

Consolidated interim condensed financial statements
PJSC Interregional Distribution Grid Company of Volga
for the three months ended 31 March 2017
(Unaudited)

**Consolidated interim condensed financial statements
PJSC Interregional Distribution Grid Company of Volga**

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PJSC IDGC of Volga
Consolidated Interim Condensed Statement of Financial Position as at 31 March 2017 (Unaudited)
(in thousands of Russian Rubles, unless otherwise stated)

	Note	31 March 2017 (unaudited)	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	37,932,549	38,752,263
Intangible assets		147,181	153,003
Other non-current assets		680,071	660,247
Total non-current assets		38,759,801	39,565,513
Current assets			
Inventories		2,056,129	1,451,064
Income tax receivable		17,068	68,889
Trade and other receivables		7,115,627	7,575,273
Prepayments for current assets		143,088	153,345
Cash and cash equivalents		3,043,718	2,265,917
Total current assets		12,375,630	11,514,488
TOTAL ASSETS		51,135,431	51,080,001
EQUITY AND LIABILITIES			
Equity			
Share capital	8	18,109,460	18,109,460
Reserve for issue of shares		470,920	470,920
Reserves		(800,195)	(771,520)
Retained earnings		14,784,500	13,616,531
Total equity		32,564,685	31,425,391
Non-current liabilities			
Deferred tax liabilities		2,741,716	2,633,864
Employee benefits		1,464,463	1,436,960
Loans and borrowings	9	6,880,000	8,380,000
Trade and other payables		765,044	787,591
Total non-current liabilities		11,851,223	13,238,415
Current liabilities			
Loans and borrowings	9	11,027	13,883
Trade and other payables		5,081,845	4,852,946
Provisions		30,226	21,391
Income tax payable		24,366	3,889
Other taxes payable		1,572,059	1,524,086
Total current liabilities		6,719,523	6,416,195
Total liabilities		18,570,746	19,654,610
TOTAL EQUITY AND LIABILITIES		51,135,431	51,080,001

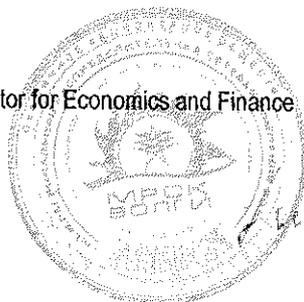
These consolidated interim condensed financial statements were approved by management on 6 June 2017 and were signed on its behalf by:

Deputy General Director for Economics and Finance

I. Yu. Puchkova

Chief Accountant

I.A. Tamlenova



PJSC IDGC of Volga
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Three months ended 31 March 2017	Three months ended 31 March 2016 (unaudited)
Revenue	10	14,928,667	13,624,036
Operating expenses	11	(13,273,477)	(12,429,543)
Other income and expenses, net		202,841	72,412
Operating profit		1,858,031	1,266,905
Finance income		80,067	71,915
Finance costs		(210,779)	(336,331)
Profit before income tax		1,727,319	1,002,489
Income tax expense		(559,350)	(268,140)
Profit for the period		1,167,969	734,349
Other comprehensive income			
Revaluation of net liabilities (assets) for defined benefit obligations		(30,627)	(42,903)
Income tax on other comprehensive income		1,952	1,903
Total other comprehensive income		(28,675)	(41,000)
Total comprehensive income for the period		1,139,294	693,349
Earnings per share - basic and diluted (in RUB)		0.0064	0.0041

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 part of, the consolidated interim condensed financial statements set out on pages 7 to 17.

PJSC IDGC of Volga
Consolidated Interim Condensed Statement of Cash Flows
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Three months ended 31 March 2017 (unaudited)	Three months ended 31 March 2016 (unaudited)
OPERATING ACTIVITIES:			
Profit before income tax for the period		1,727,319	1,002,489
Adjustments for:			
Depreciation and amortisation	11	1,116,520	1,137,360
Allowance for impairment of accounts receivable	11	281,848	168,273
Finance costs		210,779	336,331
Finance income		(80,067)	(71,915)
Loss/(profit) on disposal of property, plant and equipment		(987)	(2,689)
Change in allowances		13,542	40,769
Accounts payable written-off		(1,048)	(349)
Operating profit before working capital changes and income tax paid		3,267,906	2,610,269
Working capital changes:			
Change in trade and other receivables		180,492	(975,942)
Change in prepayments		9,711	14,788
Change in inventories		(603,845)	(564,804)
Change in defined benefit obligations		7,548	32,979
Change in other non-current assets		1,022	(37,463)
Change in trade and other payables		492,699	605,643
Change in long-term payables		(32,529)	8,844
Change in provisions		(4,707)	914
Change in taxes payable other than income		47,973	103,900
Cash flows from operations before income taxes and interest paid		3,366,270	1,799,128
Income tax (recovered)/paid		(362,418)	(203,925)
Interest paid		(190,155)	(314,380)
Net cash flows from operating activities		2,813,697	1,280,823
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(562,350)	(409,246)
Proceeds from disposal of property, plant and equipment		28	13,632
Acquisition of intangible assets		(22,282)	(4,107)
Interest received		48,708	10,036
Net cash flows used in investing activities		(535,896)	(389,685)
FINANCING ACTIVITIES:			
Proceeds from loans and borrowings		2,400,000	-
Repayment of loans and borrowings		(3,900,000)	(800,000)
Dividends paid		-	(2)
Net cash flows used in financing activities		(1,500,000)	(800,002)
Net increase in cash and cash equivalents		777,801	91,136
Cash and cash equivalents at the beginning of the period		2,265,917	1,958,398
Cash and cash equivalents at the end of the period		3,043,718	2,049,534

PJSC IDGC of Volga
Consolidated Interim Condensed Statement of Changes in Equity
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Share capital	Reserve for issue of shares	Reserves	Accumulated Profit	Total equity
As at 1 January 2016	17,857,780	66,860	(780,713)	11,041,379	28,185,306
Profit for the period	-	-	-	734,349	734,349
Other comprehensive income					
Revaluation of net liabilities (assets) for defined benefit obligations	-	-	(42,903)	-	(42,903)
Income tax on other comprehensive income	-	-	1,903	-	1,903
Total other comprehensive income	-	-	(41,000)	-	(41,000)
Total comprehensive income	-	-	(41,000)	734,349	693,349
As at 31 March 2016	17,857,780	66,860	(821,713)	11,775,728	28,878,655
As at 1 January 2017	18,109,460	470,920	(771,520)	13,616,531	31,425,391
Profit for the period	-	-	-	1,167,969	1,167,969
Other comprehensive income					
Revaluation of net liabilities (assets) for defined benefit obligations	-	-	(30,627)	-	(30,627)
Income tax on other comprehensive income	-	-	1,952	-	1,952
Total other comprehensive income	-	-	(28,675)	-	(28,675)
Total comprehensive income	-	-	(28,675)	1,167,969	1,139,294
As at 31 March 17	18,109,460	470,920	(800,195)	14,784,500	32,564,685

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 17

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 1. Background

(a) The Group and its operations

Public Joint-Stock Company "Interregional Distribution Grid Company of Volga" (hereafter, the "Company" or PJSC IDGC of Volga) and its subsidiaries (together referred to as the "Group") comprise Russian joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 29 June 2007 based on Resolution no. 191p of 22 June 2007 and pursuant to the Board of Directors' decision (board of directors' meeting minutes no. 250 of 27 April 2007) of the Russian Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereafter, "RAO UES").

The Company's registered office is 42/44 Pervomayskaya Street, Saratov, Russian Federation, 410031.

The Group's principal activity is the transmission and distribution of electricity and the connection of customers to the electricity grid.

The Group's significant subsidiaries are:

Name	% owned	
	31 March 17	31 December 2016
OJSC Chuvashskaya avtotransportnaya kompaniya	99.99	99.99
OJSC Sanatoriy Solnechny	99.99	99.99
OJSC Sotsialnaya Sfera-M	100	100
OJSC Energoservis Volgi	100	100

As at 31 March 2017 the Russian Government owned 88,75 % of the voting ordinary shares and 7,01 % of the preference shares of PJSC Rosseti (31 December 2016: 88,75% of the voting ordinary shares and 7.01 % of the preference shares), which in turn owned 68,08 % of the Company.

The Government of the Russian Federation influences the Group's activities through setting power transmission and distribution tariffs.

(b) Russian business environment

The Group operates primarily in the Russian Federation and hence is exposed to risks related to the Russian economic and political markets environment.

Consequently, the Group's business is influenced by the economics and financial markets of the Russian Federation which display characteristics of an emerging market. Legal, tax and regulatory systems are in process of development however are subject to varying interpretations and frequent changes. Furthermore, entities that operate in the Russian Federation nowadays face other fiscal and regulatory uncertainties. In addition, global oil and gas prices is significantly influence the Russian economy. Therefore a significant lasting fall in oil prices has its adverse effect on the economy in the Russian Federation. This produces additional challenges for entities operating in the Russian Federation.

The events in Ukraine and subsequent negative response from the global community have had and may have adverse effect on the Russian economy including more complicated world financing attraction, devaluation of national currency and high inflation. These and other events if escalated may have an adverse effect on the operation environment in the Russian Federation.

Note 2. Basis of preparation

(a) Statement of compliance

This consolidated interim condensed financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016. This consolidated interim condensed financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The Consolidated Interim Condensed Financial Statements are prepared on the historical cost basis except for:

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

- Financial investments classified as available-for-sale are stated at fair value;
- Property, plant and equipment were revalued to determine deemed cost as part of the adoption of IFRSs as at 1 January 2006.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble ("RUB"), which is the functional currency for Company and its' subsidiaries and the currency in which these consolidated interim condensed financial statements are presented. All financial information presented in Russian roubles has been rounded to the nearest thousand.

(d) Use of judgments, estimates and assumptions

The preparation of Financial Statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

In preparing these consolidated interim condensed financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2016.

Note 3. Significant accounting policies

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

New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 March 2017, and have not been applied in preparing these consolidated interim 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 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 partly or fully retrospectively effective for annual periods beginning on or after 1 January 2019, with earlier application permitted under the simultaneous application of IFRS 15.

The Group is currently assessing the impact of these standards on the consolidated financial information. The Group does not intend to adopt these standards early.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* in respect of sale of contribution of assets between an investor and its associate of joint venture.

These amendments are not expected to have any impact or impact significantly on the Group's consolidated financial information.

Impact of the new standards, interpretations and amendments to standards

The new and revised standards and interpretations stated below become effective on 1 January 2017:

- Amendments to IAS 7 *Statement of Cash Flows*. The amendment requires that entities shall provide a reconciliation between the opening and closing balances for items of the statement cash flows except for equity.
- Amendments to IAS 12 *Income Taxes*. Recognition of Deferred Tax Assets for Unrealised Losses. This amendment clarifies the requirements to recognise a deferred tax assets arising from debt instruments carried at fair value.

Adoption of the amendments will not have a significant impact on the Group's financial position of its performance.

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 4. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

In preparing these consolidated interim condensed financial statements, the methods for determination of fair values were the same as those applied to the consolidated financial statements for the year ended 31 December 2016.

Note 5. Financial risk management

The goals and policies of financial risk management of the Group are consistent with those operated in the year ended 31 December 2016.

Note 6. 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 within the 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 the Company) and segments relating to other activities (represented by separate legal entities).

The Management Board regularly evaluates and analyses the financial information of the segments reported in the statutory financial statements of respective segments.

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

- Transmission Segments – Mordovia region, Chuvashia region, Orenburg region, Penza region, Samara region, Saratov region, Ulianovsk region – branches of IDGC Volga;
- Other Segments – other Group companies.

Segment items are based on financial information reported in statutory accounts and can differ significantly from those for financial statements prepared under IFRS. The reconciliation of items measured as reported to the Management Board with similar items in these Consolidated Financial Statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

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

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Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(i) Information about reportable segments for the three months ended 31 March 2017

	Transmission						Total		
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region	Other
Revenue:									
Electricity transmission	3,465,832	3,123,778	3,035,088	1,859,045	1,511,662	1,056,261	737,094	-	14,788,760
Connection to the electricity network	6,316	33,889	14,193	4,710	2,033	2,723	13,389	-	77,253
Other revenue	5,090	26,393	4,360	3,253	1,423	2,986	1,040	17,265	61,810
Total revenue from external customers	3,477,238	3,184,060	3,053,641	1,867,008	1,515,118	1,061,970	751,523	17,265	14,927,823
Inter-segment revenue	-	71	-	-	-	-	-	27,599	27,670
Total revenue	3,477,238	3,184,131	3,053,641	1,867,008	1,515,118	1,061,970	751,523	44,864	14,955,493
EBITDA	742,525	543,214	691,535	317,290	216,082	284,728	185,490	(11,047)	2,969,817

Segment assets as at 31 March 2017 are presented below

	Transmission						Total		
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region	Other
Segment assets	15,939,893	11,609,147	16,710,314	5,304,710	5,101,098	4,601,968	3,362,600	231,104	62,860,834
<i>Including property, plant and equipment</i>	13,958,025	9,504,494	13,070,061	4,090,812	3,408,481	3,133,666	2,698,804	103,962	49,968,305

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(ii) Information about reportable segments for the three months ended 31 March 2016

	Transmission						Total		
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region	Other
Revenue:									
Electricity transmission	2,957,986	2,724,820	3,071,765	1,774,231	1,380,178	928,041	682,728	-	13,519,749
Connection to the electricity network	8,214	10,775	3,418	10,523	2,506	7,965	2,899	-	46,300
Other revenue	4,627	25,446	4,255	2,984	1,295	2,853	1,099	14,692	57,251
Total revenue from external customers	2,970,827	2,761,041	3,079,438	1,787,738	1,383,979	938,859	686,726	14,692	13,623,300
Inter-segment revenue	-	94	-	-	-	-	-	25,896	25,990
Total revenue	2,970,827	2,761,135	3,079,438	1,787,738	1,383,979	938,859	686,726	40,588	13,649,290
EBITDA	435,845	385,705	859,493	298,966	154,081	159,375	143,058	(6,189)	2,430,334

Segment assets as at 31 December 2016 are presented below

	Transmission						Total		
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region	Other
Segment assets	16,020,531	11,309,238	16,442,229	5,458,084	5,247,467	4,714,523	3,467,540	227,706	62,887,318
<i>Including property, plant and equipment</i>	14,235,203	9,717,232	13,382,083	4,184,638	3,477,603	3,201,805	2,710,837	108,125	51,017,526

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(iii) Reconciliation of profit before tax of reportable segments

Reconciliation of reportable segment EBITDA is presented below:

	Three month ended 31 March 2017	Three month ended 31 March 2016
EBITDA of reportable segments	2,969,817	2,430,334
Retirement benefit obligations recognition	3,124	(41,293)
Assets related to employee benefit fund	(7,548)	3,307
Adjustment for disposal of property, plant and equipment	(66)	178
Discounting of financial instruments	(759)	63
Other adjustments	9,983	11,676
	2,974,551	2,404,265
Depreciation, amortization and impairment	(1,116,520)	(1,137,360)
Interest expenses on financial liabilities measured at amortized cost	(130,712)	(264,416)
Income tax expense	(559,350)	(268,140)
Profit/ (loss) for the period per consolidated interim condensed statement of profit and loss and other comprehensive income	1,167,969	734,349

The Group performs its activities in the Russian Federation and does not have any significant revenues from foreign customers or any significant non-current assets located in foreign countries.

Note 7. Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transformation	Construction in progress	Other	Total
Cost						
Balance as 1 January 2016	16,392,107	25,373,418	15,189,278	1,029,574	13,086,780	71,071,157
Additions	-	-	425	219,509	9,601	229,535
Transfers	9,026	83,728	8,215	(106,254)	5,285	-
Disposals	(1,574)	(997)	(12)	-	(5,831)	(8,414)
Balance as 31 March 2016	16,399,559	25,456,149	15,197,906	1,142,829	13,095,835	71,292,278
Balance as 1 January 2017	17,000,816	26,126,152	15,675,626	1,446,784	13,934,803	74,184,181
Additions	-	630	38	261,844	9,803	272,315
Transfers	58,975	99,695	200,766	(385,313)	25,877	-
Disposals	(375)	-	(15)	(2,351)	(24,871)	(27,612)
Balance as 31 March 2017	17,059,416	26,226,477	15,876,415	1,320,964	13,945,612	74,428,884
Accumulated depreciation						
Balance as 1 January 2016	(5,086,461)	(12,803,398)	(5,273,071)	-	(7,924,975)	(31,087,905)
Depreciation for the period	(219,501)	(339,022)	(219,264)	-	(334,021)	(1,111,808)
Disposals	467	655	11	-	5,533	6,666
Balance as 31 March 2016	(5,305,495)	(13,141,765)	(5,492,324)	-	(8,253,463)	(32,193,047)
Balance as 1 January 2017	(5,961,752)	(14,141,850)	(6,144,415)	-	(9,183,901)	(35,431,918)
Depreciation for the period	(228,719)	(342,239)	(226,735)	-	(291,880)	(1,089,573)
Disposals	271	-	15	-	24,870	25,156
Balance as 31 March 2017	(6,190,200)	(14,484,089)	(6,371,135)	-	(9,450,911)	(36,496,335)
Net book value						
At 1 January 2016	11,305,646	12,570,020	9,916,207	1,029,574	5,161,805	39,983,252
At 31 March 2016	11,094,064	12,314,384	9,705,582	1,142,829	4,842,372	39,099,231
At 1 January 2017	11,039,064	11,984,302	9,531,211	1,446,784	4,750,902	38,752,263
At 31 March 2017	10,869,216	11,742,388	9,505,280	1,320,964	4,494,701	37,932,549

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 8. Equity

Share capital

	<u>31 March 2017</u>	<u>31 December 2016</u>
Number of ordinary shares authorised, issued and fully paid	181,094,601,146	181,094,601,146
Par value (in RUB)	0.1	0.1
Total share capital (in RUB)	<u>18,109,460,115</u>	<u>18,109,460,115</u>

Dividends paid and declared

In accordance with the 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. As at 31 March 2017 the Company had retained earnings, including the profit for the current period, of RUB 8,458,622 thousand (as at 31 December 2016: RUB 7,404,993 thousand).

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 potential ordinary shares.

	<u>Three months ended 31 March 2017</u>	<u>Three months ended 31 March 2016</u>
Weighted average number of ordinary shares issued	181,094,601,146	178,577,801,146
Profit attributable to the shareholders	1,167,969	734,349
Weighted average earnings per ordinary share – basic (in RUB)	0.0064	0.0041

Note 9. Loans and borrowings

Non-current borrowings

	<u>Effective interest rate, %</u>	<u>Currency</u>	<u>Year of maturity</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
Loans and borrowings					
Unsecured bank facility*	9.75-9.80	RUB	2018-2021	6,880,000	8,380,000
Total non-current debt				<u>6,880,000</u>	<u>8,380,000</u>

Loans and borrowings represent primarily credit lines.

Current borrowings

	<u>31 March 2017</u>	<u>31 December 2016</u>
Current portion of loans and borrowings	-	-
Accrued interest payable	11,027	13,883
Total	<u>11,027</u>	<u>13,883</u>

All loans and borrowings listed above are bank borrowings with fixed interest rate.

The effective interest rate is the market interest rate applicable to the loan at the date of its receipt.

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2017 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

During the three months ended 31 March 2017 the Group repaid the following significant bank loans:

	Amount
Repaid	
Unsecured bank facility*	3,900,000

* All the bank loans have been received from banks that are under government control.

Note 10. Revenue

During the three months ended 31 March 2017 revenue amounted to RUB 14,928,667 thousand (three months ended 31 March 2016: RUB 13,624,036 thousand) and included revenue from electricity transmission services in the amount of RUB 14,788,762 thousand (three months ended 31 March 2016: RUB 13,519,749 thousand), revenue from technological connection services in the amount of RUB 77,253 thousand (three months ended 31 March 2016: RUB 46,300 thousand) and other revenue in the amount of RUB 62,652 thousand (three months ended 31 March 2016: RUB 57,987 thousand).

Note 11. Operating expenses

During the three months ended 31 March 2017 operating expenses amounted to RUB 13,273,477 thousand (three months ended 31 March 2016: RUB 12,429,543 thousand) and included electricity transmission expenses in the amount of RUB 5,152,443 thousand (three months ended 31 March 2016: RUB 4,857,594 thousand), costs of purchased electricity for compensation of technological losses in the amount of RUB 2,465,886 thousand (three months ended 31 March 2016: RUB 2,216,227 thousand), personnel costs in the amount of RUB 3,090,433 thousand (three months ended 31 March 2016: RUB 2,887,762 thousand), depreciation and amortization of property, plant and equipment and intangible assets in the amount of RUB 1,116,520 thousand (three months ended 31 March 2016: RUB 1,137,360 thousand).

Note 12. Related parties

(a) Control relationships

As at 31 March 2017 and at 31 December 2016 JSC Rosseti was the parent company of the Group.

Transactions with the parent company were as follows:

	Three months ended 31 March 2017	Account payables as at 31 March 2017	Three months ended 31 March 2016	Account payables as at 31 December 2016
Revenue				
Rent	272		272	
Operating expenses:				
Management services	60,490	14,169	60,490	14,169
Other expenses	1,967			

The party with ultimate control over IDGC of Volga is the Government of the Russian Federation, which holds the majority of the voting rights in JSC Rosseti.

The majority of the Group's related party transactions are with the subsidiaries of former RAO UES and other state controlled entities.

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(b) Transactions with entities under common control of the parent

Transactions with the Parent's subsidiaries and associates were as follows:

	Three months ended 31 March 2017	Three months ended 31 March 2016
Revenue:	912	18
Rent	131	15
Other sales	781	3
Operating expenses:	2,618,453	2,448,530
Electricity transmission	2,609,290	2,445,490
Technological connection services	88	629
Other expenses	9,075	2,411

Related party transactions are based on normal market prices.

(c) Transactions with other 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 measured at regulated tariffs where applicable, in other cases revenues and purchases are measured at normal market prices. The Group obtains bank loans and borrowings based on market interest rates.

Revenue from state-controlled entities for the period ended 31 March 2017 constitutes 18% (three months ended 31 March 2016: 17%) of total revenue. Almost all of the revenue is the proceeds from the electricity transmission.

Electricity transmission expenses (including compensation of technological losses) occurred by operations with state-controlled entities for the period ended 31 March 2017 constitute 11% (Three months ended 31 March 2016: 10%) of total transmission expenses.

Interest expense accrued on loans from Sberbank constitute 97% (Three months ended 31 March 2016: 100%) of total interest accrued.

(d) Transactions with management and close family members

There are no transactions or balances with key management and their close family members, except for remuneration in the form of salary and bonuses.

Compensation is paid to members of the Board of Directors and top management for their services in full time management positions. The compensation is made up of a contractual salary, non-cash benefits, and performance bonuses depending on results for the period according to Russian statutory financial statements and social security contributions.

Members of the Board of Directors and the top management of the Group received the following remuneration:

	Three months ended 31 March 2017		Three months ended 31 March 2016	
	Members of Board of Directors	Top management	Members of Board of Directors	Top management
Salaries and bonuses	1,803	13,394	2,217	16,502

The amount of the pension obligations attributable to the Members of the Board of Directors and to the Top management of the Group on 31 March 2017 was RUB 641 thousand (31 December 2016: RUB 579 thousand).

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Note 13. Commitments

Capital commitments

As at 31 March 2017 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 1,691,038 thousand (as at 31 December 2016: RUR 841,548 thousand).

Note 14. Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state 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 property, plant and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group 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.

Litigation

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management believes that it has provided adequately for all Group liabilities based on its assessment of the possible decision on the litigation with counterparties.

Taxation contingencies

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.

Environmental matters

The Group and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. 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, management believes that there are no significant liabilities for environmental damage.

Note 15. Financial instruments.

(a) Fair value hierarchy

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	31 March 2017	31 December 2016
Level 1	110	109
Level 2	-	-
Level 3	524,392	500,581
Total	524,502	500,690

The financial instruments of the Group carried at fair value represent available-for-sale investments.

(b) Fair values

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.