PJSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

IAS 34 “INTERIM FINANCIAL REPORTING” AS ADOPTED BY THE EU

FOR THE SIX MONTHS ENDED 30 JUNE 2015

(UNAUDITED)

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Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders and Board of Directors

Public Joint-Stock Company "Federal Grid Company of Unified Energy System" (PJSC "FGC UES")

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC "FGC UES" (the "Company") and its subsidiaries (the "Group") as at 30 June 2015, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial statements (the "condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements as at 30 June 2015 and for the six-month period then ended are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

КПМГ
KPMG

Altukhov K.V.

Director (power of attorney dated 16 March 2015, No. 04/15)

JSC "KPMG"

26 August 2015

Moscow, Russian Federation

Condensed Consolidated Interim Statement of Financial Position (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

	Notes	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	800,682	795,029
Intangible assets		7,813	8,285
Investments in associates and joint ventures		1,774	2,109
Available-for-sale investments	6	24,224	14,384
Deferred income tax assets		540	437
Other non-current assets		2,965	4,110
Total non-current assets		**837,998**	**824,354**
Current assets			
Cash and cash equivalents	7	43,935	42,068
Bank deposits	7	28,046	185
Accounts receivable and prepayments	8	49,129	55,912
Income tax prepayments		563	1,516
Inventories		12,801	10,446
Other current assets		279	694
		134,753	**110,821**
Assets of disposal group classified as held for sale	20	727	-
Total current assets		**135,480**	**110,821**
TOTAL ASSETS		**973,478**	**935,175**
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	9	637,333	637,333
Treasury shares	9	(4,719)	(4,719)
Share premium		10,501	10,501
Reserves		232,971	226,382
Accumulated deficit		(280,392)	(297,237)
Equity attributable to shareholders of FGC UES		**595,694**	**572,260**
Non-controlling interest		620	971
Total equity		**596,314**	**573,231**
Non-current liabilities			
Deferred income tax liabilities		8,248	1,954
Non-current debt	11	263,240	233,291
Deferred income		1,114	1,130
Retirement benefit obligations		7,512	6,456
Total non-current liabilities		**280,114**	**242,831**
Current liabilities			
Accounts payable to shareholders of FGC UES		858	8
Current debt and current portion of non-current debt	11	31,762	29,686
Accounts payable and accrued charges	12	64,267	89,316
Income tax payable		4	103
		96,891	**119,113**
Liabilities of disposal group classified as held for sale	20	159	-
Total current liabilities		**97,050**	**119,113**
Total liabilities		**377,164**	**361,944**
TOTAL EQUITY AND LIABILITIES		**973,478**	**935,175**

Authorised for issue and signed on behalf of the Management Board:

26 August 2015

Chairman of the Management Board — A. E. Murov

Head of Accounting and Financial Reporting – Chief Accountant — A.P. Noskov

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenues	13	82,519	85,360
Other operating income		2,715	2,130
Operating expenses	14	(62,303)	(61,997)
Loss on re-measurement of assets held for sale	20	(542)	-
Impairment of property, plant and equipment, net	5	(472)	(67)
Operating profit		**21,917**	**25,426**
Finance income	15	3,876	2,526
Finance costs	16	(4,037)	(2,790)
Impairment of available-for-sale investments	6	(26)	(929)
Share of result of associates		(14)	1
Profit before income tax		**21,716**	**24,234**
Income tax expense	10	(4,374)	(5,624)
Profit for the period		**17,342**	**18,610**
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		(1,027)	239
Income tax relating to items that will not be reclassified		45	18
Total items that will not be reclassified to profit or loss		**(982)**	**257**
Items that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale investments	6	9,840	(1,269)
Impairment of available-for-sale investments recycled to profit or loss	6	26	929
Foreign currency translation difference		(322)	9
Income tax relating to items that may be reclassified		(1,973)	6
Total items that may be reclassified to profit or loss		**7,571**	**(325)**
Other comprehensive profit / (loss) for the period, net of income tax		**6,589**	**(68)**
Total comprehensive income for the period		**23,931**	**18,542**
Proft / (loss) attributable to:			
Shareholders of FGC UES	17	17,692	18,862
Non-controlling interest		(350)	(252)
Total comprehensive income / (loss) attributable to:			
Shareholders of FGC UES		24,281	18,794
Non-controlling interest		(350)	(252)
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	17	**0.014**	**0.015**

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**21,716**	**24,234**
Adjustments to reconcile profit before income tax to net cash provided by operations			
Depreciation of property, plant and equipment	5,14	19,645	21,443
Gain on disposal of property, plant and equipment		(562)	(626)
Amortisation of intangible assets		747	464
Impairment of property, plant and equipment, net	5	472	67
Impairment of available-for-sale investments	6	26	929
Loss on re-measurement of assets held for sale	20	542	
Share of result of associates		14	(1)
Accrual of allowance for doubtful debtors	14	6,719	2,361
Share-based compensation		-	6
Finance income	15	(3,876)	(2,526)
Finance costs	16	4,037	2,790
Other non-cash operating loss / (income)		19	(4)
Operating cash flows before working capital changes and income tax paid		**49,499**	**49,137**
Working capital changes:			
Decrease in accounts receivable and prepayments		1,134	3,235
Increase in inventories		(2,391)	(1,118)
Decrease in other non-current and current assets		303	1,222
Increase in accounts payable and accrued charges		2,277	2,157
Decrease in retirement benefit obligations		(353)	(307)
Income tax paid		855	-
Net cash generated by operating activities		**51,324**	**54,326**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(44,784)	(32,509)
Proceeds from disposal of property, plant and equipment		1,590	899
Purchase of intangible assets		(275)	(88)
Redemption of promissory notes		550	2,609
Investment in bank deposits		(28,138)	(383)
Redemption of bank deposits		277	20,662
Dividends received		21	1
Interest received		3,495	2,733
Net cash used in investing activities		**(67,264)**	**(6,076)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current and non-current borrowings		40,000	-
Repayment of non-current borrowings		(9,797)	(14,890)
Repayment of lease		(75)	(75)
Interest paid		(12,321)	(10,766)
Net cash generated by / (used in) financing activities		**17,807**	**(25,731)**
Net increase in cash and cash equivalents		**1,867**	**22,519**
Cash and cash equivalents at the beginning of the period	7	**42,068**	**21,627**
Cash and cash equivalents at the end of the period	7	**43,935**	**44,146**

PJSC “FGC UES”

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

	Notes	Attributable to shareholders of FGC UES: Share capital	Share premium	Treasury shares	Reserves	Accumu-lated deficit	Total	Non-controlling interest	Total equity
As at 1 January 2015		**637,333**	**10,501**	**(4,719)**	**226,382**	**(297,237)**	**572,260**	**971**	**573,231**
Comprehensive income for the period									
Profit for the period		-	-	-	-	17,692	**17,692**	(350)	**17,342**
Other comprehensive income / (loss), net of related income tax									
Change in fair value of available-for-sale investments	6	-	-	-	7,872	-	**7,872**	-	**7,872**
Impairment of available-for-sale investments recycled to profit or loss	6	-	-	-	21	-	**21**	-	**21**
Remeasurements of retirement benefit obligations		-	-	-	(982)	-	**(982)**		**(982)**
Foreign currency translation difference		-	-	-	(322)	-	**(322)**	-	**(322)**
Total other comprehensive income		-	-	-	***6,589***	-	***6,589***	-	***6,589***
Total comprehensive income for the period		-	-	-	6,589	17,692	**24,281**	(350)	**23,931**
Transactions with shareholders of FGC UES recorded directly in equity									
Dividends declared	9	-	-	-	-	(847)	**(847)**	(1)	**(848)**
Total transactions with shareholders of FGC UES		-	-	-	-	(847)	**(847)**	(1)	**(848)**
As at 30 June 2015		**637,333**	**10,501**	**(4,719)**	**232,971**	**(280,392)**	**595,694**	**620**	**596,314**

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

		Attributable to shareholders of FGC UES						Non-controlling interest	Total equity
	Notes	Share capital	Share premium	Treasury shares	Reserves	Accumu-lated deficit	Total		
As at 1 January 2014		**633,571**	**10,501**	**(4,725)**	**184,916**	**(275,024)**	**549,239**	**(942)**	**548,297**
Comprehensive income for the period									
Profit for the period		-	-	-	-	18,862	**18,862**	(252)	**18,610**
Other comprehensive income / (loss), net of related income tax									
Change in revaluation reserve for property, plant and equipment		-	-	-	(375)	375	**-**	-	**-**
Change in fair value of available-for-sale investments	6	-	-	-	(1,077)	-	**(1,077)**	-	**(1,077)**
Impairment of available-for-sale investments recycled to profit or loss	6	-	-	-	743	-	**743**	-	**743**
Remeasurements of retirement benefit obligations		-	-	-	257	-	**257**		**257**
Foreign currency translation difference		-	-	-	9	-	**9**	-	**9**
Total other comprehensive loss		-	-	-	***(443)***	***375***	***(68)***	-	***(68)***
Total comprehensive income for the period		-	-	-	(443)	19,237	**18,794**	(252)	**18,542**
Transactions with shareholders of FGC UES recorded directly in equity									
Issue of share capital	9	3,762	-	-	-	-	**3,762**	-	**3,762**
Share-based compensation		-	-	6	-	-	**6**	-	**6**
Dividends declared		-	-	-	-	(437)	**(437)**	(3)	**(440)**
Total transactions with shareholders of FGC UES		3,762	-	6	-	(437)	**3,331**	(3)	**3,328**
As at 30 June 2014		**637,333**	**10,501**	**(4,719)**	**184,473**	**(256,224)**	**571,364**	**(1,197)**	**570,167**

Note 1. PJSC “FGC UES” and its operations

Public Joint-Stock Company “Federal Grid Company of Unified Energy System” (“FGC UES” or the “Company”) was established in June 2002 for the purpose of operating and managing the electricity transmission grid infrastructure of the Russian Unified National Electric Grid (the “UNEG”).

FGC UES and its subsidiaries (the “Group”) act as the natural monopoly operator for the UNEG. The Group’s principal operating activities consist of providing electricity transmission services, providing connection to the electricity grid, maintaining the electricity grid system, technical supervision of grid facilities and investment activities in the development of the UNEG. The majority of the Group’s revenues are generated via tariffs for electricity transmission, which are approved by the Russian Federal Antimonopoly Service (the “FAS” – legal successor of the Federal Tariff Service, abolished on 21 July 2015) based on the Regulatory Asset Base (“RAB”) regulation. FGC UES's main customers are distribution grid companies (“IDGCs”), certain large commercial end customers and retail electricity supply companies.

On 14 June 2013 the Government of the Russian Federation (the “RF”) transferred its stake in FGC UES to PJSC “Russian Grids” (former OJSC “IDGC Holding”), the holding company of an electricity distribution group, controlled by the Government of the RF. As at 30 June 2015, FGC UES was 80.13% owned and controlled by PJSC “Russian Grids”. The remaining shares are traded on Moscow Interbank Currency Exchange and as Global Depository Receipts on the London Stock Exchange.

The registered office of the Company is located at 5A Akademika Chelomeya Street, Moscow 117630, Russian Federation.

Relationships with the state. The Government of the RF is the ultimate controlling party of FGC UES. The Government directly affects the Group's operations via regulation over tariff by the FAS and its investment program is subject to approval by both the FAS and the Ministry of Energy. Ultimately the Government supports the Group due to its strategic position in the Russian Federation. The Government's economic, social and other policies could have a material impact on the Group’s operations.

Business environment. The Group’s operations are primarily 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 recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements (“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 may differ from management’s assessment.

Seasonality of business. The Group’s services are not seasonal.

Note 2. Basis of preparation

Statement of compliance. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union (the “EU”).They do not include all the information required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Selected explanatory notes are included to explain events and transactions that are significant for understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements. All information should be read in conjunction with the Group’s audited consolidated financial statements as at and for the year ended 31 December 2014 prepared in accordance with IFRS.

Critical accounting estimates and assumptions. In preparing these Condensed Consolidated Interim Financial Statements, the 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 at and for the year ended 31 December 2014.

(in millions of Russian Rouble unless otherwise stated)

Note 2. Basis of preparation (continued)

Fair value. Management believes that the fair value of financial assets and liabilities carried at amortised cost is not significantly different from their carrying amounts, except for non-current and current debt (Note 11). The carrying value of trade payables and trade receivables less provision for doubtful debtors is assumed to approximate their fair value due to their short-term nature. The financial instruments of the Group carried at fair value represent available-for-sale investments (Note 6). The fair value of the available-for-sale investments is determined by the quoted prices (Level 1 inputs) in active markets for identical financial assets. There are no significant unobservable inputs used in measuring fair values of financial assets and liabilities

Note 3. Summary of significant accounting policies

Except for the adoption of the new standards and interpretations effective for the annual periods beginning on 1 January 2015 and adopted by the EU, the accounting policies followed in the preparation of these Condensed Consolidated Interim Financial Statements were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2014. Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual profit or loss.

Changes in accounting policies. Several new standards and amendments apply for the first time in 2015. However, they do not impact the Group's annual consolidated financial statements or the condensed consolidated interim financial statements.

Note 4. Balances and transactions with related parties

Government-related entities. During the six months ended 30 June 2015 and 2014 the Group had the following significant transactions with government-related entities:

	Six months ended 30 June 2015	**Six months ended 30 June 2014**
Transmission revenue	72,453	67,510
Electricity sales	2,139	1,240
Connection services	124	1,470
Purchased electricity for production needs	(3,526)	(3,676)

Significant balances with government-related entities are presented below:

	30 June 2015	**31 December 2014**
Cash and cash equivalents	36,745	41,474
Bank deposits	25,059	130
Other non-current assets	1,665	2,665
Other current assets	39	47
Trade receivables (net of allowance for doubtful debtors of RR 6,931 million as at 30 June 2015 and RR 3,236 million as at 31 December 2014)	32,913	31,778
Available-for-sale investments	24,224	14,384
Advances to construction companies and suppliers of property, plant and equipment (included in CIP)	848	1,119
Accounts payable to shareholders of FGC UES	(858)	(8)
Non-current debt	(469)	(519)
Current debt	(99)	(141)
Accounts payable and accrued charges	(20,699)	(21,220)

As at 30 June 2015 the Group had long-term undrawn committed financing facilities with government-related banks of RR 105,000 million (as at 31 December 2014: RR 105,000 million) (Note 11). There were no short-term undrawn committed financing facilities with government-related banks as at 30 June 2015 and 31 December 2014.

Tax balances and charges are disclosed in Notes 10, 12 and 14. Tax transactions are disclosed in the Consolidated Interim Statement of Comprehensive Income.

(in millions of Russian Rouble unless otherwise stated)

Note 4. Balances and transactions with related parties (continued)

Directors' compensation. Total remuneration in the form of salary, bonuses and non-cash benefits (social security contributions are not included) provided to the members of the Management Board for the six months ended 30 June 2015 and 2014 was as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Short-term compensation, including salary and bonuses	206	76
Post-employment benefits and other long-term benefits	8	3
Share-based compensation	-	1
Total	**214**	**80**

No remuneration was provided to the members of the Board of Directors for the six months ended 30 June 2015 and 2014.

Note 5. Property, plant and equipment

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Balance as at 1 January 2015	20,145	372,659	222,250	147,765	32,210	795,029
Additions	279	23	62	27,289	405	28,058
Transfers	145	1,379	2,402	(4,541)	615	-
Reclassification to assets held for sale	(1,264)	-	-	(3)	(2)	(1,269)
Disposals	(304)	(71)	(396)	(208)	(98)	(1,077)
Balance as at 30 June 2015	19,001	373,990	224,318	170,302	33,130	820,741
Accumulated depreciation and impairment						
Balance as at 1 January 2015	-	-	-	-	-	-
Depreciation charge	(203)	(7,481)	(8,734)	-	(3,227)	(19,645)
Impairment loss	-	-	-	(472)	-	(472)
Reclassification to assets held for sale	9	-	-	-	-	9
Disposals	3	1	21	-	24	49
Balance as at 30 June 2015	(191)	(7,480)	(8,713)	(472)	(3,203)	(20,059)
Net book value as at 1 January 2015	20,145	372,659	222,250	147,765	32,210	795,029
Net book value as at 30 June 2015	18,810	366,510	215,605	169,830	29,927	800,682

(in millions of Russian Rouble unless otherwise stated)

Note 5. Property, plant and equipment (continued)

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Balance as at 1 January 2014	20,912	495,652	341,136	306,514	43,829	1,208,043
Additions	397	428	98	41,966	963	43,852
Transfers	(147)	5,526	7,109	(15,372)	2,884	-
Disposals	(1)	(12)	(374)	(78)	(136)	(601)
Balance as at 30 June 2014	21,161	501,594	347,969	333,030	47,540	1,251,294
Accumulated depreciation and impairment						
Balance as at 1 January 2014	(3,423)	(157,012)	(158,450)	(117,237)	(22,211)	(458,333)
Depreciation charge	(102)	(10,168)	(8,748)	-	(2,425)	(21,443)
Transfers	(95)	(605)	(2,289)	3,729	(740)	-
Impairment loss	-	-	-	(65)	(2)	(67)
Disposals	-	4	209	-	115	328
Balance as at 30 June 2014	(3,620)	(167,781)	(169,278)	(113,573)	(25,263)	(479,515)
Net book value as at 1 January 2014	17,489	338,640	182,686	189,277	21,618	749,710
Net book value as at 30 June 2014	17,541	333,813	178,691	219,457	22,277	771,779

The property, plant and equipment have been revalued at 31 December 2014. The revaluation was performed by independent appraisers on a depreciated replacement cost basis, except for most of administrative buildings which were valued on the basis of recent market transactions involving similar assets on arm’s length terms. The replacement cost for most power transmission lines, substations and construction in progress is based on their technical capabilities, construction costs and construction cost estimates. The cost to replace the majority of the Group’s equipment is measured on the basis of purchase agreements and manufacturers’ and selling companies’ price-lists. The depreciated replacement cost was tested for impairment using a profitability test with respect to each cash generating unit. The Group’s transmission segment (Note 19) was considered as a single cash generating unit.

As part of revaluation the Group also reassessed the useful lives of certain assets included in Power transmission grids group, which resulted in increase of period of depreciation of such assets and decrease in depreciation charge compared to prior periods.

Note 6. Available-for-sale investments

	1 January 2015	Change in fair value	Impairment charge	30 June 2015
PJSC “INTER RAO UES”	13,759	9,805	-	23,564
PJSC “Russian Grids”	625	61	(26)	660
Total	**14,384**	**9,866**	**(26)**	**24,224**

	1 January 2014	Change in fair value	Impairment charge	30 June 2014
PJSC “INTER RAO UES”	19,379	-	(929)	18,450
PJSC “Russian Grids”	1,063	(340)	-	723
Total	**20,442**	**(340)**	**(929)**	**19,173**

(in millions of Russian Rouble unless otherwise stated)

Note 7. Cash and cash equivalents and bank deposits

	30 June 2015	31 December 2014
Cash at bank and in hand	28,374	11,336
Cash equivalents	15,561	30,732
Total cash and cash equivalents	**43,935**	**42,068**

Cash equivalents include short-term investments in certificates of deposit with original maturities of three months or less and contractual interest rate of 11.00-12.80% as at 30 June 2015 and 10.47-30.00% as at 31 December 2014. There were no certificates of deposit denominated in foreign currency included in cash equivalents as at 30 June 2015 and 31 December 2014.

Bank deposits

	Interest rate	30 June 2015	31 December 2014
PJSC “Sberbank”	11.01-12.75%	24,938	130
OJSC “Gazprombank”	11.35-14.00%	2,987	30
OJSC “Alfa-Bank”	12.00%	121	-
OJSC "Bank “ROSSIYA”	17.25%	-	25
Total bank deposits		**28,046**	**185**

Fair value of bank deposits approximates their carrying value.

Note 8. Accounts receivable and prepayments

	30 June 2015	31 December 2014
Trade receivables	38,311	38,240
(Net of allowance for doubtful debtors of RR 14,198 million as at 30 June 2015 and RR 8,397 million as at 31 December 2014)		
Other receivables	5,846	8,046
(Net of allowance for doubtful debtors of RR 2,148 million as at 30 June 2015 and RR 1,466 million as at 31 December 2014)		
VAT recoverable	1,745	7,578
Advances to suppliers		
(Net of allowance for doubtful debtors of RR 2,007 million as at 30 June 2015 and RR 1,981 million as at 31 December 2014)	3,162	1,946
Tax prepayments	65	102
Total accounts receivable and prepayments	**49,129**	**55,912**

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days as at 30 June 2015 and 31 December 2014. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.
As at 30 June 2015 the Group based on the recent legal practice recognized allowance for doubtful debts for certain balances with customers where the Group had disputes related to certain terms of transmission services amounted RR 2,640 million (as at 31 December 2014: RR 113 million).

Note 9. Equity

Share capital

	Number of shares issued and fully paid		Share Capital	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Ordinary shares	1,274,665,323,063	1,274,665,323,063	637,333	637,333

Treasury shares. The Group through a subsidiary holds 13,727,165 thousand ordinary shares in treasury at a total cost of RR 4,719 million (as at 31 December 2014: 4,719 million).

Dividends. At the Annual General Meeting in June 2015 the decision was approved to declare dividends for the year 2014 amounted to RR 847 million.

Note 10. Income tax

Income tax (expense) / benefit is recognised based on the management’s best estimate of the weighted average annual income tax rate expected for the full financial year.

During the six months ended 30 June 2015 and 2014 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

(in millions of Russian Rouble unless otherwise stated)

Note 11. Non-current debt

	Effective interest rate	Due	30 June 2015	31 December 2014
Certified interest-bearing non-convertible bearer bonds:				
with fixed rates	7.5-8.75%	2019-2028	122,808	122,836
with variable rates	CPI+1-2.5%	2022-2050	153,477	111,383
Stock Exchange authorised certified interest-bearing non-convertible bearer bonds	8.10%	2015	206	10,155
Loan participation notes (LPNs)	8.45%	2019	17,943	17,943
Finance lease liabilities	9.50%	2018	568	614
Total debt			**295,002**	**262,931**
Less: current portion of non-current bonds and LPNs			(31,663)	(29,545)
Less: current portion of finance lease liabilities			(99)	(95)
Total non-current debt			**263,240**	**233,291**

All debt instruments are denominated in Russian Rouble.

Reconciliation between carrying and fair values of financial liabilities is presented bellow.

		30 June 2015		31 December 2014	
	Level	Fair value	Carrying value	Fair value	Carrying value
Non-convertible bearer bonds with fixed rates and loan participation notes	1	126,717	140,957	129,377	150,933
Non-convertible bearer bonds with variable rates	1	10,164	10,556	9,746	10,415
Other non-current debt with floating rates and finance lease liabilities	3	103,588	143,489	70,385	101,583
Total debt		**240,469**	**295,002**	**209,508**	**262,931**

Fair value of non-current debt with floating rates included in Level 3 inputs was determined using discount rate of 12% as at 30 June 2015 (13% as at 31 December 2014).

As at 30 June 2015 the Group had long-term undrawn committed financing facilities of RR 152,500 million (as at 31 December 2014: RR 157,500 million) which could be used for the general purposes of the Group.

Note 12. Accounts payable and accrued charges

	30 June 2015	31 December 2014
Trade payables	17,903	17,942
Accounts payable to construction companies and suppliers of property, plant and equipment	30,539	58,002
Advances received	8,937	7,060
Provision for legal claims	390	500
Accounts payable to employees	2,420	2,154
Taxes other than on income payable	2,865	1,825
Other creditors and accrued liabilities	1,213	1,833
Total accounts payable and accrued charges	**64,267**	**89,316**

(in millions of Russian Rouble unless otherwise stated)

Note 13. Revenue

	Six months ended 30 June 2015	Six months ended 30 June 2014
Transmission fee	77,166	79,465
Electricity sales	4,659	2,117
Connection services	431	3,443
Grids repair and maintenance services	263	335
Total revenues	**82,519**	**85,360**

Note 14. Operating expenses

	Six months ended 30 June 2015	Six months ended 30 June 2014
Depreciation of property, plant and equipment	19,645	21,443
Employee benefit expenses and payroll taxes	13,902	13,651
Accrual of allowance for doubtful debtors	6,719	2,361
Purchased electricity	6,713	7,125
Taxes, other than on income	4,143	3,417
Electricity transit	3,568	1,383
Business trips and transportation expenses	876	967
Security services	805	930
Other materials	782	828
Repairs and maintenance of equipment (by contractors)	748	1,071
Materials for repair	712	902
Rent	575	939
Movement in provision for legal claims	(110)	3,688
Other expenses	3,225	3,292
Total operating expenses	**62,303**	**61,997**

Note 15. Finance income

	Six months ended 30 June 2015	Six months ended 30 June 2014
Interest income	3,734	2,501
Foreign currency exchange differences	118	25
Other finance income	24	-
Total finance income	**3,876**	**2,526**

Note 16. Finance costs

	Six months ended 30 June 2015	Six months ended 30 June 2014
Interest expense	14,265	11,188
Net interest on the defined benefit obligations	381	304
Foreign currency exchange differences	127	21
Other finance costs	-	1
Total finance cost	**14,773**	**11,514**
Less: capitalised interest expenses	(10,736)	(8,724)
Total finance cost recognised in profit or loss	**4,037**	**2,790**

Note 17. Earnings per ordinary share for profit attributable to shareholders of FGC UES

	Six months ended 30 June 2015	Six months ended 30 June 2014
Weighted average number of ordinary shares (millions of shares)	1,260,938	1,260,938
Profit attributable to shareholders of FGC UES (millions of RR)	17,692	18,862
Weighted average earning per share – basic and diluted (in RR)	**0.014**	**0.015**

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

Note 18. Contingencies, commitments, operating and financial risks

There have been no changes in political environment, insurance policies and environmental matters during the six months ended 30 June 2015 in comparison with those described in the Group’s consolidated financial statements for the year ended 31 December 2014 as well as there have been no changes in operating and financial risk management policies since year end.

Legal proceedings. In the normal course of business the Group entities may be a party to certain legal proceedings. In the opinion of management, currently there are no existing legal proceedings or claims outstanding or final dispositions which will have a material adverse effect on the financial position of the Group, except for the following.

As at 30 June 2015 the Group's subsidiary, OJSC ”Nurenergo” was engaged in a number of litigations involving claims amounting in total to RR 13,689 million (as at 31 December 2014: RR 12,363 million), for collection of amounts payable for electricity purchased by OJSC ”Nurenergo”. The amount is recorded within accounts payable. No additional provision has been made as the Group's management believes that these claims are unlikely to result in any further liabilities.

During 2012-2015 OJSC “Nurenergo” was involved in a number of litigations aiming to commence a bankruptcy procedure in respect of subsidiary. On 27 July 2015 the Commercial Court of the Republic of Chechnya commenced the observation procedure in respect of the company. On 14 August 2015 OJSC “Nurenergo” filed an appeal to the Sixteenth Commercial Court of Appeal to dismiss a bankruptcy case.

Tax contingency. Russian tax and customs legislation is subject to varying interpretation when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant regional and federal authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of decision to perform tax review. Under certain circumstances reviews may cover longer periods.

As at 30 June 2015 management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency and customs positions will be sustained.

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 199,215 million as at 30 June 2015 (as at 31 December 2014: RR 233,101 million) including VAT. These amounts include accounts payable to construction companies and suppliers of property, plant and equipment in the amount of RR 30,539 million as at 30 June 2015 (as at 31 December 2014: RR 58,002 million) (Note 12).

Note 19. Segment information

The Group operates wihin one operating segment. The Group’s single primary activity is provision of electricity transmission services within the Russian Federation which is represented as Transmission segment. There are no differences from the last annual consolidated financial statements in the basis of segmentation.

The Board of Directors of the Company has been determined as chief operating decision maker (the “CODM”) of the Group which generally analyses information relating to Transmission segment. The Board of Directors does not evaluate financial information of other components of the Group to allocate resources or assess performance and does not determine these components as segments. The key indicator of the transmissions segment performance is return on equity ratio (ROE). It is calculated based on the statutory financial statements prepared according to RAR as net profit divided by net assets. Accordingly, the measure of transmission segment profit or loss analysed by the CODM is net profit of segment based on the statutory financial statements prepared according to RAR. The other information provided to the CODM is also based on statutory financial statements prepared according to RAR.

(in millions of Russian Rouble unless otherwise stated)

Note 19. Segment information (continued)

	Transmission segment – based on statutory financial statements prepared according to RAR	
	Six months ended 30 June 2015	**Six months ended 30 June 2014**
Revenue from external customers	78,915	83,616
Intercompany revenue	140	108
Total revenue	**79,055**	**83,724**
Segment profit for the period	858	1,027

	30 June 2015	**31 December 2014**
Total reportable segment assets (RAR)	1,265,549	1,248,887
Total reportable segment liabilities (RAR)	443,861	427,207

A reconciliation of the reportable segment's revenue to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2015 and 2014 is presented below:

	Six months ended 30 June 2015	**Six months ended 30 June 2014**
Total revenue from segment (RAR)	**79,055**	**83,724**
Reclassification between revenue and other income	(1,205)	(531)
Non-segmental revenue	4,809	2,275
Elimination of intercompany revenue	(140)	(108)
Total revenue (IFRS)	**82,519**	**85,360**

A reconciliation of the reportable segment's profit to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2015 and 2014 is presented below:

	Six months ended 30 June 2015	**Six months ended 30 June 2014**
Profit for the period (RAR)	**858**	**1,027**
Property, plant and equipment		
Adjustment to the carrying value of property, plant and equipment	20,954	20,846
Impairment of property, plant and equipment	(1,173)	(19)
Financial instruments		
Impairment of available-for-sale investments	(26)	(929)
Reversal of impairment of promissory notes	-	797
Discounting of promissory notes	60	(756)
Consolidation		
Reversal of adjustments to the carrying value of intercompany promissory notes	(2,748)	1,030
Other		
Adjustment to provision for legal claims	-	(3,688)
Adjustment to allowance for doubtful debtors	(297)	2,707
Accrual of retirement benefit obligations	(351)	(198)
Write-off of research and development to expenses	66	155
Share of result of associates	(14)	1
Share-based compensation	-	(6)
Deferred tax adjustment	1,067	(29)
Other adjustments	(893)	310
Non-segmental other operating loss	(161)	(2,638)
Profit for the period (IFRS)	**17,342**	**18,610**

Information on revenue for separate services and products of the Group is presented in Note 13. The Group performs most of its activities in the Russian Federation and does not have any significant revenue from foreign customers or any non-current assets located in foreign countries.

The major customers of the Group are government-related entities. The amounts of revenue from such entities are disclosed in Note 4. The Group has no other major customers with turnover over 10 percent of the Group revenue.

Note 20. Events after the reporting period

In July 2015 FGC UES sold its 50.0031% equity interest in subsidiary OJSC «Energy Main Computer Center». Consideration received amounted to RR 568 million in cash for shares sold.

Accordingly, as at 30 June 2015 the assets and liabilities of OJSC «Energy Main Computer Center» are presented as disposal group held for sale. As at 30 June 2015 the disposal group comprised assets of RR 727 million, mainly represented by property, plant and equipment, and liabilities of RR 159 million. An impairment loss of RR 542 million writing down the carrying amount of the disposal group to its fair value less cost to sell has been recognised and disclosed in the condensed consolidated interim statement of comprehensive income.

In July 2015 the Group acquired additional 20% of share capital in its associate company LLC “IT-energy” for the cash consideration of RR 81 million. As a result, the Group’s equity interest increased from 40% to 60%, obtaining control of LLC “IT-energy”.