

PJSC Interregional Distribution Grid Company of North-West

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

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Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income for the three and nine months ended 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017	2016	2017	2016
Revenue	6	10,446,863	10,042,767	34,568,001	32,122,354
Government subsidies		4,132	3,171	4,470	3,578
Operating expenses	7	(10,720,377)	(10,267,836)	(33,726,447)	(31,407,129)
Other income, net		430,809	278,307	948,656	627,359
Result from operating activities		161,427	56,409	1,794,680	1,346,162
Finance costs, net		(364,725)	(457,764)	(1,092,243)	(1,260,404)
(Loss)/profit before income tax		(203,298)	(401,355)	702,437	85,758
Income tax benefit/(expense)		27,112	64,917	(197,672)	(5,533)
(Loss)/profit for the period		(176,186)	(336,438)	504,765	80,225
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Net change in fair value of available-for-sale financial assets		1,415	3,068	(771)	4,264
Income tax on items that are or may be reclassified subsequently to profit or loss		(289)	(614)	154	(853)
Total items that are or may be reclassified subsequently to profit or loss		1,126	2,454	(617)	3,411
<i>Items that will never be reclassified to profit or loss:</i>					
Remeasurements of the defined benefit liability		(13,811)	(43,111)	(30,855)	(43,111)
Income tax on items that will never be reclassified to profit or loss		2,762	8,622	6,171	8,622
Total items that will not be reclassified to profit or loss		(11,049)	(34,489)	(24,684)	(34,489)
Other comprehensive loss for the period, net of income tax		(9,923)	(32,035)	(25,301)	(31,078)
Total comprehensive (loss)/income for the period		(186,109)	(368,473)	479,464	49,147

The accompanying notes on pages 10 to 23 are an integral part of these consolidated interim condensed financial statements

Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income for the three and nine months ended 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)



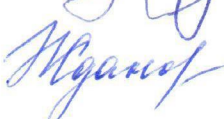
Notes	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	2017	2016
(Loss)/profit attributable to:				
Owners of the Group	(176,191)	(336,440)	504,786	80,218
Non-controlling interests	5	2	(21)	7
(Loss)/profit for the period	(176,186)	(336,438)	504,765	80,225
Total comprehensive (loss)/income attributable to:				
Owners of the Group	(186,114)	(368,475)	479,485	49,140
Non-controlling interests	5	2	(21)	7
Total comprehensive (loss)/income for the period	(186,109)	(368,473)	479,464	49,147
Earnings per share				
Basic and diluted (loss)/earnings per share <i>(in Russian roubles)</i>	(0.0019)	(0.0038)	0.0050	0.0005
Weighted average number of ordinary shares in issue	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138

General Director

Deputy General Director for Economy and Finance

Chief Accountant

22 November 2017

	A.V. Letyagin
	P.V. Shiryayev
	I.G. Zhdanova

Consolidated Interim Condensed Statement of Financial Position as at 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Notes	30 September 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	35,400,708	35,218,505
Intangible assets		97,221	162,980
Deferred tax assets		9,847	8,664
Investment in securities and other financial assets		548,655	560,105
Other non-current assets		562,786	733,220
TOTAL NON-CURRENT ASSETS		36,619,217	36,683,474
CURRENT ASSETS			
Accounts receivable and prepayments		13,228,164	14,171,681
Income tax receivable		252,519	34,050
Inventories		967,906	807,153
Other current assets		1,072,561	748,726
Cash and cash equivalents		307,577	361,619
TOTAL CURRENT ASSETS		15,828,727	16,123,229
TOTAL ASSETS		52,447,944	52,806,703

The accompanying notes on pages 10 to 23 are an integral part of these consolidated interim condensed financial statements

Consolidated Interim Condensed Statement of Financial Position as at 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)



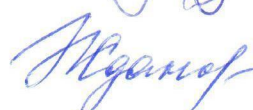
		30 September 2017	31 December 2016
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	9,578,592	9,578,592
Retained earnings		884,505	490,891
Common control combination reserve	9	10,457,284	10,457,284
Other reserves		230,383	255,684
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		21,150,764	20,782,451
Non-controlling interests		326	347
TOTAL EQUITY		21,151,090	20,782,798
NON-CURRENT LIABILITIES			
Long-term loans and borrowings	10	10,132,623	14,319,493
Post-employment benefit obligations		1,815,209	1,762,441
Deferred tax liabilities		1,804,847	1,804,707
Other non-current liabilities		1,128,985	2,026,003
TOTAL NON-CURRENT LIABILITIES		14,881,664	19,912,644
CURRENT LIABILITIES			
Accounts payable and advances received		9,944,012	10,263,436
Income tax payable		1,999	139,088
Current taxes payable		974,580	1,175,449
Current loans and borrowings	10	5,467,179	473,809
Current provisions		27,420	59,479
TOTAL CURRENT LIABILITIES		16,415,190	12,111,261
TOTAL LIABILITIES		31,296,854	32,023,905
TOTAL EQUITY AND LIABILITIES		52,447,944	52,806,703

General Director

Deputy General Director for Economy and Finance

Chief Accountant

22 November 2017

 Letyagin A.V.
 Shiryayev P.V.
 Zhdanova I.G.

Consolidated Interim Condensed Statement of Changes in Equity for the nine months ended 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Attributable to equity holders of the Company				Total	Non-controlling interests	Total equity
	Share capital	Retained earnings	Merger reserve	Other reserves			
Balance at 1 January 2016	9,578,592	313,499	10,457,284	212,632	20,562,007	355	20,562,362
Total comprehensive income for the period							
<i>Income for the period</i>	–	80,218	–	–	80,218	7	80,225
<i>Other comprehensive income for the period</i>	–	–	–	(31,078)	(31,078)	–	(31,078)
Total comprehensive income for the period	–	80,218	–	(31,078)	49,140	7	49,147
Transactions with owners, recorded directly in equity							
Dividends to equity holders	–	(407,473)	–	–	(407,473)	–	(407,473)
Balance at 30 September 2016	9,578,592	(13,756)	10,457,284	181,553	20,203,673	362	20,204,035
Balance at 1 January 2017	9,578,592	490,891	10,457,284	255,684	20,782,451	347	20,782,798
Total comprehensive income for the period							
<i>Profit for the period</i>	–	504,786	–	–	504,786	(21)	504,765
<i>Other comprehensive loss</i>	–	–	–	(25,301)	(25,301)	–	(25,301)
Total comprehensive income for the period	–	504,786	–	(25,301)	479,485	(21)	479,464
Transactions with owners, recorded directly in equity							
Dividends to equity holders	–	(111,188)	–	–	(111,188)	–	–
Balance at 30 September 2017	9,578,592	884,489	10,457,284	230,383	21,150,748	326	21,151,074

Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	9 months ended 30 September	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	504,765	80,225
<i>Adjustments for:</i>		
Income tax expense	197,672	5,533
Finance costs, net	1,092,243	1,260,404
Depreciation and amortisation	3,076,336	2,989,381
(Profit)/loss from disposal of PPE and intangible assets	(16,576)	6,408
Provision for impairment of accounts receivable	573,251	378,402
Reversal of provision for inventory obsolescence	(9,332)	(1,919)
Other non-cash transactions	82,844	96,402
Operating cash flows before changes in working capital and provisions	5,501,203	4,814,836
<i>Working capital changes</i>		
Accounts receivable and prepayments	1,174,558	1,950,054
Inventories	(151,421)	(161,624)
Other current assets	(323,835)	(296,868)
Accounts payable, advances received and provisions	(1,847,560)	(349,437)
Cash flows from operations before income tax and interest paid	4,352,945	5,956,961
Interest paid	(985,542)	(1,133,659)
Income tax paid	(547,870)	(329,005)
Contributions to defined benefit plan	(92,660)	(105,073)
Net cash generated by operating activities	2,726,873	4,389,224

The accompanying notes on pages 10 to 23 are an integral part of these consolidated interim condensed financial statements

Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	9 months ended 30 September	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment and intangible assets	357	293
Purchase of property, plant and equipment, intangible assets and other non-current assets	(3,309,495)	(3,865,406)
Interest received	8,066	5,161
Other investment income received	421	304
Net cash used in investing activities	(3,300,651)	(3,859,648)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Received loans and borrowings	33,152,088	11,348,799
Repayments of loans and borrowings	(32,521,581)	(11,298,930)
Repayments of finance leases	(764)	–
Dividends paid	(110,007)	(402,916)
Net cash used in financing activities	519,736	(353,047)
Net decrease in cash and cash equivalents	(54,042)	176,529
Cash and cash equivalents at 1 January	361,619	71,276
Cash and cash equivalents at 30 September	307,577	247,805

1. THE GROUP AND ITS OPERATIONS

Background

Public Joint Stock Company Interregional Distribution Grid Company of North-West (herein “IDGC North-West” or the “Company”) was established in December 2004 in accordance with the laws of the Russian Federation. The Company was formed during the process of re-organization of OJSC RAO “UES of Russia” (“RAO UES”) as the owner and operator of the electric power transmission and distribution grid in the North-West Region of Russia.

The registered office of the Company is Constitution Square, 3“A”, office 16N, St. Petersburg, 196247, Russia

Formation of the Group

On 27 April 2007 the Board of Directors of RAO UES approved the structure of the Interregional Distribution Grid Companies. Under the approved structure, the IDGC North-West was incorporated with seven branches, located in the Arkhangelsk, Vologda, Syktyvkar, Novgorod, Pskov, Petrozavodsk, Murmansk and subsidiaries (the “Group”). The principal subsidiaries are listed in Note 4.

The branches were formed on the basis of seven Regional Distribution Grid Companies: OJSC “Arkhenenergo”, OJSC “Vologdaenergo”, OJSC “AEK Komienergo”, OJSC “Novgorodenergo” OJSC “Pskovenergo”, OJSC “Karelenenergo”, OJSC “Kolenergo”, all of which were subsidiaries of RAO UES prior to the formation of the Group. The merger was a business combination among entities under common control, and has been accounted for using the predecessor accounting method (see Note 2).

On 1 July 2008 RAO UES ceased to exist as a separate legal entity and transferred its 55.38% of the Company’s shares to OJSC “Holding IDGC”, a state-controlled entity. On 4 April 2013 in accordance with decision of Extraordinary General stockholders meeting dated 23 June 2013 OJSC “Holding IDGC” was renamed to OJSC “Russian Grids” to comply with decree of President of the Russian Federation dated 22 November 2012 No. 1567 “About open joint stock company “Russian Grids”. On 17 July 2015, Joint Stock Company Russian Grids was made a new trade name with alterations regarding organizational and legal form – ROSSETI, Public Joint Stock Company (PJSC ROSSETI).

Relations with the state and current regulations

The Group’s business is a natural monopoly influenced by the Russian government. The government of the Russian Federation directly affects the Group’s operations through state tariffs.

In accordance with legislation of Russian Federation, the Group’s tariffs are controlled by Regional Energy Commissions. Federal Antimonopoly Service of the Russian Federation puts through control of establishment of tariffs.

The Russian electric utilities industry in general and the Group in particular are presently undergoing a reform process designed to introduce competition into the electricity sector and to create an environment in which the Group could raise capital required to maintain and expand current capacity.

Russian business environment

The Group’s operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display some 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 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 impact may differ from management's assessment.

2. BASIS OF PREPARATION

Statement of compliance

These Consolidated Interim Condensed Financial Statements has been prepared in accordance with 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.

Base of measurement

The consolidated IFRS financial statements are prepared on the historical cost basis except for investments available-for-sale that are stated at fair value; property, plant and equipment was revalued as at 1 January 2007 by an independent appraiser to determine deemed cost as part of the first-time adoption of IFRSs.

Basis of preparation

These financial statements are prepared based on the statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation, with adjustments and reclassifications recorded for the purpose of fair presentation of ending balances, results of operations and cash flows in accordance with International Financial Reporting Standards (IFRS).

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in Roubles has been rounded to the nearest thousands, except when otherwise indicated.

Predecessor accounting

In 2008 the Group accounted for the merger with entities controlled by RAO UES as business combination among entities under common control using the predecessor accounting method. Accordingly, assets and liabilities of the contributed entities were combined from the earliest period presented and accounted for at their carrying values, as determined by RAO UES in its IFRS consolidated financial statements.

The difference between the consideration paid and the predecessor carrying values of the net assets relating to the merger of the entities under common control is recorded in equity as a common control combination reserve.

Use of estimates

In the application of the Group's accounting policies management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this consolidated interim condensed financial report 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 ended 31 December 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated interim condensed financial statements are the same as those applied by the Group in its 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 leases to recognize assets and liabilities for most leases. For lessors there is a minor change to the exiting 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 statement and the timing of their adoption by the Group.

Certain comparative balances have been reclassified to conform with the current period presentation. Data about the employee benefit obligations have been restated for the period ended 30 September 2016 due to recording results of measurement retirement benefit obligations on 30 September 2016. All reclassifications and adjustments are immaterial.

4. GROUP SUBSIDIARIES

The Group's consolidated financial statements include the following subsidiaries that are incorporated in Russian Federation:

Subsidiary	Principal activity	Ownership as at	
		30 September 2017, %	31 December 2016, %
OJSC Pskovenergosbyt	Sale of electricity	100	100
OJSC Pskovenergoagent	Collection services	100	100
OJSC Energoservice North-West	Electricity metering services	100	100
OJSC Lesnaya skazka	Recreation	98	98

5. OPERATING SEGMENTS

The Management Board of the Company has been determined as the Group chief operating decision maker.

The Group's primary activity is the provision of electricity transmission services and connection services within regions of the Russian Federation.

The internal management reporting system is based on segments relating to electric energy transmission in separate regions of the Russian Federation (branches of IDGC North-West) and segments relating to other activities (represented by separate legal entities).

The Management Board regularly evaluates and analyses financial information of the segments reported in the statutory financial statements of respective segment entities on at least a quarterly basis.

In accordance with the requirements of IFRS 8 based on the information on segment revenue, profit before income tax and total assets reported to Management Board, the following reportable segments were identified:

- ▶ Transmission Segments – Arkhenergo, Vologdaenergo, Karelenegero, Kolenergo, Komienegero, Novgorodenergo and Pskovenergo;
- ▶ Energy Retail Segment – Pskovenergosbyt;
- ▶ Other Segments – other Group companies.

Segment items are based on financial information reported in statutory accounts and can differ significantly from those used in the consolidated financial statements prepared under IFRSs.

The major differences relate to:

- ▶ difference in the measurement of property, plant and equipment;
- ▶ recognition of employee benefits obligations; and
- ▶ difference in accounting for deferred tax.

Reconciliation of items measured as reported to the Management Board with similar items in these consolidated financial statements include those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Information regarding the results of each reportable segment is included below. Performance is primarily measured based on segment revenues and profit before income tax, as included in the internal management reports that are reviewed by the Management Board. Revenues and segment profit before tax are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments between each other and relative to other entities that operate within those industries.



Public Joint-Stock Company
«Interregional Distribution Grid Company
of the North-West»

Segment results for the 3 months ended 30 September 2017 are presented below:

	Transmission							Energy Retail					
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov- energosbyt	Other Segments	Unallocated	Total
Revenues													
Power transmitting	1,090,490	1,508,398	1,562,772	1,625,207	1,592,016	1,034,865	251,216	–	–	–	–	–	8,664,964
Technological connection to power network	62,669	10,909	6,098	10,130	13,639	6,828	4,897	–	–	–	–	–	115,170
Sale of electricity	–	–	–	–	–	–	–	–	–	1,499,479	–	–	1,499,479
Other revenue	68,536	14,504	43,068	6,695	14,793	7,098	7,257	–	–	4,141	1,158	–	167,250
Intersegment revenue	–	–	13	–	–	–	693,909	–	–	129,601	76,204	–	899,727
Total revenues	1,221,695	1,533,811	1,611,951	1,642,032	1,620,448	1,048,791	957,279	–	–	1,633,221	77,362	–	11,346,590
Profit/(loss) before income tax	(2,984)	150,039	(20,745)	(127,468)	(197,241)	17,097	(103,682)	–	–	5,394	(283)	–	279,873

Segment results for the 3 months ended 30 September 2016 are presented below:

	Transmission							Energy Retail					
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov- energosbyt	Other Segments	Unallocated	Total
Revenues													
Power transmitting	1,034,463	1,570,244	1,675,202	1,361,049	1,468,507	1,008,077	187,628	–	–	–	–	–	8,305,170
Technological connection to power network	92,895	7,742	15,710	6,790	43,184	3,693	10,449	–	–	–	–	–	180,463
Sale of electricity	–	–	–	–	–	–	–	–	–	1,387,751	–	–	1,387,751
Other revenue	61,552	17,892	39,804	8,107	13,269	6,662	11,595	–	–	8,722	1,780	–	169,383
Intersegment revenue	–	–	13	–	–	–	701,856	–	–	101,506	67,848	29	871,252
Total revenues	1,188,910	1,595,878	1,730,729	1,375,946	1,524,960	1,018,432	911,528	–	–	1,497,979	69,628	29	10,914,019
Profit/(loss) before income tax	(200,049)	102,293	(94,641)	(142,435)	(202,166)	(28,394)	152,226	–	–	1,089	(5,170)	–	(417,247)

Segment results for the 9 months ended 30 September 2017 are presented below:

	Transmission							Energy Retail					
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov- energosbyt	Other Segments	Unallocated	Total
Revenues													
Power transmitting	3,711,967	5,088,217	5,548,969	5,226,643	5,054,507	3,203,573	843,518	–	–	–	–	–	28,677,394
Technological connection to power network	114,781	37,265	32,031	23,763	387,072	15,455	15,296	–	–	–	–	–	625,663
Sale of electricity	–	–	–	–	–	–	–	–	–	4,731,600	–	–	4,731,600
Other revenue	237,282	48,569	125,426	18,462	43,406	20,577	23,230	–	–	13,423	2,969	–	533,344
Intersegment revenue	–	–	39	–	–	–	2,213,840	–	–	395,812	232,969	–	2,842,660
Total revenues	4,064,030	5,174,051	5,706,465	5,268,868	5,484,985	3,239,605	3,095,884	–	–	5,140,835	235,938	–	37,410,661
Profit/(loss) before income tax	(115,533)	490,210	137,662	(155,254)	(135,351)	325,527	17,009	–	–	12,380	(499)	–	576,151
As at 30 September 2017:													
Total assets	9,923,682	10,839,479	4,451,357	5,454,926	13,348,532	6,581,644	5,254,584	570,955	–	920,813	70,578	1,961,921	59,378,471
<i>Including property, plant and equipment</i>	<i>3,854,504</i>	<i>8,892,231</i>	<i>3,287,777</i>	<i>3,671,650</i>	<i>11,303,942</i>	<i>5,085,005</i>	<i>4,438,878</i>	–	–	78	6,425	26,233	40,566,723

Segment results for the 9 months ended 30 September 2016 are presented below:

	Transmission							Energy Retail					Total
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov- energosbyt	Other Segments	Unallocated	
Revenues													
Power transmitting	3,420,040	4,940,681	5,303,664	4,690,368	5,008,555	2,902,901	302,020	–	–	–	–	–	26,568,229
Technological connection to power network	141,904	22,598	25,954	8,859	75,750	12,542	34,980	–	–	–	–	–	322,587
Sale of electricity	–	–	–	–	–	–	–	–	–	4,728,700	–	–	4,728,700
Other revenue	217,799	39,188	119,299	20,111	40,857	19,224	31,247	–	–	10,229	4,884	–	502,838
Intersegment revenue	–	–	39	–	–	–	2 497 534	–	–	352,668	213,558	29	3,063,828
Total revenues	3,779,743	5,002,467	5,448,956	4,719,338	5,125,162	2,934,667	2,865,781	–	–	5,091,597	218,442	29	35,186,182
Profit/(loss) before income tax	(466,672)	233,294	121,423	(64,404)	(86,056)	76,514	64,869	–	–	3,961	(3,656)	–	(120,727)
As at 30 September 2016:													
Total assets	8,571,968	11,591,435	4,941,737	4,711,732	13,129,472	6,395,383	5,159,980	1,307,668	3,597	749,187	80,438	1,820,557	58,463,154
<i>Including property, plant and equipment</i>	<i>3,822,561</i>	<i>8,738,292</i>	<i>3,377,630</i>	<i>3,425,055</i>	<i>11,088,172</i>	<i>5,155,380</i>	<i>4,477,362</i>	–	–	<i>112</i>	<i>13,110</i>	<i>37,115</i>	<i>40,134,789</i>

The reconciliation of profit before income tax measured as reported to the Management Board with similar item in these consolidated interim condensed financial statements is presented below:

	For the three months ended 30 September		For the six months ended 30 September	
	2017	2016	2017	2016
Segment results – (loss)/profit before income tax	(279,873)	(417,247)	576,151	(120,727)
Adjustment for depreciation of property, plant and equipment	108,872	90,628	317,595	263,957
Adjustment for receivables impairment allowance	27,196	–	27,213	–
Discounting of receivables	4,039	2,790	10,476	7,958
Adjustments for financial lease	(211)	–	(211)	–
Intergroup dividends	(4,903)	(10,660)	(4,903)	(10,660)
Assets related to employee benefit fund and retirement benefit obligations recognition	(30,188)	(12,061)	(36,984)	(41,655)
Other adjustments	(28,230)	(54,805)	(186,900)	(13,115)
Profit/(loss) before income tax per Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income	(203,298)	(401,355)	702,437	85,758

6. REVENUE

	For the three months ended 30 September		For the six months ended 30 September	
	2017	2016	2017	2016
Power transmitting	8,664,964	8,305,170	28,677,394	26,568,229
Sale of electricity and capacity	1,499,479	1,387,751	4,731,600	4,728,700
Technological connection to power network services	115,170	180,463	625,663	322,587
Other revenue	167,250	169,383	533,344	502,838
Total revenue	10,446,863	10,042,767	34,568,001	32,122,354

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

7. OPERATING EXPENSES

	For the three months ended 30 September		For the three months ended 30 September	
	2017	2016	2017	2016
Power transmitting services	3,021,194	3,328,751	10,573,857	10,156,802
Salaries and other personnel expenses	2,942,839	2,588,564	8,942,703	8,274,385
Electricity purchased for sale	881,799	750,225	2,747,408	2,393,761
Amortization	1,020,559	987,020	3,076,336	2,989,381
Electric purchases to cover technological losses	849,670	771,904	3,093,398	3,010,761
Raw materials and supplies	712,575	613,207	1,620,618	1,420,539
Network and equipment repair services	364,961	273,835	656,244	531,934
Taxes and levies other than income tax	130,692	119,449	396,357	363,973
Energy resources for own needs	24,849	21,064	209,644	184,253
Telecommunication and information services	46,955	48,684	153,275	147,397
Impairment of trade and other receivables	184,748	304,922	573,251	378,402
Other operating expenses	539,536	460,211	1,683,356	1,555,541
Total operating expenses	10,720,377	10,267,836	33,726,447	31,407,129

8. PROPERTY, PLANT AND EQUIPMENT

	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Cost/Deemed cost</i>						
Balance as at 1 January 2016	7,009,161	30,361,447	16,169,935	7,093,769	2,488,108	63,122,420
Additions and transfers	2,032	204,336	92,615	131,153	2,058,964	2,489,100
Putting into operation	86,303	550,690	172,408	53,205	(862,606)	–
Disposals	(1,330)	(4,449)	(9,181)	(28,557)	12,931	(30,586)
Balance as at 30 September 2016	7,096,166	31,112,024	16,425,777	7,249,570	3,697,397	65,580,934
Balance as at 1 January 2016	(2,407,812)	(15,005,625)	(6,034,748)	(4,063,212)	(137,158)	(27,648,555)
Charge for the period	(240,084)	(1,378,229)	(759,757)	(549,619)	–	(2,927,689)
Impairment carry forward of losses	(22)	(1,238)	(81)	(3,902)	5,243	–
Disposals	30,159	3,887	2,694	(14,234)	–	22,506
Balance as at 30 September 2016	(2,617,759)	(16,381,205)	(6,791,892)	(4,630,967)	(131,915)	(30,553,738)
Net book value as at 1 January 2016	4,601,349	15,355,822	10,135,187	3,030,557	2,350,950	35,473,865
Net book value as at 30 September 2016	9,713,925	47,493,229	23,217,669	11,880,537	3,829,312	35,027,196
<i>Cost/Deemed cost</i>						
Balance as at 1 January 2017	7,581,813	32,299,046	17,702,840	7,821,378	1,812,631	67,217,708
Additions and Transfers	22,180	315,665	41,867	200,924	2,683,852	3,264,488
Putting into operation	17,023	836,116	179,375	92,745	43,896	1,169,155
Disposals	(1,778)	(3,430)	(1,834)	(12,748)	(1,245,117)	(1,264,907)
Balance as at 30 September 2017	7,619,238	33,447,397	17,922,248	8,102,299	3,295,262	70,386,444
<i>Accumulated depreciation and impairment</i>						
Balance as at 1 January 2017	(2,837,232)	(17,184,799)	(7,119,344)	(4,759,794)	(98,036)	(31,999,205)
Charge for the period	(246,265)	(1,387,967)	(805,170)	(564,109)	–	(3,003,511)
Impairment carry forward of losses	(134)	(17,667)	(2,520)	(3,716)	24,037	–
Disposals	1,075	2,008	1,717	11,892	287	16,979
Balance as at 30 September 2017	(3,082,556)	(18,588,425)	(7,925,317)	(5,315,727)	(73,712)	(34,985,736)
Net book value as at 1 January 2017	4,744,580	15,114,248	10,583,497	3,061,584	1,714,595	35,218,505
Net book value as at 30 September 2017	4,536,682	14,858,972	9,996,931	2,786,572	3,221,550	35,400,708

Capitalised borrowing cost for the nine month ended 30 June 2017 amounted to RUB 43,896 thousand (for the nine month ended 30 June 2016: RUB 29,778 thousand)

9. EQUITY

Authorised, issued and fully paid share capital

As at 30 September 2016 authorised and issued share capital comprised 95,785,923,138 ordinary shares (31 December 2016: 95,785,923,138) of which all ordinary shares were issued and fully paid. All shares have a par value of RUB 0.1.

Common control combination reserve

The Group was formed in 2008 as a result of the combination of a number of businesses under common control. The carrying value of the net assets of the businesses contributed were determined based on amounts recorded in the IFRS financial statements of the predecessor, rather than the fair values of those net assets. The difference between the value of the share capital issued and the IFRS carrying values of the contributed net assets and non-controlling interests was recorded as a common control combination reserve within equity.

Retained earnings and dividends

On 13 June 2017 at the annual general meeting of shareholders of PJSC "IDGC of North-West" dividends were declared in the total amount of 111,188 thousand roubles (2016: RUB 407,473 thousand).

Dividends for 2012 in the amount of 16 thousand roubles have been recovered into retained earnings as at 30 September 2017 after expiration of three years period of limitation due to absence of requisites in the shareholders register.

Voting rights of shareholders

The holders of fully paid ordinary shares are entitled to one vote per share at the Company's annual and general shareholders' meetings.

Earnings per share

Earnings per share were calculated using the weighted average number of ordinary shares. The Company has no dilutive potential ordinary shares; accordingly, diluted earnings per share are equal to basic earnings per share (at 30 September 2017 earnings per share was 0.0050 RUB, at 30 September 2016 – 0.0005 RUB).

10. LOANS AND BORROWINGS

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

	30 September 2017	31 December 2016
<i>Non-current liabilities</i>		
Unsecured loans and borrowings	15,109,000	14,469,493
Financial lease liabilities	28,477	–
Less: current portion of long-term financial lease liabilities	(4,854)	–
Less: current portion of long-term loans and borrowings	(5,000,000)	(150,000)
	10,132,623	14,319,493
<i>Current liabilities</i>		
Unsecured loans and borrowings	462,325	322,199
Current portion of long-term financial lease liabilities	4,854	–
Current portion of long-term loans and borrowings	5,000,000	151,610
	5,467,179	473,809

The Group raised the following bank loans during the 9 months ended 30 September 2017:

Amount	Interest rate	Maturity
773,900	11.40-11.90%	2017
8,529,800*	8.60-10.70%	2017
5,998,388*	8.55-9.75%	2018
16,700,000*	8.44-9.60%	2019
1,150,000*	8.80-9.80%	2020

The Group repaid the following significant bank facilities during the 9 months ended 30 September 2017:

	Amount
Loans*	31,468,681
Loans	1,052,900

* – Loans from state-controlled entities.

11. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Control relationships

The Government of the Russian Federation, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Group. As at 30 September 2017 the Group was controlled by JSC Russian Grids, a state controlled entity (see Note 1).

Transactions with state-controlled entities

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

Revenue from state-controlled entities of total revenues (including purchased electricity for compensation of technological losses) for state-controlled entities of total transmission costs shown below:

	For nine months ended 30 September	
	2017	2016
Revenues	10,19%	10,59%
Including revenues of electricity transmission (including purchased electricity for compensation of technological losses)	8,02%	10,47%
Electricity transmission costs (including purchased electricity for compensation of technological losses)	60,46 %	60,85%

Significant loans from state controlled entities are disclosed in Note 10.

Pricing policies

Related party revenue for power transmitting is based on the tariffs determined by the government.

12. COMMITMENTS AND CONTINGENCIES

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 no existent or not fully implemented.

Substantial insurance coverage amounts of the Group are presented below:

	For nine months ended 30 September	
	2017	2016
Industrial assets	47,394,526	46,584,006
Vehicles below 10 years of age	566,313	605,030

Taxation contingencies in Russian Federation

The taxation system in the Russian Federation 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 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 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 believes that it has provided adequately for tax liabilities and assets 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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.

Environmental matters

The Group has 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.

Capital expenditure commitments

As at 30 September 2017 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment of RUB 4,362,342 (as at 31 December 2016: RUB 1,690,094).

13. FINANCIAL RISK MANAGEMENT

During the period the Group had been exposed to the same risks as those which existed during the year ended 31 December 2016, and applied the same approach to financial risk management that was applied during the year ended 31 December 2016.