

Public Joint Stock Company «ROSSETI» and its subsidiaries

Consolidated Interim Condensed Financial Statements
prepared in accordance with IAS 34 “Interim financial reporting”
for the three and nine months ended 30 September 2017 (unaudited)

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ROSSETI Group
 Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income
 for the three and nine months ended 30 September 2017 (unaudited)
 (in millions of Russian roubles, unless otherwise stated)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
Revenue	6	221,193	205,679	658,120	621,160
Operating expenses	8	(184,962)	(173,997)	(541,914)	(531,367)
Other income, net	7	5,624	4,167	2,394	22,476
Results from operating activities		41,855	35,849	118,600	112,269
Finance income	9	3,960	3,089	13,899	10,669
Finance costs	9	(7,190)	(10,657)	(22,759)	(29,703)
Net finance costs		(3,230)	(7,568)	(8,860)	(19,034)
Share of (loss)/profit of associates and joint ventures (net of income tax)		3	(203)	(13)	(276)
Profit before income tax		38,628	28,078	109,727	92,959
Income tax expense		(11,609)	(3,456)	(28,705)	(14,533)
Profit for the period		27,019	24,622	81,022	78,426
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net change in fair value of available-for-sale financial assets		(2,347)	13,003	(2,601)	40,465
Allowance for foreign currency translation differences		(84)	(25)	2	(28)
Income tax related to items that may be reclassified subsequently to profit or loss		470	(2,598)	518	(8,090)
Total items that may be reclassified subsequently to profit or loss		(1,961)	10,380	(2,081)	32,347
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the defined benefit liability		(406)	379	(1,307)	(2,432)
Income tax related to items that will never be reclassified subsequently to profit or loss		50	(76)	156	320
Total items that will not be reclassified subsequently to loss or profit		(356)	303	(1,151)	(2,112)
Other comprehensive income for the period, net of income tax		(2,317)	10,683	(3,232)	30,235
Total comprehensive income for the period		24,702	35,305	77,790	108,661
Profit attributable to:					
Owners of the Company		20,742	18,856	57,958	61,190
Non-controlling interest		6,277	5,766	23,064	17,236
Total comprehensive income attributable to:					
Owners of the Company		18,932	27,374	55,510	85,730
Non-controlling interest		5,770	7,931	22,280	22,931
Earnings per share					
Basic and diluted earnings per ordinary share (in RUB)	16	0.10	0.10	0.29	0.32

These consolidated interim condensed financial statements were approved by management on 28 November 2017 and were signed on its behalf by:

Director General

P.A. Livinsky



Director for accounting
and reporting – Chief Accountant

D.V. Nagovitsyn

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

	Notes	30 September 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,857,920	1,798,568
Intangible assets	11	16,182	16,804
Investments in associates and joint ventures		922	936
Non-current accounts receivable		49,468	51,262
Other investments and financial assets	12	82,981	85,351
Deferred tax assets		5,949	7,069
Total non-current assets		2,013,422	1,959,990
Current assets			
Inventories		40,114	33,143
Other investments and financial assets	12	20,953	12,620
Current income tax prepayments		5,566	6,339
Trade and other receivables	13	171,039	167,616
Cash and cash equivalents	14	83,074	86,970
Total current assets		320,746	306,688
Total assets		2,334,168	2,266,678
EQUITY AND LIABILITIES			
Equity			
	15		
Share capital		200,903	198,071
Share premium		213,098	212,978
Treasury shares		(2,702)	(2,702)
Reserve for issue of shares		-	1,678
Other reserves		30,717	33,165
Retained earnings		576,025	521,300
Total equity attributable to equity holders of the Company		1,018,041	964,490
Non-controlling interest		356,020	340,149
Total equity		1,374,061	1,304,639
Non-current liabilities			
Loans and borrowings	17	465,788	472,057
Trade and other payables	18	23,488	23,698
Employee benefits		29,926	28,425
Deferred tax liabilities		77,601	66,835
Total non-current liabilities		596,803	591,015
Current liabilities			
Loans and borrowings	17	81,733	86,829
Trade and other payables	18	270,185	261,754
Provisions		10,275	14,305
Current income tax liabilities		1,111	8,136
Total current liabilities		363,304	371,024
Total liabilities		960,107	962,039
Total equity and liabilities		2,334,168	2,266,678

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

	Notes	Nine months ended 30 September 2017	Nine months ended 30 September 2016
OPERATING ACTIVITIES			
Profit for the period		81,022	78,426
<i>Adjustments for:</i>			
Depreciation and amortization of property, plant and equipment and intangible assets	8	82,542	84,207
Finance costs	9	22,759	29,703
Finance income	9	(13,899)	(10,669)
Loss/(profit) on disposal of property, plant and equipment		163	(1,104)
Share of loss of associates and joint ventures, net of income tax		13	276
Loss on regain of control/(gain on derecognition) of subsidiaries/subsidiary	7	12,639	(12,669)
Impairment of accounts receivable		5,922	9,895
Bad debt write-off		281	151
Non-cash receipt of property, plant and equipment		(2,601)	(2,454)
Non-cash settlement of technical connection agreements		(1,716)	(1,247)
Other non-cash transactions		(387)	(336)
Income tax expense		28,705	14,533
Operating profit before changes in working capital		215,443	188,712
Change in trade and other receivables (before impairment)		(6,089)	(25,359)
Change in financial assets related to employee benefit fund		(177)	(28)
Change in inventories (before impairment)		(6,905)	356
Change in trade and other payables		383	11,954
Change in employee benefit liabilities		(1,438)	(998)
Change in provisions		(4,030)	1,263
Cash flows from operating activities before income tax and interest paid		197,187	175,900
Income taxes paid		(23,409)	(16,874)
Interest paid		(35,184)	(45,950)
Net cash flows from operating activities		138,594	113,076
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(127,224)	(112,464)
Proceeds from sale of property, plant and equipment		866	3,427
Acquisition of investments and placement of bank deposits		(26,357)	(20,602)
Proceeds from sale of investments and withdrawal of bank deposits		19,014	34,849
Interest received		7,584	8,920
Dividends received		2,500	347
Net cash flows used in investing activities		(123,617)	(85,523)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		322,935	200,612
Repayment of loans and borrowings		(333,309)	(214,875)
Proceeds from share premium		1,404	1,444
Dividends paid		(9,704)	(9,987)
Payment of finance lease liabilities		(199)	(154)
Net cash flows from financing activities		(18,873)	(22,960)
Net increase in cash and cash equivalents		(3,896)	4,593
Cash and cash equivalents at the beginning of the period		86,970	97,090
Cash and cash equivalents at the end of the period		83,074	101,683

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

	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 period	-	-	-	-	-	57,958	57,958	23,064	81,022
Other comprehensive income	-	-	-	-	(2,961)	-	(2,961)	(945)	(3,906)
Related income tax on other comprehensive income	-	-	-	-	513	-	513	161	674
Total comprehensive income for the period	-	-	-	-	(2,448)	57,958	55,510	22,280	77,790
Transactions with owners of the Company									
Contributions and distributions									
Issue of shares (Note 15)	2,832	120	-	(1,678)	-	-	1,274	-	1,274
Dividends (Note 15)	-	-	-	-	-	(1,895)	(1,895)	(7,877)	(9,772)
Total contributions and distributions	2,832	120	-	(1,678)	-	(1,895)	(621)	(7,877)	(8,498)
Changes in ownership interests in subsidiaries									
Shares issued by subsidiaries (Note 15)	-	-	-	-	-	(1,338)	(1,338)	1,468	130
Total transactions with owners of the Company	2,832	120	-	(1,678)	-	(3,233)	(1,959)	(6,409)	(8,368)
Balance at 30 September 2017	200,903	213,098	(2,702)	-	30,717	576,025	1,018,041	356,020	1,374,061

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

	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 2016	163,154	212,978	(2,713)	33,473	(2,100)	448,120	852,912	315,983	1,168,895
Profit for the period	–	–	–	–	–	61,190	61,190	17,236	78,426
Income tax on other comprehensive income	–	–	–	–	30,829	–	30,829	7,176	38,005
Total comprehensive income for the period	–	–	–	–	(6,289)	–	(6,289)	(1,481)	(7,770)
Transactions with owners of the Company					24,540	61,190	85,730	22,931	108,661
Contributions and distributions									
Issue of shares (Note 15)	34,917	–	–	(33,473)	–	–	1,444	–	1,444
Dividends (Note 15)	–	–	–	–	–	(1,757)	(1,757)	(8,101)	(9,858)
Total contributions and distributions	34,917	–	–	(33,473)	–	(1,757)	(313)	(8,101)	(8,414)
Changes in ownership interests in subsidiaries									
Shares issued by subsidiaries	–	–	–	–	–	159	159	(159)	–
Total transactions with owners of the Company	34,917	–	–	(33,473)	–	(1,598)	(154)	(8,260)	(8,414)
Balance at 30 September 2016	198,071	212,978	(2,713)	–	22,440	507,712	938,488	330,654	1,269,142

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

1. Background

(a) The Group organisational structure and its operations

Open Joint Stock Company “Interregional Distribution Grid Companies 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.

On 23 March 2013 at an Extraordinary General Meeting of Shareholders of JSC IDGC Holding the decision was made to amend the Charter of JSC “IDGC Holding”, under which it was renamed Joint Stock Company “Russian Grids” (JSC “Russian Grids”). On 4 April 2013 the respective changes to the Charter of JSC “IDGC Holding” were registered by the Interregional inspectorate of Federal Tax Service №46 of Moscow.

On 30 June 2015 the changes of organizational and legal form the Company’s Charter were approved due to changes in Russian legislation. JSC Russian Grids was renamed into Public Joint Stock Company “ROSSETI” (hereinafter referred to as “the Company” or PJSC “ROSSETI”)

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

The Company’s registered office 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 consumers’ technological connection to the network. The Group’s power distribution companies sell electricity. The Group’s principal subsidiaries are disclosed in Note 4.

(b) Russian business environment

The Group’s operations are located in the Russian Federation and are thus exposed to the economic and financial markets of the Russian Federation. The economics of the Russian Federation continues to display some characteristics of an emergency market. These characteristics include, but are not limited to, existence of a currency that in practice not convertible in most countries outside the Russian Federation and relatively high inflation. The tax, currency and custom legislation are the subject to varying interpretations and frequent changes.

The conflict in Ukraine and related events has 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 others, 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 direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

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

1. Background (continued)

(c) Relations with state and current regulations

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 economy of the Russian Federation. The Group's customer base includes a large number of state-controlled entities.

As at 30 September 2017 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 (Note 15).

The Group's strategic business units (Note 5) are regional natural monopolies. The Russian Government directly affects the Group's operations through tariffs regulation. In accordance with Russian legislation the Group's tariffs are regulated by executive authorities of subject of the Russian Federation in the field of state regulation of tariffs and Federal Antimonopoly Service.

2. Basis of preparation

(a) Statement of compliance

These consolidated interim condensed financial statements for the three month ended 30 September 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The consolidated interim condensed financial statements do not include all information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statement as at 31 December 2016.

(b) Use of professional judgements and estimates

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

In preparing these consolidated interim condensed financial statements significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year 2016.

OJSC "Nurenergo". On 29 June 2016 the Commercial Court of the Republic of Chechnya declared OJSC "Nurenergo", the subsidiary of the Group (100% ownership), bankrupt and appointed an external bankruptcy manager. In accordance with Russian legislation on insolvency (bankruptcy), since the date a debtor is declared bankrupt, the power of all executive bodies of a debtor is terminated and transferred to a bankruptcy manager. Thus the Group lost the right to direct relevant activities of the subsidiary and, therefore, lost control over the entity. As a result on 30 June 2016 the Group derecognized the assets and liabilities of the OJSC "Nurenergo" and recognised gain amounted to RUB 12,669 million in item "Other income, net" of the consolidated statement of profit or loss and other comprehensive income.

On 27 of January 2017, the North-Caucasian District State Commercial Court (the Court of Cassation) overturned the Court Ruling and sent the case to the Court of First Instance for re-trial. As at 30 September 2017 the Group analysed all the facts and conditions and concluded that the control over the subsidiary was regained from 27 January 2017.

The Group recognized the assets and liabilities of the OJSC "Nurenergo" as at 30 September 2017. The difference between its identifiable liabilities at the date when control was regained and reversal of impairment of intercompany balances was not accounted for as goodwill by the Group and was recognised immediately as a loss in the amount of RUB 12,627 million in item "Other expenses/income, net" of the consolidated statement of profit or loss and other comprehensive income.

2. Basis of preparation (continued)

(b) Use of professional judgements and estimates (continued)

On 27 October 2017 the Commercial Court of the Republic of Chechnya declared OJSC “Nurenergo”, bankrupt and initiated six months liquidation procedure up to 27 April 2018. The Group will account the loss of control over “Nurenergo” in its 2017 annual consolidated financial statements.

3. Significant accounting policies

The accounting policies adopted in the preparation of the consolidated interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017, and which the Group has not early adopted:

- IFRS 16, *Leases* (effective for annual periods beginning on or after 1 January 2019). The standard requires lessees to recognize assets and liabilities for most leases. For lessors, there is a minor change to the existing accounting treatment in IAS 17, *Leases*. Early application is permitted, provided the new revenue standard, IFRS 15, *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16.
- IFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after 1 January 2018, early adoption is permitted). The standard introduces new requirements for classification and measurement of financial instruments, impairment, and hedge accounting.
- IFRS 15, *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018, early adoption is permitted). The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any discounts on the contract price must generally be allocated to the separate elements of contracts with customers. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

The Group is considering the implications of the new standards and amendments to the existing ones for the Group’s consolidated financial statements, and the timing of their adoption by the Group.

Certain comparative balances have been reclassified to conform with the current period presentation. All reclassifications are immaterial.

4. Significant subsidiaries

	Country of incorporation	30 September 2017 Ownership/voting, %	31 December 2016 Ownership/voting, %
PJSC "FGC UES"	Russian Federation	80.13	80.13
PJSC "MOESK"	Russian Federation	50.90	50.90
JSC "Tyumenenergo"	Russian Federation	100.00	100.00
PJSC "Lenenergo"	Russian Federation	68.10/68.42	68.10/68.69
PJSC "IDGC of Centre"	Russian Federation	50.23	50.23
JSC "IDGC of Urals"	Russian Federation	51.52	51.52
PJSC "IDGC of Centre and Volga region"	Russian Federation	50.40	50.40
PJSC "Kubanenergo"	Russian Federation	92.77*	92.24
PJSC "IDGC of Siberia"	Russian Federation	57.84/55.59	57.84/55.59
PJSC "IDGC of Volga"	Russian Federation	68.45*	68.89
PJSC "IDGC of North-West"	Russian Federation	55.38	55.38
PJSC "IDGC of North Caucasus"	Russian Federation	93.20	93.20
JSC "Chechenenergo"	Russian Federation	76.24*	72.66
PSC "IDGC of South"	Russian Federation	65.12*	53.01
PJSC "TDC"	Russian Federation	85.77/85.77	85.77/85.77
JSC "Yantarenergo"	Russian Federation	100.00	100.00
JSC "Karachaevo-Cherkesskenergo"	Russian Federation	100.00	100.00
JSC "Kalmenergosbyt"	Russian Federation	100.00	100.00
JSC "Kabbalkenergo"	Russian Federation	65.27/65.27	65.27/65.27
JSC "Tyvaenergosbyt"	Russian Federation	100.00	100.00
JSC "Sevkavkazenergo"	Russian Federation	55.94	55.94
PJSC "Dagestan Power Sales Company"	Russian Federation	51.00	51.00

*The share is indicated taking into account the actually placed shares of the current issue

5. 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.

5. Information about segments (continued)

(a) Information about reportable segments

For the three months ended 30 September 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	12,696	13,484	15,108	14,475	8,807	12,080	2,804	22,044	8,938	15,469	269	20,529	34,076	16,295	23,167	220,241														
Inter-segment revenue	85	2	1,562	28	138	1	1,211	46	696	75	1,039	7	4	34,547	9,446	48,887														
Total segment revenue	12,781	13,486	16,670	14,503	8,945	12,081	4,015	22,090	9,634	15,544	1,308	20,536	34,080	50,842	32,613	269,128														
Including																														
<i>Electricity</i>	12,531	13,391	16,376	14,345	8,561	11,937	3,304	18,975	9,357	14,096	1,080	19,867	32,323	50,283	2,203	228,629														
<i>transmission</i>	115	41	210	77	84	120	18	254	116	1,268	175	280	1,369	102	210	4,439														
<i>Connection services</i>	—	—	—	—	226	—	407	2,728	—	—	—	110	—	—	15,003	18,474														
<i>Electricity sales</i>	135	54	84	81	74	24	286	133	161	180	53	279	388	457	15,197	17,586														
<i>Other revenue</i>																														
EBITDA	2,120	2,297	2,499	2,826	2,748	3,115	607	4,743	1,075	5,494	415	3,709	6,708	33,717	49	72,122														

For the three months ended 30 September 2016:

	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	11,691	14,141	13,964	12,909	7,618	12,171	2,744	18,536	8,644	14,036	227	20,256	32,300	11,181	25,357	205,775														
Inter-segment revenue	13	2	1,556	—	128	2	1,034	6	703	30	880	2	2	34,057	8,919	47,334														
Total segment revenue	11,704	14,143	15,520	12,909	7,746	12,173	3,778	18,542	9,347	14,066	1,107	20,258	32,302	45,238	34,276	253,109														
Including																														
<i>Electricity</i>	11,498	13,964	15,049	12,728	7,609	10,993	3,182	18,375	9,004	12,484	1,027	19,723	29,950	44,414	2,841	212,841														
<i>transmission</i>	140	127	369	134	92	1,159	6	109	181	1,498	56	289	1,997	388	1,477	8,022														
<i>Connection services</i>	—	—	—	—	—	—	355	—	—	—	—	—	—	—	11,012	11,367														
<i>Electricity sales</i>	66	52	102	47	45	21	235	58	162	84	24	246	355	436	18,946	20,879														
<i>Other revenue</i>																														
EBITDA	1,994	2,691	2,255	2,611	2,004	3,853	767	3,945	1,032	4,884	258	4,222	7,021	34,208	147	71,892														

5. Information about segments (continued)

(a) Information about reportable segments (continued)

For the nine months ended 30 September 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	41,635	42,815	46,484	42,404	25,194	30,955	8,262	64,351	29,813	47,727	65,725	104,665	40,395	65,968	656,913
Inter-segment revenue	137	5	5,046	30	344	3	3,532	67	2,218	277	15	71	103,249	25,623	144,095
Total segment revenue	41,772	42,820	51,530	42,434	25,538	30,958	11,794	64,418	32,031	48,004	3,998	104,736	143,644	91,591	801,008
Including Electricity	41,174	42,375	50,734	41,967	24,247	30,494	9,835	60,904	30,884	42,819	3,641	99,509	140,486	7,887	690,636
transmission	286	290	542	294	303	396	73	513	626	4,640	234	4,195	1,815	1,363	16,481
Connection services	—	—	—	—	610	—	1,200	2,728	—	—	—	—	—	—	—
Electricity sales	312	155	254	173	378	68	686	273	521	545	123	1,032	1,343	47,897	52,824
Other revenue	7,718	6,524	9,262	7,982	5,478	5,301	1,156	16,903	4,952	17,577	1,061	24,305	102,921	(2,460)	223,039
EBITDA															

For the nine months ended 30 September 2016:

	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	37,596	41,980	41,966	38,289	22,409	31,215	7,954	55,333	27,377	41,872	61,622	98,810	33,443	80,163	620,775
Inter-segment revenue	18	7	4,673	1	358	3	3,263	18	2,499	94	2,773	7	97,723	24,699	136,140
Total segment revenue	37,614	41,987	46,639	38,290	22,767	31,218	11,217	55,351	29,876	41,966	61,626	98,817	131,166	104,862	756,915
Including Electricity	37,092	41,482	45,512	37,930	22,472	28,904	9,465	54,841	29,057	38,802	60,043	92,397	127,247	10,613	639,097
transmission	342	348	820	224	168	2,252	79	341	323	2,922	889	5,596	2,621	1,735	18,861
Connection services	—	—	—	—	—	—	1,056	—	—	—	—	—	—	—	—
Electricity sales	180	157	307	136	127	62	617	169	496	242	694	824	1,298	52,898	53,954
Other revenue	3,831	8,354	6,542	6,526	3,923	7,335	1,417	9,806	4,302	15,208	709	24,251	102,844	777	208,360
EBITDA															

5. Information about segments (continued)

(a) Information about reportable segments (continued)

As at 30 September 2017:

	IDGC										Total					
	TDC	Siberia and Tyumen-energo	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
Segment assets	75,933	141,048	65,442	61,311	44,669	69,895	35,014	97,946	57,816	194,652	23,258	119,083	338,526	1,358,723	177,614	2,860,930
<i>Including property, plant and equipment and construction-in-progress</i>																
	52,548	133,797	50,477	49,652	28,478	57,243	23,001	75,080	40,560	152,711	16,857	97,316	298,973	1,097,456	76,550	2,250,699

As at 31 December 2016:

	IDGC										Total					
	TDC	Siberia and Tyumen-energo	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
Segment assets	75,828	143,406	64,960	63,070	44,818	67,288	35,640	91,983	58,292	188,652	14,101	122,663	341,610	1,366,174	170,029	2,848,514
<i>Including property, plant and equipment and construction-in-progress</i>																
	52,093	134,916	50,641	51,013	28,564	55,911	23,857	73,529	40,731	147,487	9,459	98,425	298,295	1,107,632	76,524	2,249,077

5. Information about segments (continued)

(b) Reconciliations of reportable segment EBITDA

Reconciliation of reportable segment EBITDA is presented below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
EBITDA of reportable segments	72,122	71,892	223,039	208,360
Adjustment for receivables' impairment allowance	(2,106)	565	(835)	(2,588)
Provisions	795	(2,139)	2,119	(1,120)
Adjustments for financial lease	98	99	314	265
Adjustment for disposal of property, plant and equipment	(100)	1,318	(326)	33
Discounting of financial instruments	(380)	(602)	1,649	(885)
Assets related to employee benefit fund	(514)	(267)	177	28
Retirement benefit obligations recognition	221	(312)	(194)	(896)
Reversal of adjustments to the carrying value of promissory notes	333	(3,803)	(110)	(9,936)
(Loss on regain of control)/gain on derecognition of subsidiary	–	–	(12,639)	12,669
Other adjustments	223	(1,749)	(4,482)	(3,864)
Unallocated	1,657	(830)	4,398	1,534
	72,349	64,172	213,110	203,600
Depreciation and amortization	(27,120)	(26,900)	(82,542)	(84,207)
Interest expenses on financial liabilities measured at amortised cost	(6,566)	(9,160)	(20,737)	(26,344)
Interest expenses on finance lease liabilities	(35)	(34)	(104)	(90)
Income tax expense	(11,609)	(3,456)	(28,705)	(14,533)
Profit for the period per consolidated interim condensed statement of profit and loss and other comprehensive income	27,019	24,622	81,022	78,426

6. Revenue

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Electricity transmission	188,000	172,291	567,538	519,146
Sales of electricity and capacity	18,132	17,512	52,463	56,401
Technological connection services	4,429	6,885	16,348	18,639
Other revenues	10,632	8,991	21,771	26,974
	221,193	205,679	658,120	621,160

Other revenues are comprised of rental income, repair and maintenance services and other.

7. Other income, net

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Income from identified non-contracted electricity consumption	591	740	2,595	1,222
Income in the form of fines on commercial contracts	3,923	2,282	10,322	5,971
(Loss on regain of control) / Gain on derecognition of subsidiaries/subsidiary	–	–	(12,639)	12,669
Net other income/expense	1,110	1,145	2,116	2,614
	5,624	4,167	2,394	22,476

Loss on regain of control/Gain on derecognition of subsidiaries includes the loss on regain of control over OJSC “Nurenergo” in the amount of RUB 12,627 million and the gain on derecognition of OJSC “Nurenergo” in the amount of RUB 12,669 million for the nine months ended 30 September 2017 and 30 September 2016 respectively (Note 2b).

Net other income/expenses includes profit/loss on insurance reimbursement, on disposal of fixed assets and other items.

8. Operating expenses

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Personnel costs	43,591	40,395	131,163	125,676
Depreciation and amortization	27,120	26,900	82,542	84,207
<i>Material expenses, including:</i>				
Electricity for compensation of losses	25,869	19,073	81,993	73,837
Electricity for sale	10,082	9,350	28,344	31,742
Purchased electricity and heat power for own needs	440	333	2,746	2,518
Other material costs	12,277	12,120	28,754	30,905
<i>Production work and services, including:</i>				
Electricity transmission services	34,437	31,874	104,350	95,089
Repairs, maintenance services	5,563	4,312	10,808	8,966
Other works and industrial services	5,326	3,968	9,886	13,662
Taxes and levies other than income tax	6,207	5,335	18,763	16,430
Rent	1,641	1,845	4,640	5,117
Insurance	575	537	1,734	1,616
<i>Other third-party services, including:</i>				
Communication services	634	697	1,829	2,017
Security services	1,177	1,130	3,429	3,330
Consulting, legal and audit services	546	351	1,290	1,144
Software costs and servicing	309	803	1,572	1,825
Transportation services	700	714	1,915	1,878
Other services	2,264	1,856	5,960	5,086
Impairment of receivables	719	6,046	5,922	9,895
Provisions	1,378	2,936	1,885	6,022
Other expenses	4,107	3,422	12,389	10,405
	184,962	173,997	541,914	531,367

9. Finance income and costs

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Finance income				
Interest income on loans, bank deposits and promissory notes	2,269	2,857	6,914	9,943
Gain on on financial assets disposal	–	(1)	–	–
Dividends	13	324	2,500	346
Unwind of discount of accounts receivable	1,582	47	4,197	107
Other finance income	96	(138)	288	273
	3,960	3,089	13,899	10,669
Finance costs				
Interest expenses on financial liabilities measured at amortized cost	(6,566)	(9,160)	(20,737)	(26,344)
Interest expense on finance lease liabilities	(35)	(34)	(104)	(90)
Impairment loss on available-for-sale and held-to-maturity financial assets	(1)	–	(60)	–
Loss on financial assets disposal	–	(68)	–	(68)
Other finance costs	(588)	(1,395)	(1,858)	(3,201)
	(7,190)	(10,657)	(22,759)	(29,703)

10. Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
Cost or deemed cost						
At 1 January 2016	237,648	1,138,556	885,119	266,680	352,607	2,880,610
Reclassification between groups	2,385	(2,219)	(622)	456	–	–
Additions	340	2,099	1,375	2,769	111,266	117,849
Transfer	5,041	26,275	16,982	4,581	(52,879)	–
Disposals	(357)	(1,205)	(984)	(1,148)	(3,243)	(6,937)
At 30 September 2016	245,057	1,163,506	901,870	273,338	407,751	2,991,522
 <i>Depreciation and impairment</i>						
At 1 January 2016	(66,302)	(471,976)	(389,196)	(153,640)	(65,452)	(1,146,566)
Reclassification between groups	(780)	360	31	(364)	753	–
Depreciation charge	(6,398)	(29,399)	(28,066)	(16,921)	–	(80,784)
Disposals	61	407	509	987	10	1,974
At 30 September 2016	(73,419)	(500,608)	(416,722)	(169,938)	(64,689)	(1,225,376)
 <i>Net book value</i>						
At 1 January 2016	171,346	666,580	495,923	113,040	287,155	1,734,044
At 30 September 2016	171,638	662,898	485,148	103,400	343,062	1,766,146
 Cost or deemed cost						
At 1 January 2017	254,538	1,212,811	980,599	287,328	352,733	3,088,009
Reclassification between groups	1,692	(2,025)	(290)	623	–	–
Additions	463	2,650	622	3,437	133,732	140,904
Transfer between groups	(599)	24,212	30,169	5,182	(58,964)	–
Disposals	(158)	(659)	(791)	(1,001)	(1,040)	(3,649)
Balance at 30 September 2017	255,936	1,236,989	1,010,309	295,569	426,461	3,225,264
 <i>Depreciation and impairment</i>						
Balance at 1 January 2017	(75,560)	(525,807)	(446,440)	(176,143)	(65,491)	(1,289,441)
Reclassification between groups	(696)	97	98	(136)	637	–
Depreciation charge	(2,657)	(29,831)	(31,822)	(15,696)	–	(80,006)
Disposals	50	443	654	946	10	2,103
At 30 September 2017	(78,863)	(555,098)	(477,510)	(191,029)	(64,844)	(1,367,344)
 <i>Net book value</i>						
At 1 January 2017	178,978	687,004	534,159	111,185	287,242	1,798,568
At 30 September 2017	177,073	681,891	532,799	104,540	361,617	1,857,920

Capitalised borrowing cost for the nine months ended 30 September 2017 amounted to RUB 17,489 million (for the nine months ended 30 September 2016: RUB 17,489 million).

11. Intangible assets

	Software	Licenses and certificates	Other intangible assets	Total
Cost				
At 1 January 2016	19,346	149	11,936	31,431
Reclassification between groups	24	–	(24)	–
Additions	1,609	2	624	2,235
Disposals	(295)	(11)	(1,102)	(1,408)
At 30 September 2016	20,684	140	11,434	32,258
At 1 January 2017	21,564	143	11,132	32,839
Reclassification between groups	60	39	(99)	–
Additions	841	470	782	2,093
Disposals	(341)	(2)	(279)	(622)
At 30 September 2017	22,124	650	11,536	34,310
Amortization and impairment				
At 1 January 2016	(10,588)	(92)	(2,219)	(12,899)
Reclassification between groups	(12)	–	12	–
Amortization charge	(1,612)	(16)	(1,836)	(3,464)
Disposals	294	11	869	1,174
At 30 September 2016	(11,918)	(97)	(3,174)	(15,189)
At 1 January 2017	(12,225)	(102)	(3,708)	(16,035)
Reclassification between groups	8	(8)	–	–
Amortization charge	(1,835)	(19)	(733)	(2,587)
Disposals	341	2	151	494
At 30 September 2017	(13,711)	(127)	(4,290)	(18,128)
Net book value				
At 1 January 2016	8,758	57	9,717	18,532
At 30 September 2016	8,766	43	8,260	17,069
At 1 January 2017	9,339	41	7,424	16,804
At 30 September 2017	8,413	523	7,246	16,182

12. Other investments and financial assets

	<u>30 September 2017</u>	<u>31 December 2016</u>
Non-current		
Available-for-sale financial assets	73,263	75,924
Financial assets held to maturity	2,833	2,719
Assets related to employee defined benefits plans	6,885	6,708
	<u>82,981</u>	<u>85,351</u>
Current		
Financial assets held to maturity	20,953	12,620
	<u>20,953</u>	<u>12,620</u>

Available-for-sale non-current financial assets 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 71,962 million and RUB 74,520 million as at 30 September 2017 and 31 December 2016 respectively. For the nine months ended 30 September 2017 decrease in the fair value of these available-for-sale financial investments is represented in other comprehensive income.

Financial assets held to maturity are mainly represented by bank deposits with an original maturity of more than three months which were placed with a number of banks bearing an interest of 0.51-10.58% per annum.

13. Trade and other receivables

	<u>30 September 2017</u>	<u>31 December 2016</u>
Non-current accounts receivable		
Trade receivables	43,839	44,703
Trade receivables impairment allowance	(199)	(790)
Other receivables	474	364
Other receivables impairment allowance	(1)	(1)
Loans given	110	1,100
Total financial assets	44,223	45,376
Advances given	7,287	7,618
Advances given impairment allowance	(4,676)	(4,786)
VAT on advances from customers	2,634	3,054
	49,468	51,262
Current accounts receivable		
Trade receivables	212,509	210,744
Trade receivables impairment allowance	(79,032)	(77,887)
Other receivables	28,415	24,434
Other receivables impairment allowance	(11,238)	(10,817)
Loans given	326	392
Allowance for current loans given	(180)	(175)
Total financial assets	150,800	146,691
Advances given	13,255	17,408
Advances given impairment allowance	(8,335)	(9,853)
VAT recoverable and VAT on advances from customers	14,526	12,743
Prepaid taxes, other than income tax and VAT	793	627
	171,039	167,616

14. Cash and cash equivalents

	<u>30 September 2017</u>	<u>31 December 2016</u>
Cash in state-controlled banks	28,417	43,782
Cash in banks not controlled by state	6,633	3,384
Deposits in state-controlled banks	46,039	27,985
Deposits in other banks	1,905	11,724
Cash equivalents	80	95
	<u>83,074</u>	<u>86,970</u>

During 2016 year, the subsidiary entity PJSC Lenenergo carried out measures to create an infrastructure for technological connection within the framework of the obligations fulfilment under the Agreement with the Ministry of Energy of the Russian Federation (concluded on 30 December 2015 and stipulating the procedure for spending the targeted funds for performing the relevant work in cash volume equal to RUB 14,975 million). The amount of target cash in the special account as of 30 September 2017 and as of 31 December 2016 amounted to RUB 4,257 million. The Government of the Russian Federation decided to send the balance of the target cash funds for the repayment of the obligations of PJSC Lenenergo under loan agreements.

15. Equity

(a) Share capital

	<u>Ordinary shares</u>		<u>Preference shares</u>	
	<u>30 September 2017</u>	<u>31 December 2016</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
Number of shares	198,827,865,141	195,995,579,707	2,075,149,384	2,075,149,384
Par value	RUB 1	RUB 1	RUB 1	RUB 1

(b) Dividends

The Annual General Shareholders Meeting held on 30 June 2017 decided to pay dividends on preference and ordinary shares from the net profit of PJSC "ROSSETI" for 2016 in the amount of 2,000 million (for preferred shares in the amount of 0.368 per one preferred share and on ordinary shares in the amount of 0.006 per one ordinary share).

Preference shares carry the right to vote on all matters 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. However, the dividend is not cumulative. The preference shares also carry the right to vote in respect of the Company's Charter amendments that limit their rights, including reorganization and liquidation.

(c) Issue of additional shares

By the decision of the Board of Directors of PJSC ROSSETI (Minutes No. 248 of 21 December 2016), a resolution was adopted to increase the Company's charter capital through issuance of 3,259,955,215 additional ordinary shares with a par value of RUB 1 each. The offering price was determined at RUB 1.0424 per share. The total number of shares placed of the additional issue amounted 2,832,285,434. As a result of the additional issue, the share of the Russian Federation in the Company's authorized capital increased to 88.04%, in ordinary shares - to 88.89% (on 31 December 2016: in the authorized capital - 87.90%, in ordinary shares - 88.75%). As at 9 June 2017, the changes to the charter are registered.

15. Equity (continued)

(d) Changes in ownership interests of subsidiaries

Shares issued by subsidiaries

On 6 June 2016, at the Annual General Meeting of Shareholders of PJSC IDGC of the South, the Group's subsidiary, approved an increase in charter capital through the issuance of additional 11,615,110,154 ordinary shares with a par value of RUB 0.1 each an under open subscription. The approved offering price was RUB 0.1. In 2016 1,438,276,000 shares of this issue were acquired by the Group. The Group paid in cash RUB 144 million. As at 31 December 2016 the Group's ownership interest in IDGC of the South amounted to 53.01%.

In February 2017, as part of the additional issue of shares of PJSC IDGC of South, the Group's subsidiary, the Group additionally purchased 9,927,951,400 shares and paid in cash RUB 993 million.

On 7 April 2017 the Extraordinary General Meeting of Shareholders of PJSC IDGC of South, approved an increase in its share capital through the issuance of additional 13,015,185, 446 shares at a par value of RUB 0.1. In July 2017 the Group additionally purchased 7,860,248,600 shares. As at 30 September 2017, inclusive of actually outstanding shares of the current issue, the Group's ownership interest amounted to 65.12%.

On 19 September 2016 the Extraordinary General Meeting of Shareholders of PJSC Kubanenergo, the Group's subsidiary, approved an increase in its share capital through the issuance of additional 57,457,846 ordinary shares at a par value of RUB 100 each by public subscription. The approved offering price was RUB 100 per share. On 16 December 2016 equity issue was registered by the Central Bank of the Russian Federation. As at 31 December 2016 the Group made a prepayment of RUB 2,072 million for the shares. As at 30 September 2017, inclusive of actually outstanding shares of the current issue, the Group's ownership interest amounted to 92.77%.

On 5 September 2016, the Extraordinary General Meeting of Shareholders of JSC Chechenenergo, the Group's subsidiary, approved an increase in its share capital through the issuance of additional 5,068,551,655 ordinary shares at a par value of RUB 1 each by private subscription. The approved offering price was RUB 1 per share. As at 30 June 2017, the Group were acquired 533,263,396 shares. Inclusive of actually outstanding shares of the current issue.

In September 2017 the Group additionally purchased 352,194,594 shares, and inclusive of actually outstanding shares of the current issue, the Group's ownership interest amounted to 76.24%.

On 30 September 2016 the Extraordinary General Meeting of Shareholders of PJSC IDGC of Volga, the Group's subsidiary, approved an increase in its share capital through the issuance of additional 8,996,857,669 ordinary shares at a par value of RUB 0.1 each by public subscription. The approved offering price was RUB 0.1 per share. On 2016 the Group were acquired 4,709,200,000 shares.

In September 2017 the shareholders of PJSC IDGC of Volga purchased 120,205,759 shares from this issue. As at 30 September 2017, inclusive of actually outstanding shares of the current issue, the Group's ownership interest amounted to 68.45%.

16. Earnings per share

The calculation of basic earnings per share for the three and nine months ended 30 September 2017 and 2016 shown below.

<i>In millions of shares</i>	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Issued shares at 1 January	195,996	161,079	195,996	161,079
Effect of own shares held	(1,486)	(1,488)	(1,486)	(1,488)
Effect of issued shares	2,491	34,146	2,491	34,146
Weighted average number of shares for the three and nine months ended 30 September	197,001	193,737	197,001	193,737
	2017	2016	2017	2016
Weighted average number of ordinary shares for the three and nine months ended 30 September (in millions of shares)	197,001	193,737	197,001	193,737
Profit for the period attributable to holders of ordinary shares	19,978	18,845	57,194	61,179
Profit per ordinary share (in RUB) – basic and diluted	0.10	0.10	0.29	0.32

17. Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings and financial lease liabilities, which are measured at amortised cost.

	30 September 2017	31 December 2016
Non-current liabilities		
Unsecured loans and borrowings	201,215	221,423
Unsecured bonds	335,694	326,052
Financial lease liabilities	1,004	1,146
Less: current portion of long-term financial lease liabilities	(404)	(214)
Less: current portion of long-term loans and borrowings	(32,124)	(41,042)
Less: current portion of long-term bonds	(39,597)	(35,308)
	465,788	472,057
Current liabilities		
Unsecured loans and borrowings	9,249	9,906
Promissory notes	359	359
Current portion of long-term financial lease liabilities	404	214
Current portion of long-term loans and borrowings	32,124	41,042
Current portion of long-term bonds	39,597	35,308
	81,733	86,829

17. Loans and borrowings (continued)

The Group raised the following bank loans and borrowings and issued the following bonds during the nine months ended 30 September 2017:

	<u>Currency</u>	<u>Nominal value</u>	<u>Interest rate</u>	<u>Maturity</u>
Unsecured bank loans*	RUB	199,429	8.4-12.3%	2017-2022
Unsecured bank loans*	RUB	55,268	8.5-13%	2017-2022
Unsecured bank loans	RUB	21,944	9.77-13.5%	2017-2020
Unsecured bank loans*	RUB	10,836	8.15-10.65%	2017-2020
Unsecured bank loans*	RUB	3,270	8.45%-10.99%	2017-2020
Unsecured bank loans	RUB	2,196	11.9%	2017
	RUB	1,027	Key rate of CB RF +	2017-2020
Unsecured bank loans			0% - 0.5%	
Unsecured bank loans*	RUB	500	Key rate of CB RF +	2019
			0.8 – 1.0%	
Unsecured bank loans	RUB	410	11.4-11.9%	2017
Unsecured bank loans	RUB	400	11.75-13%	2017-2019
Unsecured bank loans	RUB	400	11.75%	2018
Unsecured bank loans	RUB	246	13.5%	2017
Unsecured bank loans	RUB	230	11.5%	2018
Unsecured bank loans	RUB	79	11-13.05%	2018-2020
Unsecured bank loans	RUB	53	15%	2017
Unsecured loans	RUB	22	0.1%	2026
Unsecured bank loans	RUB	20	13.4-13.5%	2017
Unsecured bank loans	RUB	11	15-18%	2017
Other unsecured loans	RUB	7	—	2017-2018
Unsecured bonds	RUB	26,629	8.15-9.15%	2020-2022
		322,977		

* Loans from government-related entities

The Group repaid the following significant bank facilities and bonds during the nine months ended 30 September 2017:

	<u>Nominal value</u>
Loans from government-related entities	287,404
Other loans and borrowings	29,615
Bonds	16,290
	333,309

The amount of undrawn borrowing facilities of the Group was RUB 395,004 million at 30 September 2017 (as at 31 December 2016: RUB 326,680 million).

18. Trade and other payables

	<u>30 September 2017</u>	<u>31 December 2016</u>
Non-current accounts payable		
Trade payables	319	201
Other payables	663	357
Total financial liabilities	982	558
Advances from customers	22,506	23,140
	23,488	23,698
Current accounts payable		
Trade payables	143,599	130,422
Other payables and accrued expenses	14,213	15,344
Payables to employees	16,939	19,621
Dividends payable	291	156
Total financial liabilities	175,042	165,543
Advances from customers	74,076	72,624
	249,118	238,167
Taxes payable		
Value-added tax	11,167	14,861
Property tax	5,582	4,445
Social security contributions	2,650	3,097
Other taxes payable	1,668	1,184
	21,067	23,587
	270,185	261,754

19. 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 2016.

The fair values of financial assets and liabilities approximate the carrying amounts as at 30 September 2017 except for the following:

Financial liabilities

	<u>Carrying value</u>	<u>Fair value</u>
Loans and borrowings	547,521	541,716
- Level 1 in the fair value hierarchy	113,458	111,551
- Level 2 in the fair value hierarchy	292,506	288,608
- Level 3 in the fair value hierarchy	141,557	141,557

The interest rate of 8.55 – 10.51% was used in discounting of future cash flows for determining the fair value of non-current and current debt as at 30 September 2017 as the assumption of Level 2 in the fair value hierarchy (as at 31 December 2016: 9.02 – 11.91%).

Financial assets

As of 30 September 2017 the Group holds investments in equity shares of RUB 72,365 million classified as available for sale which are listed on Moscow Exchange, measured at fair value and belong to Level 1 in the fair value hierarchy. Valuation of available-for sale investments is made on a recurring basis using quoted market prices. Effect from the revaluation to market quotations is reflected within the Net change in fair value of available-for-sale financial assets line of other comprehensive income section of the Statement of Profit and Loss and Other Comprehensive Income.

20. Capital commitments

As at 30 September 2017 the Group has outstanding capital commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 253,757 million (as at 31 December 2016: RUB 270,514 million).

21. 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 the 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.

21. Contingencies (continued)

(b) Taxation contingencies

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 create tax risks in the Russian Federation that are substantially more significant than in other countries. Management of the Group believes that it has adequately provided for tax assets and liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. 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.

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of Management, the outcomes of current legal proceedings will not have a material adverse effect on the results of the Group's operating activities.

(d) Environmental matters

The Group 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. The Group 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, the Group Management believes that there are no significant liabilities for environmental damage.

(e) Guarantees

As at 30 September 2017 the Company acts as guarantor for its subsidiaries: PJSC "IDGC of Centre", PJSC "IDGC of Centre and Volga region", JSC "Yantarenergo" to the company LLC "Infrastructure investment - 3". The subject of the guarantee is fulfilment of the obligations under lease agreements, the total guarantee amounts to RUB 11,556 million.

22. Related party transactions

(a) Control relationships

The Russian Government holds the majority of the voting rights of the Company and it is the ultimate controlling party of the Group.

(b) Transactions with government-related entities

In the course of its operating activities the Group engages in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs as applicable.

Revenues from government-related entities of total revenues, including revenues of electricity transmission revenues, and electricity transmission costs (including purchased electricity for compensation of technological losses) for government-related entities of total transmission costs, shown below.

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
Revenues	39%	26%	40%	35%
Revenues of electricity transmission	43%	46%	43%	42%
Electricity transmission costs (including purchased electricity for compensation of technological losses)	14%	20%	29%	29%

Significant loans from government-related entities raised and repaid during the period are disclosed in Note 17.

(c) Pricing policies

Related party revenue for electricity transmission is based on the tariffs determined by the government.

(d) Management remuneration

The Group identifies members of the Management Board and Board of Directors of the Company and general directors (sole executive body) of subsidiaries engaged in transmission and distribution of electric power through electric grids as key management personnel.

The remuneration for members of the Management Board and Board of Directors 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 Group has no transactions or balances with key management personnel and close family members except their remuneration in the form of salary and bonuses.

22. Related party transactions (continued)

(d) Management remuneration (continued)

Key management personnel received the following remuneration during the period, which is included in personnel costs:

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Salaries and bonuses	315	270	567	504
Post employment benefits	–	–	3	3
Total	315	270	570	507

23. Events after the reporting period

In October 2017, as part of the additional issue of shares of PJSC “Kubanenergo”, the Group’s subsidiary, the Group additionally purchased 203,565 shares.

In October 2017, as part of the additional issue of shares of PJSC “IDGC of North Caucasus”, the Group’s subsidiary, the Group additionally purchased 233,022,388 shares.

In November 2017, PJSC “IDGC of Volga”, a subsidiary of the Group, completed the placement of an additional share issue. As a result of the issue, the Group's share is 67.97%.

On 25 October 2017 the PJSC “FGC UES” issued bonds with a nominal value of RUB 9,000 million with a coupon rate of 7.75% with a maturity of 35 years and an early repayment in 5 years.