,805
Income in the form of fines and penalties on commercial contracts	142,175	74,580
Accounts payable write-off	11,747	23,286
Other income	59,240	25,635
	<b>241,856</b>	<b>145,306</b>

## 9 Operating expenses

	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
Personnel costs	4,701,403	4,581,590
Depreciation and amortization	2,489,741	2,366,794
<i>Material expenses, including:</i>		
Electricity for compensation of losses	4,907,628	3,881,465
Electricity for sale	85,720	82,981
Purchased electricity and heat power for own needs	189,032	154,627
Other material costs	445,534	440,245
<i>Production work and services, including:</i>		
Electricity transmission services	7,838,253	7,377,236
Repair and maintenance services	54,573	63,746
Other works and industrial services	78,293	60,685
Taxes and levies other than income tax	475,276	403,636
Rent	113,772	120,254
Insurance	35,636	36,471
<i>Other third-party services, including:</i>		
Communication services	66,070	63,860
Security services	74,579	74,412
Consulting, legal and audit services	4,640	7,279
Software costs and services	81,508	73,342
Transportation services	4,195	3,639
Other services	166,235	194,482
Allowance for expected credit losses	129,365	244,947
Provisions	99,885	(46,049)
Other expenses	161,985	63,413
	<b>22,203,323</b>	<b>20,249,055</b>

**10 Finance income and costs**

	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
<b>Finance income</b>		
Interest income on bank deposits and balances on bank accounts	29,070	120,306
Dividends receivable	-	7,300
Interest income on assets related to employee defined benefits plans	-	34,883
Other finance income	4,747	4,759
	<b>33,817</b>	<b>167,248</b>
<b>Finance costs</b>		
Interest expenses on financial liabilities measured at amortized cost	(880,245)	(1,069,007)
Interest expenses on finance lease liabilities	(230)	-
Interest expenses on long-term employee benefit liabilities	(44,755)	(45,492)
Other finance costs	(2,116)	(2,960)
	<b>(927,346)</b>	<b>(1,117,459)</b>

## 11 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/deemed cost</i>						
<b>At 1 January 2017</b>	<b>34,173,604</b>	<b>60,039,279</b>	<b>35,331,460</b>	<b>18,336,210</b>	<b>3,866,317</b>	<b>151,746,870</b>
Reclassification between groups	(2,103)	2,403	(301)	1	-	-
Additions	-	-	-	-	1,429,521	1,429,521
Transfer	135,510	588,153	108,981	90,358	(923,002)	-
Disposals	-	(279)	(1,025)	(1,539)	(84)	(2,927)
<b>At 31 March 2017</b>	<b>34,307,011</b>	<b>60,629,556</b>	<b>35,439,115</b>	<b>18,425,030</b>	<b>4,372,752</b>	<b>153,173,464</b>
<i>Accumulated depreciation and impairment</i>						
<b>At 1 January 2017</b>	<b>(11,596,191)</b>	<b>(29,938,498)</b>	<b>(14,044,233)</b>	<b>(12,191,638)</b>	<b>(185,492)</b>	<b>(67,956,052)</b>
Reclassification between groups	12	-	(1)	(11)	-	-
Transfer to property, plant and equipment (transfer of impairment losses)	(169)	(133)	(303)	(262)	867	-
Depreciation charge	(382,994)	(932,367)	(505,916)	(450,498)	-	(2,271,775)
Disposals	-	277	726	1,524	67	2,594
<b>At 31 March 2017</b>	<b>(11,979,342)</b>	<b>(30,870,721)</b>	<b>(14,549,727)</b>	<b>(12,640,885)</b>	<b>(184,558)</b>	<b>(70,225,233)</b>
<i>Net book value</i>						
<b>At 1 January 2017</b>	<b>22,577,413</b>	<b>30,100,781</b>	<b>21,287,227</b>	<b>6,144,572</b>	<b>3,680,825</b>	<b>83,790,818</b>
<b>At 31 March 2017</b>	<b>22,327,669</b>	<b>29,758,835</b>	<b>20,889,388</b>	<b>5,784,145</b>	<b>4,188,194</b>	<b>82,948,231</b>

**11 Property, plant and equipment (continued)**

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction progress	Total
<i>Cost/deemed cost</i>						
<b>At 1 January 2018</b>	36,732,212	65,045,464	37,531,240	20,453,838	3,890,860	163,653,614
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)
<b>At 31 March 2018</b>	<b>36,872,188</b>	<b>65,674,548</b>	<b>37,864,241</b>	<b>20,634,902</b>	<b>4,349,348</b>	<b>165,395,227</b>
<i>Accumulated depreciation and impairment</i>						
<b>At 1 January 2018</b>	(14,506,950)	(33,027,951)	(16,382,638)	(13,817,062)	(197,724)	(77,932,325)
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	(389,873)	(1,022,379)	(515,957)	(450,462)	-	(2,378,671)
Disposals	1,254	2,280	2,357	32,111	66	38,068
<b>At 31 March 2018</b>	<b>(14,904,293)</b>	<b>(34,060,109)</b>	<b>(16,944,497)</b>	<b>(14,239,256)</b>	<b>(124,773)</b>	<b>(80,272,928)</b>
<i>Net book value</i>						
<b>At 1 January 2018</b>	<b>22,225,262</b>	<b>32,017,513</b>	<b>21,148,602</b>	<b>6,636,776</b>	<b>3,693,136</b>	<b>85,721,289</b>
<b>At 31 March 2018</b>	<b>21,967,895</b>	<b>31,614,439</b>	<b>20,919,744</b>	<b>6,395,646</b>	<b>4,224,575</b>	<b>85,122,299</b>

## 11 Property, plant and equipment (continued)

Capitalized borrowing costs amounted to RUB 37,632 thousand with a capitalization rate 8.47 – 9.42% for the three months ended 31 March 2018 (for three months ended 31 March 2017: RUB 37,044 thousand with a capitalization rate 9.69 – 10.72%).

Depreciation charge has been capitalized to the cost of capital construction objects in the amount of RUB 8,331 thousand for the three months ended 31 March 2018 (for the three months ended 31 March 2017: RUB 7,494 thousand).

## 12 Intangible assets

	Software	R&D	Other intangible assets	Total
<i>Initial costs</i>				
<b>At 1 January 2017</b>	<b>1,465,512</b>	<b>29,947</b>	<b>1,218,251</b>	<b>2,713,710</b>
Reclassification between groups	-	(315)	315	-
Additions	38,191	25,380	-	63,571
Disposals	(17,546)	-	-	(17,546)
<b>At 31 March 2017</b>	<b>1,486,157</b>	<b>55,012</b>	<b>1,218,566</b>	<b>2,759,735</b>
<i>Accumulated amortization and impairment</i>				
<b>At 1 January 2017</b>	<b>(274,588)</b>	-	<b>(93,840)</b>	<b>(368,428)</b>
Amortization charge	(83,606)	-	(18,907)	(102,513)
Disposals	17,546	-	-	17,546
<b>At 31 March 2017</b>	<b>(340,648)</b>	-	<b>(112,747)</b>	<b>(453,395)</b>
<i>Net book value</i>				
<b>At 1 January 2017</b>	<b>1,190,924</b>	<b>29,947</b>	<b>1,124,411</b>	<b>2,345,282</b>
<b>At 31 March 2017</b>	<b>1,145,509</b>	<b>55,012</b>	<b>1,105,819</b>	<b>2,306,340</b>
<i>Initial costs</i>				
<b>At 1 January 2018</b>	<b>1,703,552</b>	<b>21,255</b>	<b>1,271,281</b>	<b>2,996,088</b>
Additions	334,764	146	-	334,910
Disposals	(6,628)	-	-	(6,628)
<b>At 31 March 2018</b>	<b>2,031,688</b>	<b>21,401</b>	<b>1,271,281</b>	<b>3,324,370</b>
<i>Accumulated amortization and impairment</i>				
<b>At 1 January 2018</b>	<b>(447,525)</b>	-	<b>(168,393)</b>	<b>(615,918)</b>
Amortization charge	(101,209)	-	(18,192)	(119,401)
Disposals	6,628	-	-	6,628
<b>At 31 March 2018</b>	<b>(542,106)</b>	-	<b>(186,585)</b>	<b>(728,691)</b>
<i>Net book value</i>				
<b>At 1 January 2018</b>	<b>1,256,027</b>	<b>21,255</b>	<b>1,102,888</b>	<b>2,380,170</b>
<b>At 31 March 2018</b>	<b>1,489,582</b>	<b>21,401</b>	<b>1,084,696</b>	<b>2,595,679</b>

## 12 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 2018 is RUB 119,401 thousand (for the three months ended 31 March 2017: RUB 102,513 thousand).

Intangible assets are amortized on a straight-line basis.

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 for 20 years. 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 2018 is RUB 974,350 thousand. (as at 31 December 2017: RUB 988,066 thousand). Amortization for the objects of the Concession Agreement is RUB 13,716 thousand for the three months ended 31 March 2018 (for three months ended 31 March 2017: RUB 13,716 thousand).

## 13 Financial investments

	<u>31 March 2018</u>	<u>31 December 2017</u>
<b>Non-current</b>		
Financial assets at fair value through other comprehensive income	214,745	-
Available-for-sale financial assets	-	189,945
	<u><b>214,745</b></u>	<u><b>189,945</b></u>

Finance assets at fair value through other comprehensive income as at 31 March 2018 and available-for-sale financial assets as at 31 December 2017 include shares of PJSC "Unipro", PJSC "IDGC of Center and Volga region", PJSC "FGC UES". Fair value of these investments is RUB 214,745 thousand and RUB 189,945 thousand respectively.

For the three months ended 31 March 2018 the increase in fair value in the total amount of RUB 24,800 thousand is reflected in other comprehensive income (for the three months ended 31 March 2017 the decrease: RUB 12,650 thousand).

#### 14 Trade and other receivables

	<u>31 March 2018</u>	<u>31 December 2017</u>
<b>Non-current trade and other account receivables</b>		
Trade receivables	915,390	907,221
Other receivables	126,249	127,061
<b>Total financial assets</b>	<b>1,041,639</b>	<b>1,034,282</b>
Advances given	4,985	3,276
	<b>1,046,624</b>	<b>1,037,558</b>
<b>Current trade and other account receivables</b>		
Trade receivables	22,451,223	21,754,731
Allowance for expected credit losses on trade receivables	(11,488,107)	(11,479,271)
Other receivables	1,434,819	1,550,815
Allowance for expected credit losses on other receivables	(1,127,296)	(1,144,280)
Loans given	161,600	161,600
Allowance for expected credit losses on loans given	(161,600)	(161,600)
<b>Total financial assets</b>	<b>11,270,639</b>	<b>10,681,995</b>
Advances given	75,164	145,094
Advances given impairment allowance	(16,447)	(16,452)
VAT recoverable	9,466	9,730
VAT on advances to customers and clients	443,601	452,533
Prepaid taxes, other than income tax and VAT	12,864	22,173
	<b>11,795,287</b>	<b>11,295,073</b>

Balances with related parties are disclosed in Note 23.

#### 15 Cash and cash equivalents

	<u>31 March 2018</u>	<u>31 December 2017</u>
Cash in bank accounts and cash on hand	759,478	1,362,307
	<b>759,478</b>	<b>1,362,307</b>

	<b>Rating</b>	<b>Rating agency</b>	<u>31 March 2018</u>	<u>31 December 2017</u>
PJSC “Sberbank of Russia”*	Ba2	Moody’s	45,558	139,529
JSC “Bank GPB”*	Ba2	Moody’s	231	262
PJSC “VTB bank”*	Ba2	Moody’s	15,314	234,920
JSC “AB Rossia”	ruAA	Expert RA	684,559	961,038
PJSC “Promsvyazbank”	Ba2	Moody’s	1,537	60
PJSC “Rosbank”	Ba2	Moody’s	12,008	26,374
JSC “SMP bank”	ruA-	Expert RA	153	91
PJSC “Sovkombank”	Ba3	Moody’s	-	1
Cash on hand			118	32
* State-controlled banks			<b>759,478</b>	<b>1,362,307</b>

## 15 Cash and cash equivalents (continued)

All balance of cash are denominated in rubles as at 31 March 2018 and as at 31 December 2017.

As at 31 March 2018, the balance on the current account with JSC "AB Russia" represents cash in the form of a non-reducible balance in the amount RUB 684,500 thousand at 6.55% per annum (as at 31 December 2017: RUB 961,000 thousand at 6.75-7.00% per annum).

## 16 Equity

	<b>Ordinary shares</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>
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.

## 17 Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2018 was based on the earnings attributable to ordinary shareholders for the three months 2018 in the amount of RUB 1,903,462 thousand (for the three months 2017: earnings of RUB 2,436,648 thousand), and a weighted average number of ordinary shares outstanding of 42,218 million for the three months 2018 (for the three months 2017: 42,218 million).

The Company has no dilutive financial instruments.

<i>In millions of shares</i>	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
<b>Ordinary shares at 1 January</b>	42,218	42,218
<b>Weighted average number of shares for the period ended 31 March</b>	<b>42,218</b>	<b>42,218</b>
	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
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	1,903,462	2,436,648
<b>Earnings per ordinary share (in RUB) – basic and diluted</b>	<b>0.045</b>	<b>0.058</b>

## 18 Loans and borrowings

	<u>31 March 2018</u>	<u>31 December 2017</u>
<b>Non-current liabilities</b>		
Unsecured loans and borrowings	23,513,960	26,213,131
Unsecured bonds	9,988,851	15,265,247
Finance lease liabilities	-	695
Less: current portion of long-term loans and borrowings	(13,960)	(2,213,131)
Less: current portion of long-term bonds	-	(5,276,732)
	<u><b>33,488,851</b></u>	<u><b>33,989,210</b></u>
<b>Current liabilities</b>		
Unsecured bonds	5,455,842	-
Finance lease liabilities	1,950	1,593
Current portion of long-term loans and borrowings	13,960	2,213,131
Current portion of long-term bonds	-	5,276,732
	<u><b>5,471,752</b></u>	<u><b>7,491,456</b></u>
<b>Including:</b>		
Debts on interest payable on loans and borrowings	13,960	13,131
Debts on interest payable on bonds	456,300	277,900
	<u><b>470,260</b></u>	<u><b>291,031</b></u>

All balances of loans and borrowings are denominated in rubles as at 31 March 2018 and 31 December 2017. For the three months ended 31 March 2018 the Group has attracted the following significant bank loans:

	<u>Year of maturity</u>	<u>Nominal interest rate</u>	<u>Nominal value</u>
<b>Unsecured loans and borrowings</b>			
PJSC "Sberbank of Russia"*	2018 - 2021	7.90% - 8.05%	27,000,000
JSC "Bank GPB"*	2021	7.90%	1,000,000
PJSC "Promsvyazbank"	2018	13%	14,529
			<u><b>28,014,529</b></u>

\* Loans and borrowings received from companies related to the state

For the three months ended 31 March 2018 the Group repaid the following significant bank loans:

	<u>Nominal value</u>
Loans and borrowings received from companies related to the state	30,700,000
Other loans and borrowings	14,529
	<u><b>30,714,529</b></u>

## 19 Trade and other payables

	<u>31 March 2018</u>	<u>31 December 2017</u>
<b>Non-current liabilities</b>		
Trade payables	9,414	17,724
Other payables	-	30,300
<b>Total financial liabilities</b>	<b>9,414</b>	<b>48,024</b>
Advance from customers	983,616	875,331
	<b>993,030</b>	<b>923,355</b>
<b>Current liabilities</b>		
Trade payables	4,633,013	4,575,346
Other payables and accrued expenses	547,052	390,668
Payables to employees	1,972,071	1,777,592
Dividends payable	39,655	39,896
<b>Total financial liabilities</b>	<b>7,191,791</b>	<b>6,783,502</b>
Advance from customers	1,838,128	2,057,797
	<b>9,029,919</b>	<b>8,841,299</b>
<b>Taxes payable</b>		
Value-added tax	1,074,463	1,086,645
Property tax	449,009	365,766
Social security contributions	347,145	376,148
Other taxes payables	154,781	158,362
	<b>2,025,398</b>	<b>1,986,921</b>
	<b>11,055,317</b>	<b>10,828,220</b>

Long-term advances of customers include advances for services of technological connection to electric grids in the amount of RUB 719,656 thousand as at 31 March 2018 (as at 31 December 2017: RUB 636,003 thousand).

## 20 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 2017.

The fair values of financial assets and liabilities, together with carrying amount are as follows:

	Note	31 March 2018		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Loans given and receivables	14	12,312,278	12,312,278	-	-	12,312,278
Financial assets at fair value through other comprehensive income	13	214,745	214,745	214,708	-	37
Short- and long-term loans and borrowings	18	(38,958,653)	(38,958,653)	-	-	(38,958,653)
Trade and other payables	19	(7,201,205)	(7,201,205)	-	-	(7,201,205)
<b>Total</b>		<b>(33,632,835)</b>	<b>(33,632,835)</b>	<b>214,708</b>	<b>-</b>	<b>(33,847,543)</b>

	Note	31 December 2017		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Loans given and receivables	14	11,716,277	11,716,277	-	-	11,716,277
Available-for-sale financial assets	13	189,945	189,945	189,908	-	37
Short- and long-term loans and borrowings	18	(41,478,378)	(41,478,378)	-	-	(41,478,378)
Trade and other payables	19	(6,831,526)	(6,831,526)	-	-	(6,831,526)
<b>Total</b>		<b>(36,403,682)</b>	<b>(36,403,682)</b>	<b>189,908</b>	<b>-</b>	<b>(36,593,590)</b>

The carrying value of cash and cash equivalents approximates fair value at 31 March 2018 and 31 December 2017.

During the three months ended 31 March 2018, there was no transfer between the levels of the fair value hierarchy.

## 20 Financial risk and capital management (continued)

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

	<b>Financial assets at fair value through other comprehensive income</b>
At 1 January 2018	<b>189,945</b>
Change in fair value recognized in other comprehensive income	24,800
At 31 March 2018	<b>214,745</b>

## 21 Capital commitments

As at 31 March 2018, The Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 6,203,113 thousand inclusive of VAT (as at 31 December 2017: RUB 5,826,007 thousand inclusive of VAT).

## 22 Contingencies

### (a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage 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

The taxation system in the Russian Federation continues to evolve and is characterized by frequent in legislation, official pronouncements, and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries.

Management of the Group believes that it has adequately provided for tax assets and liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions; the Group's position of compliance with tax, currency and customs legislation can be justified protected. However, the interpretations of the relevant authorities could differ and have an effect on these consolidated interim condensed financial statements if the authorities were successful in enforcing their interpretations.

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

## 22 Contingencies (continued)

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.

### (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.

## 23 Related party transactions

### (a) Control relationships

Related parties are shareholders, affiliates and entities under common ownership and control of the Group, members of the Board of Directors and key management personnel of the Company. The Company’s parent as at 31 March 2018 and 31 December 2017 was PJSC “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”.

### (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 31 March 2018	Three months ended 31 March 2017	31 March 2018	31 December 2017
<b>Revenue, net other income, finance income</b>				
<b>Parent company</b>				
Net other income	195	195	-	-
<b>Entities under common control of the parent company</b>				
Sale of electricity and capacity	24	51	-	-
Rent	448	380	176	165
Other revenue	27,888	378	51,685	51,083
	<b>28,555</b>	<b>1,004</b>	<b>51,861</b>	<b>51,248</b>

## 23 Related party transactions (continued)

	Amount of transaction		Carrying amount	
	Three months ended	Three months ended	31 March	31 December
	31 March 2018	31 March 2017	2018	2017
<b>Operating costs, finance costs</b>				
<b>Parent company</b>				
Expenses for services related to the organization of the functioning and development of the EEC	54,880	89,119	36,154	22,617
Technical supervision services	10,562	7,042	12,233	-
Other expenses	3,312	3,312	-	-
Interest expenses on financial liabilities recorded at amortized cost	410,750	410,800	456,300	277,900
<b>Entities under common control of the parent company</b>				
Electricity for sale	570	370	22	18
Electricity transmission services	4,288,181	4,207,564	844,262	854,789
Technological connection services	91	1,135	-	-
Rent	1,227	2,396	567	478
Other expenses	8,485	5,536	7,295	9,617
	<b>4,778,058</b>	<b>4,727,274</b>	<b>1,356,833</b>	<b>1,165,419</b>

Other revenue includes revenue from performing the functions of the sole Executive body of PJSC “IDGC of Center and Volga region” in the amount of RUB 27,577 thousand for the three months ended 31 March 2018 (for the three months ended 31 March 2017 nil).

	Carrying amount	
	31 March 2018	31 December 2017
<b>Parent company</b>		
Loans and borrowings	15,444,693	15,265,247
<b>Entities under common control of the parent company</b>		
Advances given	27,642	27,119
Advances received	194,240	194,067
	<b>15,666,575</b>	<b>15,486,433</b>

As at 31 March and 31 December 2017, 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.

## 23 Related party transactions (continued)

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.

	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
Short-term employee benefits	47,121	32,295
	<b>47,121</b>	<b>32,295</b>

As at 31 March 2018, 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 15,938 thousand (31 December 2017: RUB 14,551 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 2018 constitute 42% (for the three months ended 31 March 2017: 40%) of total Group revenues, including 43% (for the three months ended 31 March 2017: 41%) of electricity transmission revenues.

Electricity transmission services costs (including compensation of technological losses) for state-controlled entities for the three months ended 31 March 2018 constitute 58% (for the three months ended 31 March 2017: 62%) 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 2018 (for the three months ended 31 March 2017: 51%).

As at 31 March 2018, the balance of cash and cash equivalents held with state-controlled banks is RUB 61,103 thousand (as at 31 December 2017: RUB 374,711 thousand).

Loans and borrowings received from state-controlled banks are disclosed in Note 18.

## 24 Events after the reporting date

In April 2018, the Group placed documentary interested-bearing non-convertible exchange-traded bonds worth RUB 5 billion at a rate of 6.95% per annum. The maturity of the bonds is 3 years.

In April 2018, the activity of JSC "Energy Service Company" was terminated in connection with the liquidation based on the decision of the arbitration court on the completion of the bankruptcy proceedings. JSC "Energy Service Company" was a wholly owned subsidiary of the Company and was included in the consolidation until 2014. Settlements with JSC "Energy Service Company" were reflected in the consolidated statements as settlements with a third party company after losing control in connection with the announcement of the bankruptcy procedure and the appointment of the bankruptcy management.

In May 2018, the Group early repaid documentary interest-bearing non-convertible exchange-traded bonds with a nominal value of RUB 5 billion with a nominal interest rate of 12.42% per annum. The bonds were in circulation for 3 years.

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