

**PJSC IDGC OF NORTHERN CAUCASUS AND ITS SUBSIDIARIES
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2017
(UNAUDITED)**

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IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2017
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

	Notes	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	13,605,847	13,755,544
Intangible assets		88,099	98,471
Accounts receivables and loans issued		70,541	80,082
Deferred tax assets		2,851,307	2,855,064
Other non-current assets		1,082,070	1,071,176
Total non-current assets		17,697,864	17,860,337
Current assets			
Inventories		664,946	581,219
Income tax receivable		52,922	25,818
Trade and other receivables		5,570,844	4,283,014
Prepayments for current assets		69,269	45,263
Cash and cash equivalents		1,150,982	2,933,184
Non-current assets held for sale		3,871	3,411
Total current assets		7,512,834	7,871,909
TOTAL ASSETS		25,210,698	25,732,246
EQUITY AND LIABILITIES			
Equity			
Share capital	7	154,562	154,562
Additional paid in capital		5,052,502	5,052,502
Stock issue reserve		1,977,301	1,642,300
Reserves		(119,636)	(99,492)
Retained (loss)/earnings		(7,256,856)	(3,922,773)
Total equity		(192,127)	2,827,099
Non-current liabilities			
Loans and borrowings	8	5,708,743	5,805,943
Trade and other payables		2,708,914	458,031
Employee benefits		652,753	626,288
Total non-current liabilities		9,070,410	6,890,262
Current liabilities			
Loans and borrowings	8	3,703,155	4,900,486
Trade and other payables		11,385,628	10,328,944
Provisions	9	576,367	181,920
Other taxes payable		667,265	603,535
Total current liabilities		16,332,415	16,014,885
Total liabilities		25,402,825	22,905,147
TOTAL EQUITY AND LIABILITIES		25,210,698	25,732,246

These Consolidated Interim Condensed Financial Statements were approved by management on 22 August 2017 and were signed on its behalf by:

First Deputy General Director



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I.V. Thakahova

Acting Chief accountant

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G.A. Demeshko

IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three and six months ended 30 June 2017
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

	Notes	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2016
Revenue	10	8,627,210	4,064,369	8,343,390	3,863,475
Operating expenses	11	(11,560,666)	(5,078,900)	(10,554,334)	(4,677,159)
Other income, net		63,758	29,247	65,612	24,551
Operating loss		(2,869,698)	(985,284)	(2,145,332)	(789,133)
				0	
Finance income		93,439	26,334	96,457	39,613
Finance costs		(561,578)	(281,841)	(469,850)	(232,904)
Loss before income tax		(3,337,837)	(1,240,791)	(2,518,725)	(982,424)
			0		0
(Expense)/benefit of income tax		3,754	(13,195)	(224,730)	(32,846)
Loss for the period		(3,334,083)	(1,253,986)	(2,743,455)	(1,015,270)
Other comprehensive income/(loss)					
<i>Items that will never be reclassified to profit or loss</i>					
Remeasurement of defined benefit liability		(22,385)	(4,809)	(76,675)	(44,127)
Related income tax		2,241	116	3,049	1,362
<i>Total items that will never be reclassified to profit or loss</i>		<i>(20,144)</i>	<i>(4,693)</i>	<i>(73,626)</i>	<i>(42,765)</i>
Other comprehensive loss, net of income tax		(20,144)	(4,693)	(73,626)	(42,765)
Total comprehensive loss for the period		(3,354,227)	(1,258,679)	(2,817,081)	(1,068,976)
Loss per share - basic and diluted (in RUB)	7	(21.57)	(8.11)	(17.75)	(6.57)

IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Cash Flows for the three and six months ended 30 June 2017
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

		For the six months ended	
	Note	30 June 2017	30 June 2016
OPERATING ACTIVITIES:			
Loss before income tax		(3,337,837)	(2,518,725)
<i>Adjustments for:</i>			
Depreciation and amortisation	11	769,107	790,608
Allowance for impairment of accounts receivable	11	245,848	638,308
Allowance for obsolescence of inventories		(17)	(49)
Provision for unused vacation		25,273	77,378
Provision for legal processes	9,11	457,807	(6,191)
Finance income		(93,439)	(96,457)
Finance costs		561,578	469,850
Gain on disposal of property, plant and equipment		(5,970)	(5,851)
Other non-monetary transactions		49,365	-
Operating loss before working capital changes		(1,328,285)	(651,129)
<i>Changes in working capital:</i>			
Change in accounts receivable		(1,694,424)	(1,552,117)
Change in prepayments for current assets		(24,006)	(6,970)
Change in inventories		(77,890)	(96,545)
Change in financial assets related to the employee benefit fund		11,801	1,836
Change in accounts payable		3,143,819	2,413,898
Change in employee benefits		(21,068)	(2,361)
Change in other taxes payable		63,731	148,439
Cash flows from/(used in) operations before income tax and interest paid		73,678	255,051
Interest paid		(426,112)	(428,937)
Income tax paid in cash		(17,056)	-
Net cash flows used in operating activities		(369,490)	(173,886)
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(571,383)	(375,823)
Proceeds from disposal of property, plant and equipment		1,705	1,509
Acquisition of intangible assets		(4,647)	(7,572)
Repayment of loans issued		74,727	-
Loans issued		-	(74,727)
Interest received		51,464	60,533
Net cash flows used in investing activities		(448,134)	(395,550)
FINANCING ACTIVITIES:			
Issue of shares		335,001	-
Proceeds from loans and borrowings		1,029,594	3,661,439
Repayment of loans and borrowings		(2,329,162)	(3,227,045)
Dividends paid		(11)	(562)
Repayment of finance lease liabilities		-	(3,698)
Net cash flows (used in) / from financing activities		(964,578)	430,134
Net decrease in cash and cash equivalents		(1,782,202)	(139,302)
Cash and cash equivalents at the beginning of the period		2,933,184	1,604,508
Cash and cash equivalents at the end of the period		1,150,982	1,465,206

IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Changes in Equity for the three and six months ended 30 June 2017
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

	Share capital	Additional paid in capital	Stock issue reserve	Reserves	Retained loss	Total equity
Balance at 1 January 2016	154,562	5,052,502	–	(109,315)	1,231,819	6,329,568
Loss for the period	–	–	–	–	(2,743,455)	(2,743,455)
Remeasurement of defined post-employment benefit liability	–	–	–	(76,675)	–	(76,675)
Related income tax	–	–	–	3,049	–	3,049
Total comprehensive loss for the period	–	–	–	(73,626)	(2,743,455)	(2,817,081)
Balance at 30 June 2016	154,562	5,052,502	–	(182,941)	(1,511,636)	3,512,487
	Share capital	Additional paid in capital	Stock issue reserve	Reserves	Retained profit/(loss)	Total equity
Balance at 1 January 2017	154,562	5,052,502	1,642,300	(99,492)	(3,922,773)	2,827,099
Loss for the period	–	–	–	–	(3,334,083)	(3,334,083)
Remeasurement of defined post-employment benefit liability	–	–	–	(22,385)	–	(22,385)
Related income tax	–	–	–	2,241	–	2,241
Total comprehensive loss for the period	–	–	–	(20,144)	(3,334,083)	(3,354,227)
Additional issue	–	–	335,001	–	–	335,001
Total transactions with owners, reflected directly in equity	–	–	335,001	–	–	335,001
Balance at 30 June 2017	154,562	5,052,502	1,977,301	(119,636)	(7,256,856)	(192,127)

Note 1. Background

(a) The Group and its operations

Public Joint Stock Company Interregional Distribution Grid Company of Northern Caucasus (hereafter, the "Company" or "PJSC IDGC of Northern Caucasus") and its subsidiaries (together referred to as the "Group") comprise joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 14 June 2006. Until 1 August 2007 the Company was named OJSC Southern Grid Company.

On 1 April 2008 the reorganization of the Company was completed through the merger of the grid companies of JSC Stavropolenergo, JSC Dagenergo, and JSC Caucasian Energy Management Company.

The Company's registered office is 13A, Podstancionnaya Street, Energetik village, Pyatigorsk, Stavropol region, the Russian Federation, 357506.

The Group consists of the Company and its subsidiaries:

Name	Ownership, %		
	30 June 2017	31 December 2016	30 June 2016
JSC Grid Company of Dagestan	100.0	100.0	100.0

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

As at 31 December 2016, the Government of the Russian Federation represented by the Federal Agency for State Property Management owned 88.75% of the voting ordinary shares and 7.01% of preference shares of PJSC ROSSETI, which in its turn owned 92.00% of the Company. As at 30 June 2017, the Government of the Russian Federation represented by the Federal Agency for State Property Management owned 88.89% of the voting ordinary shares and 7.01% of preference shares of PJSC ROSSETI, which in its turn owned 92.00% of the Company.

(b) Relations with the state and regulation of the Group

Since its foundation the Company has been under control of the Government of the Russian Federation. The Government of the Russian Federation influences the Group's activities through setting power transmission and distribution tariffs.

In accordance with legislation, the Group's tariffs are controlled by the Federal Antimonopoly Service and by the Executive Bodies of subjects of the Russian Federation in the field of state regulation of tariffs.

(c) 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 characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

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

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements which were prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRSs").

(b) Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRS as at 1 January 2010.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Company’s functional currency and the currency in which these consolidated interim condensed financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

(d) Going concern

These consolidated interim condensed financial statements have been prepared on a going concern basis.

As at 30 June 2017 the Group had a net working capital deficit of RUB 8,819,583 thousand (as at 31 December 2016: RUB 8,142,976 thousand).

The net loss of the Group of RUB 3,354,227 thousand for the six months ended 30 June 2017, including carrying losses of JSC Grid Company of Dagestan of RUB 2,980,370 thousand (for the six months ended 30 June 2016: RUB 2,817,081 thousand, including carrying losses of OJSC Dagenergoset of RUB 2,304,384 thousand).

Management monitors maturities of the estimated cash flows from operating and financing activities and manages current liquidity using open credit lines. As at 30 June 2017 the Group had unused credit lines in the amount of RUB 2,822,238 thousand (as at 31 December 2016: RUB 1,193,705 thousand). Management considers that the Group has the ability to raise additional loans and borrowings.

In order to increase efficiency of working capital management the Group is focused on an increased collection of trade receivables, including doubtful receivables. The Group approved a plan of measures to reduce outstanding receivables for electricity transmission and settlement of disputes with customers. The issues regarding collection of receivables are considered by the Management Board on a regular basis.

Management believes that the Group has adequate resources to continue operation activities and to repay current liabilities. Management also believes that measures taken would be able to improve finance statements of the Group and there is no significant uncertainty regarding the Group’s ability to continue as going concern in the foreseeable future.

(e) Use of judgments, estimates and assumptions

The preparation of consolidated 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 as at and for the year ended 31 December 2016. The key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2016.

Note 3. Significant accounting policies

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 as at and for the year ended 31 December 2016.

New standards and interpretations not yet adopted

A number of new Standards and amendments to Standards are not yet effective as at 30 June 2017, and have not been applied in preparing these consolidated 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 new Standards and amendments to Standards

The following Standards and amendments to Standards which are effective from 1 January 2017 the Group applied for the first time:

- 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.

The amendments are not expected to have a significant impact on the Group's financial position or its performance.

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 as at and for the year ended 31 December 2016.

Note 5. Operating segments

The General Director 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 and segments relating to other activities.

The General Director 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 segments revenues and profits before income tax reported to the General Director the following reporting segments were identified:

- Transmission Segments: Dagestan Republic, North Ossetia-Alania Republic, Stavropol region, Kabardino-Balkaria and Karachaevo-Cherkessia Republics, Republic Ingushetia - the main activity of which is the provision of electricity transmission and distribution services within the Russian Federation;

Unallocated items comprise corporate balances of the Company's headquarters which do not constitute an operating segment under IFRS 8 requirements.

Other revenue and a loss before tax in the Republic Ingushetia segment included revenue from electricity sales (Note 11) and expenses on the purchased electricity and capacity for implementation (Note 12) caused by the performance of guaranteed supplier functions in the Republic Ingushetia since 1 December 2015. This activity is not primary for the Company, it is not analyzed by the General Director separately and is not allocated in a separate segment.

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 General Director 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 General Director. 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.

(i) Information about reportable segments

For the six months ended 30 June 2017

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayo-Cherkessian Republic	
Revenue:						
Revenue from external counterparties	3,672,006	1,178,296	1,134,623	1,018,140	776,272	8,573,306
Inter-segment revenue	-	279,326	-	-	-	279,326
Total segment revenue	3,672,006	1,457,622	1,134,623	1,018,140	776,272	8,852,632
Including:						
<i>Electricity transmission</i>	3,614,417	1,153,492	1,129,007	1,013,747	773,681	7,684,344
<i>Connection to the electricity network</i>	51,596	1,970	951	1,145	489	56,625
<i>Other revenue</i>	5,993	302,160	4,665	3,248	2,102	1,111,663
Finance costs	(63,005)	(58,533)	(177,833)	(122,481)	(19,352)	(504,181)
Depreciation	(378,690)	(248,338)	(113,334)	(96,852)	(89,169)	(992,885)
(Loss)/profit before income tax	145,103	(3,406,991)	7,429	142,847	(50,138)	(3,562,724)

IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Changes in Equity for the three and six months ended 30 June 2017
 (Unaudited)
 (thousands of Russian Roubles, unless otherwise stated)

For the three months ended 30 June 2017

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	
Revenue:						
Revenue from external counterparties	1,745,294	582,402	510,758	467,353	366,830	4,037,417
Inter-segment revenue	-	139,663	-	-	-	139,663
Total segment revenue	1,745,294	722,065	510,758	467,353	366,830	4,177,080
Including:						
<i>Electricity transmission</i>	1,691,346	571,378	507,875	464,869	365,360	3,600,828
<i>Connection to the electricity network</i>	50,662	1,442	500	461	328	53,570
<i>Other revenue</i>	3,286	149,245	2,383	2,023	1,142	522,682
Finance costs	(34,690)	(29,209)	(87,703)	(61,767)	(10,504)	(253,685)
Depreciation	(184,801)	(123,706)	(55,681)	(47,642)	(43,730)	(488,399)
(Loss)/profit before income tax	33,329	(1,461,201)	96,478	160,621	(8,090)	(1,349,750)

IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Changes in Equity for the three and six months ended 30 June 2017
 (Unaudited)
 (thousands of Russian Roubles, unless otherwise stated)

For the six months ended 30 June 2016

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	
Revenue:						
Revenue from external counterparties	3,756,201	1,235,063	976,310	939,642	715,356	8,324,150
Inter-segment revenue	-	280,777	-	-	-	280,777
Total segment revenue	3,756,201	1,515,840	976,310	939,642	715,356	8,604,927
Including:						
<i>Electricity transmission</i>	3,677,463	1,226,290	958,394	934,678	712,401	7,509,226
<i>Connection to the electricity network</i>	60,199	2,292	10,350	1,774	446	75,318
<i>Other revenue</i>	18,539	287,258	7,566	3,190	2,509	1,020,383
Finance income	40,134	-	10,269	10,160	7,841	73,411
Finance costs	(226,561)	-	(58,030)	(57,331)	(44,240)	(414,447)
Depreciation	(396,766)	(250,573)	(123,331)	(111,536)	(94,215)	(1,044,288)
(Loss)/profit before income tax	(89,485)	(2,327,832)	69,362	93,913	(16,258)	(2,444,789)

IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Changes in Equity for the three and six months ended 30 June 2017
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

For the three months ended 30 June 2016

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	
Revenue:						
Revenue from external counterparties	1,803,845	501,980	452,306	429,775	341,561	3,853,855
Inter-segment revenue	-	140,389	-	-	-	140,389
Total segment revenue	1,803,845	642,369	452,306	429,775	341,561	3,994,244
Including:						
<i>Electricity transmission</i>	1,738,516	498,693	438,323	426,810	340,125	3,442,467
<i>Connection to the electricity network</i>	55,634	1,065	9,987	1,120	183	68,159
<i>Other revenue</i>	9,695	142,611	3,996	1,845	1,253	483,618
Finance income	20,686	-	5,118	5,118	4,114	37,397
Finance costs	(114,398)	-	(28,252)	(28,252)	(22,742)	(206,738)
Depreciation	(199,934)	(124,836)	(58,889)	(54,539)	(47,715)	(520,247)
(Loss)/profit before income tax	(3,876)	(1,222,452)	125,082	24,594	(6,005)	(1,260,479)

IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Changes in Equity for the three and six months ended 30 June 2017
 (Unaudited)
 (thousands of Russian Roubles, unless otherwise stated)

As at 30 June 2017:

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	
Segment assets	8,549,010	10,384,817	4,273,123	3,622,412	2,328,157	31,179,933
<i>Including property, plant and equipment</i>	6,921,657	7,393,422	2,232,531	2,116,163	1,884,983	21,459,458

As at 31 December 2016:

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	
Segment assets	8,795,541	10,110,084	3,359,578	3,339,505	2,241,898	29,766,506
<i>Including property, plant and equipment</i>	7,276,094	7,539,880	1,999,288	2,192,088	1,900,850	21,875,366

(ii) Reconciliation of reportable segment profit / (loss) before income tax

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.

Reconciliation of reportable segment loss before income tax is presented below:

	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2016
Total segment loss before income tax	(3,562,724)	(1,349,750)	(2,444,789)	(1,260,479)
Adjustment for property, plant and equipment	363,140	182,939	317,956	178,615
Adjustment for finance leases	-	-	4,525	2,296
Adjustment for inventory estimation	(373)	148	(39)	(39)
Bad debt allowance adjustment	386,395	433,200	68,113	180,561
Adjustment for other provisions	25,696	25,696	-	-
Retirement benefit obligations recognition	6,798	(6,811)	(10,318)	(14,586)
Adjustment for tax obligations/ reclassification of expenses for the purposes of IFRS	(26,051)	25,908	(17,244)	(17,244)
Discounting of long-term receivables	11,514	709	3,660	2,216
Discounting of long-term payables	(30,631)	(15,654)	(26,942)	(13,695)
Recognition of receivables	-	-	-	325,482
Other adjustments	(1,334)	(694)	(869)	3,928
Unallocated	(510,267)	(536,481)	(412,778)	(380,420)
Loss before income tax per statement of profit or loss and other comprehensive income	(3,337,837)	(1,240,790)	(2,518,725)	(993,365)

Note 6. Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transformation	Construction in progress	Other	Total
Cost						
Balance at 1 January 2016	1,891,118	9,172,293	9,301,384	4,966,754	4,095,669	29,427,218
Additions	-	-	-	462,483	31,210	493,693
Transfer	486	10,007	13,559	(598,417)	574,365	-
Disposals	-	(338)	(116)	(2,649)	(4,894)	(7,997)
Balance at 30 June 2016	1,891,604	9,181,962	9,314,827	4,828,171	4,696,350	29,912,914
Balance at 1 January 2017	1,909,024	9,388,333	9,506,365	4,229,699	5,455,897	30,489,318
Additions	-	-	-	630,052	4,956	635,008
Transfer	16,083	11,147	8,527	(107,011)	71,254	-
Disposals	-	(66)	(1,233)	(1,344)	(7,481)	(10,124)
Transfer to non-current assets for sale	(9,292)	-	-	-	-	(9,292)
Balance at 30 June 2017	1,915,815	9,399,414	9,513,659	4,751,396	5,524,626	31,104,910

IDGC of Northern Caucasus Group
Consolidated Interim Condensed Statement of Changes in Equity for the three and six months ended 30 June 2017
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

	Land and buildings	Transmission networks	Equipment for electricity transformation	Construction in progress	Other	Total
Accumulated depreciation and impairment						
Balance at 1 January 2016	(655,502)	(5,248,739)	(4,158,156)	(2,024,261)	(2,346,630)	(14,433,288)
Depreciation for the period	(46,791)	(199,035)	(269,958)	-	(253,734)	(769,518)
Impairment loss transfer	-	(1,755)	(143)	2,632	(734)	-
Disposals	-	323	92	771	4,891	6,077
Balance at 30 June 2016	(702,293)	(5,449,206)	(4,428,165)	(2,020,858)	(2,596,207)	(15,196,729)
Balance at 1 January 2017	(734,554)	(5,998,653)	(4,623,725)	(2,516,627)	(2,860,215)	(16,733,774)
Depreciation for the period	(45,910)	(174,915)	(225,789)	-	(295,802)	(742,416)
Impairment loss	-	-	-	(33,068)	-	(33,068)
Impairment loss transfer	-	(981)	(299)	1,280	-	-
Disposals	-	61	785	-	6,986	7,832
Transfer to non-current assets for sale	2,363	-	-	-	-	2,363
Balance at 30 June 2017	(778,101)	(6,174,488)	(4,849,028)	(2,548,415)	(3,149,031)	(17,499,063)
Net book value						
At 1 January 2016	1,235,616	3,923,554	5,143,228	2,942,493	1,749,039	14,993,930
At 30 June 2016	1,189,311	3,732,756	4,886,662	2,807,313	2,100,143	14,716,185
At 1 January 2017	1,174,470	3,389,680	4,882,640	1,713,072	2,595,682	13,755,544
At 30 June 2017	1,137,714	3,224,926	4,664,631	2,202,981	2,375,595	13,605,847

Note 7. Equity

Share capital

	30 June 2017	31 December 2016
Number of ordinary shares authorised, issued and fully paid	154,562,277	154,562,277
Par value (in RUB)	1	1
Total share capital (in RUB)	154,562,277	154 562,277

Dividends paid and declared

The Company's statutory financial statements form the basis for the distribution of profit and other appropriations. Due to differences between statutory accounting principles and IFRS, the Company's profit in the statutory accounts can differ significantly from that reported in the consolidated financial statements prepared under IFRS.

For the six months ended 30 June 2017, the dividends paid amounted to RUB 11 thousand.

As at 30 June 2017 dividends payable of the Group amounted to RUB 684 thousand (as at 31 December 2016: RUB 695 thousand).

Loss per share

The calculation of profit/(loss) per share is based upon the profit/(loss) for the year and the weighted average number of ordinary shares outstanding during the reporting period. The Company has no dilutive potential ordinary shares.

<i>In shares</i>	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2016
Issued shares at the beginning of the period	154,562,277	154,562,277	154,562,277	154,562,277
Weighted average number of shares for the six months ended 30 June	154,562,277	154,562,277	154,562,277	154,562,277

<i>In shares</i>	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2016
Weighted average number of ordinary shares issued	154,562,277	154,562,277	154 562 277	154,562,277
Loss for the period	(3,334,083)	(1,253,986)	(2 743 455)	(1,015,270)
Weighted average loss per ordinary share – basic and diluted (in RUB)	(21.57)	(8.11)	(17,75)	(6.57)

Note 8. Loans and borrowings

Non-current loans and borrowings

	Effective interest rate,%	Currency	Year of maturity	30 June 2017	31 December 2016
Loans					
PJSC Sberbank*	8,20-12,41	RUB	2019	2,150,000	5,000,000
JSC Gazprombank*	11,8-12,25	RUB	2018 - 2019	1,685,702	2,305,943
JSC AB Russia	11,74	RUB	2020	100,000	0
Bonds	13	RUB	2021	1,350,000	1,350,000
Promissory notes					
PJSC FGC UES**	-	RUB	2021	421,729	0
Total non-current debt				5,707,431	8,655,943
<i>Payables on interest on loans</i>				1,312	-
<i>Less current portion of long-term debt and finance lease liability</i>				-	(2 850 000)
Total				5,708,743	5,805,943

Current borrowings

	Effective interest rate,%	Currency	30 June 2017	31 December 2016
Loans				
PJSC Sberbank*	12,41	RUB	2,850,000	-
JSC Gazprombank*	12-12,25	RUB	774,648	-
JSC AB Russia	11,60	RUB	17,060	-
Borrowings				
PJSC ROSSETI**	-	RUB	-	30,000
Promissory notes				
PJSC ROSSETI**	-	RUB	-	1,541,035
PJSC FGC UES**	-	RUB	-	421,729
Total current debt			3,641,708	1,992,764
<i>Payables on interest on loans and bonds</i>			61,447	57,722
<i>Current portion of long-term debt</i>			-	2,850,000
Total			3,703,155	4,900,486

* Loans from government-related entities.

** Borrowings and promissory notes from the parent company and its subsidiary.

For the six months ended 30 June 2017 the Company raised RUB 912,534 thousand and repaid loans in the amount of RUB 641,067 thousand.

For the six months ended 30 June 2016 the Company raised RUB 3,661,439 thousand including bonds of RUB 1,350,000 thousand and repaid loans in the amount of RUB 3,227,045 thousand.

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

The Group has not entered into any hedging arrangements in respect of its interest rate exposure.

As at 30 June 2017 and 31 December 2016 all loans and borrowings were unsecured.

Note 9. Other provisions

	2017	2016
Balance as at 1 January	181,920	113,063
Provisions raised during the period	705,575	44,374
Provisions used during the period	(63,360)	(48,500)
Provisions decrease due to changes in accounting approaches	(247,768)	(50,565)
Balance as at 30 June	576,367	58,372

Provisions relate to legal proceedings and unsettled legal claims against the Group.

Note 10. Revenue

	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016 (adjusted)	For the three months ended 30 June 2016
Electricity transmission	7,684,344	3,600,828	7,509,226	3,442,468
Electricity sales	792,800	364,286	700,632	323,894
Rental income	8,910	4,287	9,241	3,917
Connection services	56,625	53,570	75,318	68,159
Other revenue	84,531	41,398	48,973	25,037
Total	8,627,210	4,064,369	8,343,390	3,863,475

Other revenue is comprised of installation, repair and maintenance services and other sales.

Note 11. Operating expenses

	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2016
Personnel costs	3,481,657	1,721,095	3,299,248	1,601,556
Purchased electricity for compensation of technological losses	3,095,436	1,113,697	2,854,620	1,195,011
Allowance for impairment of trade and other receivables	243,545	(97,345)	638,308	(7,508)
Impairment of property, plant and equipment	-	-	-	-
Depreciation and amortization	769,107	382,491	790,608	378,624
Electricity transmission	1,007,209	433,840	830,296	383,577
Raw materials and supplies	362,994	244,033	374,015	263,325
Rent	158,645	89,065	322,214	147,600
Taxes other than income tax	176,599	49,249	151,393	83,124
Provisions	457,807	188,656	-	(5,809)
Repairs, maintenance and installation services	104,060	100,223	34,947	28,702
Electricity and heat power for own needs	138,935	38,095	126,502	34,725
Maintenance of assets	46,005	29,889	31,086	21,301
Security services	57,992	28,953	54,305	28,063
Management services	39,472	19,311	40,800	20,868
Business trip expenses	33,611	19,483	32,440	20,456
Purchased electricity and power for sale	443,294	179,640	321,146	97,172
Telecommunication and information services	11,163	4,225	19,555	10,083
Consulting, legal and audit services	14,168	6,749	14,365	6,111
Social expenditures and charity expenses	26,645	446	5,544	5,325
Other works and production services	15,069	6,558	-	-
VAT non-recoverable	194,724	53,193	367,081	181,995
Other expenses	682,529	467,354	245,861	182,858
Total	11,560,666	5,078,900	10,554,334	4,677,159

Note 12. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2016.

As at 30 June 2017 the Group holds investments in equity shares of RUB 153 thousand classified as available for sale measured at fair value and belong to Level 1 in the fair value hierarchy (as at 31 December 2016: RUB 173 thousand). Valuation of available-for sale investments is made on a recurring basis using quoted market prices.

Note 13. Commitments

As at 30 June 2017 the Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 1,344,420 thousand (as at 31 December 2016: RUB 1 201 697 thousand).

Note 14. Contingencies

(a) 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 plant facilities, 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.

(b) 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.

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

(d) 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. The Group's 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. Related parties

(a) Control relationships

As at 30 June 2017 and 31 December 2016 PJSC ROSSETI was the Parent company of the Company. The party with ultimate control over the Company is the Russian Government, which holds the majority of the voting rights in PJSC ROSSETI.

The majority of the Group's related party transactions are with the subsidiaries of PJSC ROSSETI and other state controlled entities.

(b) Transactions with the Parent and entities under common control of the Parent

Transactions with the Parent's subsidiaries were as follows:

	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2016
Revenue:				
<i>Transactions with the entities under common control of the Parent</i>				
Electricity transmission	3,007,819	1,412,629	3,072,594	1,367,254
Rental income	3,575	1,617	3,167	1,476
Other revenue	73,993	35,476	28,779	14,892
Other income, net	83,578	28,418	25,420	(43)
Interest income on loans issued	13,708	6,234	12,878	6,661
Expenses:				
<i>Transactions with the Parent</i>				
Management services	38,262	19,131	38,262	19,131
Services for technical supervision	8,864	4,432	8,864	4,432
<i>Transactions with the entities under common control of the Parent</i>				
Electricity transmission	951,518	406,314	786,905	360,935
Purchased electricity for compensation of technological losses	2,176,944	772,258	1,733,941	740,259
Electricity and heat power for own needs	61,775	19,567	54,068	16,603
Purchased electricity for sale	1,357	748	430	366
Other expenses	924,611	878,473	132,630	128,693
Interest expenses	89,394	46,359	30,294	30,294

All outstanding balances with related parties are to be settled in cash within a year of the statement of financial position date. None of the balances are secured.

(c) Transactions with other state controlled entities

In the normal course of business the Group enters into transactions with other entities under Government control. Prices for electricity and heat are based on tariffs set by the Federal Antimonopoly Service and by the Executive Bodies of subjects of the Russian Federation in the field of state regulation of tariffs.

Revenues from state-controlled entities constitute:

	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016 (adjusted)	For the three months ended 30 June 2016
Share of total revenue from state-controlled entities	16%	16%	15%	15%
Share of revenue from electricity transmission from state-controlled entities	16%	16%	15%	15%

Electricity transmission costs for state-controlled entities constitute of total transmission costs:

	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2016
Share of electricity transmission costs for state-controlled entities	4%	4%	4%	7%

(d) Transactions with management and close family members

The Group determines the members of the Board of Directors, the Management Board and senior managers of the Company as key management personnel.

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

The following remuneration allocated to the key management during the reporting period, which is included in personnel costs:

	For the six months ended 30 June 2017	For the three months ended 30 June 2017	For the six months ended 30 June 2016 (adjusted)	For the three months ended 30 June 2016
Salaries and bonuses	38,840	19,071	22,391	12,369

Note 16. Events after the reporting period

In August 2017, the Group entered into loan agreements with JSC Gazprombank with the total outstanding limit of RUB 1,500,000 thousand to mature before 2020.

Management believes there are no other facts of economic activities which have or may have an impact on the financial condition, cash flows or results of operations of the Group and that took place in the period between the reporting date and the date of signing the consolidated interim condensed financial statements for the six months of 2017.

Note 17. Adjustments for comparative information

The comparative information has been adjusted due to the changes in the accounting policies regarding revenue recognition. The effect of the adjustments made on these financial statements is presented below.

Note 10. Revenue

For the six months ended 30 June 2016	Before adjustment	Effect	After adjustment
Electricity transmission	7,894,829	(385,603)	7,509,226
Electricity sales	315,029	385,603	700,632
Total revenue	8,343,390	-	8,343,390

The list of state-controlled entities beyond the Group has also been reviewed.

Note 15. Related parties

Revenue from state-controlled entities within the total revenue comprises:

For the six months ended 30 June 2016	Before adjustment	Effect	After adjustment
Share of total revenue from state-controlled entities	7%	8%	15%
Share of revenue from electricity transmission from state-controlled entities	8%	7%	15%

The remuneration allocated to the key management during the reporting period, and included in personnel costs has also been adjusted:

For the six months ended 30 June 2016	Before adjustment	Effect	After adjustment
Salaries and bonuses	22,349	42	22,391