

PJSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

IAS 34 “INTERIM FINANCIAL REPORTING”

AS AT AND FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

(UNAUDITED)

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PJSC “FGC UES”

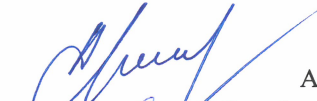
Condensed Consolidated Interim Statement of Financial Position (Unaudited) (in millions of Russian Rouble unless otherwise stated)


	Notes	30 September 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	5	833,196	821,114
Intangible assets		7,245	7,752
Investments in associates and joint ventures		1,386	1,691
Available-for-sale investments	6	63,570	22,271
Deferred income tax assets		18	260
Long-term accounts receivable	8	16,091	15,180
Other non-current assets		1,841	1,799
Total non-current assets		923,347	870,067
Current assets			
Cash and cash equivalents	7	42,455	28,176
Bank deposits	7	9,174	30,269
Accounts receivable and prepayments	8	64,442	50,043
Income tax prepayments		992	432
Inventories		14,652	16,063
Other current assets		214	278
Total current assets		131,929	125,261
TOTAL ASSETS		1,055,276	995,328
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		261,899	229,578
Accumulated deficit		(210,548)	(252,980)
Equity attributable to shareholders of FGC UES		694,466	619,713
Non-controlling interest		883	(75)
Total equity		695,349	619,638
Non-current liabilities			
Deferred income tax liabilities		26,477	14,589
Non-current debt	11	240,146	250,076
Deferred income		1,063	1,105
Retirement benefit obligations		8,250	7,357
Total non-current liabilities		275,936	273,127
Current liabilities			
Accounts payable to shareholders of FGC UES		71	6
Current debt and current portion of non-current debt	11	28,578	31,466
Accounts payable and accrued charges	12	55,314	71,036
Income tax payable		28	55
Total current liabilities		83,991	102,563
Total liabilities		359,927	375,690
TOTAL EQUITY AND LIABILITIES		1,055,276	995,328

15 November 2016

Chairman of the Management Board

Head of Accounting and Financial Reporting – Chief Accountant


A.E. Murov


A.P. Noskov

PJSC “FGC UES”

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

	Notes	Three months ended		Nine months ended	
		30 September	30 September	30 September	30 September
		2016	2015	2016	2015
Revenues	13	54,867	44,147	165,453	127,622
Other operating income		1,315	2,444	4,050	4,203
Operating expenses	14	(37,756)	(27,275)	(108,173)	(89,578)
Gain on derecognition of subsidiary	20	-	-	11,812	-
Loss on re-measurement of assets held for sale		-	(177)	-	(719)
Impairment of property, plant and equipment, net	5	(2,219)	(2)	(4,184)	(474)
Operating profit		16,207	19,137	68,958	41,054
Finance income	15	2,153	2,478	5,878	6,354
Finance costs	16	(2,477)	(3,322)	(7,374)	(7,359)
Impairment of available-for-sale investments	6	-	-	-	(26)
Share of result of associates		7	2	(275)	(12)
Profit before income tax		15,890	18,295	67,187	40,011
Income tax expense	10	(1,560)	(3,727)	(7,994)	(8,101)
Profit for the period		14,330	14,568	59,193	31,910
Other comprehensive income / (loss)					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Change in revaluation reserve for property, plant and equipment		-	(685)	-	(685)
Remeasurements of retirement benefit obligations		(108)	8	(722)	(1,019)
Income tax relating to items that will not be reclassified		4	243	34	288
Total items that will not be reclassified to profit or loss		(104)	(434)	(688)	(1,416)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in fair value of available-for-sale investments	6	13,477	(3,132)	41,297	6,708
Impairment of available-for-sale investments recycled to profit or loss	6	-	-	-	26
Foreign currency translation difference		(26)	170	(28)	(152)
Income tax relating to items that may be reclassified		(2,696)	626	(8,260)	(1,347)
Total items that may be reclassified to profit or loss		10,755	(2,336)	33,009	5,235
Other comprehensive profit for the period, net of income tax		10,651	(2,770)	32,321	3,819
Total comprehensive income for the period		24,981	11,798	91,514	35,729
Profit / (loss) attributable to:					
Shareholders of FGC UES	17	14,351	14,468	59,408	32,160
Non-controlling interest		(21)	100	(215)	(250)
Total comprehensive income / (loss) attributable to:					
Shareholders of FGC UES		25,002	11,697	91,729	35,979
Non-controlling interest		(21)	101	(215)	(250)
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	17	0.011	0.012	0.047	0.026

PJSC “FGC UES”

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

	Notes	Nine months ended 30 September 2016	Nine months ended 30 September 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		67,187	40,011
<i>Adjustments to reconcile profit before income tax to net cash provided by operations</i>			
Depreciation of property, plant and equipment	5,14	29,443	29,325
Gain on disposal of property, plant and equipment		(1,222)	(303)
Amortisation of intangible assets		1,026	1,031
Impairment of property, plant and equipment, net	5	4,184	474
Impairment of available-for-sale investments	6	-	26
Gain on derecognition of subsidiary	20	(11,812)	-
Loss on re-measurement of assets held for sale		-	719
Share of result of associates		275	12
(Reversal) / accrual of allowance for doubtful debtors	14	(2,356)	6,084
Finance income	15	(5,878)	(6,354)
Finance costs	16	7,374	7,359
Other non-cash operating (income) / loss		(25)	83
Operating cash flows before working capital changes and income tax paid		88,196	78,467
<i>Working capital changes:</i>			
Increase in accounts receivable and prepayments		(14,524)	(257)
Decrease / (increase) in inventories		2,723	(3,506)
(Increase) / decrease in other non-current assets		(55)	1,303
Increase in other current assets		-	(1,078)
Increase in accounts payable and accrued charges		5,198	2,688
Decrease in retirement benefit obligations		(304)	(244)
Income tax (paid) / received		(4,680)	1,117
Net cash generated by operating activities		76,554	78,490
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(43,984)	(58,711)
Proceeds from disposal of property, plant and equipment		3,052	1,825
Purchase of intangible assets		(519)	(457)
Redemption of promissory notes		156	600
Investment in bank deposits		(4,804)	(20,976)
Redemption of bank deposits		25,899	361
Dividends received		353	21
Purchase of subsidiary		-	(83)
Sale of subsidiary		9	568
Interest received		4,511	5,614
Net cash used in investing activities		(15,327)	(71,238)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current and non-current borrowings		109	40,000
Repayment of non-current borrowings		(9,954)	(19,768)
Loans given		(50)	(1,000)
Repayment of lease		(112)	(112)
Dividends paid		(13,703)	(668)
Interest paid		(23,238)	(22,765)
Net cash used in financing activities		(46,948)	(4,313)
Net increase in cash and cash equivalents		14,279	2,939
Cash and cash equivalents at the beginning of the period	7	28,176	42,068
Cash and cash equivalents at the end of the period	7	42,455	45,007

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

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					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Accumulated deficit			
As at 1 January 2016		637,333	10,501	(4,719)	229,578	(252,980)	619,713	(75)	619,638
Comprehensive income for the period									
Profit for the period		-	-	-	-	59,408	59,408	(215)	59,193
<i>Other comprehensive income / (loss), net of related income tax</i>									
Change in fair value of available-for-sale investments	6	-	-	-	33,037	-	33,037	-	33,037
Remeasurements of retirement benefit obligations		-	-	-	(688)	-	(688)	-	(688)
Foreign currency translation difference		-	-	-	(28)	-	(28)	-	(28)
Total other comprehensive income		-	-	-	32,321	-	32,321	-	32,321
Total comprehensive income for the period		-	-	-	32,321	59,408	91,729	(215)	91,514
Transactions with shareholders of FGC UES recorded directly in equity									
Dividends declared	9	-	-	-	-	(16,976)	(16,976)	(1)	(16,977)
Total transactions with shareholders of FGC UES		-	-	-	-	(16,976)	(16,976)	(1)	(16,977)
Changes in ownership									
Derecognition of subsidiary	20	-	-	-	-	-	-	1,174	1,174
Total changes in ownership		-	-	-	-	-	-	1,174	1,174
As at 30 September 2016		637,333	10,501	(4,719)	261,899	(210,548)	694,466	883	695,349

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

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					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Accumulated deficit			
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		-	-	-	-	32,160	32,160	(250)	31,910
<i>Other comprehensive income / (loss), net of related income tax</i>									
Change in revaluation reserve for property, plant and equipment		-	-	-	(460)	535	75	(516)	(441)
Change in fair value of available-for-sale investments	6	-	-	-	5,366	-	5,366	-	5,366
Impairment of available-for-sale investments recycled to profit or loss	6	-	-	-	21	-	21	-	21
Remeasurements of retirement benefit obligations		-	-	-	(975)	-	(975)	-	(975)
Foreign currency translation difference		-	-	-	(152)	-	(152)	-	(152)
Total other comprehensive income		-	-	-	3,800	535	4,335	(516)	3,819
Total comprehensive income for the period		-	-	-	3,800	32,695	36,495	(766)	35,729
Transactions with shareholders of FGC UES recorded directly in equity									
Other transactions with shareholders		-	-	-	-	(215)	(215)	141	(74)
Dividends declared	9	-	-	-	-	(839)	(839)	(1)	(840)
Total transactions with shareholders of FGC UES		-	-	-	-	(1,054)	(1,054)	140	(914)
As at 30 September 2015		637,333	10,501	(4,719)	230,182	(265,596)	607,701	345	608,046

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

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

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 September 2016, 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 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 Ruble, 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.

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

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 2015 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 2015, except the following.

Loss of control over OJSC “Nurenergo”. On 29 June 2016 the Commercial Court of the Republic of Chechnya declared OJSC “Nurenergo”, the subsidiary of FGC UES, bankrupt and appointed an external bankruptcy manager. In accordance with Russian legislation on insolvency (bankruptcy), since the date a debtor is declared bankrupt, the power of all executive bodies of a debtor is terminated and transferred to a bankruptcy manager. Due to this fact FGC UES lost the right to direct relevant activities of the subsidiary and, therefore, lost control over the entity. As a result the Group derecognized the assets and liabilities of the OJSC “Nurenergo” as at 30 June 2016 and recognised gain amounted to RR 11,812 million in statement of profit and loss and other comprehensive income (Note 20).

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 2016, 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 2015. 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 amendments to standards apply for the first time in 2016. 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 three and six months ended 30 September 2016 and 2015 the Group had the following significant transactions with government-related entities:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Transmission revenue	38,611	34,876	109,496	99,885
Electricity sales	4,243	227	13,081	2,366
Construction services	4,027	-	14,777	-
Connection services	874	1,591	947	1,715
Purchased electricity for production needs	(1,738)	(1,796)	(4,801)	(5,322)

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (in millions of Russian Rouble unless otherwise stated)

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

Significant balances with government-related entities are presented below:

	30 September 2016	31 December 2015
Cash and cash equivalents	18,156	15,454
Bank deposits	-	16,269
Long-term accounts receivable	15,912	14,229
Trade receivables (net of allowance for doubtful debtors of RR 6,981 million as at 30 September 2016 and RR 7,656 million as at 31 December 2015)	33,762	29,237
Other receivables (net of allowance for doubtful debtors of RR 714 million as at 30 September 2016 and RR 1,235 million as at 31 December 2015)	2,089	2,009
Available-for-sale investments	63,570	22,271
Advances to construction companies and suppliers of property, plant and equipment (included in CIP)	2,432	912
Accounts payable to shareholders of FGC UES	(71)	(6)
Non-current debt	(330)	(416)
Current debt	(112)	(104)
Accounts payable and accrued charges	(15,135)	(22,537)

As at 30 September 2016 the Group had long-term undrawn committed financing facilities with government-related banks of RR 105,000 million (as at 31 December 2015: RR 105,000 million) (Note 11). There were no short-term undrawn committed financing facilities with government-related banks as at 30 September 2016 and 31 December 2015.

Tax balances and charges are disclosed in Notes 12 and 14. Tax transactions are disclosed in the Condensed Consolidated Interim Statement of Profit and Loss and Other comprehensive Income.

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 three and six months ended 30 September 2016 and 2015 was as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
Short-term compensation, including salary and bonuses	34	61	254	266
Termination benefits	17	23	17	23
Post-employment benefits and other long-term benefits	4	4	13	12
Total	55	87	284	301

Remuneration provided to the members of the Board of Directors for the nine months ended 30 September 2016 amounted to RR 6 million (30 September 2015: RR 7 million).

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (in millions of Russian Rouble unless otherwise stated)

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 2016	20,820	392,762	256,529	155,704	37,177	862,992
Additions	1	298	445	47,525	602	48,871
Transfers	27	5,322	5,850	(12,029)	830	-
Disposals	(273)	(98)	(1,434)	(1,353)	(130)	(3,288)
Balance as at 30 September 2016	20,575	398,284	261,390	189,847	38,479	908,575
Accumulated depreciation and impairment						
Balance as at 1 January 2016	(356)	(15,350)	(17,335)	(2,850)	(5,987)	(41,878)
Depreciation charge	(306)	(12,428)	(12,599)	-	(4,110)	(29,443)
Impairment loss	-	-	-	(4,184)	-	(4,184)
Disposals	5	9	52	-	60	126
Balance as at 30 September 2016	(657)	(27,769)	(29,882)	(7,034)	(10,037)	(75,379)
Net book value as at 1 January 2016	20,464	377,412	239,194	152,854	31,190	821,114
Net book value as at 30 September 2016	19,918	370,515	231,508	182,813	28,442	833,196

Appraisal value or cost						
Balance as at 1 January 2015	20,145	372,659	222,250	147,765	32,210	795,029
Aquisition of subsidiaries	232	-	-	-	17	249
Additions	279	24	88	43,911	713	45,015
Transfers	307	1,925	4,001	(7,568)	1,335	-
Reclassification of assets held for sale	(1,264)	(1,583)	(281)	(3)	-	(3,131)
Disposals	(307)	(116)	(748)	(274)	(157)	(1,602)
Balance as at 30 September 2015	19,392	372,909	225,310	183,831	34,118	835,560
Accumulated depreciation and impairment						
Balance as at 1 January 2015	-	-	-	-	-	-
Depreciation charge	(294)	(11,338)	(12,956)	-	(4,737)	(29,325)
Impairment loss	-	-	-	(474)	-	(474)
Reclassification of assets held for sale	9	35	23	-	-	67
Disposals	4	1	30	-	45	80
Balance as at 30 September 2015	(281)	(11,302)	(12,903)	(474)	(4,692)	(29,652)
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 September 2015	19,111	361,607	212,407	183,357	29,426	805,908

Note 6. Available-for-sale investments

	1 January 2016	Addition	Change in fair value	30 September 2016
PJSC “INTER RAO UES”	21,480	-	40,371	61,851
PJSC “Russian Grids”	680	-	926	1,606
Other	111	2	-	113
Total	22,271	2	41,297	63,570

	1 January 2015	Change in fair value	Impairment charge	30 September 2015
PJSC “INTER RAO UES”	13,759	6,723	-	20,482
PJSC “Russian Grids”	625	11	(26)	610
Total	14,384	6,734	(26)	21,092

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (in millions of Russian Rouble unless otherwise stated)

Note 7. Cash and cash equivalents and bank deposits

	30 September 2016	31 December 2015
Cash at bank and in hand	26,114	7,518
Cash equivalents	16,341	20,658
Total cash and cash equivalents	42,455	28,176

Cash equivalents include short-term investments in certificates of deposit with original maturities of three months or less and contractual interest rate of 0.01-10.85% as at 30 September 2016 and 4.00-11.50% as at 31 December 2015. As at 30 September 2016 certificates of deposit include deposits denominated in foreign currency in the amount of RR 317 million (as at 31 December 2015 - RR 0 million).

Bank deposits

	Interest rate	30 September 2016	31 December 2015
OJSC "Bank "ROSSIYA"	10,80-11,00%	6,500	6,300
JSC "Alfa-Bank"	10,75-11,05%	2,000	7,700
PJSC "Bank Otkritie Financial Corporation"	2,13-10,95%	674	-
PJSC "VTB"	10,50-11,01%	-	13,116
JSC "Gazprombank"	10,60-11,20%	-	3,060
PJSC "Sberbank"	0,34-0,93%	-	93
Total bank deposits		9,174	30,269

As at 30 September 2016 bank deposits include deposits denominated in foreign currency in the amount of RR 674 million (as at 31 December 2015 - RR 0 million).

Fair value of bank deposits approximates their carrying value.

Note 8. Accounts receivable and prepayments

	30 September 2016	31 December 2015
Trade receivables (Net of allowance for doubtful debtors of RR 7 988 million as at 30 September 2016 and RR 14,232 million as at 31 December 2015)	53,518	37,904
Other receivables (Net of allowance for doubtful debtors of RR 13 986 million as at 30 September 2016 and RR 2,107 million as at 31 December 2015)	6,800	3,751
VAT recoverable	524	2,676
Advances to suppliers (Net of allowance for doubtful debtors of RR 1 987 million as at 30 September 2016 and RR 2,002 million as at 31 December 2015)	3,478	5,635
Tax prepayments	122	77
Total accounts receivable and prepayments	64,442	50,043

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days as at 30 September 2016 and 31 December 2015. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.

Long-term trade receivables in the total amount of RR 16,091 million as at 30 September 2016 (31 December 2015: RR 15,180 million) mainly relate to the new contracts of technological connection services provided that imply deferred inflow of cash and cash equivalents and to restructured receivable balances for transmission services that are expected to be settled within the period exceeding 12 months from the period end.

Long-term receivables relating to the new contracts of technological connection are paid in equal parts quarterly with an interest accrued on the actual outstanding balances at the rate of Russian Federation Central Bank key interest rate per annum.

Note 9. Equity

Share capital

	Number of shares issued and fully paid		Share Capital	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
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 2015: 4,719 million).

Dividends. At the Annual General Meeting in May 2016 the decision was approved to declare dividends for the year 2015 amounted to RR 16,976 million.

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Note 10. Income tax

Income tax expense 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 September 2016 and 2015 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

Profit before income tax for financial reporting purposes is reconciled to income tax expenses as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Profit before income tax	15,890	18,295	67,187	40,011
Theoretical income tax charge at the statutory tax rate of 20 percent	(3,178)	(3,659)	(13,437)	(8,002)
Tax effect of derecognition of subsidiary	-	-	2,767	-
Tax effect of items which are not deductible for taxation purposes	968	255	452	(359)
Movement in unrecognised deferred tax assets	650	(323)	2,224	260
Total income tax expense	(1,560)	(3,727)	(7,994)	(8,101)

Note 11. Non-current debt

	Effective interest rate	Due	30 September	31 December
			2016	2015
Certified interest-bearing non-convertible bearer bonds:				
with fixed rates	7.5-8.75%	2019-2028	99,068	109,493
with variable rates	CPI+1-2.5%	2022-2050	151,640	153,586
Loan participation notes (LPNs)	8.45%	2019	17,574	17,943
Finance lease liabilities	9.50%	2018	442	520
Total debt			268,724	281,542
Less: current portion of non-current bonds and LPNs			(28,466)	(31,362)
Less: current portion of finance lease liabilities			(112)	(104)
Total non-current debt			240,146	250,076

All debt instruments are denominated in Russian Rouble.

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

	Level	30 September 2016		31 December 2015	
		Fair value	Carrying value	Fair value	Carrying value
Non-convertible bearer bonds with fixed rates and loan participation notes	1	112,107	116,433	117,161	127,337
Non-convertible bearer bonds with variable rates	1	9,889	10,159	10,281	10,722
Total debt		121,996	126,592	127,442	138,059

Other non-current debt with floating rates classified into fair value hierarchy level 3 represent non-quoted non-convertible bearer bonds with floating rate lined to inflation with a premium of 1-2.5%, which is a unique instrument with specific market. Hence, the management believes carrying amount of these instruments approximates its fair value.

As at 30 September 2016 the Group had long-term undrawn committed financing facilities of RR 152,500 million (as at 31 December 2015: RR 152,500 million) which could be used for the general purposes of the Group.

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Note 12. Accounts payable and accrued charges

	30 September 2016	31 December 2015
Trade payables	7,393	21,949
Accounts payable to construction companies and suppliers of property, plant and equipment	18,783	29,140
Advances received	17,143	12,936
Provision for legal claims	2,393	948
Accounts payable to employees	2,081	2,242
Taxes other than on income payable	5,235	2,169
Other creditors and accrued liabilities	2,286	1,652
Total accounts payable and accrued charges	55,314	71,036

Note 13. Revenue

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Transmission fee	44,199	40,790	126,766	117,928
Construction services	5,464	-	17,942	-
Electricity sales	4,553	830	16,335	5,489
Connection services	64	1,601	2,622	2,032
Other revenues	587	926	1,788	2,173
Total revenues	54,867	44,147	165,453	127,622

Note 14. Operating expenses

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Depreciation of property, plant and equipment	9,731	9,680	29,443	29,325
Purchased electricity	6,286	3,334	18,114	10,047
Employee benefit expenses and payroll taxes	5,603	6,236	18,748	20,138
Materials for construction contracts	3,127	-	6,734	-
Subcontract works for construction contracts	2,672	-	10,352	-
Property tax	2,266	1,844	6,943	5,607
Fuel for mobile gas-turbine electricity plants	679	9	5,206	48
Business trips and transportation expenses	572	492	1,431	1,368
Electricity transit	494	637	1,709	4,205
Rent	420	835	1,087	1,410
Security services	375	382	1,096	1,187
Amortisation of intangible assets	339	284	1,026	1,031
Accrual / (reversal) of allowance for doubtful debtors	270	(635)	(2,356)	6,084
Other expenses	4,922	4,177	8,640	9,128
Total operating expenses	37,756	27,275	108,173	89,578

Note 15. Finance income

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Interest income	2,002	2,212	5,417	5,946
Foreign currency exchange differences	28	245	68	363
Dividends	107	-	353	21
Other finance income	16	21	40	24
Total finance income	2,153	2,478	5,878	6,354

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Note 16. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Interest expense	5,654	9,262	20,377	23,527
Net interest on the defined benefit obligations	152	191	474	572
Foreign currency exchange differences	93	210	195	337
Other finance costs	(8)	1	(8)	1
Total finance cost	5,891	9,664	21,038	24,437
Less: capitalised interest expenses	(3,414)	(6,342)	(13,664)	(17,078)
Total finance cost recognised in profit or loss	2,477	3,322	7,374	7,359

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

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Weighted average number of ordinary shares (millions of shares)	1,260,938	1,260,938	1,260,938	1,260,938
Profit attributable to shareholders of FGC UES (millions of RR)	14,351	14,468	59,408	32,160
Weighted average earning per share – basic and diluted (in RR)	0.011	0.012	0.047	0.026

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 September 2016 in comparison with those described in the Group’s consolidated financial statements for the year ended 31 December 2015 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.

During 2012-2016 OJSC “Nurenergo” was involved in a number of litigations aiming to commence a bankruptcy procedure in respect of subsidiary. On 29 June 2016 the Commercial Court of the Republic of Chechnya declared the company bankrupt.

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 non-compliant 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 September 2016 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 218,985 million as at 30 September 2016 (as at 31 December 2015: 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 18,783 million as at 30 September 2016 (as at 31 December 2015: RR 29,140 million) (Note 12).

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Note 19. Segment information

The Group operates within 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.

	Transmission segment – based on statutory financial statements prepared according to RAR			
	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Revenue from external customers	44,865	42,931	130,086	121,846
Intercompany revenue	472	119	1,162	259
Total revenue	45,337	43,050	131,248	122,105
Segment profit for the period	9,912	3,627	25,992	4,485

	30 September 2016	31 December 2015
Total reportable segment assets (RAR)	1,281,832	1,287,303
Total reportable segment liabilities (RAR)	418,927	433,413

Statements for the three and six months ended 30 September 2016 and 2015 is presented below:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Total revenue from segment (RAR)	45,337	43,050	131,248	122,105
Reclassification between revenue and other income	561	478	380	834
Non-segmental revenue	10,338	926	35,292	5,735
Elimination of intercompany revenue	(472)	(119)	(1,162)	(259)
Other adjustments	(897)	(188)	(305)	(793)
Total revenue (IFRS)	54,867	44,147	165,453	127,622

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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Note 19. Segment information (continued)

A reconciliation of the reportable segment’s profit to the Condensed Consolidated Interim Financial Statements for the three and nine months ended 30 September 2016 and 2015 is presented below:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Profit for the period (RAR)	9,912	3,627	25,992	4,485
Property, plant and equipment				
Adjustment to the carrying value of property, plant and equipment	10,475	8,018	30,776	28,972
Reversal of impairment of property, plant and equipment	1,842	2,372	5,287	1,199
Financial instruments				
Impairment of available-for-sale investments	-	-	-	(26)
Discounting of promissory notes	9	(2)	30	58
Reversal of impairment of promissory notes	-	8	-	8
Consolidation				
Reversal of adjustment to the value of investment in subsidiaries	551	-	303	-
Reversal of adjustments to the carrying value of intercompany promissory notes	(3,803)	807	(9,936)	(1,941)
Reversal of re-measurement of treasury shares	-	-	4	-
Other				
Adjustment to provision for legal claims	(1,152)	8	(1,445)	8
Adjustment to allowance for doubtful debtors	(3,328)	1,925	(3,725)	1,628
Accrual of retirement benefit obligations	(229)	(285)	(157)	(636)
Write-off of research and development to expenses	(16)	(66)	30	-
Share of result of associates	7	2	(275)	(12)
Loss on re-measurement of AHFS	-	(719)	-	(719)
Deferred tax adjustment	(261)	(1,452)	(916)	(385)
Other adjustments	(786)	(733)	(1,289)	(1,626)
Gain on derecognition of subsidiary	-	-	11,812	-
Non-segmental other operating profit / (loss)	1,109	1,058	2,702	897
Profit for the period (IFRS)	14,330	14,568	59,193	31,910

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. Derecognition of subsidiary

On 30 June 2016 the Group derecognised its investment in OJSC “Nurenergo” as the Group lost control over the entity (Note 2).

The derecognition of the subsidiary had the following effect on the Group’s assets and liabilities at the date of derecognition:

	Carrying amount at date of disposal
Negative net assets and liabilities of subsidiary	15,006
Impairment of intercompany accounts receivable and loans given	(2,020)
Non-controlling interest	(1,174)
Gain on derecognition of subsidiary	11,812