Consolidated interim condensed financial statements of Public Joint Stock Company ROSSETI and its subsidiaries prepared in accordance with IAS 34 “Interim financial reporting” for the three months ended 31 March 2018 (unaudited)

Contents Page

(in millions of Russian rubles, unless otherwise stated)

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
Revenue	7	260,271	230,609
Operating expenses	9	(219,626)	(186,279)
Other income/(expenses), net	8	6,041	(7,888)
Results from operating activities		**46,686**	**36,442**
Finance income	10	4,434	4,136
Finance costs	10	(7,229)	(8,093)
Net finance costs		**(2,795)**	**(3,957)**
Share of profit/(loss) of associates and joint ventures (net of income tax)		8	(14)
Profit before income tax		**43,899**	**32,471**
Income tax expense		(11,009)	(8,892)
Profit for the period		**32,890**	**23,579**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		–	3,254
Foreign currency translation difference		64	(5)
Income tax related to items that may be reclassified subsequently to profit or loss		–	(652)
Total items that may be reclassified subsequently to profit or loss		**64**	**2,597**
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income		8,187	–
Remeasurements of the defined benefit liability		(1,642)	(707)
Income tax related to items that will not be reclassified subsequently to profit or loss		(1,398)	98
Total items that will not be reclassified subsequently to profit or loss		**5,147**	**(609)**
Other comprehensive income, net of income tax		**5,211**	**1,988**
Total comprehensive income for the period		**38,101**	**25,567**
Profit attributable to:			
Owners of the Company		22,460	14,943
Non-controlling interest		10,430	8,636
Total comprehensive income attributable to:			
Owners of the Company		26,795	16,610
Non-controlling interest		11,306	8,957
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	17	0.11	0.08

These consolidated interim condensed financial statements were approved by management on 28 May 2018 and were signed on its behalf by:

Director General

P.A. Livinsky

Director for accounting
and reporting – Chief Accountant

D.V. Nagovitsyn

ПАО "Россети"

(in millions of Russian roubles, unless otherwise stated)

	Notes	31 March 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,942,158	1,940,227
Intangible assets	12	16,808	16,758
Investments in associates and joint ventures		956	883
Trade and other receivables	14	76,307	74,483
Assets related to employee benefits plans		6,481	6,709
Financial investments	13	78,232	69,914
Deferred tax assets		7,387	7,178
Total non-current assets		**2,128,329**	**2,116,152**
Current assets			
Inventories		40,793	35,050
Financial investments	13	19,026	149
Income tax prepayments		7,734	4,528
Trade and other receivables	14	157,657	151,466
Cash and cash equivalents	15	94,640	102,054
Total current assets		**319,850**	**293,247**
Total assets		**2,448,179**	**2,409,399**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	200,903	200,903
Share premium		213,098	213,098
Treasury shares		(2,702)	(2,702)
Other reserves		29,557	25,430
Retained earnings		643,506	621,077
Total equity attributable to owners of the Company		**1,084,362**	**1,057,806**
Non-controlling interest		377,300	365,755
Total equity		**1,461,662**	**1,423,561**
Non-current liabilities			
Loans and borrowings	18	495,758	506,990
Trade and other payables	19	47,753	39,840
Employee benefits liabilities		34,713	32,717
Deferred tax liabilities		83,860	76,202
Total non-current liabilities		**662,084**	**655,749**
Current liabilities			
Loans and borrowings	18	49,210	51,244
Trade and other payables	19	262,540	261,926
Provisions		10,553	10,561
Current income tax liabilities		2,130	6,358
Total current liabilities		**324,433**	**330,089**
Total liabilities		**986,517**	**985,838**
Total equity and liabilities		**2,448,179**	**2,409,399**

(in millions of Russian rubles, unless otherwise stated)

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
OPERATING ACTIVITIES			
Profit for the period		**32,890**	**23,579**
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangible assets	9	28,752	27,632
Finance costs	10	7,229	8,093
Finance income	10	(4,434)	(4,136)
(Gain)/loss on disposal of property, plant and equipment		(187)	269
Share of (profit)/loss of associates and joint ventures, net of income tax		(8)	14
Loss on regain of control over subsidiaries		–	12,639
Expected credit loss	9	7,469	3,930
Bad debt write-off		21	70
Non-cash receipt of property, plant and equipment		(1,001)	(516)
Accounts payable write-off		(57)	(124)
Non-cash settlements of technological connection agreements		–	123
Other non-cash transactions		(197)	(126)
Income tax expense		11,009	8,892
Operating profit before changes in working capital		**81,486**	**80,339**
Changes in working capital:			
Change in trade and other receivables		(13,090)	(7,935)
Change in inventories		(5,555)	(5,180)
Change in trade and other payables		17,412	7,750
Change in employee benefit liabilities		(248)	(458)
Change in provisions		(9)	(920)
Other		228	(320)
Cash flows from operating activities before income tax and interest paid		**80,224**	**73,276**
Income tax paid		(12,618)	(11,912)
Interest paid		(10,974)	(12,379)
Net cash flows from operating activities		**56,632**	**48,985**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(35,341)	(38,376)
Proceeds from sale of property, plant and equipment and intangible assets		630	169
Acquisition of investments and placement of bank deposits		(19,333)	(8,121)
Proceeds from disposal of investments and withdrawal of bank deposits		941	14,211
Interest received		1,134	2,404
Dividends received		7	8
Net cash flows used in investing activities		**(51,962)**	**(29,705)**

(in millions of Russian rubles, unless otherwise stated)

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		220,712	80,043
Repayment of loans and borrowings		(232,766)	(81,925)
Proceeds from share premium		–	1,275
Dividends paid		(2)	(1)
Repayment of finance lease liabilities		(28)	(59)
Net cash flows used in financing activities		**(12,084)**	**(667)**
Net (decrease)/ increase in cash and cash equivalents		**(7,414)**	**18,613**
Cash and cash equivalents at the beginning of the period		**102,054**	**86,970**
Cash and cash equivalents at the end of the period	15	**96,640**	**105,583**

(in millions of Russian roubles, unless otherwise stated)

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2017	**200,903**	**213,098**	**(2,702)**	**25,430**	**621,077**	**1,057,806**	**365,755**	**1,423,561**
Changes in accounting policy	–	–	–	(208)	208	–	–	–
Balance at 1 January 2018 (restated)	**200,903**	**213,098**	**(2,702)**	**25,222**	**621,285**	**1,057,806**	**365,755**	**1,423,561**
Profit for the year	–	–	–	–	22,460	22,460	10,430	32,890
Other comprehensive income	–	–	–	5,483	–	5,483	1,126	6,609
Related income tax	–	–	–	(1,148)	–	(1,148)	(250)	(1,398)
Total comprehensive income for the year	–	–	–	**4,335**	**22,460**	**26,795**	**11,306**	**38,101**
Changes in ownership interests in subsidiaries								
Shares issued by subsidiaries (Note 16)	–	–	–	–	(239)	(239)	239	–
Total transactions with owners of the Company	**–**	**–**	**–**	**–**	**(239)**	**(239)**	**239**	**–**
Balance at 31 March 2018	**200,903**	**213,098**	**(2,702)**	**29,557**	**643,506**	**1,084,362**	**377,300**	**1,461,662**

(in millions of Russian roubles, unless otherwise stated)

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Treasury shares**	**Reserve for issue of shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2017	**198,071**	**212,978**	**(2,702)**	**1,678**	**33,165**	**521,300**	**964,490**	**340,149**	**1,304,639**
Profit for the year	–	–	–	–	–	14,943	14,943	8,636	23,579
Other comprehensive income	–	–	–	–	2,128	–	2,128	414	2,542
Related income tax	–	–	–	–	(461)	–	(461)	(93)	(554)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,667**	**14,943**	**16,610**	**8,957**	**25,567**
Transactions with owners of the Company									
Contributions and distributions									
Issue of shares	–	–	–	1,275	–	–	1,275	–	1,275
Total contributions and distributions	**–**	**–**	**–**	**1,275**	**–**	–	**1,275**	–	**1,275**
Changes in ownership interests in subsidiaries									
Shares issued by subsidiaries (Note 16)	–	–	–	–	–	(763)	(763)	761	**(2)**
Total transactions with owners of the Company	**–**	**–**	**–**	**1,275**	**–**	**(763)**	**512**	**761**	**1,273**
Balance at 31 March 2017	**198,071**	**212,978**	**(2,702)**	**2,953**	**34,832**	**535,480**	**981,612**	**349,867**	**1,331,479**

1 Background

a) The Group and its operations

Joint Stock Company IDGC Holding (hereinafter referred to as "JSC IDGC Holding") was established on 1 July 2008 in accordance with the resolution of the Extraordinary General Meeting of the Shareholders of the Unified Energy System of Russia (hereinafter referred to as "RAO UES") dated 26 October 2007, as a spin-off of RAO UES.

At an Extraordinary General Meeting of Shareholders of JSC IDGC Holding on 23 March 2013, the decision was made to amend the Charter of JSC IDGC Holding, under which it was renamed JSC Russian Grids. On 4 April 2013, the respective changes to the Charter of JSC IDGC Holding were registered by the Interregional Inspectorate of the Federal Tax Service of Russia No. 46 for the city of Moscow.

Due to changes in the Civil Code of the Russian Federation at the Annual General Shareholders' Meeting held on 30 June 2015 the changes of organizational and legal form in the Charter of the Company were approved. JSC Russian Grids changed to Public Joint stock company «ROSSETI» (hereinafter referred to as PJSC «ROSSETI» or the "Company").

The ordinary and preference shares of the Company are traded on the Moscow Exchange. The Company's GDRs are traded on the London Stock Exchange.

The Company is located at 4 Belovezhskaya Street, Moscow, Russia, 121353.

The primary activities of PJSC «ROSSETI» and its subsidiaries (hereinafter referred to as the "Group" or "ROSSETI Group") are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network. The Group's power distribution companies sell electricity. The Group's principal subsidiaries are disclosed in Note 5.

b) Russian business environment

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

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

The ongoing deterioration of the political situation, caused by growing tension between the Russian Federation and the United States of America, the European Union and related events have increased the perceived risks of doing business in the Russian Federation.

The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and other countries, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

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

The 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.

c) Relations with state

The Russian Government through the Federal Agency for the Management of State Property is the ultimate controlling party of the Company. The Group is supported by the Russian Government due to its strategic position in the Russian Federation. The Group's customer base includes a large number of state-controlled entities.

As at 31 March 2018 the Russian Government owned 88.04 % in the share capital of the Company, including 88.89 % of the voting ordinary shares and 7.01 % of the preference shares.

The Group's strategic business units (see Note 6) are regional natural monopolies. The Russian Government directly affects the Group's operations through tariffs regulations. In accordance with the Russian legislation, the Group's tariffs are regulated by executive authorities of subjects of the Russian Federation in the field of state regulation of tariffs and Federal Antimonopoly Service. Many customers of the Group's services are government-related entities.

2 Basis of preparation

a) Statement of compliance

These consolidated interim condensed financial statements for the three month ended 31 March 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. These consolidated interim condensed financial statements should be read in conjunction with the Group's annual consolidated financial statement as at 31 December 2017 prepared under International Financial Reporting Standards (hereinafter – IFRS).

b) Use of professional judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated interim condensed financial statements significant professional judgements and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the period ended 31 December 2017.

The management constantly reviews assumptions and estimates based on previous experience and other factors that affect the application of accounting policies and the reported amounts of assets and liabilities. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by these changes.

3 Significant accounting policies

The principal accounting policies and methods of computation followed by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2017, except for the effect of adopted new standards as described below.

The following new standards were adopted by the Group starting from the annual period beginning on 1 January 2018:

a) IFRS 15 «Revenue from Contracts with Customers»

The Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is measured at the fair value of the consideration received or a portion thereof. To the extent that the Group expects to recover in exchange for the transfer of the pledged assets to the customer, excluding any amounts received from third parties (e.g., net of recoverable taxes).

Electricity distribution and sales of electricity

Revenue from distribution and sales of electricity is recognized during the period (settlements month) and is estimated by the results method (cost of transferred electricity volumes). The tariffs for the distribution of electricity (in respect to all subjects of the Russian Federation) and sale of electricity on the regulated market (in respect of subjects of the Russian Federation, not united in the price zones of the wholesale electricity market) are approved by the executive authorities of subjects of the Russian Federation (hereinafter - regional regulatory authority) in the sphere of the state energy tariff regulation within the range of cap and (or) floor tariffs approved by the Federal Antimonopoly Service of the Russian Federation.

Services for technological connection to electric grids

Recognition of revenue from this type of service is made at the time of the beginning of the electricity supply and the connection of the consumer to the power grid on the basis of the act on the implementation of technological connection.

Payment for technological connection based on individual project, standardized tariff rates, rates per unit of maximum supplied power and fee's formula for the technical connection are approved by the regional energy commission (tariffs and fees department of the local region) and do not depend on revenue from electricity distribution.

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

Other revenue

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

In accordance with the transition provisions in IFRS 15, the Group elected to apply IFRS 15 retrospectively with cumulative effect of initially applying a Standard to be recognized as an adjustment to retained earnings as at 1 January 2018. The application of the standard had no material impact on the Group's consolidated interim condensed financial statements and therefore the retained earnings as at 1 January 2018 were not restated.

b) IFRS 9 «Financial instruments»

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

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

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

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

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

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

(in millions of Russian roubles, unless otherwise stated)

On 1 January 2018 the Group has assessed which business models apply to the financial assets held at the date of initial application of IFRS 9 “Financial instruments” and has classified its financial instruments onto appropriate IFRS 9 categories. The main effects resulting from those reclassification are as follows:

		Reclassification of financial assets as at 1 January 2018			
	Balance as at 1 January 2018 under IAS 39	Carried at fair value through profit or loss	Carried at fair value through other comprehensive income	Carried at amortised cost	**Balance as at 1 January 2018 under IFRS 9**
Financial assets available-for-sale	67,024	(609)	(66,415)	–	–
Financial assets held – to - maturity	3,039	–	–	(3,039)	–
At fair value through profit or loss	–	609	–	–	609
At fair value through other comprehensive income	–	–	66,415	–	66,415
At amortised cost	–	–	–	3,039	3,039
Total:	**70,063**	**–**	**–**	**–**	**70,063**

The impact of the changes on the Group's equity, net of deffered tax, was as follows:

	Effect on available-for-sale reserve	**Effect on measured at fair value through other comprehensive income reserves**	**Effect on retained earnings**
Opening balance at 1 January 2018 under IAS 39	**33,784**	**–**	**208**
Reclassification of investments from available-for-sale into measured at fair value through other comprehensive income	(33,784)	33,992	(208)
Total impact	**(33,784)**	**33,992**	**(208)**
Opening balance at 1 January 2018 under IFRS 9	**–**	**33,992**	**–**

(in millions of Russian roubles, unless otherwise stated)

The table below reflects the original measurement category according to IAS 39 and the new measurement category according to IFRS 9:

	Measurement category		**Carrying amount**		
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**	**Difference**
Non-current financial assets					
Financial investments, including:					
Equity shares	*Available-for-sale*	*Measured at fair value through other comprehensive income*	66,415	66,415	–
Shares	*Available-for-sale*	*Measured at fair value through other profit or loss*	609	609	–
Deposits with maturity of more than 12 months and promissory notes	*Held- to- maturity*	*Amortised cost*	2,890	2,890	–
Trade and other receivables, loans given	*Amortised cost*	*Amortised cost*	69,426	69,426	–
Current financial assets					
Financial investments, including:					
Deposits with maturity of less than 12 months and promissory notes	*Held- to- maturity*	*Amortised cost*	149	149	–
Trade and other receivables, loans given	*Amortised cost*	*Amortised cost*	129,890	129,890	–
Cash and cash equivalents	*Amortised cost*	*Amortised cost*	102,054	102,054	–
Non-current and current financial liabilities					
Loans and borrowings, trade and other payables	*Amortised cost*	*Amortised cost*	745,007	745,007	–

The following new standards and interpretations, which are effective as at 1 January 2018, had no impact on the Group's consolidated interim condensed financial statements:

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

The following new standards and interpretations that are mandatory for the annual periods beginning on or after 1 January 2019, and which the Group has not early adopted:

IFRS 16 Leases. The standard was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees − leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Group intends to apply both exemptions. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The Group will be required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is considering the implication of this standard for the Group's consolidated financial statements.

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

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

4 Mesurement of fair values

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

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

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

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

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

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

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

(in millions of Russian roubles, unless otherwise stated)

5 Significant subsidiaries

	Country of incorporation	31 March 2018 Ownership/voting, %	31 December 2017 Ownership/voting, %
JSC “FGC UES”	Russian Federation	80.14	80.14
JSC “MOESK”	Russian Federation	50.90	50.90
SC “Tyumenenergo”	Russian Federation	100.00	100.00
JSC “Lenenergo”	Russian Federation	68.10/69.17	68.10/69.17
JSC “IDGC of Centre”	Russian Federation	50.23	50.23
SC “IDGC of Urals”	Russian Federation	51.52	51.52
JSC “IDGC of Centre and Volga region”	Russian Federation	50.40	50.40
JSC “Kubanenergo”	Russian Federation	92.78	92.78
JSC “IDGC of Siberia”	Russian Federation	57.84/55.59	57.84/55.59
JSC “IDGC of Volga”	Russian Federation	67.97	67.97
JSC “IDGC of North-West”	Russian Federation	55.38	55.38
JSC “IDGC of North Caucasus”	Russian Federation	97.30	97.30
SC “Chechenenergo”	Russian Federation	77.64	77.64
SC “IDGC of South”	Russian Federation	65.12	65.12
JSC “TDC”	Russian Federation	85.77/94.58	85.77/94.58
SC “Yantarenergo”	Russian Federation	100.00	100.00
SC “Karachaevo-Cherkesskenergo”	Russian Federation	100.00	100.00
SC “Kalmenergosbyt”	Russian Federation	100.00	100.00
SC “Kabbalkenergo”	Russian Federation	65.27	65.27
SC “Tyvaenergosbyt”	Russian Federation	100.00	100.00
SC “Sevkavkazenergo”	Russian Federation	55.94	55.94
JSC “Dagestan Power Sales Company”	Russian Federation	51.00	51.00

6 Information about segments

The Group has fourteen reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit offers electricity distribution services including technological connection services in separate geographical regions of the Russian Federation and is managed separately.

The "other" segment includes several operating segments such as electricity sales, rent services and repair and maintenance services. Unallocated items mainly comprise assets and balances of the Group's headquarter which exercises management activity on remuneration basis.

The Group's management responsible for operating decisions assesses the performance, assets and liabilities of operating segments based on internal management reports prepared based on the data formed in accordance with Russian Accounting Standards. The performance of each reportable segment is measured based on earnings before interest expense, income tax and depreciation and amortization (EBITDA).

EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of the Group's operating segments The reconciliation of items of reportable segments to similar items in these consolidated interim condensed financial statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Information regarding the results of each reportable segments is included below.

(in millions of Russian roubles, unless otherwise stated)

a) Information about reportable segments

For the three months ended 31 March 2018:

	IDGC Siberia and TDC	**Tyumen-energo**	**IDGC Urals**	**IDGC Volga**	**IDGC South**	**Kuban-energo**	**IDGC North Caucasus**	**IDGC Centre and Privolzhye**	**IDGC North-West**	**Lenenergo**	**Yantar-energo**	**IDGC Centre**	**MOESK**	**FGC UES**	**Other**	**Total**
Revenue from external customers	17,139	13,936	17,913	16,550	9,416	11,731	3,071	26,832	14,371	19,172	249	25,406	40,781	17,131	26,356	260,054
Inter-segment revenue	3	4	2,056	–	114	1	1,334	10	999	76	1,390	29	14	36,070	9,401	51,501
Total segment revenue	**17,142**	**13,940**	**19,969**	**16,550**	**9,530**	**11,732**	**4,405**	**26,842**	**15,370**	**19,248**	**1,639**	**25,435**	**40,795**	**53,201**	**35,757**	**311,555**
Including																
Electricity transmission	17,014	13,858	19,803	16,478	9,197	11,631	3,730	23,273	11,688	18,137	1,455	24,718	39,484	52,705	3,015	266,186
Connection services	70	24	84	32	46	63	7	158	71	969	154	285	999	33	101	3,096
Electricity sales	–	–	–	–	253	–	468	3,317	3,501	–	3	167	–	–	23,590	31,299
Other revenue	58	58	82	40	34	38	200	94	110	142	27	265	312	463	9,051	10,974
EBITDA	**2,760**	**886**	**3,345**	**3,643**	**1,928**	**1,781**	**155**	**7,773**	**2,639**	**6,486**	**486**	**5,861**	**10,367**	**43,291**	**89**	**91,490**

For the three months ended 31 March 2017:

	IDGC Siberia and TDC	**Tyumen-energo**	**IDGC Urals**	**IDGC Volga**	**IDGC South**	**Kuban-energo**	**IDGC North Caucasus**	**IDGC Centre and Privolzhye**	**IDGC North-West**	**Lenenergo**	**Yantar-energo**	**IDGC Centre**	**MOESK**	**FGC UES**	**Other**	**Total**
Revenue from external customers	16,018	15,234	16,799	14,909	8,509	10,114	2,899	22,779	11,362	16,744	107	24,289	37,537	11,454	21,391	230,145
Inter-segment revenue	23	2	1,883	1	109	1	1,233	6	814	129	1,334	1	64	34,404	8,421	48,425
Total segment revenue	**16,041**	**15,236**	**18,682**	**14,910**	**8,618**	**10,115**	**4,132**	**22,785**	**12,176**	**16,873**	**1,441**	**24,290**	**37,601**	**45,858**	**29,812**	**278,570**
Including																
Electricity transmission	15,828	15,096	18,496	14,789	8,339	9,893	3,501	22,658	11,602	15,217	1,400	23,585	36,265	45,313	3,630	245,612
Connection services	112	93	104	77	25	205	3	74	393	1,458	11	315	1,036	99	323	4,328
Electricity sales	–	–	–	–	219	–	429	–	–	–	–	159	–	–	20,816	21,623
Other revenue	101	47	82	44	35	17	199	53	181	198	30	231	300	446	5,043	7,007
EBITDA	**3,497**	**2,038**	**2,674**	**2,982**	**1,261**	**1,314**	**452**	**7,464**	**2,561**	**5,037**	**277**	**6,526**	**10,453**	**34,343**	**(2,994)**	**77,885**

(in millions of Russian roubles, unless otherwise stated)

As at 31 March 2018:

	IDGC Siberia and TDC	Tyumen-energo	IDGC Urals	IDGC Volga	IDGC South	Kuban-energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar-energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	**78,932**	**148,451**	**68,084**	**63,174**	**44,557**	**77,130**	**34,635**	**100,588**	**55,763**	**203,368**	**24,903**	**119,442**	**341,974**	**1,443,207**	**150,649**	**2,954,857**
Including property, plant and equipment and comstruction-in-progress	56,106	140,725	51,713	49,435	28,220	60,925	22,162	75,034	42,363	164,919	19,675	98,650	302,960	1,152,690	72,658	2,338,235

As at 31 December 2017:

	IDGC Siberia and TDC	Tyumen-energo	IDGC Urals	IDGC Volga	IDGC South	Kuban-energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar-energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	**78,479**	**147,816**	**66,359**	**63,291**	**44,461**	**71,857**	**34,548**	**101,518**	**53,951**	**205,678**	**24,109**	**119,666**	**342,208**	**1,425,040**	**148,080**	**2,927,061**
Including property, plant and equipment and comstruction-in-progress	55,096	141,268	51,736	49,735	28,697	59,659	22,579	75,889	42,342	168,639	18,863	99,672	304,656	1,158,091	73,680	2,350,602

(in millions of Russian roubles, unless otherwise stated)

b) Reconciliation of reportable segment EBITDA is presented below:

	Three months ended 31 March 2018	Three months ended 31 March 2017
EBITDA of reportable segments	**91,490**	**77,885**
Adjustment of provision for expected credit losses and impairment allowance of advances given	(1,957)	272
Provisions	(65)	1,242
Adjustments for financial lease	95	109
Adjustment for disposal of property, plant and equipment	157	(315)
Discounting of financial instruments	1,340	1,125
Adjustment on assets related to employee benefits	(228)	320
Adjustment for deferred expenses	(4)	(8)
Recognition of retirement and other long-term employee benefit obligation	(357)	(119)
Adjustment of impairment of intercompany promissory notes	–	(930)
Loss on regain of control over subsidiaries	–	(12,639)
Re-measurement of available-for-sale investments (transfer of re - measurement to equity)	(8,875)	(9)
Other adjustments	(3,563)	(1,509)
Unallocated items	834	2,029
EBITDA	**78,867**	**67,453**
Depreciation and amortization	(28,752)	(27,632)
Interest expenses on financial liabilities	(6,161)	(7,314)
Interest expenses on finance lease liabilities	(55)	(36)
Income tax expense	(11,009)	(8,892)
Profit for the period per consolidated interim condensed statement of profit and loss and other comprehensive income	**32,890**	**23,579**

(in millions of Russian roubles, unless otherwise stated)

7 Revenue

	Three months ended 31 March 2018	Three months ended 31 March 2017
Electricity transmission	221,978	203,743
Sales of electricity and capacity	28,453	19,067
Technological connection services	3,083	4,215
Other revenue	6,757	3,584
	260,271	**230,609**

Other revenues are mainly comprised of revenue from construction services, rental income, repair and maintenance services.

8 Other income/(expenses), net

	Three months ended 31 March 2018	Three months ended 31 March 2017
Income in the form of fines and penalties on commercial contracts	3,149	2,688
Income from compensation of losses in connection with retirement / liquidation of electric grid assets	870	243
Income from identified non-contracted electricity consumption	637	1,378
Loss on deconsolidation of subsidiaries	–	(12,639)
Net other income	1,385	442
	6,041	**(7,888)**

(in millions of Russian roubles, unless otherwise stated)

9 Operating expenses

	Three months ended 31 March 2018	**Three months ended 31 March 2017**
Personnel costs	45, 618	43,423
Depreciation and amortization	28,752	27,632
Material expenses, including:		
Electricity for compensation of losses	46,632	36,248
Electricity for sale	15,561	10,585
Purchased electricity and heat power for own needs	1,815	1,654
Other material costs	8,643	6,617
Production work and services, including:		
Electricity transmission services	39,310	36,197
Repair and maintenance services	1,874	1,467
Other works and industrial services	3,120	1,577
Taxes and levies other than income tax	7,601	6,339
Rent	1,593	1,449
Insurance	570	580
Other third-party services, including:		
Communication services	580	625
Security services	1,171	1,112
Consulting, legal and audit services	443	356
Software costs and servicing	407	524
Transportation services	595	600
Other services	1,819	1,653
Provision for expected credit losses	7,469	3,930
Provisions	553	817
Other expenses	5,500	2,894
	219,626	**186,279**

(in millions of Russian roubles, unless otherwise stated)

10 Finance income and costs

	Three months ended 31 March 2018	Three months ended 31 March 2017
Finance income		
Interest income on loans, bank deposits and accounts, and promissory notes	1,195	1,720
Interest income on assets related to employee benefits plans	17	404
Unwind of discount of financial assets	2,583	1,161
Other finance income	639	851
	4,434	**4,136**
Finance costs		
Interest expenses on financial liabilities measured at amortized cost	(6,161)	(7,313)
Interest expenses on finance lease liabilities	(55)	(36)
Interest expenses on defined benefit liabilities	(577)	(555)
Other finance costs	(436)	(189)
	(7,229)	**(8,093)**

(in millions of Russian roubles, unless otherwise stated)

11 Property, plant and equipment

	Land plots and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
Cost/Deemed cost						
At 1 January 2017	**254,538**	**1,212,811**	**980,599**	**287,328**	**352,733**	**3,088,009**
Reclassification between groups	2,013	(2,040)	(84)	111	–	–
Additions	65	489	94	547	28,982	30,177
Transfers	540	4,064	2,006	1,862	(8,472)	–
Disposals	(68)	(153)	(281)	(391)	(407)	(1,300)
At 31 March 2017	**257,088**	**1,215,171**	**982,334**	**289,457**	**372,836**	**3,116,886**
Depreciation and impairment						
At 1 January 2017	**(75,560)**	**(525,807)**	**(446,440)**	**(176,143)**	**(65,491)**	**(1,289,441)**
Reclassification between groups	(584)	5	219	299	61	–
Depreciation charge	(2,152)	(9,925)	(9,294)	(5,425)	–	(26,796)
Disposals	14	80	195	349	–	638
At 31 March 2017	**(78,282)**	**(535,647)**	**(455,320)**	**(180,920)**	**(65,430)**	**(1,315,599)**
Net book value						
At 1 January 2017	**178,978**	**687,004**	**534,159**	**111,185**	**287,242**	**1,798,568**
At 31 March 2017	**178,806**	**679,524**	**527,014**	**108,537**	**307,406**	**1,801,287**

(in millions of Russian roubles, unless otherwise stated)

	Land plots and buildings	**Electricity transmission networks**	**Equipment for electricity transmission**	**Other**	**Construction in progress**	**Total**
Cost/Deemed cost						
At 1 January 2018	**265,463**	**1,281,956**	**1,074,003**	**311,445**	**401,175**	**3,334,042**
Reclassification between groups	(163)	(3)	8	158	–	–
Additions	189	912	123	1,625	30,270	33,119
Transfers	750	4,412	10,869	1,486	(17,517)	–
Disposals	(165)	(207)	(284)	(688)	(2,726)	(4,070)
At 31 March 2018	**266,074**	**1,287,070**	**1,084,719**	**314,026**	**411,202**	**3,363,091**
Depreciation and impairment						
At 1 January 2018	**(83,527)**	**(564,321)**	**(488,699)**	**(196,108)**	**(61,160)**	**(1,393,815)**
Reclassification between groups	49	(18)	(236)	(57)	262	–
Depreciation charge	(2,047)	(10,377)	(10,123)	(5,425)	–	(27,972)
Disposals	48	90	75	548	93	854
At 31 March 2018	**(85,477)**	**(574,626)**	**(498,983)**	**(201,042)**	**(60,805)**	**(1,420,933)**
Net book value						
At 1 January 2018	**181,936**	**717,635**	**585,304**	**115,337**	**340,015**	**1,940,227**
At 31 March 2018	**180,597**	**712,444**	**585,736**	**112,984**	**350,397**	**1,942,158**

Capitalized borrowing costs for the three months ended 31 March 2018 amounted to RUB 3,701 million (for the three months ended 31 March 2017: RUB 4,639 million), with capitalization rates of 5.17 – 10.24% (for the three months ended 31 March 2017: 8.36 – 12.36%).

(in millions of Russian roubles, unless otherwise stated)

12 Intangible assets

	Software	Licenses, certificates and patents	Other	Total
Cost				
At 1 January 2017	**21,564**	**143**	**11,132**	**32,839**
Reclassification between groups	(39)	39	–	–
Additions	438	247	98	783
Disposals	(125)	–	(40)	(165)
At 31 March 2017	**21,838**	**429**	**11,190**	**33,457**
Amortization				
At 1 January 2017	**(12,225)**	**(102)**	**(3,708)**	**(16,035)**
Reclassification between groups	8	(8)	–	–
Amortization charge	(595)	(7)	(255)	(857)
Disposals	125	–	24	149
At 31 March 2017	**(12,687)**	**(117)**	**(3,939)**	**(16,743)**
Net book value				
At 1 January 2017	**9,339**	**41**	**7,424**	**16,804**
At 31 March 2017	**9,151**	**312**	**7,251**	**16,714**
Cost				
At 1 January 2018	**23,173**	**720**	**10,732**	**34,625**
Reclassification between groups	16	–	(16)	–
Additions	772	25	85	882
Disposals	(307)	–	(58)	(365)
At 31 March 2018	**23,654**	**745**	**10,743**	**35,142**
Amortization				
At 1 January 2018	**(13,847)**	**(140)**	**(3,880)**	**(17,867)**
Amortization charge	(611)	(17)	(171)	(799)
Disposals	306	–	26	332
At 31 March 2018	**(14,152)**	**(157)**	**(4,025)**	**(18,334)**
Net book value				
At 1 January 2018	**9,326**	**580**	**6,852**	**16,758**
At 31 March 2018	**9,502**	**588**	**6,718**	**16,808**

Capitalized borrowing costs for the three months ended 31 March 2018 amounted to RUB 14 million (for the three months ended 31 March 2017: RUB 9 million), with capitalization rates of 8.07 – 8.64% (for the three months ended 31 March 2017: 9.60 – 10.16%).

(in millions of Russian roubles, unless otherwise stated)

13 Financial investments

	31 March 2018	31 December 2017
Non-current		
Financial assets measured at amortised cost	3,023	–
Financial assets measured at fair value through other comprehensive income	74,600	–
Financial assets measured at fair value through profit or loss	609	–
Available-for-sale financial assets	–	67,024
Financial assets held-to-maturity	–	2,890
	78,232	**69,914**
Current		
Financial assets measured at amortised cost	19,026	–
Financial assets held-to-maturity	–	149
	19,026	**149**

Financial assets measured at fair value through other comprehensive income at 31 March 2018 and financial assets available-for-sale at 31 December 2017 are mainly represented by the shares in PJSC Inter RAO UES. Fair value of these shares is based on published market quotations and amounted to RUB 74,094 million and RUB 65,947 million as at 31 March 2018 and 31 December 2017 respectively.

Financial assets measured at amortised cost at 31 March 2018 and financial assets held to maturity at 31 December 2017 are mainly represented by bank deposits with an original maturity of more than three months.

	Interest rate	Rating	Rating agency	31 March 2018	31 December 2017
JSC Russian Agricultural Bank*	6.45-6.61	BB+	Fitch Ratings	5,521	–
JSC AB ROSSIYA	6.60-7.10	A+(RU)	ACRA	4,688	96
JSC Alfa-Bank	6.75	BB+	Standard & Poor’s	3,338	–
PJSC Sberbank*	6.30-6.61	BBB-	Fitch Ratings	3,019	3
OJSC Bank Tavrichesky	0.51	–	–	2,717	2,664
PJSC ROSBANK	6.65-7.40	BBB-	Fitch Ratings	2,110	–
VTB Bank (PJSC)*	6.60	BBB-	Standard & Poor’s	347	–
Bank GPB (JSC)*	–	–	–	–	35
				21,740	**2,798**

*Government-related

(in millions of Russian roubles, unless otherwise stated)

14 Trade and other receivables

	31 March 2018	31 December 2017
Non-current trade and other accounts receivable		
Trade receivables	70,566	69,415
Trade receivables impairment allowance	(1,040)	(742)
Other receivables	907	609
Other receivables impairment allowance	(6)	–
Loans given	137	144
Total financial assets	**70,564**	**69,426**
Advances given	7,284	7,309
Advances given impairment allowance	(6,630)	(6,635)
VAT on advances from customers	5,089	4,383
	76,307	**74,483**
Current trade and other accounts receivable		
Trade receivables	214,008	200,448
Trade receivables allowance for expected credit lossimpairment allowance	(91,908)	(85,608)
Other receivables	31,055	29,630
Other receivables allowance for expected credit lossimpairment allowance	(15,120)	(14,739)
Loans given	331	339
Current loans given allowance for expected credit loss	(181)	(180)
Total financial assets	**138,185**	**129,890**
Advances given	15,492	17,113
Advances given impairment allowance	(8,946)	(8,858)
VAT recoverable	11,130	11,709
VAT on advances from customers	1,154	1,031
Prepaid taxes, other than income tax and VAT	642	581
	157,657	**151,466**

(in millions of Russian roubles, unless otherwise stated)

15 Cash and cash equivalents

	31 March 2018	31 December 2017
Cash at banks and in hand	39,630	44,234
Cash equivalents	55,010	57,820
	94,640	**102,054**

	Rating	Rating agency	31 March 2018	31 December 2017
Bank GPB (JSC)*	BB+	Standard & Poor’s	15,054	11,425
UFK*	–	–	8,465	4,464
PJSC Sberbank*	BBB-	Fitch Ratings	8,098	16,945
JSC AB ROSSIYA	A+(RU)	ACRA	3,938	5,322
PJSC RNCB*	A(RU)	ACRA	1,663	3,354
JSC «Alfa-Bank»	BB+	Standard & Poor’s	884	815
VTB Bank (PJSC)*	BBB-	Standard & Poor’s	736	1,183
Other banks			712	670
Cash in hand			80	56
			39,630	**44,234**

*Government-related

Cash equivalents primarily consist of bank deposits placed with a number of banks for less than three months.

	Interest rate	Rating	Rating agency	31 March 2018	31 December 2017
Bank GPB (JSC)*	6.00-7.00	BB+	Standard & Poor’s	37,975	21,263
JSC Russian Agricultural Bank*	6.35-7.20	BB+	Fitch Ratings	8,830	3,282
VTB Bank (PJSC)*	0.01-7.90	BBB-	Standard & Poor’s	7,063	11,712
JSC AB ROSSIYA	6.70	A+(RU)	ACRA	700	9,228
PJSC Sberbank*	4.07-6.30	BBB-	Fitch Ratings	266	8,759
JSC «Alfa-Bank»	–	–	–	–	3,302
Other banks	7.25	–	–	1	43
				54,835	**57,589**

* Government-related

As at 31 March 2018 and as at 31 December 2017 all cash and cash equivalents balances were RUB nominated.

(in millions of Russian roubles, unless otherwise stated)

16 Equity

(a) *Share capital*

	Ordinary shares		Preference shares	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**
Par value	RUB 1	RUB 1	RUB 1	RUB 1
On 1 January	198 827 865 141	195 995 579 707	2 075 149 384	2 075 149 384
At the end of the year and fully paid	198 827 865 141	198 827 865 141	2 075 149 384	2 075 149 384

(b) *Ordinary and preference shares*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company shareholders' meetings.

Holders of preference shares are entitled to an annual dividend equal to 10% of net statutory profit divided by 25% of all shares. If the amount of dividends paid by the Company for each ordinary share in a given year exceeds the amount payable as a dividend on each preference share, the dividend rate payable on the latter must be increased to the amount of dividends on ordinary shares.

Preference shares carry the right to vote on all issues within the competence of general shareholders' meetings following the Annual Shareholders' Meeting at which a decision not to pay (or not to pay the full amount of) dividends on preference shares was taken. The right of preference shareholders to vote at general shareholders' meetings ceases from the date of the first full payment of dividends on such shares. The dividend is not cumulative, however. The preference shares also carry the right to vote, but this right is limited according to the amendments of the Company Charter, which include reorganization and liquidation.

In the event of liquidation, preference shareholders receive any declared unpaid dividends and the par value of the preference shares. Thereafter all shareholders, ordinary and preference, participate equally in the distribution of the remaining assets.

(c) *Dividends*

The basis for distribution of profits of the Company's profit to shareholders is defined by Russian legislation as net profit presented in its statutory financial statements prepared in accordance with the Regulations on Accounting and Reporting of the Russian Federation.

(d) *Changes in ownership interests of subsidiaries*

Shares issued by subsidiaries

On 23 August 2016 the Extraordinary General Meeting of Shareholders of PJSC IDGC of Northern Caucasus approved an increase in its share capital through the issuance of additional 3,258,695,653 ordinary nominal uncertified shares at a par value of RUB 1.0 each. The offering price was RUB 17.45 per share. As at 31 December 2017, the Group acquired 234,654,020 shares and, inclusive of actually outstanding shares of the current issue, the Group's ownership interest amounted to 97.30%.

In March 2018, the Group additionally purchased 407,908 shares of PJSC IDGC of the North Caucasus from this issue. The Group paid cash shares in the amount of 7 million rubles. As at 31 March 2018, taking into account the actually placed shares of the current issue, the Group's share increased insignificantly and amounted to 97.30%.

(e) *Treasury shares*

Information regarding treasury shares is presented below:

31 March 2018			**31 December 2017**		
Number of shares, mln.		**Cost,**	**Number of shares, mln.**		**Cost,**
Ordinary	**Preference**	**mln. RUB**	**Ordinary**	**Preference**	**mln. RUB**
1,486	308	2,702	1,486	308	2,702

17 Earnings per share

The calculation of the basic earnings per share for the three months ended 31 March 2018 and 31 March 2017 is given below. The Company does not have dilutive financial instruments.

In millions of shares	**Three months ended 31 March 2018**	**Three months ended 31 March 2017**
Issued shares at 1 January	198,828	195,996
Effect of own shares held	(1,486)	(1,486)
Effect of issued shares	1,796	1,796
Weighted average number of shares for the three months ended 31 March	**197,342**	**196,306**

	Three months ended 31 March 2018	**Three months ended 31 March 2017**
Weighted average number of ordinary shares for the three months ended 31 March (in millions of shares)	197,342	196,306
Profit for the period attributable to holders of ordinary shares	22,460	14,943
Profit per ordinary share (in RUB) – basic and diluted	**0.11**	**0.08**

(in millions of Russian roubles, unless otherwise stated)

18 Loans and borrowings

	31 March 2018	31 December 2017
Non-current liabilities		
Unsecured loans and borrowings	209,445	220,682
Unsecured bonds	331,918	333,193
Finance lease liabilities	936	984
Less: current portion of long-term finance lease liabilities	(184)	(400)
Less: current portion of long-term loans and borrowings	(4,870)	(22,269)
Less: current portion of long-term bonds	(41,487)	(25,200)
	495,758	**506,990**
Current liabilities		
Unsecured loans and borrowings	2,310	3,016
Promissory notes	359	359
Current portion of long-term finance lease liabilities	184	400
Current portion of long-term loans and borrowings	4,870	22,269
Current portion of long-term bonds	41,487	25,200
	49,210	**51,244**
Including:		
Interests payable on loans and borrowings	258	233
Interests payable on bonds	3,636	4,849
	3,894	**5,082**

As at 31 March 2018 and 31 December 2017, loans and borrowings are denominated in roubles.

(in millions of Russian roubles, unless otherwise stated)

The Group raised the following bank loans and borrowings during the three months ended 31 March 2018:

	Nominal interest rates	**Maturity**	**Nominal value**
Unsecured bank loans*	7.30-10.80%	2018–2021	194,935
Unsecured bank loans*	7.90–11.15%	2018–2021	8,588
Unsecured bank loans	7.55-11.00%	2018–2021	8,308
Unsecured bank loans*	7.30–10.65%	2018–2020	5,215
Unsecured bank loans*	8.35-10.00%	2020–2021	2,475
Unsecured bank loans*	7.83%	2021	470
Unsecured bank loans	11.75–13.00%	2018	336
Unsecured bank loans	11.00%	2019	200
Unsecured bank loans	9.05%	2018	135
Other unsecured loans	–	2018–2026	50
			220,712

* Loans from government-related entities

The Group repaid the following significant bank credits and bonds during the three months ended 31 March 2018:

	Nominal value
Loans from government-related entities	224,141
Other loans and borrowings	8,542
Bonds	83
	232,766

(in millions of Russian roubles, unless otherwise stated)

19 Trade and other payables

	31 March 2018	31 December 2017
Non-current accounts payable		
Trade payables	14,762	14,651
Other payables	653	587
Total financial liabilities	**15,415**	**15,238**
Advances from customers	32,338	24,602
	47,753	**39,840**
Current accounts payable		
Trade payables	128,678	135,193
Other payables and accrued expenses	15,316	16,124
Payables to employees	22,066	19,872
Dividends payable	340	346
Total financial liabilities	**166,400**	**171,535**
Advances from customers	68,466	71,264
	234,866	**242,799**
Taxes payable		
Value-added tax	13,156	9,170
Property tax	9,275	5,304
Social security contributions	3,685	3,476
Other taxes payable	1,558	1,177
	27,674	**19,127**
	262,540	**261,926**

As at 31 March 2018 and 31 December 2017 long-term trade accounts payable mainly relates to contracts for the purchase of property, plant and equipment in instalments.

(in millions of Russian roubles, unless otherwise stated)

20 Financial risk and capital management

The Group's financial risk and capital management objectives and policies and the assumptions made in measuring fair values are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017.

The fair values and carrying amounts of financial assets and liabilities are as follows:

		31 March 2018		Level of fair value hierarchy		
	Note	Carrying amount	Fair value	1	2	3
Loans given and receivables	14	208,749	208,749	–	–	208,749
Other financial assets measured at amortized cost	13	22,049	22,049	–	–	22,049
Financial assets measured at fair value through profit or loss	13	609	609	–	–	609
Financial assets measured at fair value through other comprehensive income	13	74,600	74,600	74,485	–	115
Cash and cash equivalents	15	94,640	94,640	94,640	–	–
Current and non-current loans and borrowings	18	(544,968)	(543,803)	(115,199)	(287,386)	(141,218)
Trade and other payables	19	(181,815)	(181,815)	–	–	(181,815)
Total:		**(326,136)**	**(324,971)**	**53,926**	**(287,386)**	**(91,511)**

		31 December 2017		Level of fair value hierarchy		
	Note	Carrying amount	Fair value	1	2	3
Loans given and receivables	14	199,316	199,316	–	–	199,316
Available-for-sale financial assets	13	67,024	67,024	66,298	–	726
Financial assets held to maturity	13	3,039	3,039	–	–	3,039
Cash and cash equivalents	15	102,054	102,054	102,054	–	–
Current and non-current loans and borrowings	18	(558,234)	(552,494)	(114,057)	(297,113)	(141,324)
Trade and other payables	19	(186,773)	(186,773)	–	–	(186,773)
Total:		**(373,574)**	**(367,834)**	**54,295**	**(297,113)**	**(125,016)**

The interest rate used to discount the expected future cash flows for long-term and short-term loans borrowings for the purpose of determining the fair value disclosed as at 31 March 2018 was 8.00 -9.80% (as at 31 December 2017: 7.90 – 9.80%).

During the three months ended 31 March 2018 there were no transfers between the levels of the fair value hierarchy

As of 31 March 2018, the amount of free limit on open but unused credit lines of the Group was RUB 453,911 million (31 December 2017: RUB 437,473 million). The Group has opportunity to attract additional financing within the corresponding limits, including for the purpose of execution of the short-term obligations.

21 Capital commitments

As at 31 March 2018, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 289,023 million, including VAT (as at 31 December 2017: RUB 261,598 million including VAT).

22 Contingencies

a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage, including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and the financial position of the Group in case of damage caused to third parties, and also as a result of damage or loss of assets, insurance protection of which is non-existent or not fully implemented.

b) Taxiation contingincies

The current 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 for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation. These circumstances may lead to tax risks in the Russian Federation being much higher than in other countries.

Management of the Group believes that it has adequately provided for tax assets and liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions; the Group’s tax, currency and customs positions will be sustained. However, the interpretations of the relevant authorities could differ and have an effect on these consolidated financial statements if the authorities were successful in enforcing their interpretations.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.

(in millions of Russian roubles, unless otherwise stated)

c) Legal proceedings

The Group is party to a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the consolidated interim condensed financial statements.

d) Environmental matters

The Group has been operating in the electric transmission industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to develop, the duties of the authorized state bodies to monitor its compliance are reviewed. Potential liabilities arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation cannot be estimated Under existing legislation, management believes that there are no probable liabilities, which will have a material adverse effect on the Group's financial position, results of operations or cash flows.

e) Guarantees

As at 31 March 2018 the Company acts as a guarantor to Infrastructural Investments-3 LLC for the performance of its subsidiaries' obligations under lease agreements. The total amount of the guarantee is RUB 11,556 million.

23 Related party transactions

a) Control relationships

The Russian Federation holds the majority of the voting shares of the Company. It is the ultimate controlling party of the Group.

b) Transactions with the key management personnel

In order to prepare these consolidated financial statements, the key management personnel are members of the Management Board and the Board of Directors of the PJSC "ROSSETI" and general directors (sole executive body) of subsidiaries engaged in transmission and distribution of electric power through electric grids.

The remuneration for key management personnel consists of the salary stipulated by the employment contract, non-monetary benefits, bonuses determined based on the results for the period, and other payments. Remuneration or compensation is not payable to members of the Board of Directors who are government employees.

The amounts of the key management personnel remuneration disclosed in the table are recognized as an expense related to the key management personnel during the reporting period and included in personnel costs:

	Three months ended 31 March 2018	**Three months ended 31 March 2017**
Short-term remuneration, including salary and bonuses	118	109
Post-employment benefits	5	3
Total	**123**	**112**

As of 31 March 2018, the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the consolidated statement of financial position includes liabilities related to the key management personnel for RUB 76 million (31 December 2017: RUB 71 million).

c) Transactions with government-related entities

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

Revenues from government-related entities for the three months ended 31 March 2018 constitute 36% (for the three months ended 31 March 2017: 40%) of total Group revenues, including 38% (three months ended 31 March 2017: 42%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three months ended 31 March 2018 constitute 26% (for the three months ended 31 March 2017: 33%) of total electricity transmission costs.

For the three months ended 31 March 2018 interest expenses on government-related banks loans amounted to RUB 2,927 million (for the three months ended 31 March 2017: RUB 4,168 million).

As at 31 March 2018 cash and cash equivalents held in government-related banks amounted to RUB 88,150 million (as at 31 December 2017: RUB 82,506 million).

As at 31 March 2018 deposits with an original maturity of more than three months placed in government-related banks amounted to RUB 8,887 million (as at 31 December 2017: RUB 38 million).

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