

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 six months ended 30 June 2017 (unaudited)

Contents

Report on review of consolidated interim condensed financial statements.....	3
Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income (unaudited).....	5
Consolidated Interim Condensed Statement of Financial Position (unaudited)	6
Consolidated Interim Condensed Statement of Cash Flows (unaudited)	7
Consolidated Interim Condensed Statement of Changes in Equity (unaudited).....	8

Notes to the Consolidated Interim Condensed Financial Statements (unaudited)

1. Background	10
2. Basis of preparation	11
3. Significant accounting policies	12
4. Significant subsidiaries	13
5. Information about segments	14
6. Revenue	19
7. Other (expenses)/income, net	19
8. Operating expenses	20
9. Finance income and costs	21
10. Property, plant and equipment	22
11. Intangible assets	23
12. Other investments and financial assets	24
13. Trade and other receivables	25
14. Cash and cash equivalents	26
15. Equity	26
16. Earnings per share	27
17. Loans and borrowings	28
18. Trade and other payables	30
19. Financial risk and capital management	31
20. Capital commitments	31
21. Contingencies	31
22. Related party transactions	33
23. Events after the reporting period	34



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REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION

To the Shareholders and the Board of Directors of "Rosseti", Public Joint Stock Company

Audited entity:

"Rosseti", Public Joint Stock Company (abbreviated name - **PJSC ROSSETI**).

Location: 121353, Россия, г. Москва, ул. Беловежская, д.4;

Primary state registration number – 1087760000019.

Auditor:

RSM RUS Ltd.

Location: 4, Pudovkin St., Moscow, 119285;

Tel.: (495) 363-2848; Fax: (495) 981-4121;

Primary state registration number – 1027700257540.

RSM RUS Ltd. is a member of Self-regulatory organization of auditors Association "Sodruzhestvo" (membership certificate # 6938, ORNZ 11306030308), location: 21, Michurinsky Ave., bldg. 4, Moscow, 119192.

Introduction

In accordance with the decision of the Tender Committee (Minutes No 5/552p dated 20.04.2015), decision of the annual general meeting of shareholders of PJSC ROSSETI dated 30.06.2017 (Minutes No n/n dated 05.07.2017) on appointment of RSM RUS Ltd. as the PJSC ROSSETI auditor and pursuant to Contract for the audit of the 2017 financial statements of PJSC ROSSETI No 171a070 dated 28.07.2017, we have reviewed the accompanying consolidated interim condensed statement of financial position of Rosseti, Public Joint Stock Company and its subsidiaries (hereinafter, the "Group") as at 30 June 2017 and the related consolidated interim condensed statements of profit and loss and other comprehensive income for the three and six months then ended, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes.

Management of Rosseti, Public Joint Stock Company is responsible for the preparation and fair presentation of these consolidated interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

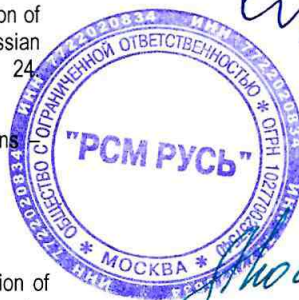
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2017, and its financial performance for the three and six months then ended, and its cash flows for the six months then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Management Board Chairperson

Audit Certificate No. 05-000015. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 15 November 2011 No. 24. Permanent award.

ORNZ in the Register of auditors and audit organizations – 21706004215



N.A. Dantser

Manager responsible for the review

Audit Certificate No. 05-000025 Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 30 November 2011 No 25. Permanent award.

ORNZ in the Register of auditors and audit organizations – 21706004160

A.A. Kosova

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
Revenue	6	206,075	197,373	436,927	415,481
Operating expenses	8	(170,673)	(172,136)	(356,952)	(357,370)
Other (expenses)/income, net	7	4,901	15,036	(3,230)	18,309
Results from operating activities		40,303	40,273	76,745	76,420
Finance income	9	5,803	3,599	9,939	7,580
Finance costs	9	(7,476)	(8,974)	(15,569)	(19,046)
Net finance costs		(1,673)	(5,375)	(5,630)	(11,466)
Share of loss of associates and joint ventures (net of income tax)		(2)	(62)	(16)	(73)
Profit before income tax		38,628	34,836	71,099	64,881
Income tax expense		(8,204)	(5,024)	(17,096)	(11,077)
Profit for the period		30,424	29,812	54,003	53,804
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		(3,508)	13,327	(254)	27,462
Allowance for foreign currency translation differences		91	(88)	86	(3)
Income tax related to items that may be reclassified subsequently to profit or loss		700	(2,629)	48	(5,492)
Total items that may be reclassified subsequently to profit or loss		(2,717)	10,610	(120)	21,967
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the defined benefit liability		(194)	(1,481)	(901)	(2,811)
Income tax related to items that will never be reclassified subsequently to profit or loss		8	202	106	396
Total items that will not be reclassified subsequently to loss or profit		(186)	(1,279)	(795)	(2,415)
Other comprehensive income for the period, net of income tax		(2,903)	9,331	(915)	19,552
Total comprehensive income for the period		27,521	39,143	53,088	73,356
Profit attributable to:					
Owners of the Company		22,273	24,998	37,216	42,334
Non-controlling interest		8,151	4,814	16,787	11,470
Total comprehensive income attributable to:					
Owners of the Company		19,968	32,637	36,578	58,356
Non-controlling interest		7,553	6,506	16,510	15,000
Earnings per share					
Basic and diluted earnings per ordinary share (in RUB)	16	0.11	0.13	0.19	0.22

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

Director General

O.M. Budargin



Director for accounting
and reporting – Chief Accountant

D.V. Nagovitsyn

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

ROSSETI Group
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2017 (unaudited)
(in millions of Russian roubles, unless otherwise stated)

	Notes	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,825,125	1,798,568
Intangible assets	11	16,109	16,804
Investments in associates and joint ventures		1,006	936
Non-current accounts receivable		47,379	51,262
Other investments and financial assets	12	85,843	85,351
Deferred tax assets		6,185	7,069
Total non-current assets		1,981,647	1,959,990
Current assets			
Inventories		38,654	33,143
Other investments and financial assets	12	7,836	12,620
Current income tax prepayments		7,009	6,339
Trade and other receivables	13	169,356	167,616
Cash and cash equivalents	14	101,509	86,970
Total current assets		324,364	306,688
Total assets		2,306,011	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		32,527	33,165
Retained earnings		556,636	521,300
Total equity attributable to equity holders of the Company		1,000,462	964,490
Non-controlling interest		348,782	340,149
Total equity		1,349,244	1,304,639
Non-current liabilities			
Loans and borrowings	17	488,722	472,057
Trade and other payables	18	23,706	23,698
Employee benefits		29,741	28,425
Deferred tax liabilities		72,810	66,835
Total non-current liabilities		614,979	591,015
Current liabilities			
Loans and borrowings	17	59,307	86,829
Trade and other payables	18	269,040	261,754
Provisions		10,809	14,305
Current income tax liabilities		2,632	8,136
Total current liabilities		341,788	371,024
Total liabilities		956,767	962,039
Total equity and liabilities		2,306,011	2,266,678

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

ROSSETI Group
Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2017 (unaudited)
(in millions of Russian roubles, unless otherwise stated)

	Notes	Six months ended 30 June 2017	Six months ended 30 June 2016
OPERATING ACTIVITIES			
Profit for the period		54,003	53,804
<i>Adjustments for:</i>			
Depreciation and amortization of property, plant and equipment and intangible assets	8	55,422	57,307
Finance costs	9	15,569	19,046
Finance income	9	(9,939)	(7,580)
Loss/(profit) on disposal of property, plant and equipment		294	(387)
Share of loss of associates and joint ventures, net of income tax		16	73
Loss on regain of control/(gain on derecognition) of subsidiary	7	12,639	(12 669)
Impairment of accounts receivable		5,203	3,849
Bad debt write-off		217	84
Non-cash receipt of property, plant and equipment		(1,516)	(1,121)
Non-cash settlement of technical connection agreements		(1,247)	(685)
Other non-cash transactions		(210)	(490)
Income tax expense		17,096	11,077
Operating profit before changes in working capital		147,547	122,308
Change in trade and other receivables (before impairment)		1,175	(4,319)
Change in financial assets related to employee benefit fund		(691)	(295)
Change in inventories (before impairment)		(5,485)	(3,147)
Change in trade and other payables		(6,688)	10,051
Change in employee benefit liabilities		(727)	(713)
Change in provisions		(3,507)	(224)
Cash flows from operating activities before income tax and interest paid		131,624	123,661
Income taxes paid		(16,600)	(15,075)
Interest paid		(23,802)	(32,175)
Net cash flows from operating activities		91,222	76,411
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(77,256)	(71,774)
Proceeds from sale of property, plant and equipment		439	2,868
Acquisition of investments and placement of bank deposits		(83,319)	(18,955)
Proceeds from sale of investments and withdrawal of bank deposits		88,054	32,197
Interest received		4,550	6,522
Dividends received		608	248
Net cash flows used in investing activities		(66,924)	(48,894)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		221,059	81,824
Repayment of loans and borrowings		(231,420)	(104,913)
Proceeds from share premium		1,370	1,444
Dividends paid		(620)	(48)
Payment of finance lease liabilities		(148)	(98)
Net cash flows from financing activities		(9,759)	(21,791)
Net increase in cash and cash equivalents		14,539	5,726
Cash and cash equivalents at the beginning of the period		86,970	97,090
Cash and cash equivalents at the end of the period		101,509	102,816

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	-	-	-	-	-	37,216	37,216	16,787	54,003
Other comprehensive income	-	-	-	-	(744)	-	(744)	(325)	(1,069)
Related income tax on other comprehensive income	-	-	-	-	106	-	106	48	154
Total comprehensive income for the period	-	-	-	-	(638)	37,216	36,578	16,510	53,088
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)	-	-	-	-	-	(1,152)	(1,152)	(8,701)	(9,853)
Total contributions and distributions	2,832	120	-	(1,678)	-	(1,152)	122	(8,701)	(8,579)
Changes in ownership interests in subsidiaries									
Shares issued by subsidiaries (Note 15)	-	-	-	-	-	(728)	(728)	824	96
Total transactions with owners of the Company	2,832	120	-	(1,678)	-	(1,880)	(606)	(7,877)	(8,483)
Balance at 30 June 2017	200,903	213,098	(2,702)	-	32,527	556,636	1,000,462	348,782	1,349,244

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

ROSSETI Group
Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2017 (unaudited)
(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 2016	163,154	212,978	(2,713)	33,473	(2,100)	448,120	852,912	315,983	1,168,895
Profit for the period	-	-	-	-	-	42,334	42,334	11,470	53,804
Other comprehensive income	-	-	-	-	20,177	-	20,177	4,471	24,648
Income tax on other comprehensive income	-	-	-	-	(4,155)	-	(4,155)	(941)	(5,096)
Total comprehensive income for the period	-	-	-	-	16,022	42,334	58,356	15,000	73,356
Transactions with owners of the Company									
Contributions and distributions									
Issue of shares (Note 15)	-	-	-	1,444	-	-	1,444	-	1,444
Dividends (Note 15)	-	-	-	-	-	(1,452)	(1,452)	(8,603)	(10,055)
Total contributions and distributions	-	-	-	1,444	-	(1,452)	(8)	(8,603)	(8,611)
Changes in ownership interests in subsidiaries									
Shares issued by subsidiaries	-	-	-	-	-	134	134	(134)	-
Total transactions with owners of the Company	-	-	-	1,444	-	(1,318)	126	(8,737)	(8,611)
Balance at 30 June 2016	163,154	212,978	(2,713)	34,917	13,922	489,136	911,394	322,246	1,233,640

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. Events in Ukraine during past years and the subsequent negative reaction of the world community have had and continue to have negative impact on the Russian economy, including difficulties in obtaining international funding, devaluation of national currency and high inflation. 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.

(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.

1. Background (continued)

(c) Relations with state and current regulations (continued)

As at 30 June 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 June 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.

Regain of control over 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 June 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 June 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.

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 June 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	68.10/69.17
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	68.89	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	74.93	72.66
PSC "IDGC of South"	Russian Federation	60.64	53.01
PJSC "TDC"	Russian Federation	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
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

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 June 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	12,921	14,097	14,577	13,020	7,878	8,761	2,559	19,528	9,513	15,514	20,907	33,052	12,646		21,410	206,527
Inter-segment revenue	29	1	1,601	1	97	1	1,088	15	708	73	7	3	34,298		7,756	46,783
Total segment revenue	12,950	14,098	16,178	13,021	7,975	8,762	3,647	19,543	10,221	15,587	20,914	33,055	46,944		29,166	253,310
Including Electricity	12,815	13,888	15,862	12,833	7,347	8,664	3,030	19,271	9,925	13,506	1,161	30,921	44,890		2,054	216,395
Transmission	59	156	228	140	194	71	52	185	117	1,914	48	1,790	1,614		830	7,714
Connection services	—	—	—	—	165	—	364	—	—	—	—	—	—		—	—
Electricity sales	76	54	88	48	269	27	201	87	179	167	40	344	440		14,544	15,193
Other revenue	—	—	—	—	—	—	—	—	—	—	—	—	—		11,738	14,008
EBITDA	2,101	2,189	4,089	2,174	1,469	872	97	4,696	1,316	7,046	369	7,144	34,861		485	73,032

For the three months ended 30 June 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	11,483	13,479	13,110	11,772	6,957	8,550	2,467	16,672	8,345	11,227	248	31,265	10,459		30,002	195,255
Inter-segment revenue	2	3	1,408	1	109	—	1,048	6	801	1,819	844	4	31,824		7,605	45,475
Total segment revenue	11,485	13,482	14,518	11,773	7,066	8,550	3,515	16,678	9,146	13,046	1,092	31,269	42,283		37,607	240,730
Including Electricity	11,307	13,249	14,115	11,682	6,974	8,461	2,944	16,492	8,917	11,873	982	28,592	41,263		3,826	199,258
Transmission	122	179	299	44	47	67	67	129	78	1,088	83	2,381	563		4	5,563
Connection services	—	—	—	—	—	—	324	—	—	—	—	—	—		—	—
Electricity sales	56	54	104	47	45	22	180	57	151	85	27	296	457		22,483	22,807
Other revenue	—	—	—	—	—	—	—	—	—	—	—	—	—		11,294	13,102
EBITDA	789	2,805	1,944	1,478	244	1,419	169	1,970	1,135	5,654	288	8,009	29,999		2,438	62,026

5. Information about segments (continued)

(a) Information about reportable segments (continued)

For the six months ended 30 June 2017:

	IDGC											Yantar-energo	IDGC Centre	MOESK	FGC UES	Other	Total
	Siberia and TDC	Tyumen-energo	Urals	IDGC Volga	IDGC South	IDGC Kuban-energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar-energo						
Revenue from external customers	28,939	29,331	31,376	27,929	16,387	18,875	5,458	42,307	20,875	32,258	251	45,196	70,589	24,100	42,801	436,672	
Inter-segment revenue	52	3	3,484	2	206	2	2,321	21	1,522	202	2,439	8	67	68,702	16,177	95,208	
Total segment revenue	28,991	29,334	34,860	27,931	16,593	18,877	7,779	42,328	22,397	32,460	2,690	45,204	70,656	92,802	58,978	531,880	
Including																	
Electricity transmission	28,643	28,984	34,358	27,622	15,686	18,557	6,531	41,929	21,527	28,723	2,561	43,813	67,186	90,203	5,684	462,007	
Connection services	171	249	332	217	219	276	55	259	510	3,372	59	631	2,826	1,713	1,153	12,042	
Electricity sales	—	—	—	—	384	—	793	—	—	—	—	279	—	—	32,894	34,350	
Other revenue	177	101	170	92	304	44	400	140	360	365	70	481	644	886	19,247	23,481	
EBITDA	5,598	4,227	6,763	5,156	2,730	2,186	549	12,160	3,877	12,083	646	10,650	17,597	69,204	(2,509)	150,917	

For the six months ended 30 June 2016:

	IDGC											Yantar-energo	IDGC Centre	MOESK	FGC UES	Other	Total
	Siberia and TDC	Tyumen-energo	Urals	IDGC Volga	IDGC South	IDGC Kuban-energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar-energo						
Revenue from external customers	25,905	27,839	28,002	25,380	14,791	19,044	5,210	36,797	18,733	26,053	519	41,366	66,510	22,262	54,806	413,217	
Inter-segment revenue	5	5	3,117	1	230	1	2,229	12	1,796	1,847	1,893	2	5	63,666	15,780	90,589	
Total segment revenue	25,910	27,844	31,119	25,381	15,021	19,045	7,439	36,809	20,529	27,900	2,412	41,368	66,515	85,928	70,586	503,806	
Including																	
Electricity transmission	25,594	27,518	30,463	25,202	14,863	17,911	6,283	36,466	20,053	26,318	2,213	40,320	62,447	82,833	7,772	426,256	
Connection services	202	221	451	90	76	1,093	73	232	142	1,424	145	600	3,599	2,233	258	10,839	
Electricity sales	—	—	—	—	—	—	701	—	—	—	—	—	—	—	41,886	42,587	
Other revenue	114	105	205	89	82	41	382	111	334	158	54	448	469	862	20,670	24,124	
EBITDA	1,837	5,663	4,287	3,915	1,919	3,482	650	5,861	3,270	10,324	451	8,313	17,230	68,636	630	136,468	

5. Information about segments (continued)

(a) Information about reportable segments (continued)

As at 30 June 2017:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	IDGC Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	75,469	142,920	65,140	62,263	45,438	67,238	34,809	96,109	57,299	191,994	21,595	120,654	338,714	1,366,461	171,471	2,857,574
<i>Including property, plant and equipment and construction-in- progress</i>	51,480	132,881	50,094	49,541	28,795	56,803	23,344	73,407	40,070	148,927	14,398	97,243	297,380	1,098,784	77,857	2,241,004

As at 31 December 2016:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	IDGC Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
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		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
EBITDA of reportable segments	73,032	62,026	150,917	136,468
Adjustment for receivables' impairment allowance	999	(1,508)	1,271	(3,153)
Provisions	82	307	1,324	1,019
Adjustments for financial lease	107	62	216	166
Adjustment for disposal of property, plant and equipment	89	(1,274)	(226)	(1,285)
Discounting of financial instruments	904	24	2,029	(283)
Assets related to employee benefit fund	371	(231)	691	295
Adjustments for write-off of other current and non-current assets	85	33	77	(10)
Retirement benefit obligations recognition	(296)	(11)	(415)	(584)
Reversal of adjustments to the carrying value of promissory notes	487	(3,344)	(443)	(6,133)
(Loss on regain of control)/gain on derecognition of subsidiary	–	12,669	(12,639)	12,669
Other adjustments	(3,264)	2,429	(4,782)	(2,105)
Unallocated	712	885	2,741	2,364
	73,308	72,067	140,761	139,428
Depreciation and amortization	(27,790)	(28,943)	(55,422)	(57,307)
Interest expenses on financial liabilities measured at amortised cost	(6,857)	(8,261)	(14,171)	(17,184)
Interest expenses on finance lease liabilities	(33)	(27)	(69)	(56)
Income tax expense	(8,204)	(5,024)	(17,096)	(11,077)
Profit for the period per consolidated interim condensed statement of profit and loss and other comprehensive income	30,424	29,812	54,003	53,804

6. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
Electricity transmission	175,795	160,117	379,538	346,855
Sales of electricity and capacity	15,264	18,393	34,331	38,889
Technological connection services	7,704	6,475	11,919	11,754
Other revenues	7,312	12,388	11,139	17,983
	206,075	197,373	436,927	415,481

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

7. Other (expenses)/income, net

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
Income from identified non-contracted electricity consumption	626	248	2,004	482
Income in the form of fines on commercial contracts	3,711	2,570	6,399	3,689
(Loss on regain of control) / Gain on derecognition of subsidiary	–	12,669	(12,639)	12,669
Net other income/expense	564	(451)	1,006	1,469
	4,901	15,036	(3,230)	18,309

For the three and six months ended 30 June 2016 the gain on derecognition of subsidiaries includes gain on derecognition of OJSC Nurenergo in the amount of RUB 12,669 million.

For the six months ended 30 June 2017 loss on regain of control over subsidiaries includes loss on regain of control over OJSC Nurenergo in the amount of RUB 12,627 million (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 June		Six months ended 30 June	
	2017	2016	2017	2016
Personnel costs	44,149	42,653	87,572	85,281
Depreciation and amortization	27,790	28,943	55,422	57,307
<i>Material expenses, including:</i>				
Electricity for compensation of losses	19,876	18,301	56,124	54,764
Electricity for sale	7,677	10,600	18,262	22,392
Purchased electricity and heat power for own needs	652	575	2,306	2,185
Other material costs	9,860	11,094	16,477	18,785
<i>Production work and services, including:</i>				
Electricity transmission services	33,716	29,047	69,913	63,215
Repairs, maintenance services	3,778	3,428	5,245	4,654
Other works and industrial services	2,983	6,229	4,560	9,694
Taxes and levies other than income tax	6,217	5,802	12,556	11,095
Rent	1,550	1,728	2,999	3,272
Insurance	579	546	1,159	1,079
<i>Other third-party services, including:</i>				
Communication services	570	709	1,195	1,320
Security services	1,140	1,114	2,252	2,200
Consulting, legal and audit services	388	427	744	793
Software costs and servicing	739	669	1,263	1,022
Transportation services	615	570	1,215	1,164
Other services	2,043	1,790	3,696	3,230
Impairment of receivables	1,234	1,560	5,203	3,849
Provisions	(310)	1,086	507	3,086
Other expenses	5,427	5,265	8,282	6,983
	170,673	172,136	356,952	357,370

9. Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
<i>Finance income</i>				
Interest income on loans, bank deposits and promissory notes	1,749	3,228	4,645	7,086
Gain on on financial assets disposal	–	1	–	1
Other finance income	4,054	370	5,294	493
	5,803	3,599	9,939	7,580

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
<i>Finance costs</i>				
Interest expenses on financial liabilities measured at amortized cost	(6,857)	(8,261)	(14,171)	(17,184)
Interest expense on finance lease liabilities	(33)	(27)	(69)	(56)
Impairment loss on available-for-sale and held-to-maturity financial assets	–	3	(59)	–
Loss on financial assets disposal	–	18	–	–
Other finance costs	(586)	(707)	(1,270)	(1,806)
	(7,476)	(8,974)	(15,569)	(19,046)

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	18	29	(169)	122	–	–
Additions	234	845	542	1,740	66,745	70,106
Transfer	1,969	12,719	8,153	2,251	(25,092)	–
Disposals	(245)	(423)	(1,242)	(824)	(2,832)	(5,566)
At 30 June 2016	239,624	1,151,726	892,403	269,969	391,428	2,945,150

Depreciation and impairment

At 1 January 2016	(66,302)	(471,976)	(389,196)	(153,640)	(65,452)	(1,146,566)
Reclassification between groups	13	(127)	(121)	(165)	400	–
Depreciation charge	(4,398)	(19,884)	(19,181)	(11,281)	–	(54,744)
Disposals	38	202	1,041	729	4	2,014
At 30 June 2016	(70,649)	(491,785)	(407,457)	(164,357)	(65,048)	(1,199,296)

Net book value

At 1 January 2016	171,346	666,580	495,923	113,040	287,155	1,734,044
At 30 June 2016	168,975	659,941	484,946	105,612	326,380	1,745,854

	Land and buildings	Transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
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	1,691	(2,005)	(283)	626	(29)	–
Additions	354	1,521	362	1,530	77,962	81,729
Transfer between groups	(3,300)	12,585	18,567	2,372	(30,224)	–
Disposals	(95)	(415)	(546)	(795)	(1,037)	(2,888)
Balance at 30 June 2017	253,188	1,224,497	998,699	291,061	399,405	3,166,850

Depreciation and impairment

Balance at 1 January 2017	(75,560)	(525,807)	(446,440)	(176,143)	(65,491)	(1,289,441)
Reclassification between groups	(690)	148	490	(121)	173	–
Depreciation charge	(466)	(20,010)	(22,529)	(10,736)	–	(53,741)
Disposals	23	280	448	714	(8)	1,457
At 30 June 2017	(76,693)	(545,389)	(468,031)	(186,286)	(65,326)	(1,341,725)

Net book value

At 1 January 2017	178,978	687,004	534,159	111,185	287,242	1,798,568
At 30 June 2017	176,495	679,108	530,668	104,775	334,079	1,825,125

Capitalised borrowing cost for the six months ended 30 June 2017 amounted to RUB 9,182 million (for the six months ended 30 June 2016: RUB 12,709 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	30	–	(30)	–
Additions	878	1	354	1,233
Disposals	(82)	(10)	(939)	(1,031)
At 30 June 2016	20,172	140	11,321	31,633
At 1 January 2017	21,564	143	11,132	32,839
Reclassification between groups	(39)	39	–	–
Additions	533	459	89	1,081
Disposals	(177)	(1)	(138)	(316)
At 30 June 2017	21,881	640	11,083	33,604
Amortization and impairment				
At 1 January 2016	(10,588)	(92)	(2,219)	(12,899)
Reclassification between groups	(12)	–	12	–
Amortization charge	(1,059)	(11)	(1,501)	(2,571)
Disposals	80	10	778	868
At 30 June 2016	(11,579)	(93)	(2,930)	(14,602)
At 1 January 2017	(12,225)	(102)	(3,708)	(16,035)
Reclassification between groups	8	(8)	–	–
Amortization charge	(1,206)	(13)	(502)	(1,721)
Disposals	177	1	83	261
At 30 June 2017	(13,246)	(122)	(4,127)	(17,495)
Net book value				
At 1 January 2016	8,758	57	9,717	18,532
At 30 June 2016	8,593	47	8,391	17,031
At 1 January 2017	9,339	41	7,424	16,804
At 30 June 2017	8,635	518	6,956	16,109

12. Other investments and financial assets

	<u>30 June 2017</u>	<u>31 December 2016</u>
Non-current		
Available-for-sale financial assets	75,668	75,924
Financial assets held to maturity	2,777	2,719
Assets related to employee defined benefits plans	7,398	6,708
	<u>85,843</u>	<u>85,351</u>
Current		
Financial assets held to maturity	7,836	12,620
	<u>7,836</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 74,307 million and RUB 74,520 million as at 30 June 2017 and 31 December 2016 respectively. For the six months ended 30 June 2017 increase 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 June 2017</u>	<u>31 December 2016</u>
Non-current accounts receivable		
Trade receivables	42,449	44,703
Trade receivables impairment allowance	(446)	(790)
Other receivables	482	364
Other receivables impairment allowance	(1)	(1)
Loans given	120	1,100
Total financial assets	<u>42,604</u>	<u>45,376</u>
Advances given	7,415	7,618
Advances given impairment allowance	(4,680)	(4,786)
VAT on advances from customers	2,040	3,054
	<u>47,379</u>	<u>51,262</u>
Current accounts receivable		
Trade receivables	204,146	210,744
Trade receivables impairment allowance	(79,251)	(77,887)
Other receivables	28,246	24,434
Other receivables impairment allowance	(10,925)	(10,817)
Loans given	336	392
Allowance for current loans given	(179)	(175)
Total financial assets	<u>142,373</u>	<u>146,691</u>
Advances given	22,174	17,408
Advances given impairment allowance	(9,733)	(9,853)
VAT recoverable and VAT on advances from customers	13,600	12,743
Prepaid taxes, other than income tax and VAT	942	627
	<u>169,356</u>	<u>167,616</u>

14. Cash and cash equivalents

	<u>30 June 2017</u>	<u>31 December 2016</u>
Cash in state-controlled banks	33,576	43,782
Cash in banks not controlled by state	9,587	3,384
Deposits in state-controlled banks	50,096	27,985
Deposits in other banks	8,144	11,724
Cash equivalents	106	95
	<u>101,509</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 June 2017 and as of 31 December 2016 amounted to RUB 4,257 million.

15. Equity

(a) Share capital

	<u>Ordinary shares</u>		<u>Preference shares</u>	
	<u>30 June 2017</u>	<u>31 December 2016</u>	<u>30 June 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 a result of the subscription of shares the Group's ownership interest in IDGC of the South increased from 51.66% 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. As at 27 February 2017, inclusive of actually outstanding shares of the current issue, the Group's ownership interest increased from 53.01% to 60.64%.

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 26 January 2017, inclusive of actually outstanding shares of the current issue, the Group's ownership interest increased from 92.24% 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, the Group's ownership interest increased from 72.66% to 74.93%.

16. Earnings per share

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

<i>In millions of shares</i>	Three months ended 30 June		Six months ended 30 June	
	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	2,317	34,633	2,317	34,633
Weighted average number of shares for the three and six months ended 30 June	196,827	194,224	196,827	194,224
	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
Weighted average number of ordinary shares for the three and six months ended 30 June (in millions of shares)	196,827	194,224	196,827	194,224
Profit for the period attributable to holders of ordinary shares	22,273	24,998	37,216	42,334
Profit per ordinary share (in RUB) – basic and diluted	0.11	0.13	0.19	0.22

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.

	<u>30 June 2017</u>	<u>31 December 2016</u>
Non-current liabilities		
Unsecured loans and borrowings	202,775	221,423
Unsecured bonds	331,110	326,052
Financial lease liabilities	1,009	1,146
Less: current portion of long-term financial lease liabilities	(425)	(214)
Less: current portion of long-term loans and borrowings	(20,736)	(41,042)
Less: current portion of long-term bonds	(25,011)	(35,308)
	<u>488,722</u>	<u>472,057</u>
Current liabilities		
Unsecured loans and borrowings	12,776	9,906
Promissory notes	359	359
Current portion of long-term financial lease liabilities	425	214
Current portion of long-term loans and borrowings	20,736	41,042
Current portion of long-term bonds	25,011	35,308
	<u>59,307</u>	<u>86,829</u>

17. Loans and borrowings (continued)

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

	<u>Currency</u>	<u>Nominal value</u>	<u>Interest rate</u>	<u>Maturity</u>
Unsecured bank loans*	RUB	136,312	8.69-12.30%	2017-2021
Unsecured bank loans*	RUB	36,394	8.65-13.00%	2017-2022
Unsecured bank loans	RUB	16,494	9.75-13.50%	2017-2020
Unsecured bank loans*	RUB	5,455	9.00-10.65%	2017-2019
Unsecured bank loans*	RUB	2,676	9.20-10.74%	2017-2020
Unsecured bank loans	RUB	1,956	11.90%	2017
Unsecured bank loans*	RUB	500	Key rate of CB RF +1.00%	2019
Unsecured bank loans	RUB	400	11.75%	2017
Unsecured bank loans	RUB	371	11.40%	2017
Unsecured bank loans	RUB	246	13.5%	2017
Unsecured bank loans	RUB	200	13%	2017-2018
Unsecured loans	RUB	22	0.1%	2026
Unsecured bank loans	RUB	20	13.40-13.50%	2017
Unsecured bank loans	RUB	12	15.00%	2017
Unsecured bank loans	RUB	11	18.00%	2017
Other unsecured loans	RUB	7	-	2017
Unsecured bonds	RUB	20,000	8.55-9.15%	2020-2022
		221,076		

* Loans from government-related entities

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

	<u>Nominal value</u>
Loans from government-related entities	200,281
Other loans and borrowings	16,478
Bonds	14,661
	231,420

The amount of undrawn borrowing facilities of the Group was RUB 397,737 million at 30 June 2017 (as at 31 December 2016: RUB 326,680 million).

18. Trade and other payables

	<u>30 June 2017</u>	<u>31 December 2016</u>
Non-current accounts payable		
Trade payables	316	201
Other payables	505	357
Total financial liabilities	821	558
Advances from customers	22,885	23,140
	23,706	23,698
Current accounts payable		
Trade payables	130,109	130,422
Other payables and accrued expenses	14,312	15,344
Payables to employees	19,601	19,621
Dividends payable	9,374	156
Total financial liabilities	173,396	165,543
Advances from customers	73,254	72,624
	246,650	238,167
Taxes payable		
Value-added tax	11,913	14,861
Property tax	5,701	4,445
Social security contributions	3,071	3,097
Other taxes payable	1,705	1,184
	22,390	23,587
	269,040	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 June 2017 except for the following:

Financial liabilities

	<u>Carrying value</u>	<u>Fair value</u>
Loans and borrowings	548,029	536,840
- Level 1 in the fair value hierarchy	114,399	110,596
- Level 2 in the fair value hierarchy	292,047	284,661
- Level 3 in the fair value hierarchy	141,583	141,583

The interest rate of 8.55 – 11.92% was used in discounting of future cash flows for determining the fair value of non-current and current debt as at 30 June 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 June 2017 the Group holds investments in equity shares of RUB 74,809 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 June 2017 the Group has outstanding capital commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 275,220 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 June 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 30 June		Six months ended 30 June	
	2017	2016	2017	2016
Revenues	40%	42%	40%	39%
Revenues of electricity transmission	43%	40%	43%	40%
Electricity transmission costs (including purchased electricity for compensation of technological losses)	40%	36%	36%	32%

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 June		Six months ended 30 June	
	2017	2016	2017	2016
Salaries and bonuses	143	126	252	234
Post employment benefits	–	–	3	3
Total	143	126	255	237

23. Events after the reporting period

On 13 July 2017 the Group issued bonds with a nominal value of RUB 5,000 million with a maturity of 5 years and a coupon rate of 8.15%.

In June 2017, as part of the additional issue of shares of PSC “IDGC of South”, the Group’s subsidiary, the Group additionally purchased 7,860,248.600 shares. As at 5 June 2017, inclusive of actually outstanding shares of the current issue, the Group’s ownership interest increased from 60.64% to 65.12%.