

PJSC MOESK

Consolidated interim condensed financial statements
(unaudited)

for the three months ended 31 March 2017

PJSC MOESK

Consolidated Interim Condensed Financial Statements

for the three months ended 31 March 2017

Contents

Consolidated interim condensed statement of profit or loss and other comprehensive income.....	3
Consolidated interim condensed statement of financial position.....	4
Consolidated interim condensed statement of changes in equity	5
Consolidated interim condensed statement of cash flows	6
Notes to the consolidated interim condensed financial statements (unaudited).....	7

PJSC MOESK

Consolidated interim condensed statement of profit or loss and other comprehensive income
for the three months ended 31 March 2017

'000 RUB

	Note	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Revenue	7	37 879 828	35 465 769
Operating expenses	8	(34 518 991)	(31 880 567)
Other operating income, net	9	1 690 839	370 659
Results from operating activities		5 051 676	3 955 861
Finance income	10	38 176	92 049
Finance costs	10	(1 553 557)	(1 561 575)
Profit before income tax		3 536 295	2 486 335
Income tax expense		(872 081)	(872 124)
Profit for the period		2 664 214	1 614 211
Items not to be reclassified to profit and loss in subsequent periods			
Remeasurements of defined benefit liability		(69 518)	(231 131)
Income tax on defined benefit liability		12 644	46 226
Other comprehensive expense, net of tax		(56 874)	(184 905)
Total comprehensive income for the period		2 607 340	1 429 306
Profit for the period attributable to:			
Shareholders of PJSC MOESK		2 664 214	1 614 211
		2 664 214	1 614 211
Total comprehensive income attributable to:			
Shareholders of PJSC MOESK		2 607 340	1 429 306
Basic and diluted earnings per ordinary share (in Russian Roubles)	15	0.0547	0.0331

These consolidated interim condensed financial statements were approved on 1 June 2017.

General Director

First Deputy General Director
for Finance and Economic Activity
and Corporate Management

V.Y. Myasnikov



The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming an integral part of, these consolidated interim condensed financial statements set out on pages 7 to 20 and with the consolidated financial statements for the year ended 31 December 2016.

PJSC MOESK
Consolidated interim condensed statement of financial position
as at 31 March 2017

'000 RUB	Note	31 March 2017	31 December 2016
		(unaudited)	
Assets			
Non-current assets			
Property, plant and equipment	11	302 362 244	303 383 007
Intangible assets	12	2 546 150	2 586 753
Other non-current assets		4 009 042	4 003 471
Total non-current assets		308 917 436	309 973 231
Current assets			
Inventories		3 411 928	3 042 032
Income tax receivable		2 804 473	2 487 914
Trade and other receivables		21 872 884	22 227 964
Cash and cash equivalents		465 666	784 507
Total current assets		28 554 951	28 542 417
Total assets		337 472 387	338 515 648
Equity and liabilities			
Equity			
Share capital	14	24 353 546	24 353 546
Additional paid in capital		18 580 888	18 580 888
Retained earnings		132 238 320	129 630 980
Total equity		175 172 754	172 565 414
Non-current liabilities			
Loans and borrowings	16	67 548 673	67 322 143
Employee benefits		3 689 446	3 657 801
Deferred tax liabilities		16 329 796	15 990 889
Trade and other payables		6 961 172	6 926 018
Total non-current liabilities		94 529 087	93 896 851
Current liabilities			
Loans and borrowings	16	16 058 809	16 892 363
Income tax payable		1 219	-
Other taxes payable		3 384 253	2 078 734
Trade and other payables		46 548 313	52 459 730
Provisions	17	1 777 952	622 556
Total current liabilities		67 770 546	72 053 383
Total equity and liabilities		337 472 387	338 515 648

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming an integral part of, these consolidated interim condensed financial statements set out on pages 7 to 20 and with the consolidated financial statements for the year ended 31 December 2016.

PJSC MOESK

Consolidated interim condensed statement of changes in equity
for the three months ended 31 March 2017

	Share capital (Note 14 (a))	Additional paid in capital	Retained earnings	Total
Balance at 1 January 2017	24 353 546	18 580 888	129 630 980	172 565 414
Profit for the period	–	–	2 664 214	2 664 214
Other comprehensive expense	–	–	(56 874)	(56 874)
Balance at 31 March 2017	24 353 546	18 580 888	132 238 320	175 172 754
Balance at 1 January 2016	24 353 546	18 580 888	126 298 271	169 232 705
Profit for the period	–	–	1 614 211	1 614 211
Other comprehensive expense	–	–	(184 905)	(184 905)
Balance at 31 March 2016	24 353 546	18 580 888	127 727 577	170 662 011

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming an integral part of, these consolidated interim condensed financial statements set out on pages 7 to 20 and with the consolidated financial statements for the year ended 31 December 2016.

PJSC MOESK

Consolidated interim condensed statement of cash flows
for the three months ended 31 March 2017

'000 RUB	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Cash flows from operating activities		
Profit for the period	2 664 214	1 614 211
<i>Adjustments for:</i>		
Depreciation and amortization	5 546 688	5 303 538
Loss on disposal of property, plant and equipment	22 660	47 576
Provisions for legal claims charge	1 524 544	144 943
Finance income	(38 176)	(92 049)
Finance costs	1 553 558	1 561 576
Allowance for impairment of trade and other receivables	96 949	(302 305)
Provision for inventory obsolescence	3 418	(2 455)
Loss on disposal of inventory	904	(375)
Income tax expense	872 081	872 124
Property received free of charge	(457 574)	(349 937)
Other non-cash items	(5 264)	(11 123)
Cash flows from operating activities before changes in working capital	11 784 002	8 785 724
Change in inventories	(374 218)	(302 123)
Change in trade and other receivables	306 610	1 094 694
Change in retirement benefit obligations and related assets	(147 728)	(23 539)
Change in trade and other payables	(3 190 480)	162 633
Change in taxes payable, other than income tax	1 305 519	1 589 004
Cash flows from operating activities before income taxes	9 683 705	11 306 393
Income taxes paid	(835 871)	(1 164 297)
Interest paid	(1 798 404)	(1 831 847)
Net cash from operating activities	7 049 430	8 310 249
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	64 524	83
Acquisition of property, plant and equipment	(6 605 493)	(8 294 609)
Interest received	19 153	84 952
Acquisition of intangible assets	(61 850)	(202 956)
Net cash used in investing activities	(6 583 666)	(8 412 530)
Cash flows from financing activities		
Proceeds from loans and borrowings	30 097 151	13 744 358
Repayment of loans and borrowings	(30 824 468)	(13 838 293)
Payment of finance lease liabilities	(57 288)	(27 692)
Net cash used in financing activities	(784 605)	(121 627)
Net decrease in cash and cash equivalents	(318 841)	(223 908)
Cash and cash equivalents at beginning of period	784 507	400 645
Cash and cash equivalents at end of period	465 666	176 737

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming an integral part of, these consolidated interim condensed financial statements set out on pages 7 to 20 and with the consolidated financial statements for the year ended 31 December 2016.

PJSC MOESK

Notes to the consolidated interim condensed financial statements

1 Background

(a) Organisation and types of activities

Public Joint-Stock Company "Moscow United Electric Grid Company" (PJSC MOESK or the "Company") was established on 1 April 2005 by transfer of assets and activities related to the electricity transmission of OJSC Mosenergo, a subsidiary of RAO UES of Russia, within the framework of Russian electricity sector restructuring (Minutes No. 1 of 29 June 2004 of the annual general meeting of shareholders of OJSC Mosenergo).

The Group's consolidated interim condensed financial statements include the following subsidiaries:

- ▶ OJSC Moskabel'set'montaj (MKSM);
- ▶ OJSC Moskabel'energoremont (MKER);
- ▶ OJSC Repair of Electrical and Technical Equipment Plant (RETEP);
- ▶ OJSC Energocentr.

As at 31 March 2017 the Russian Government owned 88.89% of the voting ordinary shares and 7.01% of the preference shares of PJSC "ROSSETI", which in turn owned 50.9% of the shares of the Company.

The Company's registered office and the actual address is at building 3/2, 2nd Paveletskiy proezd, Moscow, 115114, the Russian Federation.

The Group's principal activity is electricity transmission for a fee in Moscow and the Moscow Region. The Group also provides connection services as part of its core operations.

(b) Russian business environment

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the national economics and financial markets, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation. The Company's management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

2 Basis of preparation of financial statements

(a) Applied standards

These consolidated interim condensed financial statements for the three months ended 31 March 2017 have been prepared in accordance with the requirements of IAS 34 Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

(b) Basis of preparation and measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that investments classified as available-for-sale are stated at fair value.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Group's functional currency and the currency in which these consolidated interim condensed financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

(d) Use of judgements, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated interim condensed financial statements in conformity with IFRS requirements. Actual results may differ from those estimates.

The judgements, estimates and assumptions applied by the Group in these consolidated interim condensed financial statements are substantially the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

Changes in accounting policies

The following standards and amendments were applied for the first time in 2017:

- ▶ Disclosure Initiative – amendments to IAS 7 Statement of Cash Flows. The amendments require companies to provide a reconciliation of financing cash flows in the statement of cash flows to the opening and closing balances of liabilities arising from financing activities (except for equity balances)
- ▶ Recognition of Deferred Tax Assets for Unrealised Losses – amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The application of these amendments will have no significant impact on the Company's financial position or results of operations.

4 Determination of fair values

The fair value of non-derivative financial instruments is estimated for disclosure purposes as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

5 Financial risk management

During the period the Company had the same exposure to financial risks as those which existed as at, and during, the year ended 31 December 2016.

6 Operating segments

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the Board of Directors, the chief operating decision maker, to allocate resources to a segment and assess its performance.

Management has determined the following as reportable segments:

- ▶ Electricity transmission in Moscow;
- ▶ Electricity transmission in the Moscow region;
- ▶ Connection services in Moscow;
- ▶ Connection services in the Moscow region.

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

Other activities mainly represent rental income, installation services, repair and technical maintenance of electrical equipment, which have been included in the "other". None of these items meets any of the quantitative thresholds for determining reportable segments for the three months ended 31 March 2017 or the three months ended 31 March 2016.

The segment revenue and profit/(loss) before income tax for the three months ended 31 March 2017 were as follows (unaudited):

'000 RUB	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	36 265 363	1 035 584	343 524	37 644 471
Moscow	18 018 258	571 141	232 831	18 822 230
Moscow Region	18 247 105	464 443	110 693	18 822 241
Inter-segment revenue	–	–	373 479	373 479
Moscow	–	–	192 381	192 381
Moscow Region	–	–	181 098	181 098
Reportable segment profit/(loss) before income tax	3 512 002	884 822	33 207	4 430 031
Moscow	1 850 883	489 094	(47 404)	2 292 573
Moscow Region	1 661 119	395 728	80 611	2 137 458

The segment revenue and profit before income tax for the three months ended 31 March 2016 were as follows (unaudited):

'000 RUB	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	33 854 963	1 218 349	203 844	35 277 156
Moscow	17 056 560	825 874	126 738	18 009 172
Moscow Region	16 798 403	392 475	77 106	17 267 984
Inter-segment revenue	–	–	342 572	342 572
Moscow	–	–	163 192	163 192
Moscow Region	–	–	179 380	179 380
Reportable segment profit/(loss) before income tax	2 707 977	1 037 038	(67 131)	3 677 884
Moscow	2 325 436	721 697	(96 726)	2 950 407
Moscow Region	382 541	315 341	29 595	727 477

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

Segment assets are as follows:

'000 RUB	Electricity transmission	Connection services	Other	Unallocated	Total
31 March 2017 (unaudited)					
Total assets	315 068 372	4 986 197	4 067 309	26 220 666	350 342 544
Moscow	211 055 586	4 826 007	3 072 669	–	218 954 262
Moscow Region	104 012 786	160 190	994 640	–	105 167 616
Unallocated	–	–	–	26 220 666	26 220 666
31 December 2016					
Total assets	318 519 436	4 911 937	4 349 013	24 863 016	352 643 402
Moscow	212 731 414	4 765 539	3 364 817	–	220 861 770
Moscow Region	105 788 022	146 398	984 196	–	106 918 616
Unallocated	–	–	–	24 863 016	24 863 016

Segment liabilities are as follows:

'000 RUB	Electricity transmission	Connection services	Other	Unallocated	Total
31 March 2017 (unaudited)					
Total liabilities	97 700 515	35 521 133	2 368 425	17 414 549	153 004 622
Moscow	94 659 743	28 858 009	1 838 540	–	125 356 292
Moscow Region	3 040 772	6 663 124	529 885	–	10 233 781
Unallocated	–	–	–	17 414 549	17 414 549
31 December 2016					
Total liabilities	100 914 013	35 409 807	2 289 282	18 225 453	156 838 555
Moscow	96 674 010	28 208 720	1 728 841	–	126 611 571
Moscow Region	4 240 003	7 201 087	560 441	–	12 001 531
Unallocated	–	–	–	18 225 453	18 225 453

Reconciliation of reportable segment profit is presented below:

'000 RUB	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Reportable segment profit	4 396 824	3 745 015
Other profit or loss	33 208	(67 130)
Unallocated	(1 720 521)	(2 222 458)
Total profit before income tax per Russian Accounting Standards	2 709 511	1 455 427
Expenses associated with leased property, plant and equipment	81 986	64 883
Borrowing costs capitalized	1 730	(3 735)
Depreciation and amortisation	724 009	984 281
Gain on disposal of property, plant and equipment	1 281	1 437
Release of allowance for impairment of accounts receivable	184	29 605
Provision for legal claims	1 261	43 398
Effect of loan discounting	(10 512)	(18 196)
Employee benefits obligation	91 924	(53 195)
Other items	(65 079)	(17 570)
Consolidated profit before income tax per IFRS	3 536 295	2 486 335

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

The segment disclosure was prepared in accordance with the segment disclosure as at 31 December 2016. However, for the purpose of preparation of the Consolidated interim condensed financial statements the Group does not present a reconciliation of segment assets and segment liabilities to the figures of the consolidated interim condensed financial statements as required by IFRS 8 *Operating segments*.

Segment operating results that are reported to the Group's chief operating decision maker are determined based on the income and expenses calculated in accordance with Russian Accounting Standards (RAS). Segment operating results represent the profit earned by each segment without allocation of finance income and expenses, other income and expenses which are included in "unallocated" component.

Major customer

During the three months ended 31 March 2017, revenue from one customer of the Group's electricity transmission segment represented approximately 87% (RUB 32 955 302 thousand) of the Group's total revenue (three months ended 31 March 2016: 86%; RUB 30 386 507 thousand).

7 Revenue

'000 RUB	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Electricity transmission	36 265 363	33 854 963
Revenue from connection services	973 831	1 218 349
Other revenue	640 634	392 457
	37 879 828	35 465 769

Revenue from connection services represents revenue from services related to connection of consumer's power receivers to the electricity network of the Group.

Other revenues include income from compensation of losses related to connection services in the amount of RUB 242 628 thousand (three months ended 31 March 2016: RUB 177 278 thousand), electrical equipment installation and maintenance services and rental income.

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

8 Operating expenses, net

'000 RUB

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Personnel costs	(4 181 602)	(4 428 750)
Depreciation and amortisation	(5 546 688)	(5 303 538)
Reversal of an impairment of property, plant and equipment	–	101
Material expenses, including:		
Electricity for compensation of losses	(4 802 963)	(4 849 284)
Purchased electricity and heat power for own needs	(92 090)	(86 977)
Other material costs	(450 575)	(418 503)
Production work and services, including:		
Electricity transmission services	(15 275 745)	(13 411 851)
Repairs, maintenance services	(202 860)	(280 714)
Other works and industrial services	(292 511)	(249 820)
Taxes and levies other than income tax	(732 521)	(644 421)
Rent	(142 138)	(169 548)
Insurance	(119 006)	(119 738)
Other third-party services, including:		
Communication services	(145 008)	(147 883)
Security services	(135 345)	(123 577)
Consulting, legal and audit services	(152 780)	(193 840)
Software costs and servicing	(54)	–
Transportation services	(74 730)	(70 169)
Other services	(189 379)	(202 546)
Impairment of receivables	(96 949)	302 193
Provisions	(1 524 544)	(144 943)
Other expenses	(361 503)	(1 336 759)
	<u>(34 518 991)</u>	<u>(31 880 567)</u>

9 Other operating income

'000 RUB

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Income from assets acquired free of charge	271 927	176 494
Income under non-contracted energy consumption	1 193 516	26 765
Other income	225 396	167 400
	<u>1 690 839</u>	<u>370 659</u>

10 Finance income and costs

'000 RUB

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Finance income		
Interest income	19 152	84 868
Interest on assets related to employee benefits obligations	19 023	7 098
Other financial income	1	83
	<u>38 176</u>	<u>92 049</u>

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

'000 RUB	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Finance costs		
Interest expense in respect of loans and borrowings	(1 443 420)	(1 446 642)
Interest on employee benefits obligation	(74 827)	(83 831)
Unwinding of discount on financial liabilities at amortized costs	(10 512)	(18 196)
Interest on finance lease	(24 686)	(12 906)
Other financial costs	(112)	–
	<u>(1 553 557)</u>	<u>(1 561 575)</u>

11 Property, plant and equipment

'000 RUB	Transformers and					Construction In progress	Total
Cost	Land and buildings	Transmission networks	transformer substations	Other	Construction In progress	Total	Total
Balance at 1 January 2016	38 945 859	199 108 733	77 351 031	81 578 203	33 921 856	430 905 682	
Additions (unaudited)	125 620	264 580	217 164	302 967	3 843 369	4 753 700	
Transfers (unaudited)	159 692	1 130 745	503 715	18 914	(1 813 066)	–	
Disposals (unaudited)	(895)	(92 508)	(3 975)	(6 925)	–	(104 303)	
Balance at 31 March 2016 (unaudited)	<u>39 230 276</u>	<u>200 411 550</u>	<u>78 067 935</u>	<u>81 893 159</u>	<u>35 952 159</u>	<u>435 555 079</u>	
Depreciation							
Balance at 1 January 2016	(9 197 476)	(58 318 568)	(26 983 969)	(45 844 491)	(649 504)	(140 994 008)	
Depreciation charge (unaudited)	(287 726)	(2 186 003)	(1 210 430)	(1 578 488)	–	(5 262 647)	
Reversal of impairment (unaudited)	–	–	–	–	101	101	
Transfers (unaudited)	(397)	(5 022)	(2 695)	(10)	8 124	–	
Disposals (unaudited)	405	33 696	3 842	6 459	–	44 402	
Balance at 31 March 2016 (unaudited)	<u>(9 485 194)</u>	<u>(60 475 897)</u>	<u>(28 193 252)</u>	<u>(47 416 530)</u>	<u>(641 279)</u>	<u>(146 212 152)</u>	
Net book value							
At 1 January 2016	<u>29 748 383</u>	<u>140 790 165</u>	<u>50 367 062</u>	<u>35 733 712</u>	<u>33 272 352</u>	<u>289 911 674</u>	
At 31 March 2016 (unaudited)	<u>29 475 082</u>	<u>139 935 653</u>	<u>49 874 683</u>	<u>34 476 629</u>	<u>35 310 880</u>	<u>289 342 927</u>	
Cost							
Balance at 1 January 2017	42 045 897	216 927 773	83 879 457	84 792 616	37 703 193	465 348 936	
Additions (unaudited)	1	430 180	27 397	33 452	3 997 003	4 488 033	
Transfers (unaudited)	293 105	871 755	531 551	108 450	(1 804 861)	–	
Disposals (unaudited)	(23 687)	(67 344)	(871)	(24 809)	–	(116 711)	
Balance at 31 March 2017 (unaudited)	<u>42 315 316</u>	<u>218 162 364</u>	<u>84 437 534</u>	<u>84 909 709</u>	<u>39 895 335</u>	<u>469 720 258</u>	
Depreciation							
Balance at 1 January 2017	(10 374 880)	(66 863 078)	(31 996 758)	(52 140 736)	(590 477)	(161 965 929)	
Depreciation charge (unaudited)	(312 009)	(2 297 522)	(1 308 004)	(1 529 432)	–	(5 446 967)	
Disposals (unaudited)	1 766	28 067	829	24 220	–	54 882	
Transfers (unaudited)	(90)	(141)	(588)	–	819	–	
Balance at 31 March 2017 (unaudited)	<u>(10 685 213)</u>	<u>(69 132 674)</u>	<u>(33 304 521)</u>	<u>(53 645 948)</u>	<u>(589 658)</u>	<u>(167 358 014)</u>	
Net book value							
At 1 January 2017	<u>31 671 017</u>	<u>150 064 695</u>	<u>51 882 699</u>	<u>32 651 880</u>	<u>37 112 716</u>	<u>303 383 007</u>	
At 30 June 2017 (unaudited)	<u>31 630 103</u>	<u>149 029 690</u>	<u>51 133 013</u>	<u>31 263 761</u>	<u>39 305 677</u>	<u>302 362 244</u>	

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

Capitalised interest

Borrowing costs totalling RUB 472 061 thousand as at 31 March 2017 with an annual capitalisation rate of 9.60% (31 March 2016: RUB 463 072 thousand with an annual capitalisation rate of 10.68%) were included in the cost of property, plant and equipment and represent interest on loans.

12 Intangible assets

'000 RUB	Software	Certificates and licences	Other	Total
Historical cost				
At 1 January 2016	1 637 496	87 272	593 593	2 318 361
Additions (unaudited)	192 946	-	10 986	203 932
Disposals (unaudited)	(172)	-	-	(172)
At 31 March 2016 (unaudited)	1 830 270	87 272	604 579	2 522 121
Amortisation				
At 1 January 2016	(174 097)	(56 744)	(29 839)	(260 680)
Amortisation (unaudited)	(35 687)	(2 481)	(3 699)	(41 868)
Disposals (unaudited)	172	-	-	172
At 31 March 2016 (unaudited)	(209 612)	(59 225)	(33 539)	(302 376)
Net book value				
At 1 January 2016	1 463 399	30 528	563 754	2 057 681
At 31 March 2016 (unaudited)	1 620 658	28 047	571 040	2 219 745
At 1 January 2017				
	2 252 239	87 272	704 006	3 043 517
Additions	47 471	-	15 699	63 170
Disposals	(807)	-	-	(807)
At 31 March 2017 (unaudited)	2 298 903	87 272	719 705	3 105 880
Amortisation				
At 1 January 2017	(337 584)	(66 556)	(52 624)	(456 764)
Amortisation	(84 766)	(2 443)	(16 564)	(103 773)
Disposals	807	-	-	807
At 31 March 2017 (unaudited)	(421 543)	(68 999)	(69 188)	(559 730)
Net book value				
At 1 January 2017	1 914 655	20 716	651 382	2 586 753
At 31 March 2017 (unaudited)	1 877 360	18 273	650 517	2 546 150

13 Cash and cash equivalents

'000 RUB	31 March 2017	31 December 2016
Current bank account balances	465 557	784 444
Petty cash	109	63
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	465 666	784 507

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

14 Equity

(a) Share capital

Share capital	Ordinary shares 31 March 2017	Ordinary shares 31 December 2016
Issued shares, fully paid (pcs.)	48 707 091 574	48 707 091 574
Par value of one share (in RUB)	RUB 0.50	RUB 0.50

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

(b) Treasury shares

As at 31 March 2017 and 31 December 2016 the Group did not hold any of its own shares.

15 Earnings per share

The calculation of earnings per share is based upon the profit for the period and the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive equity instruments.

	31 March 2017	31 March 2016
Number of outstanding shares (pcs.)	48 707 091 574	48 707 091 574
Profit for the period attributable to the shareholders of PJSC MOESK ('000 RUB)	2 664 214	1 614 211
Earnings per share (RUB)	0,0547	0,0331

16 Loans and borrowings

This note provides information about the Group's loans and borrowings.

'000 RUB	31 March 2017	31 December 2016
Non-current		
Unsecured bank facility	38 663 524	48 338 212
Unsecured bond issues	28 280 970	18 359 702
Finance lease liabilities	604 179	624 229
Total non-current	67 548 673	67 322 143
Current		
Current portion of unsecured bond issues	5 711 707	5 570 309
Current portion of unsecured bank facility	10 261 860	11 225 661
Current portion of finance lease liabilities	85 242	96 393
Total current	16 058 809	16 892 363

The Group raised the following bank loans during the three months ended 31 March 2017:

Amount	Interest rate	Maturity
5 273 564*	9.60%	2018
5 004 788*	9.80%	2017
4 100 000	10.50%	2017
2 995 861*	9.75%	2018
2 740 190	10.66%	2017

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

The Group raised the bond issue during the three months ended 31 March 2017:

<u>Amount</u>	<u>Interest rate</u>	<u>Maturity</u>
10 000 000*	9.15%	2020

The Group repaid the following significant bank facilities during the three months ended 31 March 2017:

	<u>Amount</u>
Loan*	23 893 616
Loan	6 840 190

* Loan/bond from state-controlled bank.

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

16 Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and bonds were as follows:

'000 RUB	Currency	31 March 2017		31 December 2016		31 March 2017		31 December 2016	
		Nominal interest rate	Nominal interest rate	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Unsecured bonds	RUB	—	—	—	2024	663 600	354 479	684 580	424 939
Unsecured bank facility*	RUB	8.00%	8.00%	8.00%	2018	18 545 674	18 545 674	18 545 608	18 545 608
Unsecured bank facility*	RUB	—	9.75%	9.75%	2018	—	—	11 810 539	11 810 539
Unsecured bank facility*	RUB	9.90%	9.90%	9.90%	2019	16 026 038	16 026 038	16 025 967	16 025 967
Unsecured bank facility*	RUB	9.80%	10.69%	10.69%	2017	2 654	2 654	2 951	2 951
Unsecured bank facility*	RUB	—	9.16%	9.16%	2017	—	—	4 106 157	4 106 157
Unsecured bank facility*	RUB	8.08%	8.08%	8.08%	2018	2 002 655	2 002 655	2 002 648	2 002 648
Unsecured bank facility*	RUB	9.60%	—	—	2018	5 280 499	5 280 499	—	—
Unsecured bank facility	RUB	9.45%	9.85%	9.85%	2017	7 007 249	7 007 249	7 009 419	7 009 419
Unsecured bank facility	RUB	12.90%	13.40%	13.40%	2019	60 585	60 585	60 583	60 583
Unsecured bank facility	RUB	10.66%	11.52%	11.52%	2017	30	30	1	1
Unsecured bonds*	RUB	10.30%	10.30%	10.30%	2019	8 349 925	8 335 484	8 146 743	8 130 585
Unsecured bonds*	RUB	10.00%	10.00%	10.00%	2019	5 157 525	5 153 845	5 034 245	5 030 149
Unsecured bonds*	RUB	9.65%	9.65%	9.65%	2020	5 084 607	5 074 494	5 206 229	5 195 042
Unsecured bonds*	RUB	11.00%	11.00%	11.00%	2017	5 012 052	5 011 132	5 150 685	5 149 296
Unsecured bonds*	RUB	9.15%	—	—	2020	10 080 211	10 063 243	—	—
Finance lease liabilities	RUB	10.55%	10.55%	10.55%	2038	—	689 421	—	720 622
						83 273 304	83 607 482	83 786 355	84 214 506

*Loan/bond from state controlled entity

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

17 Provisions

'000 RUB	<u>Legal claims</u>
Balance at 1 January 2016	<u>296 267</u>
Provisions accrued during the year	1 218 455
Provisions reversed during the year	(191 167)
Provisions used during the year	<u>(700 999)</u>
Balance at 31 December 2016	<u>622 556</u>
Provisions accrued during the period	1 526 362
Provisions reversed during the period	(1 818)
Provisions used during the period	<u>(369 148)</u>
Balance at 31 March 2017	<u><u>1 777 952</u></u>

Provision for legal claims relates to the claims brought against the Group within the ordinary course of business. Management believes, after taking appropriate legal advice, that the outcome of current legal claims will not give rise to any significant loss beyond the accrued amounts.

18 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2016. Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amount. There were no transfers between Level 2 to Level 3 of the fair value hierarchy during the six months ended 31 March 2017.

19 Capital commitments

Future capital expenditures for which contracts relates to capital construction of power grid facilities have been signed as at 31 March 2017 amount to RUB 30 364 665 thousand (31 December 2016: RUB 32 383 468 thousand).

20 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Pending litigations

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

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Environmental matters

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

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

21 Related party transactions

PJSC MOESK operates in an economic regime dominated by entities directly or indirectly controlled by the Russian Federation through its government-related entities. PJSC MOESK has transactions with other government-related entities including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, leasing of assets, and use of public utilities.

These transactions are conducted in the ordinary course of PJSC MOESK's business on terms comparable to those with other entities that are not government-related. PJSC MOESK has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are applied to all counterparties, independent of whether the counterparties are government-related entities or not.

(a) Control relationships

As at 31 March 2017 the Parent of the Group was PJSC Rosseti, a state controlled entity. The party with ultimate control over the Group is the Russian Federation, which held the majority of the voting rights of PJSC Rosseti.

PJSC MOESK

Notes to the consolidated interim condensed financial statements (continued)

(b) Transactions with management and close family members

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

(i) *Management remuneration*

Total remuneration in the form of salary and bonuses to the key management and the members of the Board of Directors during the three months ended 31 March 2017 was RUB 145 112 thousand (three months ended 31 March 2016: RUB 157 190 thousand).

(c) Transactions with state-controlled entities

In the course of its operating activities the Group is engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are measured at regulated tariffs, where applicable; in other cases revenues and purchases are measured at normal market prices.

Revenues from state-controlled entities for the three months ended 31 March 2017 constitute 89% (three months ended 31 March 2016: 89%) of total Group revenues, including 92% (three months ended 31 March 2016: 91%) of electricity transmission revenues.

Electricity transmission costs for state-controlled entities for the three months ended 31 March 2017 constitute 91% (the three months ended 31 March 2016: 89%) of total transmission costs.

The most significant loans and borrowings from state-controlled entities, received and repaid, are disclosed in Note 16.

(d) Pricing policies

Revenue from related parties for electricity transmission is based on the tariffs determined by the governmental bodies. Other related party transactions are based on normal market prices.

22 Events subsequent to the reporting date

In May 2017, PJSC MOESK placed the bond in the amount of RUB 10 000 000 thousand at the annual interest rate of 8.55% and a maturity of 2022Y and also received the bank loan in the amount of RUB 6 000 000 thousand at the annual interest rate of 8.9% and a maturity of 2020Y. PJSC MOESK repaid bank loans maturing in 2019Y in the amount of RUB 16 000 000 thousand.

No other significant events occurred after the balance sheet date that would require special explanation or adjustments in the consolidated financial statements.

Пронумеровано,
прошнуровано

20 листов

[Handwritten signature]
подпись



[Handwritten signatures]