

PJSC “IDGC of Centre”

**Interim Condensed Consolidated
Financial Statements
for the three and six months ended
30 June 2017
(unaudited)**

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PJSC "IDGC of Centre"

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)

Thousands of Russian Roubles, unless otherwise stated

	Note	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
Revenue	6	20,927,760	19,237,613	45,225,525	41,520,011
Operating expenses	7	(19,416,557)	(17,968,039)	(39,665,612)	(37,792,472)
Other income	6	282,179	324,670	427,485	486,738
Results from operating activities		1,793,382	1,594,244	5,987,398	4,214,277
Finance income	8	163,150	124,830	330,398	230,886
Finance costs	8	(1,097,959)	(1,216,473)	(2,215,418)	(2,450,867)
Net finance costs		(934,809)	(1,091,643)	(1,885,020)	(2,219,981)
Profit before income tax		858,573	502,601	4,102,378	1,994,296
Income tax benefit / (expense)		(583,657)	(278,996)	(1,374,277)	512,623
Profit for the period		274,916	223,605	2,728,101	2,506,919
Other comprehensive income / (expenses)					
Net change in fair value of available-for-sale financial assets		(15,010)	8,353	(27,660)	(30,274)
Income tax on other comprehensive income		3,002	(1,670)	5,532	6,055
<i>Total items that are or may be reclassified to profit or loss</i>		(12,008)	6,683	(22,128)	(24,219)
Remeasurements of the net defined benefit liability		(33,632)	(113,197)	(80,676)	(222,915)
Income tax on other comprehensive income		1,912	9,054	5,562	14,380
<i>Total items that will never be reclassified to profit or loss</i>		(31,720)	(104,143)	(75,114)	(208,535)
Other comprehensive (expense) for the period, net of income tax		(43,728)	(97,460)	(97,242)	(232,754)
Total comprehensive income for the period		231,188	126,145	2,630,859	2,274,165
Profit attributable to:					
Owners of the Company		264,453	211,957	2,701,101	2,482,013
Non-controlling interests		10,463	11,648	27,000	24,906
		274,916	223,605	2,728,101	2,506,919
Total comprehensive income attributable to:					
Owners of the Company		220,725	114,497	2,603,859	2,249,259
Non-controlling interests		10,463	11,648	27,000	24,906
		231,188	126,145	2,630,859	2,274,165
Earnings per share – basic and diluted (in Russian Roubles)	13	0.006	0.005	0.064	0.059

These interim condensed consolidated financial statements were approved on 22.08. 2017:

General Director
O.Y. Isaev

Chief Accountant
L.A. Sklyarova

PJSC "IDGC of Centre"
Interim Condensed Consolidated Statement of Financial Position (unaudited)
Thousands of Russian Roubles, unless otherwise stated

	Note	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	83,393,116	83,790,818
Intangible assets	11	2,238,094	2,345,282
Investments and financial assets		734,212	713,486
Other non-current assets		157,523	166,251
Total non-current assets		86,522,945	87,015,837
Current assets			
Cash and cash equivalents	9	3,759,684	2,567,305
Trade and other receivables		13,358,076	13,977,188
Income tax prepayment		1,253,470	1,382,137
Inventories		2,937,590	2,099,699
Total current assets		21,308,820	20,026,329
Total assets		107,831,765	107,042,166
EQUITY AND LIABILITIES			
Equity			
Share capital	12	4,221,794	4,221,794
Reserves		(179,020)	(81,778)
Retained earnings		39,783,068	38,947,905
Total equity attributable to equity holders of the Company		43,825,842	43,087,921
Non-controlling interests		181,692	165,809
Total equity		44,007,534	43,253,730
Non-current liabilities			
Loans and borrowings	14	33,397,718	39,282,692
Finance lease liability		1,574	-
Employee benefits		2,285,836	2,202,613
Deferred tax liabilities		4,691,148	4,420,822
Trade and other payables		989,866	1,035,516
Total non-current liabilities		41,366,142	46,941,643
Current liabilities			
Loans and borrowings	14	8,974,687	3,995,795
Finance lease liability		1,294	-
Trade and other payables		9,104,096	8,174,734
Provisions		546,028	1,026,203
Employee payables		1,695,298	1,431,899
Income tax payable		-	2,438
Other taxes payable		2,136,686	2,215,724
Total current liabilities		22,458,089	16,846,793
Total liabilities		63,824,231	63,788,436
Total equity and liabilities		107,831,765	107,042,166

PJSC “IDGC of Centre”
Interim Condensed Consolidated Statement of Changes in Equity (unaudited)
Thousands of Russian Roubles, unless otherwise stated

	Attributable to shareholders of the Company						
	Share capital	Fair value reserve for available-for-sale financial assets	Reserve for remeasurements of defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	4,221,794	106,531	(241,442)	34,672,186	38,759,069	127,274	38,886,343
Profit for the period	-	-	-	2,482,013	2,482,013	24,906	2,506,919
Net change in fair value of available-for-sale financial assets	-	(30,274)	-	-	(30,274)	-	(30,274)
Remeasurements of the net defined benefit liability	-	-	(222,915)	-	(222,915)	-	(222,915)
Income tax on other comprehensive income	-	6,055	14,380	-	20,435	-	20,435
Total comprehensive (expense)/income for the period	-	(24,219)	(208,535)	2,482,013	2,249,259	24,906	2,274,165
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Dividends	-	-	-	(455,954)	(455,954)	-	(455,954)
Total transactions with owners, recorded directly in equity	-	-	-	(455,954)	(455,954)	-	(455,954)
Balance at 30 June 2016	4,221,794	82,312	(449,977)	36,698,245	40,552,374	152,180	40,704,554
Balance at 1 January 2017	4,221,794	90,608	(172,386)	38,947,905	43,087,921	165,809	43,253,730
Profit for the period	-	-	-	2,701,101	2,701,101	27,000	2,728,101
Net change in fair value of available-for-sale financial assets	-	(27,660)	-	-	(27,660)	-	(27,660)
Remeasurements of the net defined benefit liability	-	-	(80,676)	-	(80,676)	-	(80,676)
Income tax on other comprehensive income	-	5,532	5,562	-	11,094	-	11,094
Total comprehensive (expense)/income for the period	-	(22,128)	(75,114)	2,701,101	2,603,859	27,000	2,630,859
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Dividends	-	-	-	(1,866,675)	(1,866,675)	(11,117)	(1,877,792)
Other	-	-	-	737	737	-	737
Total transactions with owners, recorded directly in equity	-	-	-	(1,865,938)	(1,865,938)	(11,117)	(1,877,055)
Balance at 30 June 2017	4,221,794	68,480	(247,500)	39,783,068	43,825,842	181,692	44,007,534

PJSC "IDGC of Centre"
Interim Condensed Consolidated Statement of Cash Flows (unaudited)
Thousands of Russian Roubles, unless otherwise stated

CASH FLOWS FROM OPERATING ACTIVITIES	Note	Six months ended 30 June 2017	Six months ended 30 June 2016
Profit before income tax		4,102,378	1,994,296
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortization of intangible assets	7	4,741,585	4,248,499
Allowance for impairment of accounts receivable	7	(140,449)	611,268
Net finance costs	8	1,885,020	2,219,981
Provision for inventory obsolescence		(2,157)	1,918
Loss on disposal of property, plant and equipment and intangible assets		4,489	8,008
Bad debts written-off		142,473	56,383
Adjustment for other non-cash transactions		55,018	(81,405)
Cash flows from operating activities before changes in working capital		10,788,357	9,058,948
Change in trade and other receivables		583,538	1,643,011
Change in inventories		(834,847)	(756,296)
Change in investments, financial assets and other non-current and current assets		(48,386)	(58,537)
Change in trade and other payables		43,432	(626,405)
Change in employee payables		39,027	569,279
Change in employee benefits		(85,680)	(49,825)
Change in other liabilities		(255,803)	230,295
Change in other taxes payable		(79,038)	260,693
Cash flows from operations before income taxes and interest paid		10,150,600	10,271,163
Interest paid		(2,223,313)	(2,450,128)
Income tax paid		(966,629)	(2,158,281)
Cash flows from operating activities		6,960,658	5,662,754
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(5,155,114)	(4,265,696)
Proceeds from disposal of property, plant and equipment and intangible assets		482	2,045
Dividends received		7,300	-
Interest received		278,709	199,391
Cash flows used in investing activities		(4,868,623)	(4,064,260)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		8,700,000	3,523,874
Repayment of loans and borrowings		(9,598,100)	(3,023,874)
Dividends paid		(204)	(502)
Repayment of finance lease liabilities		(1,352)	(1,187)
Cash flows from financing activities		(899,656)	498,311
Net increase in cash and cash equivalents		1,192,379	2,096,805
Cash and cash equivalents at beginning of the period		2,567,305	123,220
Cash and cash equivalents at end of the period		3,759,684	2,220,025

1 BACKGROUND

(a) The Group and its operations

Public Joint-Stock Company "IDGC of Centre" (hereafter, the "Company") and its subsidiaries (hereinafter together referred to as the "Group") 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 minute no. 1102 of 15 November 2004) of the Russian Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereafter, "RAO UES"). From 7 July 2015, OJSC "IDGC of Center" is renamed as PJSC "IDGC of Center" based on the Decision of the Annual General Meeting of Shareholders of OJSC "IDGC of Center" dated 25.06.2015 (Minutes №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, 4, Moscow, 127018, Russia.

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

The Group's principal activity is the transmission of electricity and the connection of customers to the electricity grid. In 2013 and 2014 pursuant to orders of the Russian Ministry of Energy, "On the transfer of the functions of electricity supplier" the Group was performing the functions of electricity guarantee supplier in several regions it operates. In 2016, the Group took over the functions of electricity guarantee supplier in the Tver Region again.

The Group consists of PJSC "IDGC of Centre" and its subsidiaries, presented in Note 4.

As at 30 June 2017 and 31 December 2016, the Government of the Russian Federation owned 88.04% and 87.90% respectively of the shares of PJSC Russian Grids (formerly OJSC "IDGC Holding"), which in turn owned 50.23% of the shares of the Company. OJSC "IDGC Holding" was renamed OJSC "Russian Grids" following the decision made on 23 March 2013 at an Extraordinary General Meeting of Shareholders of OJSC IDGC Holding. OJSC "Russian Grids" was renamed PJSC "Russian Grids" following the decision made on 30 June 2015 at an Extraordinary General Meeting of Shareholders of OJSC "Russian Grids", in order to bring it in line with the legal requirements.

The Government of the Russian Federation influences the Group's activities through setting electricity transmission tariffs.

(b) Russian business environment

The Group's operations are located in the Russian Federation, consequently, the Group is exposed to the economic and financial markets of the Russian Federation. Russia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

In 2014 and 2015, the Russian economy was negatively impacted by macroeconomic factors, including devaluation of the Russian Rouble. In December 2014, the Rouble interest rates increased significantly after the Central Bank of Russia raised its key rate. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. In 2015, the situation has leveled off. The Central Bank of Russia has repeatedly reduced the key interest rate; exchange rate fluctuations and inflation have been smoothed. In 2016 and during six months ended 30 June 2017, there were signs of stabilization, the Central Bank of Russia continued to reduce the key interest rate, there were no significant exchange rate fluctuations, inflation is controlled by the government. However, risks remain that the combination of economic factors could negatively affect the Group's future financial position, results of operations and business prospects.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

These interim condensed consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Financial Statements include selected notes, explaining significant events and transactions, necessary for understanding of changes in the Group’s financial position and results of operations that occurred after the annual reporting period ended 31 December 2016. These interim condensed consolidated financial statements do not contain all the information required to be disclosed for annual financial statements prepared in accordance with IFRSs (IASs).

(b) Use of estimates and judgements

The preparation of interim condensed consolidated financial statements in conformity with IFRSs requires management to make judgments, 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 those estimates.

In preparing these interim condensed consolidated financial statements, management has used professional judgment in the same areas of applying the accounting policies of the Group as for the preparation of the consolidated financial statements for 2016. Key sources of estimation uncertainty were also identical to those identified in the preparation of the consolidated financial statements for 2016.

(c) Changes in accounting policies and data presentation

The Group has consistently applied the accounting policies to all periods presented in these interim condensed consolidated financial statements. 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 and six months of 2017 is set out below.

Note 5 “Operating segments”:

	<i>As previously reported</i>	<i>Effect of change</i>	<i>As restated</i>
<i>31 March 2017</i>	Tverenergo	Tverenergo	Tverenergo
Revenue from electricity transmission	2,689,653	69,935	2,759,588
Revenue from the resale of electricity and capacity	159,365	(69,935)	89,430

Note 7 “Operating expenses”:

	<i>As previously reported</i>	<i>Effect of change</i>	<i>As restated</i>
<i>30 June 2016</i>			
Personnel costs	-	3 570	3 570
Other raw material expenses	-	6 184	6 184
Other service	-	380 597	380 597
Other expenses	877 100	(389 969)	487 131
Bad debt write-off	56 383	(56 383)	-
Target contribution and membership fee	1 643	(1 643)	-
Provision for inventory obsolescence	1 918	(1 918)	-
Losses of previous years	78 846	(78 846)	-
Debt settlement for electricity transmission, electricity for resale, purchased electricity to compensate for losses. Non-contracted consumption	-	101 275	101 275
Other work and production services	-	37 133	37 133

PJSC “IDGC of Centre”

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

Thousands of Russian Roubles, unless otherwise stated

3 SIGNIFICANT ACCOUNTING POLICIES

In preparing these interim condensed consolidated financial statements, the Group applied the same accounting policies as for the preparation of consolidated financial statements for the year ended 31 December 2016. According to the accounting policies, the Group presents interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*, which provides a lower level of detail and scope of the disclosure as compared with the annual consolidated financial statements.

4 SUBSIDIARIES

(a) List of subsidiaries

	Country of incorporation	30 June 2017 Ownership/voting, %	31 December 2016 Ownership/voting, %
JSC “Sanatorium “Energetic”	Russian Federation	100	100
JCS “Yaroslavl Electric Grid Company”	Russian Federation	51	51
CJSC “Innovation and energy efficiency center”	Russian Federation	51	51

JCS “Yaroslavl Electric Grid Company” as the sole shareholder of CJSC “Innovation and energy efficiency center” took the decision to liquidate CJSC “Innovation and energy efficiency center” on a voluntary basis (Management Board minute no. 03/17 of 24 March 2017). The liquidation is planned to be scheduled for the third quarter of 2017. As at 30 June 2017: the company’s assets are RUB 30 thousand, equity is RUB (30) thousand.

At the Subsidiary’s annual shareholders meeting JCS “Yaroslavl Electric Grid Company” held on 26 June 2017 the decision was made to distribute the Subsidiary’s profit for the year 2016 to dividends in the amount of RUB 22,688 thousand and to pay dividends for the year 2016 in the amount of RUB 22,688.3626 per ordinary share in cash. Dividends payable to shareholders with non-controlling interests, amounted to RUB 11,117 thousand.

5 OPERATING SEGMENTS

The Group has eleven reportable segments representing branches of the Company, as described below. These are the Group’s strategic business units and are the Company’s branches. The strategic business units offer similar services representing transmission of electric power and connection services and are managed separately. In addition, in 2013 and 2014 five divisions (Bryanskenergo, Kurskenergo, Oryolenergo, Tverenergo and Smolenskenergo) were performing electricity guarantee supplier functions. In 2016, the division of Company Tverenergo performs the electricity guarantee supplier functions again. For each of the strategic business units, the Management Board, the Group’s operating decision-making body, reviews internal management reports on at least a quarterly basis.

“Others” include operations of subsidiaries and the head office branch. None of them meets any of the quantitative thresholds for determining reportable segments in the six months ended 30 June 2017 or six months ended 30 June 2016.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest expense, income tax and depreciation and amortisation – EBITDA, as included in the internal management reports that are reviewed by the Management Board.

Segment reports are based on the information reported in statutory accounts, which differ significantly from the interim condensed consolidated financial statements prepared under IFRSs. The reconciliation of items measured as reported to the Management Board with similar items in these interim condensed consolidated financial statements includes those reclassifications and adjustments that are necessary for interim condensed consolidated financial statements to be presented in accordance with IFRS.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

PJSC "IDGC of Centre"
Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
Thousands of Russian Roubles, unless otherwise stated

5 OPERATING SEGMENTS (CONTINUED)

(i) Information about reportable segments

For the three months ended 30 June 2017:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kurskenergo	Lipetsk- energo	Oryolenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Revenue from electricity transmission	3,285,439	1,124,079	2,841,917	1,115,043	1,587,333	2,046,773	988,211	1,556,611	1,301,025	2,406,241	2,029,527	-	20,283,199
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	93,871	93,871
Revenue from connection services	79,790	4,412	17,012	25,233	55,560	22,674	2,536	19,331	11,666	46,056	31,562	543	316,375
Revenue from the resale of electricity and capacity	-	-	-	-	-	-	-	-	-	65,376	-	-	65,376
Other revenue	60,788	9,341	40,160	10,525	16,383	11,081	13,518	27,944	14,910	13,013	33,338	14,419	265,420
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	2,450	2,450
Reportable segment total revenues	3,426,017	1,137,832	2,899,089	1,150,801	1,659,276	2,080,528	1,004,265	1,603,886	1,327,601	2,530,686	2,094,427	111,283	21,025,691
Reportable segment results from operating activities *	300,608	189,936	427,555	146,916	(18,760)	75,344	(357)	48,296	124,846	(54,136)	89,912	24,867	1,355,027
Finance income	15,562	14,228	14,367	14,228	14,228	14,411	14,228	14,228	14,228	14,228	14,252	365	158,553
Finance costs	(132,344)	(39,115)	(84,641)	(35,060)	(60,606)	(88,834)	(51,235)	(139,935)	(101,567)	(209,980)	(109,299)	(212)	(1,052,828)
Reportable segment profit before income tax	183,826	165,049	357,281	126,084	(65,138)	921	(37,364)	(77,411)	37,507	(249,888)	(5,135)	25,020	460,752
Depreciation and amortisation	674,106	110,666	278,326	149,364	191,395	308,929	90,958	238,802	119,955	195,306	296,059	9,238	2,663,104
EBITDA	990,276	314,830	720,248	310,508	186,863	398,684	104,829	301,326	259,029	155,398	400,223	34,470	4,176,684
Capital expenditure	619,437	165,012	393,917	133,177	90,839	108,474	76,271	174,127	142,219	89,808	369,746	24,188	2,387,215

* Results from operating activities include other income and expense of reportable segment

PJSC “IDGC of Centre”
Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
Thousands of Russian Roubles, unless otherwise stated

5 OPERATING SEGMENTS (CONTINUED)

For the three months ended 30 June 2016:

	Belgorod- energo	Bryansk- energo	Voronozh- energo	Kostroma- energo	Kurskenergo	Lipetskenergo	Oryolenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Revenue from electricity transmission	3,064,727	968,159	2,569,118	977,140	1,530,146	2,094,559	899,854	1,424,470	1,181,786	2,062,995	1,808,465	-	18,581,419
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	77,415	77,415
Revenue from connection services	53,582	1,096	187,999	4,926	22,961	8,658	7,910	80,589	4,444	4,407	35,511	1,238	413,321
Other revenue	65,870	6,929	28,670	9,392	9,104	14,896	8,183	28,541	8,704	10,797	35,427	14,951	241,464
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	436	2,175	2,611
Reportable segment total revenues	3,184,179	976,184	2,785,787	991,458	1,562,211	2,118,113	915,947	1,533,600	1,194,934	2,078,199	1,879,839	95,779	19,316,230
Reportable segment results from operating activities*	282,309	(45,929)	269,057	85,877	(18,230)	120,010	39,297	79,922	77,351	192,619	77,201	26,379	1,185,863
Finance income	19,242	6,310	12,854	3,980	8,936	11,150	3,484	5,629	4,631	7,267	9,770	231	93,484
Finance costs	(147,007)	(51,379)	(107,045)	(41,346)	(63,985)	(73,654)	(54,194)	(148,885)	(118,940)	(241,945)	(113,916)	(189)	(1,162,485)
Reportable segment profit/(loss) before income tax	154,544	(90,998)	174,866	48,511	(73,279)	57,506	(11,413)	(63,334)	(36,958)	(42,059)	(26,945)	26,421	116,862
Depreciation and amortisation	622,185	108,913	231,459	135,944	190,323	284,790	90,228	224,303	113,454	186,882	243,849	7,297	2,439,627
EBITDA	923,736	69,294	513,370	225,801	181,029	415,950	133,009	309,854	195,436	386,768	330,820	33,907	3,718,974
Capital expenditure	740,858	94,512	287,121	203,951	122,980	293,030	69,666	328,833	68,708	173,709	359,506	10,913	2,753,787

* Results from operating activities include other income and expense of reportable segment

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
Thousands of Russian Roubles, unless otherwise stated

5 OPERATING SEGMENTS (CONTINUED)

For the six months ended 30 June 2017:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kurskenergo	Lipetskenergo	Oryolenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Revenue from electricity transmission	6,930,035	2,420,406	6,235,763	2,407,922	3,422,630	4,474,390	2,119,219	3,444,253	2,793,438	5,165,829	4,503,317	-	43,937,202
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	197,774	197,774
Revenue from connection services	165,000	6,463	33,092	47,915	69,762	36,773	6,300	43,807	119,218	50,665	52,195	587	631,777
Revenue from the resale of electricity and capacity	-	-	-	-	-	-	-	-	-	154,806	-	-	154,806
Other revenue	141,343	15,761	74,882	22,719	25,203	18,741	22,040	53,031	22,675	22,118	62,016	21,659	502,188
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	507	4,447	4,954
Reportable segment total revenues	7,256,378	2,442,630	6,343,737	2,478,556	3,517,595	4,529,904	2,147,559	3,541,091	2,935,331	5,393,418	4,618,035	224,467	45,428,701
Reportable segment results from operating activities*	959,664	412,280	968,320	398,012	79,779	186,036	139,036	367,241	562,409	454,826	550,443	68,721	5,146,767
Finance income	26,495	25,159	25,292	25,153	25,346	25,346	25,153	25,153	25,154	25,153	25,186	610	279,007
Finance costs	(270,418)	(80,595)	(169,052)	(69,659)	(121,422)	(175,177)	(102,466)	(283,335)	(205,453)	(421,183)	(222,623)	(600)	(2,121,983)
Reportable segment profit/(loss) before income tax	715,741	356,844	824,560	353,506	(16,490)	36,205	61,723	109,059	382,110	58,796	353,006	68,731	3,303,791
Depreciation and amortisation	1,349,649	223,095	552,800	298,697	386,244	617,894	183,231	479,821	239,940	390,058	590,199	18,367	5,329,995
EBITDA	2,335,808	660,534	1,546,412	721,862	491,176	829,276	347,420	872,215	827,503	870,037	1,165,828	87,698	10,755,769
Capital expenditure	883,042	212,213	585,272	254,241	154,216	260,530	124,819	328,638	279,360	160,457	544,580	29,367	3,816,735

* Results from operating activities include other income and expense of reportable segment

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5 OPERATING SEGMENTS (CONTINUED)

For the six months ended 30 June 2016:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kurskenergo	Lipetskenergo	Oryolenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Revenue from electricity transmission	6,376,785	2,160,842	5,637,025	2,151,070	3,256,339	4,429,845	1,954,819	3,183,626	2,564,575	4,558,692	4,046,397	-	40,320,015
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	166,454	166,454
Revenue from connection services	87,190	2,050	196,122	18,594	30,524	21,645	8,459	96,861	11,779	19,254	107,333	2,572	602,383
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	19	-	19
Other revenue	139,103	14,598	49,187	20,248	20,247	25,339	15,356	61,681	15,600	21,485	64,595	23,994	471,433
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	887	3,193	4,080
Reportable segment total revenues	6,603,078	2,177,490	5,882,334	2,189,912	3,307,110	4,476,829	1,978,634	3,342,168	2,591,954	4,599,431	4,219,231	196,213	41,564,384
Reportable segment results from operating activities*	624,368	144,889	502,328	308,159	29,828	185,379	117,825	358,395	304,574	303,650	409,489	61,890	3,350,774
Finance income	35,516	11,666	23,709	7,343	16,483	20,568	6,427	10,365	8,544	13,405	18,022	414	172,462
Finance costs	(309,709)	(106,028)	(213,463)	(86,221)	(123,387)	(150,378)	(109,569)	(301,179)	(227,402)	(487,163)	(226,359)	(368)	(2,341,226)
Reportable segment profit/(loss) before income tax	350,175	50,527	312,574	229,281	(77,076)	55,569	14,683	67,581	85,716	(170,108)	201,152	61,936	1,182,010
Depreciation and amortisation	1,244,104	218,087	466,880	271,122	382,064	571,906	180,029	444,306	218,740	370,254	484,587	14,251	4,866,330
EBITDA	1,903,988	374,642	992,917	586,624	428,375	777,853	304,281	813,066	531,858	687,309	912,098	76,555	8,389,566
Capital expenditure	1,120,843	111,114	378,438	268,545	182,269	356,364	98,592	624,553	234,612	232,831	427,995	39,476	4,075,632

* Results from operating activities include other income and expense of reportable segment

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5 OPERATING SEGMENTS (CONTINUED)

As at 30 June 2017:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kurskenergo	Lipetskenergo	Oryolenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Reportable segment assets	25,758,014	5,109,445	12,566,577	6,255,866	7,428,470	15,995,131	3,875,973	7,619,678	5,885,037	11,169,029	13,637,201	5,840,187	121,140,608
Property, plant and equipment	23,541,050	4,259,736	10,954,717	5,592,893	6,410,607	13,649,149	3,372,378	6,527,578	4,080,671	8,128,062	10,716,024	342,805	97,575,670
Reportable segment liabilities	3,574,580	788,354	2,019,149	938,836	1,258,220	1,570,206	609,666	1,155,781	740,905	2,530,770	2,033,713	45,752,482	62,972,662

As at 31 December 2016:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kurskenergo	Lipetskenergo	Oryolenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Reportable segment assets	26,155,875	5,519,381	12,636,968	6,393,904	7,786,579	16,758,333	4,128,838	7,803,461	6,078,509	11,525,320	13,551,514	4,750,030	123,088,712
Property, plant and equipment	24,221,682	4,451,274	11,137,522	5,744,243	6,773,060	14,180,321	3,519,369	6,827,473	5,052,950	9,012,344	11,024,592	638,454	102,583,284
Reportable segment liabilities	3,832,499	869,938	2,142,016	996,511	1,332,931	1,598,925	633,036	1,155,076	1,006,587	2,904,316	2,120,087	46,455,992	65,053,914

5 OPERATING SEGMENTS (CONTINUED)

(ii) Reconciliations of reportable segment EBITDA

Reconciliation of EBITDA as reported to the Management Board with similar item in these interim condensed consolidated financial statements is presented below:

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
EBITDA for the reportable segments	4,176,684	3,718,974	10,755,769	8,389,566
Adjustments for property, plant and equipment	(1,662)	(1,565)	(1,505)	(1,496)
Recognition of assets related to employee benefit fund	2,756	14,467	48,386	58,537
Recognition of employee benefit obligations	1,645	(20,670)	(2,547)	(57,059)
Adjustment for finance lease	383	638	383	1,343
Provision for inventory obsolescence	-	(1,108)	1,654	(891)
Amortization of Intangible assets	85,863	61,522	169,469	123,527
Other adjustments	20,477	26,715	(5,857)	73,251
Consolidated earnings before interest, tax and depreciation and amortization (EBITDA)	4,286,146	3,798,973	10,965,752	8,586,778
Depreciation and amortization	(2,374,791)	(2,131,055)	(4,741,585)	(4,248,499)
Interest expenses	(1,052,678)	(1,165,278)	(2,121,685)	(2,343,870)
Interest on finance lease liabilities	(104)	(39)	(104)	(113)
Income tax expense	(583,657)	(278,996)	(1,374,277)	512,623
Profit for the period per Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	274,916	223,605	2,728,101	2,506,919

6 REVENUE AND OTHER INCOME

For the three and six months ended 30 June, revenue includes:

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Electricity transmission	20,227,719	18,581,419	43,812,787	40,320,015
Connection services	316,375	413,321	631,777	602,383
Revenue from the resale of electricity and capacity	119,856	-	279,221	-
Repairs and maintenance	64,796	60,254	137,791	145,795
Rent	10,471	25,262	21,253	37,114
Service Concession Arrangements	-	-	-	123,889
Other	188,543	157,357	342,696	290,815
	20,927,760	19,237,613	45,225,525	41,520,011

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network.

6 REVENUE AND OTHER INCOME (CONTINUED)

In 2013 pursuant to orders of the Russian Ministry of Energy, "On the transfer of the functions of electricity supplier" the Company started to perform the functions of electricity guarantee supplier in Bryansk, Oryol, Kursk, Tver and Smolensk regions. In 2016, the Company started to perform the functions of electricity guarantee supplier in the Tver Region again. Hence, in addition to performing power transmission services, Tverenergo division of the Company commenced performing power distribution services, including purchasing electricity on the wholesale market and selling it on the retail market, and entering into power purchase agreements with all customers, including householders. The period within which the functions of electricity guarantee supplier are to be performed was established prior to the effective date of the decision to provide the tender winner with the electricity guarantee supplier status in the abovementioned operating area of the Company, but not more than 12 months.

In three and six months 2017, revenue from the resale of electricity and capacity was RUB 119,856 thousand and RUB 279,221 thousand respectively (there was no revenue from the resale of electricity and capacity in three and six months 2016). Tariff for sale of electricity under power supply contracts is calculated taking into account the transmission fee.

Revenue under the Service Concession Arrangement is the consideration for the services related to the construction of objects of the Service Concession Arrangement, subject to receipt by the Group, and represented the rights to the intangible asset. The consideration payable is recognised at its fair value.

For the three and six months ended 30 June, other income includes:

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Income from gratuitously received property, plant and equipment (including excess inventory)	6,546	78,323	6,546	78,323
Income in the form of fines and penalties	140,414	125,283	214,994	190,508
Write-off of accounts payable	16,302	41,379	39,588	53,277
Income from the identified non-contractual electricity consumption	29,321	22,987	51,126	42,186
Income from reimbursement of costs and damages	39,385	11,343	47,029	53,586
Compensation of insurance claims	7,088	12,444	12,401	22,043
Income in the form of the cost of inventories obtained by disposal of property, plant and equipment	20,086	17,029	25,326	28,932
Other income	23,037	15,882	30,475	17,883
	282,179	324,670	427,485	486,738

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Thousands of Russian Roubles, unless otherwise stated

7 OPERATING EXPENSES

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Personnel costs	4,787,417	4,551,628	9,369,007	9,142,251
Depreciation and amortisation	2,374,791	2,131,055	4,741,585	4,248,499
Taxes other than income tax	403,659	333,112	807,295	667,871
Allowance for impairment of accounts receivable	(292,886)	328,394	(140,449)	611,268
<i>Material expenses, inc.</i>				
Electricity to compensate for losses	2,290,465	2,048,829	6,171,930	5,947,875
Purchased electricity and heat energy for own needs	53,260	42,371	207,887	202,928
Electricity for resale	58,880	-	141,861	-
Other raw material expenses	870,284	766,024	1,310,529	1,187,715
<i>Works and production services, inc.</i>				
Electricity transmission	7,184,932	6,668,460	14,562,168	13,563,730
Repairs, maintenance and installation services	185,645	150,496	249,391	204,484
Other works and production services	23,467	21,938	36,356	37,133
<i>Other services of outside organizations, inc.</i>				
Information services	91,482	91,218	161,752	162,922
Security	75,527	74,184	149,939	149,596
Communication services	59,237	66,290	120,646	133,608
Consulting, legal and audit services	23,004	20,831	30,283	28,680
Transportation services	5,869	7,241	9,508	10,651
Other services	246,210	263,363	399,369	380,597
Costs of Service Concession Arrangements	-	-	-	111,612
Debt settlement for electricity transmission, electricity for resale, purchased electricity to compensate for losses. Non-contracted consumption	272,821	101,275	272,821	101,275
Rent	124,861	144,419	245,115	285,961
Insurance	36,490	36,146	72,961	72,284
Provisions recognized	91,112	(161,651)	45,063	54,401
Other expenses	450,030	282,416	700,595	487,131
	19,416,557	17,968,039	39,665,612	37,792,472

Allowance for impairment of accounts receivable recognized in the reporting period relates to impairment of trade receivables from the companies with which there is disagreement on electricity transmission, as well as companies with outstanding resale of electricity and capacity.

Costs under Service Concession Arrangements represent the Group's construction costs of objects of the Service Concession Arrangement.

8 FINANCE INCOME AND COSTS

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Finance income				
Interest income	158,403	93,335	313,592	199,391
Dividends	-	-	7,300	-
Other finance income	4,747	31,495	9,506	31,495
	163,150	124,830	330,398	230,886
Finance costs				
Interest expense	1,052,678	1,162,336	2,121,685	2,340,928
Interest expense on employee benefits obligation	42,735	52,161	88,227	106,884
Interest on finance lease liabilities	104	39	104	113
Other finance costs	2,442	1,937	5,402	2,942
	1,097,959	1,216,473	2,215,418	2,450,867

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash in bank accounts in the amount of RUB 1,375,684 thousand (as at 31 December 2016: RUB 222,228 thousand) and short-term deposits placed in banks in the amount of RUB 2,384,000 thousand (as at 31 December 2016: RUB 2,319,500 thousand). The interest rates on short-term deposits are 6.25%-9.60% per annum in six months 2017 (6.50% - 10.86% per annum in 2016).

As at 30 June 2017 cash on accounts in banks with controlling interest of the Government is in the amount of RUB 592,464 thousand (as at 31 December 2016: RUB 213,286 thousand), in banks with non-controlling interests or without participation of the Government RUB 783,220 thousand (2016: RUB 14,493 thousand).

As at 30 June 2017 short-term deposits placed in banks with controlling interest of the Government, are in the amount of RUB 2,384,000 thousand (as at 31 December 2016: 1,180,000), in banks with non-controlling interests or without participation of the Government RUB nil (2016: RUB 1,139,500 thousand).

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10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Transmission networks	Equipment for electricity transformation	Other	Construction in progress	Total
Deemed cost						
Balance at 1 January 2016	31,589,384	54,759,421	31,690,306	16,537,044	3,478,781	138,054,936
Reclassification between groups	2	(1)	978	(979)	-	-
Additions	1,839	51,843	24,641	-	4,276,637	4,354,960
Transfers	335,804	1,474,546	530,860	433,162	(2,774,372)	-
Disposals	(1,209)	(5,881)	(18,322)	(20,875)	(5,278)	(51,565)
Balance at 30 June 2016	31,925,820	56,279,928	32,228,463	16,948,352	4,975,768	142,358,331
Balance at 1 January 2017	34,173,604	60,039,279	35,331,460	18,336,210	3,866,317	151,746,870
Reclassification between groups	(2,103)	2,403	(53)	(247)	-	-
Additions	-	4,261	195	4,490	4,148,769	4,157,715
Transfers	458,054	1,432,037	373,847	853,380	(3,117,318)	-
Disposals	(460)	(2,975)	(11,598)	(48,966)	(1,017)	(65,016)
Balance at 30 June 2017	34,629,095	61,475,005	35,693,851	19,144,867	4,896,751	155,839,569
Accumulated depreciation						
Balance at 1 January 2016	(10,210,363)	(26,772,578)	(12,340,194)	(10,623,021)	(469,626)	(60,415,782)
Reclassification between groups	(21,824)	(74,410)	(10,647)	(2,291)	109,172	-
Depreciation for the period	(717,492)	(1,619,286)	(897,193)	(854,348)	-	(4,088,319)
Disposals	541	5,111	10,193	20,707	583	37,135
Balance at 30 June 2016	(10,949,138)	(28,461,163)	(13,237,841)	(11,458,953)	(359,871)	(64,466,966)
Balance at 1 January 2017	(11,596,191)	(29,938,498)	(14,044,233)	(12,191,638)	(185,492)	(67,956,052)
Reclassification between groups	(2,367)	(395)	(748)	(26)	3,536	-
Depreciation for the period	(764,891)	(1,873,176)	(1,011,597)	(900,165)	-	(4,549,829)
Disposals	403	2,561	8,940	47,457	67	59,428
Balance at 30 June 2017	(12,363,046)	(31,809,508)	(15,047,638)	(13,044,372)	(181,889)	(72,446,453)
Net book value						
At 1 January 2016	21,379,021	27,986,843	19,350,112	5,914,023	3,009,155	77,639,154
At 30 June 2016	20,976,682	27,818,765	18,990,622	5,489,399	4,615,897	77,891,365
At 1 January 2017	22,577,413	30,100,781	21,287,227	6,144,572	3,680,825	83,790,818
At 30 June 2017	22,266,049	29,665,497	20,646,213	6,100,495	4,714,862	83,393,116

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11 INTANGIBLE ASSETS

	Software	Research and development	Other intangible assets	Total
Cost				
Balance at 1 January 2016	961,152	43,911	1,118,561	2,123,624
Additions	136,973	7,930	123,889	268,792
Balance at 30 June 2016	1,098,125	51,841	1,242,450	2,392,416
Balance at 1 January 2017	1,465,512	29,947	1,218,251	2,713,710
Reclassification between groups	-	(52,701)	52,701	-
Additions	74,986	25,380	-	100,366
Disposals	(28,760)	(270)	-	(29,030)
Balance at 30 June 2017	1,511,738	2,356	1,270,952	2,785,046
Accumulated amortisation				
Balance at 1 January 2016	(259,418)	-	(66,756)	(326,174)
Amortisation for the period	(123,527)	-	(36,653)	(160,180)
Balance at 30 June 2016	(382,945)	-	(103,409)	(486,354)
Balance at 1 January 2017	(274,588)	-	(93,840)	(368,428)
Amortisation for the period	(169,469)	-	(37,815)	(207,284)
Disposals	28,760	-	-	28,760
Balance at 30 June 2017	(415,297)	-	(131,655)	(546,952)
Net book value				
At 1 January 2016	701,734	43,911	1,051,805	1,797,450
At 30 June 2016	715,180	51,841	1,139,041	1,906,062
At 30 June 2017	1,096,441	2,356	1,139,297	2,238,094

In 2015 and in 2016, the intangible assets of the Group (subgroup "Other intangible assets") 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.

The calculation of long-term gross revenue from transmission of electricity produced by the parties taking into account the planned change of tariffs provided by the Forecast "The socio-economic development of the Russian Federation for 2016 and the planning period of 2017-2018" and should be reviewed annually. Thus during the term of the Service Concession Arrangement the administration of Tambov region can provide the Group with subsidies in terms of payment of the consideration for construction of objects, and in part compensation for lost revenue from electricity transmission. The group is obliged to support the objects of the agreement in good condition, produce for own account current and capital repairs, to cover the costs for facility maintenance. At the end of the term of the agreement the Group has the right to redeem the objects of the agreement pursuant to the Federal Law of 21 December 2001 № 178-FZ "On privatization of state and municipal property".

11 INTANGIBLE ASSETS (CONTINUED)

In three months 2016, the intangible asset is recognized at fair value of the consideration receivable by the Group for the construction of objects of the Service Concession Arrangement in the amount of RUB 123,889 thousand. The construction costs in three months 2016 amounted to RUB 111,612 thousand. Profit from construction of objects of the Service Concession Arrangement was recognized by the Group in three months 2016 in the amount of RUB 12,277 thousand. Construction of objects for the purposes of transmission and distribution of electricity was completed in three months 2016 so the recognition of intangible assets has also been completed in three months 2016.

12 EQUITY

(a) Share capital

	Ordinary shares	
	30 June 2017	31 December 2016
Issued shares, fully paid, number	42,217,941,468	42,217,941,468
Par value of one share (in RUB)	0.10	0.10

(b) Dividends

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

At the Company's annual shareholders meeting held on 8 June 2016 the decision was made to distribute the Company's profit for the year 2015 to dividends in the amount of RUB 455,954 thousand and to pay dividends for the year 2015 in the amount of RUB 0.0108 per ordinary share of the Company in cash.

At the Company's annual shareholders meeting held on 8 June 2017 the decision was made to distribute the Company's profit for the year 2016 to dividends in the amount of RUB 1,866,675 thousand and to pay dividends for the year 2016 in the amount of RUB 0.0442 per ordinary share of the Company in cash.

In six months 2017, the Company recovered unclaimed dividends for 2013 in the amount of RUB 737 thousand (in six months 2016 nil).

13 EARNINGS PER SHARE

The calculation of earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive potential ordinary shares.

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Authorised (ordinary) shares (number)	42,217,941,468	42,217,941,468	42,217,941,468	42,217,941,468
Par value of one share (in RUB)	0.10	0.10	0.10	0.10
Weighted average number of shares	42,217,941,468	42,217,941,468	42,217,941,468	42,217,941,468
Profit for the period attributable to shareholders	264,453	211,957	2,701,101	2,482,013
Earnings per share (in RUB): basic and diluted	0.006	0.005	0.064	0.059

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14 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group’s loans and borrowings.

Long-term loans and borrowings

Name of lender		Effective interest rate 30 June 2017	Effective interest rate 31 December 2016	Maturity	Par value		Carrying value	
					30 June 2017	31 December 2016	30 June 2017	31 December 2016
PJSC “Bank VTB”	Unsecured	9.20-9.50%	8.75-10.40%	2018-2019	8,370,000	9,260,000	8,370,000	9,260,000
PJSC “Sberbank”	Unsecured	9.20-9.60%	9.90-10.10%	2018-2019	13,691,993	13,696,185	13,691,993	13,696,185
PJSC «Promsvyasbank»	Unsecured	-	14.55%	2017	-	8,200	-	8,200
PJSC “SGB”	Unsecured	-	13.00%	2017	-	10	-	10
Unsecured bond issues	Unsecured	9.32-12.42%	9.32-12.42%	2018-2020	20,330,200	20,336,400	20,312,918	20,314,092
					42,392,193	43,300,795	42,374,911	43,278,487
Less: current portion								
PJSC “Bank VTB”	Unsecured	9.20-9.50%	8.75-10.40%	2018-2019	3,640,000	3,640,000	3,640,000	3,640,000
PJSC “Sberbank”	Unsecured	9.20-9.60%	9.90-10.10%	2018-2019	6,993	11,185	6,993	11,185
PJSC «Promsvyasbank»	Unsecured	-	14.55%	2017	-	8,200	-	8,200
PJSC “SGB”	Unsecured	-	13.00%	2017	-	10	-	10
Unsecured bond issues	Unsecured	9.32-12.42%	9.32-12.42%	2018-2020	5,330,200	336,400	5,330,200	336,400
					8,977,193	3,995,795	8,977,193	3,995,795
Total long-term borrowings					33,415,000	39,305,000	33,397,718	39,282,692

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14 LOANS AND BORROWINGS (CONTINUED)

Current loans and borrowings and current portion of long-term loans and borrowings

Name of lender	Effective interest rate 30 June 2017	Effective interest rate 31 December 2016	Par value		Carrying value	
			30 June 2017	31 December 2016	30 June 2017	31 December 2016
PJSC “Bank VTB”	Unsecured 9.20-9.50%	Unsecured 8.75-10.40%	3,640,000	3,640,000	3,640,000	3,640,000
PJSC “Sberbank”	Unsecured 9.20-9.60%	Unsecured 9.90-10.10%	6,993	11,185	6,993	11,185
PJSC «Promsvyasbank»	Unsecured -	Unsecured 14.55%	-	8,200	-	8,200
PJSC “SGB”	Unsecured -	Unsecured 13.00%	-	10	-	10
Unsecured bond issues	Unsecured 9.32-12.42%	Unsecured 9.32-12.42%	5,330,200	336,400	5,327,694	336,400
			8,977,193	3,995,795	8,974,687	3,995,795

All the Group’s loans and borrowings are denominated in RUB and bear a fixed interest rate. The effective interest rate is the market interest rate applicable to the loan on the date of its receipt.

The carrying value of loans and borrowings approximates their fair value.

As at 30 June 2017 and 31 December 2016 no bank loans are secured over bank guarantees received.

During 2016, the Group made the issue of non-convertible documentary interest - bearing bonds with a nominal value of RUB 5,000,000 thousand with a nominal interest rate of 9.32% per annum. The maturity of the bonds is 10 years. The issue of the interest - bearing bonds have been purchased by PJSC “Russian Grids” (Note 18d).

15 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Objectives and policies of the Group in respect of the financial risk management are consistent with those that were disclosed in the consolidated financial statements for the year ended 31 December 2016.

As at 30 June 2017 the Group holds investment in equity share of RUB 185,521 thousand (as at 31 December 2016 – RUB 213,181 thousand) classified as available for sale which are listed on PJSC "Moscow Exchange-MICEX-RTS", measured at fair value and belong to Level 1 in the fair value hierarchy. Valuation of available-for sale investments is made on a recurring basis using quoted market prices. Effect from the revaluation to market quotations is reflected within the Net change in fair value of available-for-sale financial assets line of other comprehensive income section of the Statement of Profit and Loss and Other Comprehensive Income.

As at 30 June 2017, the fair value of the other Group's financial assets and liabilities approximates their carrying amounts.

As at 30 June 2017, the Group's unused portion of long-term and short-term credit line facilities amounted to RUB 27,305,548 thousand (as at 31 December 2016: RUB 18,915,779 thousand). Among them, credit line facilities related to the banks with controlling interest of the Government amounted to RUB 15,205,548 thousand (as at 31 December 2016: RUB 8,815,779 thousand).

16 COMMITMENTS

The Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 5,162,636 thousand as at 30 June 2017 (as at 31 December 2016: RUB 4,766,748 thousand).

17 CONTINGENCIES

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group has reliable insurance coverage for its property: industrial buildings, structures and premises, air and cable transmission lines, energy (power) machines and others. In addition, insurance covers risks that could lead to losses in the event of damage to third parties (health, property) arising from operation of dangerous production units. The Group has no insurance coverage against losses caused by business interruption

(b) Litigation

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management does not believe that these matters will have a material adverse effect on the Group's financial position and operating results.

(c) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the 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 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 believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these Financial Statements could be significant, if the authorities were successful in enforcing their interpretations.

17 CONTINGENCIES (CONTINUED)

(d) Environmental matters

The Company and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. Management periodically evaluates its obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

(e) Other contingencies

The Group believes that the electricity services provided are in compliance with the Russian legislation regulating electric power transmission. Other contingencies to disclose as at 30 June 2017 and 30 June 2016 are absent.

(f) Guarantees

As at 30 June 2017 and 31 December 2016, the Group has no issued financial guarantees for loans and borrowings.

18 RELATED PARTY TRANSACTIONS

(a) Control relationships

The Company’s parent as at 30 June 2017 and 31 December 2016 was PJSC “Russian Grids”. The party with the ultimate control over the Company is the Government of the Russian Federation, which held the majority of the voting rights of PJSC “Russian Grids”. The economic, social and other policies of the Government of the Russian Federation could have a significant impact on the Group's activities.

(b) Transactions with parent company and other related parties

	Transaction value for the three months ended		Transaction value for the six months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Sale of goods and services:	5,673	2,421	6,989	2,440
Parent company	-	-	-	-
Fellow subsidiaries	5,673	2,421	6,989	2,440
Purchase of goods and services:	4,249,170	4,086,129	8,629,808	8,047,522
Parent company	96,163	96,163	192,324	192,324
Fellow subsidiaries	4,153,007	3,989,966	8,437,484	7,855,198

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18 RELATED PARTY TRANSACTIONS (CONTINUED)

	Balance	
	As at 30 June 2017	As at 31 December 2016
Sale of goods and services:	10,788	21,567
Parent company	77	-
Fellow subsidiaries	10,711	21,567
Purchase of goods and services:	1,338,327	1,232,264
Parent company	83,058	22,617
Fellow subsidiaries	1,255,269	1,209,647
Advances given:	45,908	30,335
Parent company	15,129	-
Fellow subsidiaries	30,779	30,335
Advances received:	173,371	173,440
Fellow subsidiaries	173,371	173,440

(c) Management compensation

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

Total remuneration paid to key management, Board of Directors and Management Board members for the three and six months ended 30 June 2017 and for the three and six months ended 30 June 2016 and included into personnel costs was:

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
Salary and bonuses	110,367	114,633	142,662	156,769

The amount of commitments to key management personnel included in employee benefit obligations was as follows:

	30 June 2017	31 December 2016
Present value of defined benefit and defined contribution plans, as well as other payments for post-employment benefits	5,016	4,541

18 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with government-related entities

The Group applies the exemption in IAS 24 Related Party Disclosures that allows to present reduced related party disclosures regarding transactions with government-related entities.

In the course of business, the Group makes a significant number of transactions with companies that are government-related. These operations are carried out under the regulated tariffs, or in accordance with market prices.

Revenue from government-related entities accounts for 39% of the Group's total revenue for the three months ended 30 June 2017, (for the three months ended 30 June 2016: 29%) including 40% of the proceeds from the transmission of electricity for the three months ended 30 June 2017 (for the three months ended 30 June 2016: 30%).

Revenue from government-related entities accounts for 39% of the Group's total revenue for the six months ended 30 June 2017, (for the six months ended 30 June 2016: 24%) including 40% of the proceeds from the transmission of electricity for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 24%).

Costs of electricity transmission for government-related entities account for 63% of the total costs of the electricity transmission for the three months ended 30 June 2017 (for the three months ended 30 June 2016: 63%).

Costs of electricity transmission for government-related entities account for 63% of the total costs of the electricity transmission for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 61%).

Interest income for government-related entities accounts for 91% of the total interest income for the three months ended 30 June 2017 (for the three months ended 30 June 2016: 99%).

Interest income for government-related entities accounts for 81% of the total interest income for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 85%).

Interest expenses for government-related entities account for 52% of the total interest expenses for the three months ended 30 June 2017 (for the three months ended 30 June 2016: 55%).

Interest expenses for government-related entities account for 52% of the total interest expenses for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 56%).

During 2016, the Group made the issue of non-convertible documentary interest - bearing bonds with a nominal value of RUB 5,000,000 thousand with a nominal interest rate of 9.32% per annum. The maturity of the bonds is 10 years. The issue of the interest - bearing bonds have been purchased by PJSC "Russian Grids".

(e) Pricing policy

Transactions with related parties for the transmission of electricity are carried out at the tariffs set by the state.