

**PJSC “IDGC of Centre”**

**Interim Condensed Consolidated  
Financial Statements  
for the three and nine months ended  
30 September 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 September		Nine months ended 30 September	
		2017	2016	2017	2016
Revenue	6	20,559,629	20,277,674	65,785,154	61,797,685
Operating expenses	7	(19,362,802)	(18,408,611)	(59,028,414)	(56,201,083)
Other income	6	244,038	240,469	671,523	727,207
<b>Results from operating activities</b>		<b>1,440,865</b>	<b>2,109,532</b>	<b>7,428,263</b>	<b>6,323,809</b>
Finance income	8	63,473	30,886	393,871	261,772
Finance costs	8	(1,033,794)	(1,181,937)	(3,249,212)	(3,632,804)
<b>Net finance costs</b>		<b>(970,321)</b>	<b>(1,151,051)</b>	<b>(2,855,341)</b>	<b>(3,371,032)</b>
<b>Profit before income tax</b>		<b>470,544</b>	<b>958,481</b>	<b>4,572,922</b>	<b>2,952,777</b>
Income tax benefit/(expense)		(716,551)	(206,667)	(2,090,828)	305,956
<b>Profit/(loss) for the period</b>		<b>(246,007)</b>	<b>751,814</b>	<b>2,482,094</b>	<b>3,258,733</b>
<b>Other comprehensive income/(expenses)</b>					
Net change in fair value of available-for-sale financial assets		(6,256)	9,615	(33,916)	(20,659)
Income tax on other comprehensive income		1,251	(1,923)	6,783	4,132
<i>Total items that are or may be reclassified to profit or loss</i>		<b>(5,005)</b>	<b>7,692</b>	<b>(27,133)</b>	<b>(16,527)</b>
Remeasurements of the net defined benefit liability		(31,035)	114,495	(111,711)	(108,420)
Income tax on other comprehensive income		2,167	(5,828)	7,729	8,552
<i>Total items that will never be reclassified to profit or loss</i>		<b>(28,868)</b>	<b>108,667</b>	<b>(103,982)</b>	<b>(99,868)</b>
<b>Other comprehensive income/(expenses) for the period, net of income tax</b>		<b>(33,873)</b>	<b>116,359</b>	<b>(131,115)</b>	<b>(116,395)</b>
<b>Total comprehensive income/(expenses) for the period</b>		<b>(279,880)</b>	<b>868,173</b>	<b>2,350,979</b>	<b>3,142,338</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		(253,559)	746,189	2,447,542	3,228,202
Non-controlling interests		7,552	5,625	34,552	30,531
		<b>(246,007)</b>	<b>751,814</b>	<b>2,482,094</b>	<b>3,258,733</b>
<b>Total comprehensive income/(expenses) attributable to:</b>					
Owners of the Company		(287,432)	862,548	2,316,427	3,111,807
Non-controlling interests		7,552	5,625	34,552	30,531
		<b>(279,880)</b>	<b>868,173</b>	<b>2,350,979</b>	<b>3,142,338</b>
<b>Earnings/(loss) per share – basic and diluted (in Russian Roubles)</b>	13	(0.006)	0.017	0.058	0.076

These interim condensed consolidated financial statements were approved on 22 November 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 September 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	83,894,282	83,790,818
Intangible assets	11	2,217,474	2,345,282
Investments and financial assets		719,910	713,486
Other non-current assets		158,214	166,251
<b>Total non-current assets</b>		<b>86,989,880</b>	<b>87,015,837</b>
<b>Current assets</b>			
Cash and cash equivalents	9	2,536,017	2,567,305
Trade and other receivables		12,222,268	13,977,188
Income tax prepayment		910,157	1,382,137
Inventories		2,423,886	2,099,699
<b>Total current assets</b>		<b>18,092,328</b>	<b>20,026,329</b>
<b>Total assets</b>		<b>105,082,208</b>	<b>107,042,166</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	12		
Share capital		4,221,794	4,221,794
Reserves		(212,893)	(81,778)
Retained earnings		39,529,509	38,947,905
<b>Total equity attributable to equity holders of the Company</b>		<b>43,538,410</b>	<b>43,087,921</b>
Non-controlling interests		189,244	165,809
<b>Total equity</b>		<b>43,727,654</b>	<b>43,253,730</b>
<b>Non-current liabilities</b>			
Loans and borrowings	14	36,198,357	39,282,692
Finance lease liability		1,157	-
Employee benefits		2,297,925	2,202,613
Deferred tax liabilities		4,878,310	4,420,822
Trade and other payables		1,075,188	1,035,516
<b>Total non-current liabilities</b>		<b>44,450,937</b>	<b>46,941,643</b>
<b>Current liabilities</b>			
Loans and borrowings	14	5,871,239	3,995,795
Finance lease liability		1,436	-
Trade and other payables		7,061,795	8,174,734
Provisions		532,311	1,026,203
Employee payables		1,463,979	1,431,899
Income tax payable		-	2,438
Other taxes payable		1,972,857	2,215,724
<b>Total current liabilities</b>		<b>16,903,617</b>	<b>16,846,793</b>
<b>Total liabilities</b>		<b>61,354,554</b>	<b>63,788,436</b>
<b>Total equity and liabilities</b>		<b>105,082,208</b>	<b>107,042,166</b>

**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						Total equity
	Share capital	Fair value reserve for available-for-sale financial assets	Reserve for remeasurements of defined benefit plans	Retained earnings	Total	Non-controlling interests	
<b>Balance at 1 January 2016</b>	4,221,794	106,531	(241,442)	34,672,186	38,759,069	127,274	38,886,343
Profit for the period	-	-	-	3,228,202	3,228,202	30,531	3,258,733
Net change in fair value of available-for-sale financial assets	-	(20,659)	-	-	(20,659)	-	(20,659)
Remeasurements of the net defined benefit liability	-	-	(108,420)	-	(108,420)	-	(108,420)
Income tax on other comprehensive income	-	4,132	8,552	-	12,684	-	12,684
<b>Total comprehensive income/(expenses) for the period</b>	-	(16,527)	(99,868)	3,228,202	3,111,807	30,531	3,142,338
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	(448,039)	(448,039)	-	(448,039)
<b>Total transactions with owners, recorded directly in equity</b>	-	-	-	(448,039)	(448,039)	-	(448,039)
<b>Balance at 30 September 2016</b>	4,221,794	90,004	(341,310)	37,452,349	41,422,837	157,805	41,580,642
<b>Balance at 1 January 2017</b>	4,221,794	90,608	(172,386)	38,947,905	43,087,921	165,809	43,253,730
Profit for the period	-	-	-	2,447,542	2,447,542	34,552	2,482,094
Net change in fair value of available-for-sale financial assets	-	(33,916)	-	-	(33,916)	-	(33,916)
Remeasurements of the net defined benefit liability	-	-	(111,711)	-	(111,711)	-	(111,711)
Income tax on other comprehensive income	-	6,783	7,729	-	14,512	-	14,512
<b>Total comprehensive income/(expenses) for the period</b>	-	(27,133)	(103,982)	2,447,542	2,316,427	34,552	2,350,979
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	(1,866,675)	(1,866,675)	(11,117)	(1,877,792)
Other	-	-	-	737	737	-	737
<b>Total transactions with owners, recorded directly in equity</b>	-	-	-	(1,865,938)	(1,865,938)	(11,117)	(1,877,055)
<b>Balance at 30 September 2017</b>	4,221,794	63,475	(276,368)	39,529,509	43,538,410	189,244	43,727,654

The interim condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of the interim condensed consolidated financial statements set out on pages 7 – 27.

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

	Note	Nine months ended 30 September 2017	Nine months ended 30 September 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		4,572,922	2,952,777
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortization of intangible assets	7	7,158,167	6,414,694
Allowance for impairment of accounts receivable	7	(530,343)	702,502
Net finance costs	8	2,855,341	3,371,032
Provision for inventory obsolescence		(815)	1,342
Loss on disposal of property, plant and equipment and intangible assets		12,736	29,731
Bad debts written-off		159,838	101,516
Adjustment for other non-cash transactions		32,476	(98,459)
<b>Cash flows from operating activities before changes in working capital</b>		<b>14,260,322</b>	<b>13,475,135</b>
Change in trade and other receivables		2,076,880	421,624
Change in inventories		(308,408)	(358,288)
Change in investments, financial assets and other non-current and current assets		(40,340)	(57,014)
Change in trade and other payables		(425,566)	941
Change in employee payables		18,906	605,216
Change in employee benefits		(143,731)	(84,893)
Change in other liabilities		(480,718)	35,097
Change in other taxes payable		(242,867)	162,661
<b>Cash flows from operations before income taxes and interest paid</b>		<b>14,714,478</b>	<b>14,200,479</b>
Interest paid		(2,948,405)	(3,184,358)
Income tax paid		(1,149,019)	(2,167,181)
<b>Cash flows from operating activities</b>		<b>10,617,054</b>	<b>8,848,940</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets		(7,608,151)	(8,688,053)
Proceeds from disposal of property, plant and equipment and intangible assets		2,545	2,176
Dividends received		14,608	12,695
Interest received		334,874	221,695
Proceeds from sale of investments		-	1,439
<b>Cash flows used in investing activities</b>		<b>(7,256,124)</b>	<b>(8,450,048)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		11,700,000	10,068,309
Repayment of loans and borrowings		(13,238,100)	(10,067,672)
Dividends paid		(1,852,491)	(448,792)
Repayment of finance lease liabilities		(1,627)	(1,503)
<b>Cash flows from financing activities</b>		<b>(3,392,218)</b>	<b>(449,658)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(31,288)</b>	<b>(50,766)</b>
Cash and cash equivalents at beginning of the period		2,567,305	123,220
<b>Cash and cash equivalents at end of the period</b>		<b>2,536,017</b>	<b>72,454</b>

## **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 Minutes 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 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 №01/15 of 26.06.2015), in order to bring it in line with the legal requirements.

The Company's registered office is 2<sup>nd</sup>, Yamskaya, 4, Moscow, 127018, Russia.

The Company's de facto address is 2<sup>nd</sup>, 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 and 2017, the Group took over the functions of electricity guarantee supplier in the Tver Region again.

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 of PJSC "IDGC of Centre" is the managing organization for the PJSC "IDGC of Center and Volga region". The company exercises the rights and performs the duties of the sole Executive body of the PJSC "IDGC of Center and Volga region" to the extent and with those limitations which are defined by the legislation of the Russian Federation, Charter, internal documents, decisions of General meeting of shareholders and/or Board of Directors PJSC "IDGC of Center and Volga region".

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

As at 30 September 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 nine months ended 30 September 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,

## **1 BACKGROUND (CONTINUED)**

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.

## **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.



**PJSC “IDGC of Centre”**

**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**

Thousands of Russian Roubles, unless otherwise stated

**4 SUBSIDIARIES**

**(a) List of subsidiaries**

	<b>Country of incorporation</b>	<b>30 September 2017 Ownership/voting, %</b>	<b>31 December 2016 Ownership/voting, %</b>
JSC “Sanatorium “Energetic”	Russian Federation	100	100
JSC “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 company was liquidated in the fourth quarter of 2017. As at 30 September 2017: the company’s assets are RUB 5 thousand, equity is RUB (5) 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 nine months ended 30 September 2017 or nine months ended 30 September 2016.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest expenses, 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 September 2017:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kursk- energo	Lipetsk- energo	Oryol- energo	Smolensk- energo	Tambov- energo	Tver- energo	Yar- energo	Others	Total
Revenue from electricity transmission	2,919,698	1,156,809	2,982,612	1,129,784	1,555,020	1,963,611	1,019,288	1,552,164	1,316,182	2,286,861	2,035,749	-	19,917,778
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	90,106	90,106
Revenue from connection services	96,569	5,710	13,283	16,213	41,416	17,639	4,306	20,033	7,551	22,408	34,556	750	280,434
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	18	-	18
Revenue from the resale of electricity and capacity	-	-	-	-	-	-	-	-	-	58,993	-	-	58,993
Other revenue	62,816	10,996	50,182	13,724	12,624	16,344	10,927	26,463	19,956	17,340	31,726	29,326	302,424
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	430	1,706	2,136
<b>Reportable segment total revenues</b>	<b>3,079,083</b>	<b>1,173,515</b>	<b>3,046,077</b>	<b>1,159,721</b>	<b>1,609,060</b>	<b>1,997,594</b>	<b>1,034,521</b>	<b>1,598,660</b>	<b>1,343,689</b>	<b>2,385,602</b>	<b>2,102,479</b>	<b>121,888</b>	<b>20,651,889</b>
<b>Reportable segment results from operating activities *</b>	<b>170,466</b>	<b>108,526</b>	<b>247,762</b>	<b>121,641</b>	<b>18,915</b>	<b>48,282</b>	<b>51,248</b>	<b>(90,711)</b>	<b>117,715</b>	<b>(146,990)</b>	<b>319,286</b>	<b>36,925</b>	<b>1,003,065</b>
Finance income	6,016	4,992	5,105	4,993	4,992	5,138	4,995	4,993	4,994	4,993	4,997	88	56,296
Finance costs	(126,358)	(35,519)	(80,683)	(31,072)	(55,471)	(79,967)	(49,411)	(129,082)	(94,647)	(204,231)	(106,628)	(131)	(993,200)
<b>Reportable segment profit/(loss) before income tax</b>	<b>50,124</b>	<b>77,999</b>	<b>172,184</b>	<b>95,562</b>	<b>(31,564)</b>	<b>(26,547)</b>	<b>6,832</b>	<b>(214,800)</b>	<b>28,062</b>	<b>(346,228)</b>	<b>217,655</b>	<b>36,882</b>	<b>66,161</b>
Depreciation and amortisation	679,447	117,414	286,240	151,535	192,091	315,119	94,705	237,421	121,813	195,692	302,294	9,623	2,703,394
EBITDA	855,929	230,932	539,107	278,169	215,998	368,539	150,948	151,703	244,522	53,695	626,577	46,636	3,762,755
Capital expenditure	611,574	209,111	266,965	259,919	124,799	483,917	122,674	217,942	106,282	72,702	373,176	64,162	2,913,223

\* 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 September 2016:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kursk- energo	Lipetsk- energo	Oryol- energo	Smolensk- energo	Tambov- energo	Tver- energo	Yar- energo	Others	Total
Revenue from electricity transmission	3,234,442	1,043,814	2,854,390	1,043,407	1,579,196	2,107,057	960,161	1,466,231	1,234,561	2,164,606	2,034,826	-	19,722,691
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	80,439	80,439
Revenue from connection services	47,025	5,010	14,700	17,185	22,761	11,944	2,657	38,584	8,558	39,953	80,781	328	289,486
Other revenue	63,386	12,646	38,540	10,347	12,414	13,150	8,790	25,465	9,666	15,996	35,410	18,278	264,088
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	426	1,409	1,835
<b>Reportable segment total revenues</b>	<b>3,344,853</b>	<b>1,061,470</b>	<b>2,907,630</b>	<b>1,070,939</b>	<b>1,614,371</b>	<b>2,132,151</b>	<b>971,608</b>	<b>1,530,280</b>	<b>1,252,785</b>	<b>2,220,555</b>	<b>2,151,443</b>	<b>100,454</b>	<b>20,358,539</b>
<b>Reportable segment results from operating activities*</b>	<b>328,348</b>	<b>64,193</b>	<b>316,300</b>	<b>116,569</b>	<b>(26,930)</b>	<b>(47,434)</b>	<b>63,376</b>	<b>63,465</b>	<b>94,868</b>	<b>197,316</b>	<b>538,461</b>	<b>19,034</b>	<b>1,727,566</b>
Finance income	10,209	3,365	6,847	2,122	4,760	5,942	1,856	2,987	2,468	3,873	5,205	48	49,682
Finance costs	(121,336)	(47,339)	(108,923)	(36,307)	(70,673)	(79,304)	(54,750)	(135,321)	(122,175)	(243,096)	(118,258)	(225)	(1,137,707)
<b>Reportable segment profit/(loss) before income tax</b>	<b>217,221</b>	<b>20,219</b>	<b>214,224</b>	<b>82,384</b>	<b>(92,843)</b>	<b>(120,796)</b>	<b>10,482</b>	<b>(68,869)</b>	<b>(24,839)</b>	<b>(41,907)</b>	<b>425,408</b>	<b>18,857</b>	<b>639,541</b>
Depreciation and amortisation	629,276	109,108	232,523	137,377	190,120	284,028	92,566	229,521	114,075	188,510	254,901	7,693	2,469,698
EBITDA	967,833	176,666	555,670	256,068	167,950	242,536	157,798	295,973	211,411	389,699	798,567	26,775	4,246,946
Capital expenditure	1,392,846	148,044	356,910	296,678	115,014	615,006	165,543	320,671	132,696	235,572	896,733	29,195	4,704,908

\* 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 nine months ended 30 September 2017:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kursk- energo	Lipetsk- energo	Oryol- energo	Smolensk- energo	Tambov- energo	Tver- energo	Yar- energo	Others	Total
Revenue from electricity transmission	9,869,733	3,577,215	9,218,375	3,537,706	4,977,650	6,438,001	3,138,507	4,996,417	4,109,620	7,452,690	6,539,066	-	63,854,980
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	287,880	287,880
Revenue from connection services	261,569	12,173	46,375	64,128	111,178	54,412	10,606	63,840	126,769	73,073	86,751	1,337	912,211
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	18	-	18
Revenue from the resale of electricity and capacity	-	-	-	-	-	-	-	-	-	213,799	-	-	213,799
Other revenue	204,159	26,757	125,064	36,443	37,827	35,085	32,967	79,494	42,631	39,458	93,294	50,985	804,164
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	1,385	6,153	7,538
<b>Reportable segment total revenues</b>	<b>10,335,461</b>	<b>3,616,145</b>	<b>9,389,814</b>	<b>3,638,277</b>	<b>5,126,655</b>	<b>6,527,498</b>	<b>3,182,080</b>	<b>5,139,751</b>	<b>4,279,020</b>	<b>7,779,020</b>	<b>6,720,514</b>	<b>346,355</b>	<b>66,080,590</b>
<b>Reportable segment results from operating activities*</b>	<b>1,130,130</b>	<b>520,806</b>	<b>1,216,082</b>	<b>519,653</b>	<b>98,694</b>	<b>234,318</b>	<b>190,284</b>	<b>276,530</b>	<b>680,124</b>	<b>307,836</b>	<b>869,729</b>	<b>105,646</b>	<b>6,149,832</b>
Finance income	32,511	30,151	30,397	30,146	30,145	30,484	30,148	30,146	30,148	30,146	30,183	698	335,303
Finance costs	(396,776)	(116,114)	(249,735)	(100,731)	(176,893)	(255,144)	(151,877)	(412,417)	(300,100)	(625,414)	(329,251)	(731)	(3,115,183)
<b>Reportable segment profit/(loss) before income tax</b>	<b>765,865</b>	<b>434,843</b>	<b>996,744</b>	<b>449,068</b>	<b>(48,054)</b>	<b>9,658</b>	<b>68,555</b>	<b>(105,741)</b>	<b>410,172</b>	<b>(287,432)</b>	<b>570,661</b>	<b>105,613</b>	<b>3,369,952</b>
Depreciation and amortisation	2,029,096	340,509	839,040	450,232	578,335	933,013	277,936	717,242	361,753	585,750	892,493	27,990	8,033,389
EBITDA	3,191,737	891,466	2,085,519	1,000,031	707,174	1,197,815	498,368	1,023,918	1,072,025	923,732	1,792,405	134,334	14,518,524
Capital expenditure	1,494,616	421,324	852,237	514,160	279,015	744,447	247,493	546,580	385,642	233,159	917,756	93,529	6,729,958

\* 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 nine months ended 30 September 2016:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kursk- energo	Lipetsk- energo	Oryol- energo	Smolensk- energo	Tambov- energo	Tver- energo	Yar- energo	Others	Total
Revenue from electricity transmission	9,611,227	3,204,656	8,491,415	3,194,477	4,835,535	6,536,902	2,914,980	4,649,857	3,799,136	6,723,298	6,081,223	-	60,042,706
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	246,893	246,893
Revenue from connection services	134,215	7,060	210,822	35,779	53,285	33,589	11,116	135,445	20,337	59,207	188,114	2,900	891,869
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	19	-	19
Other revenue	202,489	27,244	87,727	30,595	32,661	38,489	24,146	87,146	25,266	37,481	100,005	42,272	735,521
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	1,313	4,602	5,915
<b>Reportable segment total revenues</b>	<b>9,947,931</b>	<b>3,238,960</b>	<b>8,789,964</b>	<b>3,260,851</b>	<b>4,921,481</b>	<b>6,608,980</b>	<b>2,950,242</b>	<b>4,872,448</b>	<b>3,844,739</b>	<b>6,819,986</b>	<b>6,370,674</b>	<b>296,667</b>	<b>61,922,923</b>
<b>Reportable segment results from operating activities*</b>	<b>952,716</b>	<b>209,082</b>	<b>818,628</b>	<b>424,728</b>	<b>2,898</b>	<b>137,945</b>	<b>181,201</b>	<b>421,860</b>	<b>399,442</b>	<b>500,966</b>	<b>947,950</b>	<b>80,924</b>	<b>5,078,340</b>
Finance income	45,725	15,031	30,556	9,465	21,243	26,510	8,283	13,352	11,012	17,278	23,227	462	222,144
Finance costs	(431,045)	(153,367)	(322,386)	(122,528)	(194,060)	(229,682)	(164,319)	(436,500)	(349,577)	(730,259)	(344,617)	(593)	(3,478,933)
<b>Reportable segment profit/(loss) before income tax</b>	<b>567,396</b>	<b>70,746</b>	<b>526,798</b>	<b>311,665</b>	<b>(169,919)</b>	<b>(65,227)</b>	<b>25,165</b>	<b>(1,288)</b>	<b>60,877</b>	<b>(212,015)</b>	<b>626,560</b>	<b>80,793</b>	<b>1,821,551</b>
Depreciation and amortisation	1,873,380	327,195	699,403	408,499	572,184	855,934	272,595	673,827	332,815	558,764	739,488	21,944	7,336,028
EBITDA	2,871,821	551,308	1,548,587	842,692	596,325	1,020,389	462,079	1,109,039	743,269	1,077,008	1,710,665	103,330	12,636,512
Capital expenditure	2,513,689	259,158	735,348	565,223	297,283	971,370	264,135	945,224	367,308	468,403	1,324,728	68,671	8,780,540

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

**PJSC "IDGC of Centre"**  
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*Thousands of Russian Roubles, unless otherwise stated*

**5 OPERATING SEGMENTS (CONTINUED)**

As at 30 September 2017:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kursk- energo	Lipetsk- energo	Oryol- energo	Smolensk- energo	Tambov- energo	Tver- energo	Yar- energo	Others	Total
Reportable segment assets	25,554,414	5,171,096	12,490,128	6,389,853	7,417,243	16,129,086	3,888,793	7,541,388	5,788,533	10,924,535	13,986,501	4,292,498	119,574,068
Property, plant and equipment	23,457,595	4,347,464	10,904,502	5,690,887	6,344,380	13,805,370	3,396,736	6,496,702	4,067,651	8,045,910	10,749,538	395,708	97,702,443
Reportable segment liabilities	3,614,008	645,320	1,909,349	962,565	1,311,969	1,705,687	616,276	1,110,453	822,037	2,436,263	2,041,293	44,909,267	62,084,487

As at 31 December 2016:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kursk- energo	Lipetsk- energo	Oryol- energo	Smolensk- energo	Tambov- energo	Tver- energo	Yar- energo	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	2,126,087	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 September		Nine months ended 30 September	
	2017	2016	2017	2016
<b>EBITDA for the reportable segments</b>	<b>3,762,755</b>	<b>4,246,946</b>	<b>14,518,524</b>	<b>12,636,512</b>
Adjustments for property, plant and equipment	(6,770)	2,950	(8,275)	1,454
Recognition of assets related to employee benefit fund	(8,046)	(1,523)	40,340	57,014
Recognition of employee benefit obligations	18,946	(14,278)	16,399	(71,337)
Adjustment for finance lease	545	200	928	1,543
Adjustment for allowance for impairment of account receivables	-	(2)	-	(2)
Provision for inventory obsolescence	-	124	1,654	(767)
Amortization of Intangible assets	91,860	70,522	261,329	194,049
Other adjustments	21,199	(47,794)	15,342	22,515
<b>Consolidated earnings before interest, tax and depreciation and amortization (EBITDA)</b>	<b>3,880,489</b>	<b>4,257,145</b>	<b>14,846,241</b>	<b>12,840,981</b>
Depreciation and amortization	(2,416,582)	(2,166,195)	(7,158,167)	(6,414,694)
Interest expenses	(993,069)	(1,132,456)	(3,114,754)	(3,473,384)
Interest on finance lease liabilities	(294)	(13)	(398)	(126)
Income tax expense	(716,551)	(206,667)	(2,090,828)	305,956
<b>Profit/(loss) for the period per Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>(246,007)</b>	<b>751,814</b>	<b>2,482,094</b>	<b>3,258,733</b>

## 6 REVENUE AND OTHER INCOME

For the three and nine months ended 30 September, revenue includes:

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Electricity transmission	19,866,917	19,722,691	63,679,704	60,042,706
Connection services	280,434	289,486	912,211	891,869
Resale of electricity and capacity	109,854	-	389,075	-
Repairs and maintenance	78,092	71,692	215,883	217,487
Rent	10,458	21,905	31,711	59,019
Service Concession Arrangements	-	-	-	123,889
Other revenue	213,874	171,900	556,570	462,715
	<b>20,559,629</b>	<b>20,277,674</b>	<b>65,785,154</b>	<b>61,797,685</b>



**6 REVENUE AND OTHER INCOME (CONTINUED)**

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

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 and 2017, 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 nine months 2017, revenue from the resale of electricity and capacity was RUB 109,854 thousand and RUB 389,075 thousand respectively (there was no revenue from the resale of electricity and capacity in three and nine 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.

Other revenue includes revenue from performing the functions of the sole Executive body of the PJSC "IDGC of Center and Volga region" in the amount of RUB 6,611 thousand.

For the three and nine months ended 30 September, other income includes:

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Income from gratuitously received property, plant and equipment (including excess inventory)	19,919	38,222	26,465	116,545
Income in the form of fines and penalties	70,746	97,911	285,740	288,419
Write-off of accounts payable	10,763	3,856	50,351	57,133
Income from the identified non-contractual electricity consumption	23,184	20,054	74,310	62,240
Income from reimbursement of costs and damages	13,312	12,160	60,341	65,746
Compensation of insurance claims	16,608	13,104	29,009	35,147
Income in the form of the cost of inventories obtained by disposal of property, plant and equipment	64,644	46,937	89,970	75,869
Revenues from gratuitously received inventories (including excess inventory)	13,556	1,969	13,556	2,001
Other income	11,306	6,256	41,781	24,107
	<b>244,038</b>	<b>240,469</b>	<b>671,523</b>	<b>727,207</b>



**PJSC "IDGC of Centre"**

**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**

Thousands of Russian Roubles, unless otherwise stated

**7 OPERATING EXPENSES**

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Personnel costs	4,422,980	4,405,129	13,791,987	13,547,380
Depreciation and amortisation	2,416,582	2,166,195	7,158,167	6,414,694
Taxes other than income tax	398,619	336,446	1,205,914	1,004,317
Allowance for impairment of accounts receivable	(389,894)	91,232	(530,343)	702,500
<i>Material expenses, inc.</i>				
Electricity to compensate for losses	2,607,339	1,992,354	8,779,269	7,940,229
Purchased electricity and heat energy for own needs	29,103	25,141	236,990	228,069
Electricity for resale	52,268	-	194,129	-
Other raw material expenses	1,078,773	1,023,900	2,389,302	2,211,615
<i>Works and production services, inc.</i>				
Electricity transmission	6,994,383	6,853,726	21,556,551	20,417,456
Repairs, maintenance and installation services	171,359	226,847	420,750	431,331
Other works and production services	28,022	25,157	64,378	62,290
<i>Other services of outside organizations, inc.</i>				
Information services	88,561	83,239	250,313	246,161
Security	73,803	78,436	223,742	228,032
Communication services	64,333	71,090	184,979	204,698
Consulting, legal and audit services	3,648	8,836	33,931	37,516
Transportation services	9,320	6,299	18,828	16,950
Other services	251,624	218,959	650,993	599,556
Costs of Service Concession Arrangements	-	-	-	111,612
Debt settlement for electricity transmission, electricity for resale, purchased electricity to compensate for losses. Non-contracted consumption	623,825	137,414	896,646	238,689
Rent	118,487	136,478	363,602	422,439
Insurance	36,623	36,689	109,584	108,973
Provisions recognized	53,967	62,412	99,030	116,813
Other expenses	229,077	422,632	929,672	909,763
	<b>19,362,802</b>	<b>18,408,611</b>	<b>59,028,414</b>	<b>56,201,083</b>

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.

**PJSC "IDGC of Centre"**

**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**

Thousands of Russian Roubles, unless otherwise stated

**8 FINANCE INCOME AND COSTS**

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
<b>Finance income</b>				
Interest income	56,165	18,036	369,757	217,427
Dividends	7,308	12,695	14,608	12,695
Other finance income	-	155	9,506	31,650
	<b>63,473</b>	<b>30,886</b>	<b>393,871</b>	<b>261,772</b>
<b>Finance costs</b>				
Interest expense	993,069	1,132,456	3,114,754	3,473,384
Interest expense on employee benefits obligation	39,105	49,346	127,332	156,230
Interest on finance lease liabilities	294	13	398	126
Other finance costs	1,326	122	6,728	3,064
	<b>1,033,794</b>	<b>1,181,937</b>	<b>3,249,212</b>	<b>3,632,804</b>

**9 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents represent cash in bank accounts in the amount of RUB 736,017 thousand (as at 31 December 2016: RUB 227,779 thousand) and short-term deposits placed in banks in the amount of RUB 1,800,000 thousand (as at 31 December 2016: RUB 2,319,500 thousand). The interest rates on short-term deposits are 0.01%-9.60% per annum in nine months 2017 (6.50% - 10.86% per annum in 2016).

As at 30 September 2017 cash on accounts in banks with controlling interest of the Government is in the amount of RUB 514,162 thousand (as at 31 December 2016: RUB 213,286 thousand), in banks with non-controlling interests or without participation of the Government RUB 221,855 thousand (2016: RUB 14,493 thousand).

As at 30 September 2017 short-term deposits placed in banks with controlling interest of the Government, are in the amount of RUB 1,800,000 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).

**PJSC "IDGC of Centre"**

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Thousands of Russian Roubles, unless otherwise stated

**10 PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and buildings</b>	<b>Transmission networks</b>	<b>Equipment for electricity transformation</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Deemed cost</b>						
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	2,839	51,543	24,941	-	9,046,446	9,125,769
Transfers	711,377	2,906,775	1,399,369	1,336,702	(6,354,223)	-
Disposals	(2,043)	(9,838)	(28,839)	(56,301)	(7,689)	(104,710)
<b>Balance at 30 September 2016</b>	<b>32,301,559</b>	<b>57,707,900</b>	<b>33,086,755</b>	<b>17,816,466</b>	<b>6,163,315</b>	<b>147,075,995</b>
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	6,975,029	6,983,975
Transfers	1,118,575	2,641,744	928,827	1,237,139	(5,926,285)	-
Disposals	(13,997)	(8,084)	(30,608)	(79,411)	(1,506)	(133,606)
<b>Balance at 30 September 2017</b>	<b>35,276,079</b>	<b>62,679,603</b>	<b>36,229,821</b>	<b>19,498,181</b>	<b>4,913,555</b>	<b>158,597,239</b>
<b>Accumulated depreciation</b>						
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	(24,050)	(89,558)	(15,717)	(2,349)	131,674	-
Depreciation for the period	(1,075,168)	(2,456,711)	(1,352,161)	(1,283,909)	-	(6,167,949)
Disposals	1,222	8,550	18,320	55,669	6,801	90,562
<b>Balance at 30 September 2016</b>	<b>(11,308,359)</b>	<b>(29,310,297)</b>	<b>(13,689,752)</b>	<b>(11,853,610)</b>	<b>(331,151)</b>	<b>(66,493,169)</b>
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	(3,296)	(1,760)	(2,033)	(32)	7,121	-
Depreciation for the period	(1,159,504)	(2,832,795)	(1,520,607)	(1,351,186)	-	(6,864,092)
Disposals	4,965	6,994	27,744	77,417	67	117,187
<b>Balance at 30 September 2017</b>	<b>(12,754,026)</b>	<b>(32,766,059)</b>	<b>(15,539,129)</b>	<b>(13,465,439)</b>	<b>(178,304)</b>	<b>(74,702,957)</b>
<b>Net book value</b>						
At 1 January 2016	<b>21,379,021</b>	<b>27,986,843</b>	<b>19,350,112</b>	<b>5,914,023</b>	<b>3,009,155</b>	<b>77,639,154</b>
At 30 September 2016	<b>20,993,200</b>	<b>28,397,603</b>	<b>19,397,003</b>	<b>5,962,856</b>	<b>5,832,164</b>	<b>80,582,826</b>
At 1 January 2017	<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>
At 30 September 2017	<b>22,522,053</b>	<b>29,913,544</b>	<b>20,690,692</b>	<b>6,032,742</b>	<b>4,735,251</b>	<b>83,894,282</b>

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**11 INTANGIBLE ASSETS**

	Software	Research and development	Other intangible assets	Total
<i>Cost</i>				
Balance at 1 January 2016	961,152	43,911	1,118,561	2,123,624
Additions	583,395	27,477	124,005	734,877
Disposals	(142,393)	(13,475)	(46,451)	(202,319)
<b>Balance at 30 September 2016</b>	<b>1,402,154</b>	<b>57,913</b>	<b>1,196,115</b>	<b>2,656,182</b>
Balance at 1 January 2017	1,465,512	29,947	1,218,251	2,713,710
Reclassification between groups	-	(52,701)	52,701	-
Additions	164,499	25,380	258	190,137
Disposals	(41,148)	(270)	-	(41,418)
<b>Balance at 30 September 2017</b>	<b>1,588,863</b>	<b>2,356</b>	<b>1,271,210</b>	<b>2,862,429</b>
<i>Accumulated amortisation</i>				
Balance at 1 January 2016	(259,418)	-	(66,756)	(326,174)
Amortisation for the period	(194,049)	-	(54,824)	(248,873)
Disposals	140,636	-	45,287	185,923
<b>Balance at 30 September 2016</b>	<b>(312,831)</b>	<b>-</b>	<b>(76,293)</b>	<b>(389,124)</b>
Balance at 1 January 2017	(274,588)	-	(93,840)	(368,428)
Amortisation for the period	(261,329)	-	(56,346)	(317,675)
Disposals	41,148	-	-	41,148
<b>Balance at 30 September 2017</b>	<b>(494,769)</b>	<b>-</b>	<b>(150,186)</b>	<b>(644,955)</b>
<i>Net book value</i>				
<b>At 1 January 2016</b>	<b>701,734</b>	<b>43,911</b>	<b>1,051,805</b>	<b>1,797,450</b>
<b>At 30 September 2016</b>	<b>1,089,323</b>	<b>57,913</b>	<b>1,119,822</b>	<b>2,267,058</b>
<b>At 30 September 2017</b>	<b>1,094,094</b>	<b>2,356</b>	<b>1,121,024</b>	<b>2,217,474</b>

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 September 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 nine months 2017, the Company recovered unclaimed dividends in the amount of RUB 737 thousand (in nine months 2016: RUB 7,915 thousand).

## 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 September		Nine months ended 30 September	
	2017	2016	2017	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
<b>Profit for the period attributable to shareholders</b>	<b>(253,559)</b>	<b>746,189</b>	<b>2,447,542</b>	<b>3,228,202</b>
<b>Earnings/(loss) per share (in RUB): basic and diluted</b>	<b>(0.006)</b>	<b>0.018</b>	<b>0.058</b>	<b>0.076</b>

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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 September 2017	Effective interest rate 31 December 2016	Maturity	Par value		Carrying value	
					30 September 2017	31 December 2016	30 September 2017	31 December 2016
PJSC “Bank VTB”	Unsecured	8.75-8.95%	8.75-10.40%	2018-2019	4,730,000	9,260,000	4,730,000	9,260,000
PJSC “Sberbank”	Unsecured	8.75-9.95%	9.90-10.10%	2018-2019	13,691,608	13,696,185	13,691,608	13,696,185
PJSC «Promsvyasbank»	Unsecured	-	14.55%	2017	-	8,200	-	8,200
PJSC “SGB”	Unsecured	-	13.00%	2017	-	10	-	10
JSC “Banl GPB”	Unsecured	8.50%	-	2020	3,000,000	-	3,000,000	-
Unsecured bond issues	Unsecured	9.32-12.42%	9.32-12.42%	2018-2020	20,666,450	20,336,400	20,649,807	20,314,092
					<b>42,088,058</b>	<b>43,300,795</b>	<b>42,071,415</b>	<b>43,278,487</b>
Less: current portion								
PJSC “Bank VTB”	Unsecured	8.75-8.95%	8.75-10.40%	2018-2019	200,000	3,640,000	200,000	3,640,000
PJSC “Sberbank”	Unsecured	8.75-9.95%	9.90-10.10%	2018-2019	6,608	11,185	6,608	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	5,666,450	336,400	5,666,450	336,400
					<b>5,873,058</b>	<b>3,995,795</b>	<b>5,873,058</b>	<b>3,995,795</b>
<b>Total long-term borrowings</b>					<b>36,215,000</b>	<b>39,305,000</b>	<b>36,198,357</b>	<b>39,282,692</b>

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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 September 2017	Effective interest rate 31 December 2016	Par value		Carrying value		
			30 September 2017	31 December 2016	30 September 2017	31 December 2016	
PJSC “Bank VTB”	Unsecured	8.75-8.95%	8.75-10.40%	200,000	3,640,000	200,000	3,640,000
PJSC “Sberbank”	Unsecured	8.75-9.95%	9.90-10.10%	6,608	11,185	6,608	11,185
PJSC «Promsvyasbank»	Unsecured	-	14.55%	-	8,200	-	8,200
PJSC “SGB”	Unsecured	-	13.00%	-	10	-	10
Unsecured bond issues	Unsecured	9.32-12.42%	9.32-12.42%	5,666,450	336,400	5,664,631	336,400
				<b>5,873,058</b>	<b>3,995,795</b>	<b>5,871,239</b>	<b>3,995,795</b>

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 September 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 September 2017 the Group holds investment in equity share of RUB 179,265 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 or Loss and Other Comprehensive Income.

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

As at 30 September 2017, the Group’s unused portion of long-term and short-term credit line facilities amounted to RUB 24,315,000 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 12,205,000 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 5,645,490 thousand as at 30 September 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 September 2017 and 30 September 2016 are absent.

**(f) Guarantees**

As at 30 September 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 September 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 30 September		Transaction value for the nine months ended 30 September	
	2017	2016	2017	2016
<b>Sale of goods and services:</b>				
Fellow subsidiaries	6,878	21	13,867	2,461
<b>Purchase of goods and services:</b>				
Parent company	4,173,114	4,098,946	12,802,922	12,146,468
Fellow subsidiaries	96,161	96,161	288,485	288,485
	4,076,953	4,002,785	12,514,437	11,857,983

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**18 RELATED PARTY TRANSACTIONS (CONTINUED)**

	Balance	
	As at 30 September 2017	As at 31 December 2016
<b>Sale of goods and services:</b>	<b>11,855</b>	<b>21,567</b>
Fellow subsidiaries	11,855	21,567
<b>Purchase of goods and services:</b>	<b>954,349</b>	<b>1,232,264</b>
Parent company	45,235	22,617
Fellow subsidiaries	909,114	1,209,647
<b>Advances given:</b>	<b>28,523</b>	<b>30,335</b>
Fellow subsidiaries	28,523	30,335
<b>Advances received:</b>	<b>194,094</b>	<b>173,440</b>
Fellow subsidiaries	194,094	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 nine months ended 30 September 2017 and for the three and nine months ended 30 September 2016 and included into personnel costs was:

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Salary and bonuses	96,589	51,746	239,251	208,515

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

	30 September 2017	31 December 2016
Present value of defined benefit and defined contribution plans, as well as other payments for post-employment benefits	5,229	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 40% of the Group's total revenue for the three months ended 30 September 2017, (for the three months ended 30 September 2016: 46%) including 41% of the proceeds from the transmission of electricity for the three months ended 30 September 2017 (for the three months ended 30 September 2016: 47%).

Revenue from government-related entities accounts for 40% of the Group's total revenue for the nine months ended 30 September 2017, (for the nine months ended 30 September 2016: 38%) including 41% of the proceeds from the transmission of electricity for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: 39%).

Costs of electricity transmission from government-related entities account for 63% of the total costs of the electricity transmission for the three months ended 30 September 2017 (for the three months ended 30 September 2016: 66%).

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

Interest income from government-related entities accounts for 70% of the total interest income for the three months ended 30 September 2017 (for the three months ended 30 September 2016: 65%).

Interest income from government-related entities accounts for 80% of the total interest income for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: 81%).

Interest expenses from government-related entities account for 50% of the total interest expenses for the three months ended 30 September 2017 (for the three months ended 30 September 2016: 53%).

Interest expenses from government-related entities account for 51% of the total interest expenses for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: 55%).

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.