

PJSC MOESK

Consolidated interim condensed financial statements
(unaudited)

for the six months ended 30 September 2016

PJSC MOESK

Consolidated Interim Condensed Financial Statements

for the nine months ended 30 September 2016

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Consolidated interim condensed statement of profit or loss and other comprehensive income for the nine months ended 30 September 2016

'000 RUB	Note	9 months ended 30 September 2016 (unaudited)	9 months ended 30 September 2015 (unaudited)
Revenue	7	100 611 436	93 502 372
Operating expenses, net	8	(93 950 110)	(80 273 631)
Other operating income		1 615 832	1 083 800
Results from operating activities		8 277 158	14 312 541
Finance income		158 166	924 881
Finance costs		(4 699 795)	(3 872 434)
Profit before Income tax		3 735 529	11 364 988
Income tax expense		(1 102 380)	(2 778 848)
Profit for the period		2 633 149	8 586 140
Items not to be reclassified to profit and loss in subsequent periods			
Remeasurements of defined benefit liability		(510 954)	(102 892)
Income tax on defined benefit liability		102 191	20 578
Other comprehensive loss, net of tax		(408 763)	(82 314)
Total comprehensive Income for the period		2 224 386	8 503 826
Profit for the period attributable to:			
Shareholders of PJSC MOESK		2 633 149	8 558 985
Non-controlling interest		-	27 155
		2 633 149	8 586 140
Total comprehensive income attributable to:			
Shareholders of PJSC MOESK		2 224 386	8 476 671
Non-controlling interest		-	27 155
Basic and diluted earnings per ordinary share (in Russian Roubles)		0.0541	0.1757

These consolidated interim condensed financial statements were approved on 1 December 2016.

General Director

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

P.A. Sinyutin



A.V. Inozemtsev

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 5 to 17 and with the consolidated financial statements for the year ended 31 December 2015.

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Consolidated interim condensed statement of financial position
as at 30 September 2016

'000 RUB	Note	30 September 2016	31 December 2015
		(unaudited)	
Assets			
Non-current assets			
Property, plant and equipment	9	293 002 420	289 911 674
Intangible assets		2 377 712	2 057 681
Other non-current assets		4 203 691	4 499 597
Total non-current assets		299 583 823	296 468 952
Current assets			
Inventories		3 237 355	2 650 183
Income tax receivable		947 957	201 191
Trade and other receivables		21 877 319	25 896 936
Cash and cash equivalents		240 360	400 645
Total current assets		26 302 991	29 148 955
Total assets		325 886 814	325 617 907
Equity and liabilities			
Equity			
Share capital	10	24 353 546	24 353 546
Additional paid in capital		18 580 888	18 580 888
Retained earnings		122 205 347	126 298 271
Total equity		165 139 781	169 232 705
Non-current liabilities			
Loans and borrowings	12	55 680 378	65 873 623
Employee benefits		4 392 054	3 722 930
Deferred tax liabilities		15 125 105	15 532 079
Trade and other payables		7 998 507	9 464 365
Total non-current liabilities		83 196 044	94 592 997
Current liabilities			
Loans and borrowings	12	27 885 880	8 147 510
Income tax payable		-	7 558
Other taxes payable		2 212 076	1 695 015
Trade and other payables		47 280 951	51 645 855
Provisions	13	172 082	296 267
Total current liabilities		77 550 989	61 792 205
Total equity and liabilities		325 886 814	325 617 907

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 5 to 17 and with the consolidated financial statements for the year ended 31 December 2015.

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Consolidated interim condensed statement of changes in equity
for the six months ended 30 September 2016

	Equity attributable to equity holders of the Company				Non-controlling Interest	Total equity
	Share capital (Note 10 (a))	Additional paid in capital	Retained earnings	Total		
'000 RUB						
Balance at 1 January 2016	24 353 546	18 580 888	126 298 271	169 232 705	-	169 232 705
Profit for the period	-	-	2 633 149	2 633 149	-	2 633 149
Other comprehensive loss	-	-	(408 763)	(408 763)	-	(408 763)
Total comprehensive income for the period	24 353 546	18 580 888	128 522 657	171 457 091	-	171 457 091
Dividends to shareholders (Note 10 (c)) (unaudited)	-	-	(6 317 310)	(6 317 310)	-	(6 317 310)
Balance at 30 September 2016	24 353 546	18 580 888	122 205 347	165 139 781	-	165 139 781
Balance at 1 January 2015	24 353 546	18 580 888	115 659 250	158 593 684	431 985	159 025 669
Profit for the period	-	-	8 558 985	8 558 985	27 155	8 586 140
Other comprehensive loss	-	-	(82 314)	(82 314)	-	(82 314)
Total comprehensive income for the period	24 353 546	18 580 888	124 135 921	167 070 355	459 140	167 529 495
Dividends to shareholders (Note 10 (c)) (unaudited)	-	-	(2 055 439)	(2 055 439)	-	(2 055 439)
Balance at 30 September 2015	24 353 546	18 580 888	122 080 482	165 014 916	459 140	165 474 056

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 5 to 17 and with the consolidated financial statements for the year ended 31 December 2015.

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Consolidated interim condensed statement of cash flows
for the nine months ended 30 September 2016

'000 RUB	9 months ended 30 September 2016 (unaudited)	9 months ended 30 September 2015 (unaudited)
Cash flows from operating activities		
Profit for the period	2 633 149	8 586 140
<i>Adjustments for:</i>		
Depreciation and amortization	16 255 527	15 558 096
Loss on disposal of property, plant and equipment	374 833	58 949
Provisions for legal claims charge	433 243	128 714
Finance income	(158 166)	(924 881)
Finance costs	4 699 794	3 872 435
Allowance for impairment of trade and other receivables	1 516 633	(1 404 973)
Provision for inventory obsolescence	7 957	569
Loss on disposal of inventory	21 390	9 887
Income tax expense	1 102 380	2 778 848
Property received free of charge	(2 128 894)	(1 625 948)
Other non-cash items	(67 951)	(199 884)
Cash flows from operating activities before changes in working capital	24 689 895	26 837 952
Change in inventories	(616 519)	(362 980)
Change in trade and other receivables	2 753 731	2 558 828
Change in retirement benefit obligations and related assets	(31 328)	(136 636)
Change in trade and other payables	(687 682)	437 330
Change in taxes payable, other than income tax	517 061	967 690
Cash flows from operating activities before income taxes	26 625 158	30 302 184
Income taxes paid	(2 161 488)	(1 454 813)
Interest paid	(5 814 702)	(5 292 604)
Net cash from operating activities	18 648 968	23 554 767
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1 973	5 884
Acquisition of property, plant and equipment	(21 021 696)	(21 764 972)
Interest received	143 971	944 955
Acquisition of intangible assets	(456 629)	(443 286)
Proceeds from loans issued	-	550 000
Net cash used in investing activities	(21 332 381)	(20 707 419)
Cash flows from financing activities		
Proceeds from loans and borrowings	95 180 279	17 170 103
Repayment of loans and borrowings	(86 238 681)	(19 344 120)
Dividends paid	(6 317 310)	(2 055 439)
Payment of finance lease liabilities	(101 160)	(21 489)
Net cash from/(used in) financing activities	2 523 128	(4 250 945)
Net decrease in cash and cash equivalents	(160 285)	(1 403 597)
Cash and cash equivalents at beginning of period	400 645	4 305 289
Cash and cash equivalents at end of period	240 360	2 901 692

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 5 to 17 and with the consolidated financial statements for the year ended 31 December 2015.

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Notes to the consolidated interim condensed financial statements (continued)

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 dated 29 June 2004 of the annual general shareholders' meeting of OJSC Mosenergo). Due to the amendments to the Civil Code of the Russian Federation, the new brand title of the company's organizational and legal form was approved At the Annual General Shareholders' Meeting held on 24 June 2015. Open Joint Stock Company Moscow United Electric Grid Company was changed to Public Joint Stock Company Moscow United Electric Grid Company.

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 30 September 2016, the Government of the Russian Federation owned 85.31% shares of PJSC Rosseti (formerly OJSC "IDGC Holding") (at 31 December 2015 – 85.31%), which in turn owned 50.9% 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 primarily located in the Russian Federation. Consequently, the Group operates on economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The 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.

For the six months ended 30 September 2016 and in 2015, the Russian economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries. In December 2014, the Rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17% followed by its gradual decrease to 11% in 2015. As on 30 September 2016 the key rate was 10.0%. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. The

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Notes to the consolidated interim condensed financial statements (continued)

Group's management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

2 Basis of preparation of financial statements

(a) Applied standards

These consolidated interim condensed financial statements for the nine months ended 30 September 2016 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 2015.

(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.

(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 2015.

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 2015.

Changes in accounting policies

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 September 2016, and have not been applied in preparing these financial statements:

- IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Revenue*

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Notes to the consolidated interim condensed financial statements (continued)

from *Contracts with Customers*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

- IFRS 16 *Leases*. IFRS 16 is effective on a full or a partial retrospective basis for annual periods beginning on or after 1 January 2019, with earlier application permitted, subject to the simultaneous application of IFRS 15.

The Group currently analyzes the likely impact of these standards on its consolidated financial information. The Group does not intend to adopt this standard early:

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* entitled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.
- Amendments to IAS 12 "*Recognition of deferred tax assets for unrealised losses*".
- Amendments to IAS 7 "*Disclosure Initiative*".

Of these pronouncements, potentially the following will have no impact or have insignificant impact on the Group's consolidated financial information.

The following standards and amendments entered into force on 1 January 2016, and have been applied by the Group for the first time in 2016, but they did not impact or had insignificant impact on the consolidated interim condensed financial statements:

- Annual Improvements 2012-2014 Cycle.
- Amendments to IAS 16 *Property, Plant and Equipment*, and IAS 38 *Intangible Assets*.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*.
- Amendments to IAS 1 *Presentation of Financial Statements*.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates*, entitled *Investment Entities: Applying the Consolidation Exception*.

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 2015.

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;

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Notes to the consolidated interim condensed financial statements (continued)

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

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 nine months ended 30 September 2016 or the nine months ended 30 September 2015.

The segment revenue and profit/(loss) before income tax for the nine months ended 30 September 2016 were as follows (unaudited):

'000 RUB	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	92 397 250	5 597 346	1 064 073	99 058 669
Moscow	47 032 949	3 592 885	710 319	51 336 153
Moscow Region	45 364 301	2 004 461	353 754	47 722 516
Inter-segment revenue	-	-	1 983 254	1 983 254
Moscow	-	-	1 138 187	1 138 187
Moscow Region	-	-	845 067	845 067
Reportable segment profit/(loss) before income tax	3 799 931	5 067 062	265 724	9 132 717
Moscow	3 547 681	3 303 541	70 363	6 921 585
Moscow Region	252 250	1 763 521	195 361	2 211 132

The segment revenue and profit before income tax for the nine months ended 30 September 2015 were as follows (unaudited):

'000 RUB	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	83 839 139	6 833 714	1 312 826	91 985 679
Moscow	41 842 358	4 326 287	978 446	47 147 091
Moscow Region	41 996 781	2 507 427	334 380	44 838 588
Inter-segment revenue	-	-	1 703 763	1 703 763
Moscow	-	-	1 006 682	1 006 682
Moscow Region	-	-	697 081	697 081
Reportable segment profit before income tax	3 726 030	6 119 090	318 544	10 163 664
Moscow	2 733 671	3 996 584	236 844	6 967 099
Moscow Region	992 359	2 122 506	81 700	3 196 565

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Notes to the consolidated interim condensed financial statements (continued)

Segment assets are as follows:

'000 RUB	Electricity transmission	Connection services	Other	Unallocated	Total
30 September 2016 (unaudited)					
Total assets	310 525 809	5 250 230	4 143 216	20 887 881	340 807 136
Moscow	204 740 234	5 109 484	3 279 642	–	213 129 360
Moscow Region	105 785 575	140 746	863 574	–	106 789 895
Unallocated	–	–	–	20 887 881	20 887 881
31 December 2015					
Total assets	310 927 430	6 188 173	4 275 494	22 322 997	343 714 094
Moscow	203 905 108	5 582 066	3 399 289	–	212 886 463
Moscow Region	107 022 322	606 107	876 205	–	108 504 634
Unallocated	–	–	–	22 322 997	22 322 997

Segment liabilities are as follows:

'000 RUB	Electricity transmission	Connection services	Other	Unallocated	Total
30 September 2016 (unaudited)					
Total liabilities	95 490 096	38 114 130	1 731 903	15 090 655	150 426 784
Moscow	93 973 834	29 932 072	1 210 326	–	125 116 232
Moscow Region	1 516 262	8 182 058	521 577	–	10 219 897
Unallocated	–	–	–	15 090 655	15 090 655
31 December 2015					
Total liabilities	89 829 354	40 342 264	1 385 651	15 699 050	147 256 319
Moscow	83 244 265	27 378 479	927 359	–	111 550 103
Moscow Region	6 585 089	12 963 785	458 292	–	20 007 166
Unallocated	–	–	–	15 699 050	15 699 050

Reconciliation of reportable segment profit is presented below:

'000 RUB	9 months ended 30 September 2016 (unaudited)	9 months ended 30 September 2015 (unaudited)
Reportable segment profit	8 866 993	9 845 120
Other profit or loss	265 724	318 544
Unallocated	(7 921 783)	(2 255 962)
Total profit before income tax per Russian Accounting Standards	1 210 934	7 907 702
Expenses associated with leased property, plant and equipment	199 278	166 950
Borrowing costs capitalized	(11 340)	6 825
Depreciation and amortisation	2 477 247	2 819 465
Gain on disposal of property, plant and equipment	8 051	6 920
Release of allowance for impairment of accounts receivable	7 384	495 924
Provision for legal claims	161 091	(110)
Effect of loan discounting	(40 488)	(52 005)
Accrued expenses for connection services	–	262 920
Employee benefits obligation	(158 170)	(33 167)
Other items	(118 458)	(216 436)
Consolidated profit before income tax per IFRS	3 735 529	11 364 988

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Notes to the consolidated interim condensed financial statements (continued)

The segment disclosure was prepared in accordance with the segment disclosure as at 31 December 2015. 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 nine months ended 30 September 2016, revenue from one customer of the Group's electricity transmission segment represented approximately 78% (RUB 78 449 582 thousand) of the Group's total revenue (nine months ended 30 September 2015: 80%; RUB 75 239 431 thousand).

7 Revenue

During the nine months ended 30 September 2016 revenue amounted to RUB 100 611 436 thousand (nine months ended 30 September 2015: RUB 93 502 372 thousand) and included revenue from electricity transmission services in the amount of RUB 92 397 250 thousand (nine months ended 30 September 2015: RUB 83 839 139 thousand) and revenue from technological connection services in the amount of RUB 5 597 346 thousand (nine months ended 30 September 2015: RUB 6 833 714 thousand).

8 Operating expenses, net

During the nine months ended 30 September 2016 operating expenses, net amounted to RUB 93 950 031 thousand (nine months ended 30 September 2015: RUB 80 273 631 thousand) and mainly included expenses relating to electricity transmission in the amount of RUB 48 782 765 thousand (nine months ended 30 September 2015: RUB 40 594 919 thousand), purchased electricity for compensation of technological losses in the amount of RUB 9 683 968 thousand (nine months ended 30 September 2015: RUB 7 850 949 thousand), employee benefits in the amount of RUB 13 378 339 thousand (nine months ended 30 September 2015: RUB 13 412 180 thousand) and depreciation and amortisation expense in the amount of RUB 16 255 527 thousand (nine months ended 30 September 2015: RUB 15 558 096 thousand).

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Notes to the consolidated interim condensed financial statements (continued)

9 Property, plant and equipment

'000 RUB	Transformers and					Construction in progress	Total
	Land and buildings	Transmission networks	transformer substations	Other			
Cost							
Balance at 1 January 2015	36 094 150	179 672 836	68 510 438	76 987 992	33 136 291	394 401 707	
Additions (unaudited)	16 130	806 688	304 800	292 941	21 028 072	22 448 631	
Transfers (unaudited)	609 422	10 006 622	5 272 991	(413 058)	(15 475 977)	–	
Disposals (unaudited)	(31 998)	(164 407)	(15 090)	(123 868)	(67 568)	(402 931)	
Balance at 30 September 2015 (unaudited)	36 687 704	190 321 739	74 073 139	76 744 007	38 620 818	416 447 407	
Depreciation							
Balance at 1 January 2015	(8 073 463)	(50 117 652)	(22 035 300)	(39 717 982)	(789 243)	(120 733 640)	
Depreciation charge (unaudited)	(840 176)	(6 132 621)	(3 746 420)	(4 714 798)	–	(15 434 015)	
Disposals (unaudited)	4 141	73 251	11 273	116 733	59 208	264 606	
Transfers (unaudited)	(3 776)	(41 768)	(13 561)	(3 029)	62 134	–	
Balance at 30 September 2015 (unaudited)	(8 913 274)	(56 218 790)	(25 784 008)	(44 319 076)	(667 901)	(135 903 049)	
Net book value							
At 1 January 2015	28 020 687	129 555 185	46 475 138	37 270 010	32 347 047	273 668 067	
At 30 September 2015 (unaudited)	27 774 430	134 102 949	48 289 131	32 424 931	37 952 917	280 544 358	
Cost							
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)	185 429	1 402 507	577 535	486 132	16 983 483	19 635 086	
Transfers (unaudited)	1 986 404	6 408 260	2 772 785	322 402	(11 489 851)	–	
Disposals (unaudited)	(11 778)	(679 106)	(13 768)	(19 196)	–	(723 848)	
Balance at 30 September 2016 (unaudited)	41 105 914	206 240 394	80 687 583	82 367 541	39 415 488	449 816 920	
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)	(882 553)	(6 599 311)	(3 753 830)	(4 883 234)	–	(16 118 928)	
Impairment losses (unaudited)	–	–	–	–	102	102	
Disposals (unaudited)	9 799	258 103	11 723	18 709	–	298 334	
Transfers (unaudited)	(1 840)	(11 725)	(4 751)	(121)	18 437	–	
Balance at 30 September 2016 (unaudited)	(10 072 070)	(64 671 501)	(30 730 827)	(50 709 137)	(630 965)	(156 814 500)	
Net book value							
At 1 January 2016	29 748 383	140 790 165	50 367 062	35 733 712	33 272 352	289 911 674	
At 30 September 2016 (unaudited)	31 033 844	141 568 893	49 956 757	31 658 403	37 784 523	293 002 420	

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Notes to the consolidated interim condensed financial statements (continued)

9 Property, plant and equipment (continued)

Capitalised interest

Borrowing costs totalling RUB 1 507 785 thousand as at 30 September 2016 with a capitalisation rate of 9.72% (30 September 2015: RUB 1 725 429 thousand with a capitalisation rate of 9.96%) were included in the cost of property, plant and equipment and represent interest on loans.

10 Equity

(a) Share capital

Share capital	Ordinary shares 30 September 2016	Ordinary shares 31 December 2015
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 30 September 2016 and 31 December 2015 the Group did not hold any of its own shares.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

At the annual general shareholders meeting held on 09 June 2016 the decision was made to declare dividends for the year 2015 for ordinary shares in the amount of RUB 6 317 310 thousand (RUB 0.1297 per share).

At the annual general shareholders meeting held on 29 June 2015 the decision was made to declare dividends for the year 2014 for ordinary shares in the amount of RUB 2 055 439 thousand (RUB 0.0422 per share).

11 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.

	30 September 2016	30 September 2015
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)	2 633 149	8 558 985
Earnings per share (RUB)	0.0541	0.1757

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Notes to the consolidated interim condensed financial statements (continued)

12 Loans and borrowings

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

'000 RUB	<u>30 September 2016</u>	<u>31 December 2015</u>
Non-current		
Unsecured bank facility	36 690 988	53 367 880
Unsecured bond issues	18 345 780	12 404 381
Finance lease liabilities	643 610	101 362
Total non-current	<u>55 680 378</u>	<u>65 873 623</u>
Current		
Current portion of unsecured bond issues	5 635 120	5 544 245
Unsecured bank facility	3 706 382	–
Current portion of unsecured bank facility	18 466 984	2 590 016
Current portion of finance lease liabilities	77 394	13 249
Total current	<u>27 885 880</u>	<u>8 147 510</u>

The Group raised the following significant bank facilities during the nine months ended 30 September 2016:

	Amount
Bond*	17 961 023
Loan*	65 799 705
Loan	11 341 597

The Group repaid the following significant bank facilities during the nine months ended 30 September 2016:

	Amount
Bond*	12 000 000
Loan*	63 073 835
Loan	11 141 614

* Loan/bond from state-controlled bank.

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Notes to the consolidated interim condensed financial statements (continued)

12 Loans and borrowings (continued)

Terms and debt repayment schedule

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

'000 RUB	Currency	30 September 2016		31 December 2015		30 September 2016		31 December 2015	
		Nominal Interest rate	Nominal Interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	
Unsecured bonds	RUB	—	—	2024	683 225	413 361	737 377	512 063	
Unsecured bank facility*	RUB	8.00%	8.00%	2018	10 010 930	10 010 930	10 013 151	10 013 151	
Unsecured bank facility*	RUB	8.00%	8.00%	2018	8 530 630	8 530 630	8 532 523	8 532 523	
Unsecured bank facility*	RUB	9.16%	9.16%	2017	4 105 131	4 105 131	4 106 174	4 106 174	
Unsecured bank facility*	RUB	—	7.46%	2016	—	—	2 502 867	2 502 867	
Unsecured bank facility*	RUB	—	12.00%	2017	—	—	4 275 027	4 275 027	
Unsecured bank facility*	RUB	—	11.95%	2017	—	—	2 534 930	2 534 930	
Unsecured bank facility*	RUB	8.08%	11.50%	2018	2 002 207	2 002 207	2 002 655	2 002 655	
Unsecured bank facility*	RUB	—	11.50%	2017	—	—	8 015 123	8 015 123	
Unsecured bank facility*	RUB	—	11.50%	2018	—	—	6 962 214	6 962 214	
Unsecured bank facility*	RUB	9.90	—	2019	16 011 370	16 011 370	—	—	
Unsecured bank facility*	RUB	10.15	—	2016	10 779 536	10 779 536	—	—	
Unsecured bank facility*	RUB	10.69%	—	2016	209 882	209 882	—	—	
Unsecured bank facility*	RUB	11.52%	—	2016	5 593	5 593	—	—	
Unsecured bank facility	RUB	9.85%	11.50%	2017	5 005 383	5 005 383	5 009 452	5 009 452	
Unsecured bank facility	RUB	9.85%	11.50%	2017	2 002 153	2 002 153	2 003 780	2 003 780	
Unsecured bank facility	RUB	13.40%	—	2019	60 393	60 393	—	—	
Unsecured bank facility	RUB	13.50%	—	2017	30 472	30 472	—	—	
Unsecured bank facility	RUB	13.40%	—	2018	110 673	110 673	—	—	
Unsecured bonds*	RUB	—	8.50%	2016	—	—	5 164 164	5 163 891	
Unsecured bonds*	RUB	11.00%	11.50%	2017	5 012 053	5 010 187	5 147 673	5 144 386	
Unsecured bonds*	RUB	—	13.20%	2018	—	—	7 144 298	7 128 286	
Unsecured bonds*	RUB	10.30%	—	2019	8 349 925	8 332 019	—	—	
Unsecured bonds*	RUB	10.00%	—	2019	5 157 525	5 153 006	—	—	
Unsecured bonds*	RUB	9.65%	—	2020	5 084 607	5 072 327	—	—	
Finance lease liabilities	RUB	—	—	—	—	721 005	—	114 611	
					83 151 688	83 566 258	74 151 408	74 021 133	

*Loans from state controlled entity

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Notes to the consolidated interim condensed financial statements (continued)

13 Provisions

'000 RUB	Legal claims
Balance at 1 January 2015	555 545
Provisions accrued during the year	327 248
Provisions reversed during the year	(14 498)
Provisions used during the year	(572 028)
Balance at 31 December 2015	296 267
Provisions accrued during the period	610 993
Provisions reversed during the period	(48 179)
Provisions used during the period	(686 999)
Balance at 30 September 2016	172 082

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.

14 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 2015. 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 1 to Level 2 of the fair value hierarchy during the nine months ended 30 September 2016.

15 Capital commitments

Future capital expenditures for which contracts relates to capital construction of power grid facilities have been signed as at 30 September 2016 amount to RUB 34 158 754 thousand (31 December 2015: RUB 19 496 369 thousand).

16 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.

Notes to the consolidated interim condensed financial statements (continued)

16 Contingencies (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.

17 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 30 September 2016 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.

Notes to the consolidated interim condensed financial statements (continued)

17 Related party transactions (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 nine months ended 30 September 2016 was RUB 525 773 thousand (nine months ended 30 September 2015: RUB 530 228 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 nine months ended 30 September 2016 constitute 82% (nine months ended 30 September 2015: 84%) of total Group revenues, including 93% (nine months ended 30 September 2015: 91%) of electricity transmission revenues.

Electricity transmission costs for state-controlled entities for the nine months ended 30 September 2016 constitute 89% (the nine months ended 30 September 2015: 84%) of total transmission costs.

The most significant loans and borrowings from state-controlled entities, received and repaid, are disclosed in Note 12.

(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.