

# **Interregional Distribution Grid (IDG) Company of North–West**

Consolidated Interim Condensed Financial Statements  
for the three and six months ended 30 June 2017  
(Unaudited)

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## Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the 3 and 6 months ended 30 June 2017 (Unaudited)

(in thousands of Russian roubles, except share and per share data)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017	2016	2017	2016
Revenue	6	11,030,655	9,850,249	24,121,137	22,079,587
Government subsidies		223	135	339	407
Operating expenses	7	(11,148,009)	(9,894,768)	(23,006,070)	(21,139,293)
Other income, net		257,643	206,463	517,847	349,052
<b>Result from operating activities</b>		<b>140,512</b>	<b>162,079</b>	<b>1,633,253</b>	<b>1,289,753</b>
Finance costs, net		(376,498)	(386,157)	(727,518)	(802,640)
<b>(Loss)/profit before income tax</b>		<b>(235,986)</b>	<b>(224,078)</b>	<b>905,735</b>	<b>487,113</b>
Income tax benefit/(expense)		23,122	114,456	(224,784)	(70,450)
<b>(Loss)/profit for the period</b>		<b>(212,864)</b>	<b>(109,622)</b>	<b>680,951</b>	<b>416,663</b>
<b>Other comprehensive income</b>					
<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		(2,156)	434	(2,186)	1,196
Income tax on items that are or may be reclassified subsequently to profit or loss		437	(87)	443	(239)
Total items that are or may be reclassified subsequently to profit or loss		(1,719)	347	(1,743)	957
<i>Items that will never be reclassified to profit or loss:</i>					
Remeasurements of the defined benefit liability		3,493	36,931	(17,044)	-
Income tax on items that will never be reclassified to profit or loss		(698)	(7,386)	3,409	-
Total items that will not be reclassified to profit or loss		2,795	29,545	(13,635)	-
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>1,076</b>	<b>29,892</b>	<b>(15,378)</b>	<b>957</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(211,788)</b>	<b>(79,730)</b>	<b>665,573</b>	<b>417,620</b>

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.

## Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the 3 and 6 months ended 30 June 2017 (Unaudited)

*(in thousands of Russian roubles, except share and per share data)*

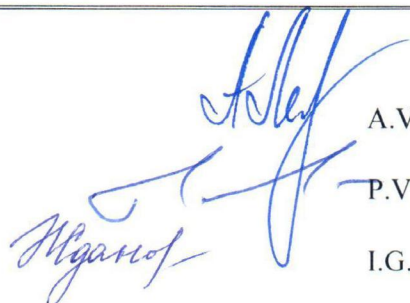
	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017	2016	2017	2016
<b>(Loss)/ profit attributable to:</b>					
Owners of the Group		(212,871)	(109,618)	680,967	416,654
Non-controlling interests		7	(4)	(16)	9
<b>(Loss)/profit for the period</b>		<b>(212,864)</b>	<b>(109,622)</b>	<b>680,951</b>	<b>416,663</b>
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the Group		(211,795)	322,346	665,589	417,611
Non-controlling interests		7	(4)	(16)	9
<b>Total comprehensive (loss)/income for the period</b>		<b>(211,788)</b>	<b>322,342</b>	<b>665,573</b>	<b>417,620</b>
<b>Earnings per share</b>					
Basic and diluted (loss)/earnings per share <i>(in Russian roubles)</i>		(0.0022)	(0.0008)	0.0069	0.0044
Weighted average number of ordinary shares in issue	9	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* August 2017



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

## Consolidated Condensed Statement of Financial Position as at 30 June 2017 (Unaudited)

(in thousands of Russian roubles)

	Notes	30 June 2017	31 December 2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	34,770,398	35,218,505
Intangible assets		118,102	162,980
Deferred tax assets		9,919	8,664
Investment in securities and other financial assets		548,844	560,105
Other non-current assets		595,296	733,220
<b>TOTAL NON-CURRENT ASSETS</b>		<b>36,042,559</b>	<b>36,683,474</b>
<b>CURRENT ASSETS</b>			
Accounts receivable and prepayments		13,133,218	14,171,681
Income tax receivable		212,999	34,050
Inventories		1,128,370	807,153
Other current assets		1,033,916	748,726
Cash and cash equivalents		227,666	361,619
<b>TOTAL CURRENT ASSETS</b>		<b>15,736,169</b>	<b>16,123,229</b>
<b>TOTAL ASSETS</b>		<b>51,778,728</b>	<b>52,806,703</b>

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.

## Consolidated Condensed Statement of Financial Position as at 30 June 2017 (Unaudited)


(in thousands of Russian roubles)

		30 June 2017	31 December 2016
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	9	9,578,592	9,578,592
Retained earnings		1,060,686	490,891
Common control combination reserve	9	10,457,284	10,457,284
Other reserves		240,306	255,684
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>		<b>21,336,868</b>	<b>20,782,451</b>
Non – controlling interests		331	347
<b>TOTAL EQUITY</b>		<b>21,337,199</b>	<b>20,782,798</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans and borrowings	10	9,117,388	14,319,493
Post-employment benefit obligations		1,784,978	1,762,441
Deferred tax liabilities		1,764,684	1,804,707
Other non-current liabilities		1,250,139	2,026,003
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>13,917,189</b>	<b>19,912,644</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and advances received		9,585,584	10,263,436
Income tax payable		1,150,275	139,088
Current taxes payable		33,831	1,175,449
Current loans and borrowings	10	5,705,963	473,809
Current provisions		48,687	59,479
<b>TOTAL CURRENT LIABILITIES</b>		<b>16 524 340</b>	<b>12,111,261</b>
<b>TOTAL LIABILITIES</b>		<b>30,441,529</b>	<b>32,023,905</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51,778,728</b>	<b>52,806,703</b>

General Director

Deputy General Director for Economy and Finance

Chief Accountant

 August 2017

 Letyagin A.V.

 Shiryaev P.V.

 Zhdanova I.G.

## Consolidated Condensed Statement of Changes in Equity for the six months ended 30 June 2017 (Unaudited)

(in thousand of Russian roubles)

	Attributable to equity holders of the Company				Total	Non-controlling interests	Total equity
	Share capital	Retained earnings	Merger reserve	Other reserves			
<b>Balance at 1 January 2016</b>	<b>9,578,592</b>	<b>313,499</b>	<b>10,457,284</b>	<b>212,632</b>	<b>20,562,007</b>	<b>355</b>	<b>20,562,362</b>
<b>Total comprehensive income for the period</b>							
<i>Income for the period</i>	–	416,654	–	–	416,654	9	416,663
<i>Other comprehensive income for the period</i>	–	–	–	957	957	–	957
<b>Total comprehensive income for the period</b>	–	<b>416,654</b>	–	<b>957</b>	<b>417,611</b>	<b>9</b>	<b>417,620</b>
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders	–	(407,473)	–	–	(407,473)	–	(407,473)
<b>Balance at 30 June 2016</b>	<b>9,578,592</b>	<b>322,680</b>	<b>10,457,284</b>	<b>213,588</b>	<b>20,572,144</b>	<b>364</b>	<b>20,572,508</b>
<b>Balance at 1 January 2017</b>	<b>9,578,592</b>	<b>490,891</b>	<b>10,457,284</b>	<b>255,684</b>	<b>20,782,451</b>	<b>347</b>	<b>20,782,798</b>
<b>Total comprehensive income for the period</b>							
<i>Profit for the period</i>	–	680,967	–	–	680,967	(16)	680,951
<i>Other comprehensive loss</i>	–	–	–	(15,378)	(15,378)	–	(15,378)
<b>Total comprehensive income for the period</b>	–	<b>680,967</b>	–	<b>(15,378)</b>	<b>665,589</b>	<b>(16)</b>	<b>665,573</b>
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders	–	(111,188)	–	–	(111,188)	–	(111,188)
<b>Balance at 30 June 2017</b>	<b>9,578,592</b>	<b>1,060,670</b>	<b>10,457,284</b>	<b>240,306</b>	<b>21,336,852</b>	<b>331</b>	<b>21,337,183</b>

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.

## Consolidated Condensed Statement of Cash Flows

### for the six months ended 30 June 2017 (Unaudited)

(in thousands of Russian roubles)

	6 months ended 30 June	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Profit for the period</b>	<b>680,951</b>	<b>416,663</b>
<i>Adjustments for:</i>		
Income tax expense	224,784	70,450
Finance costs, net	727,518	802,640
Depreciation and amortisation	2,055,777	2,002,361
Profit from disposal of PPE and intangible assets	(3,006)	(6,801)
Provision for impairment of accounts receivable	388,503	73,480
Reversal of provision for inventory obsolescence	316	(1,660)
Other non-cash transactions	81,575	16,731
<b>Operating cash flows before changes in working capital and provisions</b>	<b>4,156,418</b>	<b>3,373,864</b>
<i>Working capital changes</i>		
Accounts receivable and prepayments	1,287,520	1,553,259
Inventories	(321,533)	(204,636)
Other current assets	(285,190)	(265,753)
Accounts payable, advances received and provisions	(1,313,802)	(28,292)
<b>Cash flows from operations before income tax and interest paid</b>	<b>3,523,413</b>	<b>4,428,442</b>
Interest paid	(766,293)	(872,510)
Income tax paid	(546,383)	(388,365)
Contributions to defined benefit plan	(69,587)	–
<b>Net cash generated by operating activities</b>	<b>2,141,150</b>	<b>3,167,567</b>

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.



## Consolidated Condensed Statement of Cash Flows

for the six months ended 30 June 2017 (Unaudited)

(in thousands of Russian roubles)

	6 months ended 30 June	
	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposal of property, plant and equipment and intangible assets	144	284
Purchase of property, plant and equipment, intangible assets and other non-current assets	(2,319,367)	(2,555,602)
Interest received	5,356	30,897
Proceeds from disposal of financial investments and repayment of deposit	–	4,600
Payments for financial investments	–	(5,000)
<b>Net cash used in investing activities</b>	<b>(2,313,867)</b>	<b>(2,524,821)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Received loans and borrowings	28,362,088	6,093,509
Repayments of loans and borrowings	(28,323,193)	(6,676,053)
Dividends paid	(131)	–
<b>Net cash used in financing activities</b>	<b>38,764</b>	<b>(582,544)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(133,953)</b>	<b>60,201</b>
<b>Cash and cash equivalents at 1 January</b>	<b>361,619</b>	<b>71,247</b>
<b>Cash and cash equivalents at 30 June</b>	<b>227,666</b>	<b>131,449</b>

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.

## **Notes to the Consolidated Interim Condensed Financial Statements**

**for the 3 and 6 months ended 30 June 2017 (Unaudited)**

## **I. 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 Sobornaya str. 31, Gatchina, Leningrad region, 188300, Russian Federation. The Company’s main offices are at Constitution Square, building 3 “A”, St.Petersburg, 196247, Russian Federation.

### **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 “Arkhenergo”, 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 is 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 thousand, 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.

### 4. GROUP SUBSIDIARIES

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

<b>Subsidiary</b>	<b>Principal activity</b>	<b>Ownership as at 30 June 2017, %</b>	<b>Ownership as at 31 December 2016, %</b>
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, Komienergo, 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.

Segment results for the 3 months ended 30 June 2017 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	
<b>Revenues</b>													
Power transmitting	1,181,320	1,664,116	1,856,121	1,671,758	1,576,891	1,013,774	257,120	–	–	–	–	–	9,221,100
Technological connection to power network	28,783	20,971	22,886	10,878	23,945	6,503	3,664	–	–	–	–	–	117,630
Sale of electricity	–	–	–	–	–	–	–	–	–	1,510,703	–	–	1,510,703
Other revenue	81,544	17,200	36,714	5,870	14,663	7,313	8,233	–	–	9,282	402	–	181,222
Intersegment revenue	–	–	13	–	–	–	706,860	–	–	85,113	78,041	–	870,027
<b>Total revenues</b>	<b>1,291,647</b>	<b>1,702,287</b>	<b>1,915,735</b>	<b>1,688,506</b>	<b>1,615,500</b>	<b>1,027,591</b>	<b>975,877</b>	–	–	<b>1,605,098</b>	<b>78,443</b>	–	<b>11,900,682</b>
<b>Profit/(loss) before income tax</b>	<b>(137,314)</b>	<b>63,799</b>	<b>25,933</b>	<b>(130,695)</b>	<b>(206,800)</b>	<b>137,681</b>	<b>14,269</b>	–	–	<b>4,150</b>	<b>(216)</b>	–	<b>(229,194)</b>

Segment results for the 3 months ended 30 June 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	
<b>Revenues</b>													
Power transmitting	1,026,698	1,527,984	1,596,906	1,459,160	1,585,579	871,737	50,865	–	–	–	–	–	8,118,929
Technological connection to power network	32,791	6,676	1,046	1,242	12,678	4,505	19,260	–	–	–	–	–	78,198
Sale of electricity	–	–	–	–	–	–	–	–	–	1,501,726	–	–	1,501,726
Other revenue	61,638	10,126	39,771	6,473	13,529	6,374	10,426	–	–	1,507	1,552	–	151,396
Intersegment revenue	–	–	13	–	–	–	801,035	–	–	71,411	(108,742)	–	763,717
<b>Total revenues</b>	<b>1,121,127</b>	<b>1,544,786</b>	<b>1,637,736</b>	<b>1,466,875</b>	<b>1,611,786</b>	<b>882,616</b>	<b>881,586</b>	–	–	<b>1,574,644</b>	<b>(107,190)</b>	–	<b>10,613,966</b>
<b>Profit/(loss) before income tax</b>	<b>(168,865)</b>	<b>(40,451)</b>	<b>54,694</b>	<b>(117,839)</b>	<b>(35,710)</b>	<b>137,414</b>	<b>(177,270)</b>	–	–	<b>(80)</b>	<b>1,175</b>	–	<b>(346,932)</b>



Segment results for the 6 months ended 30 June 2017 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	
<b>Revenues</b>													
Power transmitting	2,621,477	3,579,819	3,986,197	3,601,436	3,462,491	2,168,708	592,302	–	–	–	–	–	20,012,430
Technological connection to power network	52,112	26,356	25,933	13,633	373,433	8,627	10,399	–	–	–	–	–	510,493
Sale of electricity	–	–	–	–	–	–	–	–	–	3,232,121	–	–	3,232,121
Other revenue	168,746	34,065	82,358	11,767	28,613	13,479	15,973	–	–	9,282	1,813	–	366,093
Intersegment revenue	–	–	26	–	–	–	1,519,931	–	–	266,211	156,766	–	1,942,934
<b>Total revenues</b>	<b>2,842,335</b>	<b>3,640,240</b>	<b>4,094,514</b>	<b>3,626,836</b>	<b>3,864,537</b>	<b>2,190,814</b>	<b>2,138,605</b>	–	–	<b>3,507,614</b>	<b>158,576</b>	–	<b>26,064,071</b>
<b>Profit/(loss) before income tax</b>	<b>(112,549)</b>	<b>340,171</b>	<b>158,407</b>	<b>(27,786)</b>	<b>61,890</b>	<b>308,430</b>	<b>120,691</b>	–	–	<b>6,986</b>	<b>(216)</b>	–	<b>856,024</b>
As at 30 June 2017:													
<b>Total assets</b>	<b>9,663,659</b>	<b>11,020,028</b>	<b>4,451,744</b>	<b>5,326,002</b>	<b>13,162,723</b>	<b>6,515,473</b>	<b>5,275,943</b>	<b>754,850</b>	<b>778</b>	<b>937,175</b>	<b>76,683</b>	<b>1,916,831</b>	<b>59,101,889</b>
<i>Including property, plant and equipment</i>	<i>3,825,905</i>	<i>8,769,283</i>	<i>3,259,915</i>	<i>3,539,163</i>	<i>11,149,081</i>	<i>5,092,749</i>	<i>4,404,382</i>	–	–	85	6,432	29,623	40,076,618

Segment results for the 6 months ended 30 June 2016 are presented below:

	Transmission							Energy Retail					Unallocated	Total
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov- energosbyt	Other Segments			
<b>Revenues</b>														
Power transmitting	2,385,577	3,370,437	3,628,462	3,329,319	3,540,048	1,894,824	114,392	–	–	–	–	–	18,263,059	
Technological connection to power network	49,009	14,856	10,244	2,069	32,566	8,849	24,531	–	–	–	–	–	142,124	
Sale of electricity	–	–	–	–	–	–	–	–	–	3,340,949	–	–	3,340,946	
Other revenue	156,247	21,296	79,495	12,004	27,588	12,562	19,652	–	–	1,507	3,104	–	333,458	
Intersegment revenue	–	–	26	–	–	–	1,795,678	–	–	251,162	145,710	–	2,192,576	
<b>Total revenues</b>	<b>2,590,833</b>	<b>3,406,589</b>	<b>3,718,227</b>	<b>3,343,392</b>	<b>3,600,202</b>	<b>1,916,235</b>	<b>1,954,253</b>	–	–	<b>3,593,618</b>	<b>148,814</b>	–	<b>24,272,163</b>	
<b>Profit/(loss) before income tax</b>	<b>(266,623)</b>	<b>131,001</b>	<b>216,064</b>	<b>78,031</b>	<b>116,110</b>	<b>104,908</b>	<b>(87,357)</b>	–	–	<b>2,872</b>	<b>1,514</b>	–	<b>296,520</b>	
As at 30 June 2016:														
<b>Total assets</b>	<b>8,967,008</b>	<b>11,695,248</b>	<b>5,320,666</b>	<b>4,885,653</b>	<b>12,918,428</b>	<b>6,317,401</b>	<b>5,158,031</b>	<b>1,430,929</b>	<b>3,853</b>	<b>778,633</b>	<b>91,691</b>	<b>1,727,476</b>	<b>59,295,017</b>	
<i>Including property, plant and equipment</i>	<i>3,874,798</i>	<i>8,849,586</i>	<i>3,465,352</i>	<i>3,391,769</i>	<i>10,838,432</i>	<i>5,254,051</i>	<i>4,515,927</i>	–	–	<i>123</i>	<i>13,953</i>	<i>39,851</i>	<i>40,243,842</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 June		For the six months ended 30 June	
	2017	2016	2017	2016
<b>Segment results – (loss)/profit before income tax</b>	<b>(229,194)</b>	<b>(346,932)</b>	<b>856,024</b>	<b>296,520</b>
Adjustment for depreciation of property, plant and equipment	98,882	87,490	208,723	173,214
Adjustments for financial costs	39,466	47,355	6,393	(6,221)
Accrued salaries and wages	(4,903)	(6,221)	(4,903)	3,774
Other adjustments	(140,237)	(5,770)	(160,502)	19,826
<b>(Loss)/profit before income tax per Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income</b>	<b>(235,986)</b>	<b>(224,078)</b>	<b>905,735</b>	<b>487,113</b>

## 6. REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
Power transmitting	9,221,100	8,118,929	20,012,430	18,263,059
Sale of electricity	1,510,703	1,501,726	3,232,121	3,340,946
Technological connection to power network	117,630	78,198	510,493	142,124
Other revenue	181,222	151,396	366,093	333,458
<b>Total revenue</b>	<b>11,030,655</b>	<b>9,850,249</b>	<b>24,121,137</b>	<b>22,079,587</b>

## 7. OPERATING EXPENSES

	For the three months ended 30 June		For the three months ended 30 June	
	2017	2016	2017	2016
Power transmitting services	3,576,360	3,185,619	7,552,663	6,828,051
Salaries and other personnel expenses	2,955,078	2,803,756	5,685,821	5,656,788
Electricity purchased for resale	825,348	706,530	1,865,609	1,643,536
Depreciation and amortization of non-current assets	1,027,214	999,349	2,055,777	2,002,361
Electric purchases to cover losses	818,234	698,670	2,243,728	2,238,857
Raw materials and supplies	517,774	448,535	908,043	807,332
Network and equipment repair services	226,605	197,902	291,283	258,099
Taxes other than income tax	132,466	117,758	265,665	244,524
Energy resources for own needs	58,512	40,826	184,795	163,189
Telecommunication and information services	61,040	52,565	106,320	98,713
Impairment of trade and other receivables	285,665	14,365	388,503	73,480
Other operating expenses	663,713	628,893	1,143,820	1,095,330
<b>Total operating expenses</b>	<b>11,148,009</b>	<b>9,894,768</b>	<b>23,006,070</b>	<b>21,139,293</b>

## 8. PROPERTY, PLANT AND EQUIPMENT

	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Cost/Deemed cost</i>						
<b>Balance as at 1 January 2016</b>	<b>7,009,161</b>	<b>30,361,447</b>	<b>16,169,935</b>	<b>7,093,769</b>	<b>2,488,108</b>	<b>63,122,420</b>
Additions and transfers	(10,401)	70,177	13,999	69,945	1,803,052	1,946,773
Putting into operation	31,972	238,577	89,431	9,523	(369,503)	–
Disposals	(627)	(3,688)	(861)	(9,981)	(411,989)	(427,145)
<b>Balance as at 30 June 2016</b>	<b>7,030,106</b>	<b>30,666,513</b>	<b>16,272,504</b>	<b>7,163,256</b>	<b>3,509,668</b>	<b>64,642,047</b>
<b>Balance as at 1 January 2016</b>	<b>(2,407,812)</b>	<b>(15,005,625)</b>	<b>(6,034,748)</b>	<b>(4,063,212)</b>	<b>(137,158)</b>	<b>(27,648,555)</b>
Charge for the period	(156,803)	(925,522)	(508,416)	(370,634)	–	(1,961,374)
Impairment carry forward of losses	(22)	(1,240)	(79)	–	1,342	–
Disposals	23,734	13,413	(3,316)	(20,277)	–	13,555
<b>Balance as at 30 June 2016</b>	<b>(2,540,903)</b>	<b>(15,918,974)</b>	<b>(6,546,559)</b>	<b>(4,454,122)</b>	<b>(135,816)</b>	<b>(29,596,374)</b>
<b>Net book value as at 1 January 2016</b>	<b>4,601,349</b>	<b>15,355,822</b>	<b>10,135,187</b>	<b>3,030,557</b>	<b>2,350,950</b>	<b>35,473,865</b>
<b>Net book value as at 30 June 2016</b>	<b>9,571,009</b>	<b>46,585,487</b>	<b>22,819,063</b>	<b>11,617,378</b>	<b>3,645,484</b>	<b>35,045,672</b>
<i>Cost/Deemed cost</i>						
<b>Balance as at 1 January 2017</b>	<b>7,581,813</b>	<b>32,299,046</b>	<b>17,702,840</b>	<b>7,821,378</b>	<b>1,812,631</b>	<b>67,217,708</b>
Additions and Transfers	17,294	147,137	20,905	64,077	1,351,867	1,601,280
Putting into operation	5,907	284,793	76,212	41,122	22,281	430,314
Disposals	(793)	(3,248)	(1,614)	(10,576)	(470,983)	(487,214)
<b>Balance as at 30 June 2017</b>	<b>7,604,221</b>	<b>32,727,728</b>	<b>17,798,343</b>	<b>7,916,001</b>	<b>2,715,796</b>	<b>68,762,088</b>
<i>Accumulated depreciation and impairment</i>						
<b>Balance as at 1 January 2017</b>	<b>(2,837,232)</b>	<b>(17,184,799)</b>	<b>(7,119,344)</b>	<b>(4,759,794)</b>	<b>(98,036)</b>	<b>(31,999,205)</b>
Charge for the period	(164,484)	(928,573)	(536,787)	(377,200)	–	(2,007,044)
Impairment carry forward of losses	(57)	(4,424)	(1,151)	(3,708)	9,340	–
Disposals	680	1,899	1,572	10,236	172	14,559
<b>Balance as at 30 June 2017</b>	<b>(3,001,093)</b>	<b>(18,115,898)</b>	<b>(7,655,709)</b>	<b>(5,130,466)</b>	<b>(88,524)</b>	<b>(33,991,690)</b>
<b>Net book value as at 1 January 2017</b>	<b>4,744,580</b>	<b>15,114,248</b>	<b>10,583,497</b>	<b>3,061,584</b>	<b>1,714,595</b>	<b>35,218,505</b>
<b>Net book value as at 30 June 2017</b>	<b>4,603,128</b>	<b>14,611,831</b>	<b>10,142,634</b>	<b>2,785,534</b>	<b>2,627,272</b>	<b>34,770,398</b>

## 9. EQUITY

### Authorised, issued and fully paid share capital

As at 30 June 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 June 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 June 2017 earnings per share was 0.0069 RUB, at 30 June 2016 – 0.0034 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 June 2017	31 December 2016
<i>Non-current liabilities</i>		
Unsecured bank loans	9,117,388	14,319,493
	<b>9,117,388</b>	<b>14,319,493</b>
<i>Current liabilities</i>		
Current portion of unsecured loans	5,047,638	151,610
Unsecured bank loans	658,324	322,199
	<b>5,705,963</b>	<b>473,809</b>

The Group raised the following bank loans during the 6 months ended 30 June 2017:

Amount	Interest rate	Maturity
734,900	11.40–11.90%	2017
7,478,800*	8.73–10.70%	2017
4,948,388*	8.75–10.44%	2018
14,050,000*	8.80–9.60%	2019
1,150,000*	8.80–9.80%	2020

The Group repaid the following significant bank facilities during the 6 months ended 30 June 2017:

	Amount
Loans*	27,540,293
Loans	782,900

\*– 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 June 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 for the 6 months ended 30 June 2017 constitute 10.37% (6 months ended 30 June 2016: 11.30%) of total Group revenue, including 8.24% (6 months ended 30 June 2016: 11.29%) of electricity transmission revenues.

Electricity transmission cost due to for state-controlled entities for the 6 months ended 30 June 2017 constitute 60.3% (6 months ended 30 June 2016: 59.01%) of total transmission costs.

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 Federal Service on Tariffs and the Regional Energy Commission.

## 12. COMMITMENTS AND CONTINGENCIES

### Political environment

The operations and earnings of the Group are affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection. Because of the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. The nature and frequency of these developments and events associated with these risks, which generally are not covered by insurance, as well as their effect on future operations and earnings, are not predictable.

### Taxation contingencies in Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities 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 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.

### **Litigation**

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and as a defendant) arising in the ordinary course of business. In the opinion of management of the Group, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations, financial position or cash flows of the Group and which have not been accrued or disclosed in these consolidated financial statements.

### **Capital expenditure commitments**

As at 30 June 2017 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment of RUB 2,997,871 (as at 31 December 2016: RUB 1,690,094).

### **Environmental matters**

Group entities and their predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. Group entities periodically evaluate their 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.

### **Insurance policies**

The Russian insurance market is in the development stage and some forms of insurance protection common in other parts of the world are not yet generally available in the Russian Federation.

The Group has entered into insurance contracts to insure property, plant and equipment, and land transport and purchased accident, health and medical insurance for employees. Furthermore, the Group has purchased civil liability coverage for operating entities with dangerous production units.

As at 30 June 2017 the Group has insured its industrial assets for the amount of RUB 47,394,526 (as at 31 December 2016: RUB 46,584,006 thousand). Also, as at 30 June 2017 the Group has insured vehicles below 10 years of age for the amount of RUB 566,313 (as at 31 December 2016: RUB 605,030).

## **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.