



Interregional Distribution Grid (IDG) Company of North-West

Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2016
(Unaudited)



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**ROSSETI**Interregional
Distribution
Grid Company
of the North-West

Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the 6 months ended 30 June 2016 (Unaudited)

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

	Notes	For the six months ended 30 June	
		2016	2015
Revenue	6	22,079,587	20,944,743
Government subsidies		407	613
Operating expenses	7	(21,139,293)	(19,976,437)
Other income, net		349,052	514,970
Result from operating activities		1,289,753	1,483,889
Finance costs, net		(802,640)	(817,422)
Profit before income tax		487,113	666,467
Income tax expense		(70,450)	(138,819)
Profit for the period		416,663	527,648
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets		1,196	(898)
Income tax on items that are or may be reclassified subsequently to profit or loss		(239)	181
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>957</i>	<i>(717)</i>
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of the defined benefit liability		-	(93,430)
Income tax on items that will never be reclassified to profit or loss		-	18,687
<i>Total items that will not be reclassified to profit or loss</i>		<i>-</i>	<i>(74,743)</i>
Other comprehensive (loss)/income for the period, net of income tax		957	(75,461)
Total comprehensive income for the period		417,620	452,187

The accompanying notes on pages 11 to 22 are an integral part of these consolidated interim condensed financial statements.

**ROSSETI**Interregional
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Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the 6 months ended 30 June 2016 (Unaudited)

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

	Notes	For the six months ended 30 June	
		2016	2015
Profit attributable to:			
Equity holders of the Company		416,654	527,636
Non-controlling interests		9	12
Profit for the period		416,663	527,648
Total comprehensive income attributable to:			
Equity holders of the Company		417,611	452,175
Non-controlling interests		9	12
Total comprehensive income for the period		417,620	452,187
Profit earnings per share			
Basic and diluted earnings per share (expressed in RUB)		0,0044	0,0047
Weighted average number of ordinary shares in issue	9	95 785 923 138	95 785 923 138

General Director

Director for economy and finance

Chief Accountant

8 August 2016

Letyagin A.V.

Shiryaev P.V.

Zhdanova I.G.

**ROSSETI**Interregional
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Grid Company
of the North-West

Consolidated Condensed Statement of Financial Position as at 30 June 2016 (Unaudited)

(in thousands of Russian roubles)

	Notes	30 June 2016	31 December 2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	35,045,672	35,473,865
Intangible assets		125,695	160,018
Deferred tax assets		7,716	8,395
Investment in securities and other financial assets		558,587	566,733
Other non-current assets		630,715	634,740
TOTAL NON-CURRENT ASSETS		36,368,385	36,843,751
CURRENT ASSETS			
Accounts receivable and prepayments		14,313,994	15,500,036
Income tax receivable		235,282	32,055
Inventories		1,131,792	925,497
Other current assets		794,093	528,340
Cash and cash equivalents		131,449	71,247
TOTAL CURRENT ASSETS		16,606,610	17,057,175
TOTAL ASSETS		52,974,995	53,900,926
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	9,578,592	9,578,592
Retained earnings		322,680	313,499
Merger reserve	9	10,457,284	10,457,284
Other reserves		213,588	212,632
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		20,572,144	20,562,007
Non – controlling interests		364	355
TOTAL EQUITY		20,572,508	20,562,362

The accompanying notes on pages 11 to 22 are an integral part of these consolidated interim condensed financial statements.

**ROSSETI**Interregional
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of the North-West

Consolidated Condensed Statement of Financial Position as at 30 June 2016 (Unaudited)

(in thousands of Russian roubles)

	Notes	30 June 2016	31 December 2015
NON-CURRENT LIABILITIES			
Long-term loans and borrowings	8	11,246,493	9,940,611
Retirement benefit obligations		1,790,107	1,790,107
Deferred tax liabilities		1,832,504	1,881,690
Other non-current liabilities		1,106,802	1,134,620
TOTAL NON-CURRENT LIABILITIES		15,975,906	14,747,028
CURRENT LIABILITIES			
Accounts payable and advances received		11,709,786	12,003,257
Income tax payable		495	78,008
Current taxes payable		1,152,146	1,104,520
Current loans and borrowings	8	3,303,908	5,204,165
Current provisions		260,246	201,586
TOTAL CURRENT LIABILITIES		16,426,581	18,591,536
TOTAL LIABILITIES		32,402,487	33,338,564
TOTAL EQUITY AND LIABILITIES		52,974,995	53,900,926

General Director

Director for economy and finance

Chief Accountant

8 August 2016

Letyagin A.V.

Shiryayev P.V.

Zhdanova I.G.



Consolidated Condensed Statement of Changes in Equity for the six months ended 30 June 2016 (Unaudited)

(in thousand of Russian roubles)

	Attributable to equity holders of the Company					Non- controlling interests	Total equity
	Share capital	Retained earnings	Merger reserve	Other reserves	Total		
Balance at 01 January 2015	9,578,592	(501,356)	10,457,284	324,199	19,858,719	324	19,859,043
Total comprehensive income for the period							
<i>Income for the period</i>	-	527,636	-	-	527,636	12	527,648
<i>Other comprehensive income for the period</i>	-	-	-	(75,461)	(75,461)	-	(75,461)
Total comprehensive income for the period	-	527,636	-	(75,461)	452,175	12	452,187
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	-	-
Balance at 30 June 2015	9,578,592	26,280	10,457,284	248,738	20,310,894	336	20,311,230
Balance at 01 January 2016	9,578,592	313,499	10,457,284	212,632	20,562,007	355	20,562,362
Total comprehensive income for the period							
<i>Profit for the period</i>	-	416,654	-	-	416,654	9	416,663
<i>Other comprehensive loss</i>	-	-	-	957	957	-	957
Total comprehensive income for the period	-	416,654	-	957	417,611	9	417,620
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	(407,473)	-	-	(407,473)	-	(407,473)
Balance at 30 June 2016	9,578,592	322,680	10,457,284	213,588	20,572,144	364	20,572,508

**ROSSETI**Interregional
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of the North-West

Consolidated Condensed Statement of Cash Flows

for the six months ended 30 June 2016 (Unaudited)*(in thousands of Russian roubles)*

	6 months ended 30 June	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	416 663	527,648
<i>Adjustments for non-cash transactions:</i>		
Income tax expense recognised in profit or loss	70,450	138,819
Net finance costs	802,640	817,422
Depreciation and amortisation of non-current assets	2,002,361	2,006,180
Profit from disposal of PPE	(6,801)	(5,837)
Impairment of account receivables	73,480	266 773
Provision for inventory obsolescence	(1,660)	(484)
Other non-cash loss	16,731	(1 158)
Operating cash flows before changes in working capital and provisions	3,373,864	3,749,364
<i>Working capital changes</i>		
Change in accounts receivable and prepayments	1,553,259	(168,711)
Change in inventories	(204,636)	(145,185)
Change in other current assets	(265,753)	(22,297)
Change in accounts payable, advances received and provisions	(28,292)	(2,131,224)
Cash generated by operations	4,428,442	1,281,947
Interest paid	(872,510)	(883,098)
Income tax paid	(388,365)	(447,401)
Contributions to benefit pension plan	-	(101,684)
Net cash generated by operating activities	3,167,567	(150,237)

The accompanying notes on pages 11 to 22 are an integral part of these consolidated interim condensed financial statements.

**ROSSETI**Interregional
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Consolidated Condensed Statement of Cash Flows

for the six months ended 30 June 2016 (Unaudited)*(in thousands of Russian roubles)*

	6 months ended 30 June	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	284	1,439
Purchase of property, plant and equipment and other non-current assets	(2,555,602)	(628,154)
Interest received	30,897	510
Proceeds from disposal of financial investments and repayment of deposit	4,600	-
Payments for financial investments	(5,000)	-
Other investment income received	-	920,250
Net cash used in investing activities	(2,524,821)	294,045
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans and borrowings	6,093,509	6,519,418
Repayments of loans and borrowings	(6,676,053)	(6,772,893)
Dividends paid	-	(52)
Net cash used in financing activities	(582,544)	(253,528)
Net decrease in cash and cash equivalents	60,201	(109,719)
Cash and cash equivalents at the beginning of the period	71,247	1,038,530
Cash and cash equivalents at the end of the period	131,449	928,810

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Notes to the Consolidated Interim Condensed Financial Statements

for the 6 months ended 30 June 2016 (Unaudited)



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I. THE GROUP AND ITS OPERATIONS

Background

Public Joint-Stock Company Interregional Distribution Grid Company of North-West (“IDGC of North-West” or the “Company”) was established in December 2004 in accordance with the laws of the Russian Federation. The Company was formed during the process of re-organization of JSC “RAO UES of Russia” (“RAO UES”) as the owner and operator of the electric power transmission and distribution grid in the North-West Region of Russia.

The registered office of the Company is Sobornaya str. 31, Gatchina, Leningradskaya oblast, 188300, the Russian Federation. The Company’s main offices are at Constitution Square, building 3 “A”, Saint Petersburg, 196247, the Russian Federation.

Formation of the Group

On 27 April 2007 the Board of Directors of RAO UES approved the structure of the Interregional Distribution Grid Companies. Under the approved structure, the Interregional Distribution Grid Company incorporated IDGC of North-West with seven branches, located in territory of seven federal subject of North-West regional: The Karelya Republic, The Komi Republic, Arkhangelsk Region, Vologda Region, Murmansk Region, Novgorod Region, Pskov Region, and subsidiaries (the “Group”). The principal subsidiaries are listed in Note 4.

The branches were formed on the basis of seven Regional Distribution Grid Companies: JSC “Karelenergo”, JSC “AEK Komienergo”, JSC “Arkhenenergo”, JSC “Vologdaenergo”, JSC “Kolenergo”, JSC “Novgorodenergo”, JSC “Pskovenergo”, all of which were subsidiaries of RAO UES prior to the formation of the Group. The merger was a business combination among entities under common control, and has been accounted for using the predecessor accounting method.

On 1 July 2008 RAO UES ceased to exist as a separate legal entity and transferred its 55.4% of the Company’s shares to JSC IDGC Holding, a state-controlled entity. On 4 April 2013 in accordance with decision of General stockholders meeting JSC IDGC Holding has been formally renamed Joint Stock Company Russian Grids. On July 17 2015 Joint Stock Company Russian Grids was made a new trade name with alterations regarding organizational and legal form - Rosseti, Public Joint Stock Company (PJSC ROSSETI).

Relations with the state and current regulations

In accordance with legislation of Russian Federation, the Group’s tariffs are controlled by Regional Energy Commissions. Federal Antimonopoly Service of the Russian Federation puts through control of establishment of a tariffs.

The Russian electric utilities industry in general and the Group in particular are presently undergoing a reform process designed to introduce competition into the electricity sector and to create an environment in which the Group could raise capital required to maintain and expand current capacity.

As at 22 February 2013 the Ministry of Energy of the Russian Federation assigned the Company with the status of guaranteeing electric power supplier in-charge of the service area of OJSC “Kolskaya Energy Retail Company” effective from 1 March 2013. As at 22 March 2013 the Ministry of Energy of the Russian Federation assigned the Company with the same status in respect of the service area of



OJSC “Novgorodoblenergosbyt” effective from 1 April 2013. As at 25 September 2013 the Ministry of Energy of the Russian Federation assigned the Company with the same status in respect of the service area of OJSC “Novgorodoblelectro” effective from 1 October 2013.

The status of guaranteeing electric power supplier in-charge in all cases was assigned till assigning of guaranteeing supplier status to the winner of the tender in respect of specified service areas, but not more than for the period of 12 months. The Group established separate units within its Kolenergo and Novgorodenergo branches for the purpose of electricity sales activities. The assigning of guaranteeing electric power supplier in-charge status did not entail change in assets, liabilities and equity of the Group at the date of status assignment.

From 1 January 2014 guaranteeing electric power supplier in-charge function in Novgorod Region of the service area of OJSC “Novgorodoblenergosbyt” was assigned to another company according to Order of the Ministry of Energy of the Russian Federation as at 23 December 2013 No. 912.

As at 1 October 2014 guaranteeing electric power supplier in-charge in Novgorod region of the service area of OJSC “Novgorodoblelectro” was assigned to another company by Ministry of Order № 638 issued on as at 24 September 2014.

On 1 February 2015 guaranteeing electric power supplier in-charge function in Murmansk region of the service area of OJSC “Kolenergosbyt” was assigned to OJSC “AtomEnergoSbyt” by Ministry of Energy Order № 14 issued on 23 January 2015, the sales of electricity in the Murmansk region has been discontinued within the boundaries zone of OJSC “Kolenergosbyt”.

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 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.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated interim condensed financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015.

The Group companies maintain their accounting records in Russian Roubles (“RUB”) in accordance with the accounting and reporting regulations of the Russian Federation. Russian statutory accounting principles and procedures differ substantially from those generally accepted under IFRS. Accordingly, the consolidated interim condensed financial statements, which have been prepared using the Group’s statutory accounting records, reflect adjustments necessary for such consolidated financial statements to be presented in accordance with IFRS.

**Basis of measurement**

The consolidated IFRS financial statements are prepared on the historical cost basis except for investments available-for-sale that are stated at fair value; property, plant and equipment was revalued as of 1 January 2007 by an independent appraiser to determine deemed cost as part of the adoption of IFRSs.

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 financial statements are presented. All financial information presented in Roubles has been rounded to the nearest thousand, except when otherwise indicated.

Use of estimates

In the application of the Group’s accounting policies management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this consolidated interim condensed financial report significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2015.

4. GROUP SUBSIDIARIES

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

Subsidiary	Principal activity	Ownership as at 30 June 2016, %	Ownership as at 31 December 2015, %
Pskovenergosbyt	Sale of electricity	100	100
Pskovenergoagent	Collection services	100	100
Energoservice North-West	Electricity metering services	100	100
Lesnaya skazka	Recreation	98	98



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5. OPERATING SEGMENTS

The Management Board of the Company has been determined as the Group Chief Operating Decision-Maker.

The Group's primary activity is the provision of electricity transmission services and energy retail within regions of the Russian Federation. The internal management reporting system is based on segments relating to electric energy transmission in separate regions of the Russian Federation (branches of IDGC North-West) and segments relating to other activities (represented by separate legal entities).

The Management Board regularly evaluates and analyzes financial information of the segments reported in the statutory financial statements of respective segment entities on at least a quarterly basis.

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

- Transmission Segments - Arkhenergo, Vologdaenergo, Karelenegero, Kolenergo, Komienergo, Novgorodenergo and Pskovenergo;
- Energy Retail Segments – Kolenergo, Novgorodenergo; Pskovenergosbyt;
- Other Segments – other Group companies.

Unallocated balances comprise mainly of corporate assets (primarily the Group headquarters), including cash balances, obligations on loans, deferred income tax assets and liabilities.

Segment items are based on financial information reported in statutory accounts and can differ significantly from those for consolidated financial statements prepared under IFRSs.

The major differences relate to:

- difference in the measurement of property, plant and equipment;
- recognition of employee benefits obligations; and
- differences in accounting for deferred tax.

Reconciliation of items measured as reported to the Management Board with similar items in these consolidated interim condensed financial statements include those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

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



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

	Transmission						Energy Retail				Unallocated	Total	
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov-energosbyt			Other Segments
Revenues													
Power transmitting	2,385,577	3,370,437	3,628,462	3,329,319	3,540,048	1,894,824	114,392	-	-	-	-	-	18,263,059
Connection to power network	49,009	14,856	10,244	2,069	32,566	8,849	24,531	-	-	-	-	-	142,124
Sale of electricity	-	-	-	-	-	-	-	-	-	3,340,949	-	-	3,340,949
Other revenue	156,247	21,296	79,495	12,004	27,588	12,562	19,652	-	-	1,507	3,104	-	333,455
Intersegment revenue	-	-	26	-	-	-	1,795,678	-	-	251,162	145,710	-	2,192,576
Total revenues	2,590,833	3,406,589	3,718,227	3,343,392	3,600,202	1,916,235	1,954,253	-	-	3,593,618	148,814	-	24,272,163
Profit/(loss) before income tax	(266,623)	131,001	216,064	78,031	116,110	104,908	(87,357)	-	-	2,872	1,514	-	296,520
As at 30 June 2016:													
Total assets	8,967,008	11,695,248	5,320,666	4,885,653	12,918,428	6,317,401	5,158,031	1,430,929	3,853	778,633	91,691	1,727,476	59,295,017
<i>Including property, plant and equipment</i>	<i>3,874,798</i>	<i>8,849,586</i>	<i>3,465,352</i>	<i>3,391,769</i>	<i>10,838,432</i>	<i>5,254,051</i>	<i>4,515,927</i>	-	-	<i>123</i>	<i>13,953</i>	<i>39,851</i>	<i>40,243,842</i>



Segment results for the 6 months ended 30 June 2015 are presented below:

	Transmission							Energy Retail				Unallocated	Total
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov- energosbyt	Other Segments		
Revenues													
Power transmitting	2,344,332	3,249,568	3,426,118	2,348,367	3,379,209	1,683,027	121,585	-	-	-	-	-	16,552,206
Connection to power network	28,914	6,283	19,955	55,268	30,916	8,361	31,478	-	-	-	-	-	181,175
Sale of electricity	-	-	-	-	-	-	-	946,249	-	2,889,588	-	-	3,835,837
Other revenue	143,244	97,498	56,308	16,005	29,357	13,796	15,743	-	-	-	3,615	-	375,565
Intersegment revenue	-	-	6	-	-	-	1,544,868	-	-	197,873	125,205	-	1,867,952
Total revenues	2,516,489	3,353,349	3,502,387	2,419,639	3,439,482	1,705,184	1,713,675	946,249	-	3,087,461	128,820	-	22,812,736
Profit/(loss) before income tax	104,263	294,485	259,484	12,043	37,271	(289,789)	(12,932)	108,883	-	3,433	(1,387)	-	515,754
As at 30 June 2015:													
Total assets	8,001,726	12,371,500	5,949,532	4,775,107	12,077,435	6,613,345	5,153,580	1,921,678	6,030	647,751	77,252	2,478,809	60,073,744
<i>Including property, plant and equipment</i>	<i>3,938,864</i>	<i>9,156,052</i>	<i>3,699,103</i>	<i>3,271,095</i>	<i>9,927,273</i>	<i>5,673,928</i>	<i>4 532,804</i>	<i>-</i>	<i>-</i>	<i>354</i>	<i>6,413</i>	<i>37,135</i>	<i>40,243,022</i>



The reconciliation of profit before income tax measured as reported to the Management Board with similar item in these consolidated interim condensed financial statements is presented below:

	For the six months ended 30 June	
	2016	2015
Segment results - profit before income tax	296,520	515,754
Adjustment for depreciation of property, plant and equipment	173,214	140,274
Intragroup dividends	(6,221)	(1,691)
Adjustments for financial costs	3,774	(49,861)
Accrued salaries and wages	-	22,219
Other adjustments	19,826	39,772
Profit before income tax per Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income	487,113	666,467

6. REVENUE

	For the six months ended 30 June	
	2016	2015
Power transmitting	18,263,059	16,552,206
Sale of electricity	3,340,946	3,835,846
Connection to power network	142,124	181,175
Other revenue	333,458	375,516
Total revenue	22,079,587	20,944,743

7. OPERATING EXPENSES

	For the six months ended 30 June	
	2016	2015
Power transmitting services	6,828,051	6,105,319
Salaries and other personnel expenses	5,685,821	5,360,746
Electric purchases for resale	1,643,536	1,911,890
Depreciation and amortization of non-current assets	2,002,361	2,006,180
Electric purchases to cover losses	2,238,857	1,943,049
Raw materials used	807,332	661,749
Network and equipment repair services	258,099	237,610
Taxes other than income tax	244,524	210,975
Electricity and heat power for own needs	163,189	123,041
Telecommunication and information services	98,713	108,609
Impairment of trade and other receivables	73,480	266,772
Other operating expenses	1,095,330	1,040,497
Total operating expenses	21,139,293	19,976,437



8. PROPERTY, PLANT AND EQUIPMENT

	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Cost/Deemed cost</i>						
Opening balance as at 1 January 2015	6,657,620	28,447,271	15,049,786	6,417,804	2,490,356	59,062,837
Additions and transfers	1,632	815	2,933	(5,324)	1,409,997	1,410,053
Putting into operation	70,401	402,279	377,071	147,190	(996,941)	-
Disposals	(1,284)	(3,152)	(8,707)	(7,064)	(1,676)	(21,883)
Closing balance as at 30 June 2015	6,728,369	28,847,213	15,421,083	6,552,605	2,901,737	60,451,007
Opening balance as at 1 January 2015	(2,125,284)	(12,552,345)	(5,390,507)	(3,481,107)	(237,253)	(23,786,496)
Charge for the period	(490,020)	(946,120)	(152,701)	(363,721)	-	(1,952,562)
Impairment carry forward of losses	(45,858)	(6,771)	(11,106)	(3,874)	67,609	-
Disposals	6,866	1,754	852	6,271	-	15,743
Closing balance as at 30 June 2015	(2,654,296)	(13,503,482)	(5,553,462)	(3,842,431)	(169,644)	(25,723,315)
Net book value as at 1 January 2015	4,532,336	15,894,926	9,659,279	2,936,697	2,253,103	35,276,341
Net book value as at 30 June 2015	4,074,073	15,343,731	9,867,621	2,698,641	2,743,627	34,727,693
<i>Cost/Deemed cost</i>						
Opening balance as at 1 January 2016	7,009,161	30,361,447	16,169,935	7,093,769	2,488,108	63,122,420
Additions and Transfers	(10,401)	70,177	13,999	69,945	1,803,052	1,946,773
Putting into operation	31,972	238,577	89,431	9,523	(369,503)	-
Disposals	(627)	(3,688)	(861)	(9,981)	(411,989)	(427,145)
Closing balance as at 30 June 2016	7,030,106	30,666,513	16,272,504	7,163,256	3,509,668	64,642,047
<i>Accumulated depreciation and impairment</i>						
Opening balance as at 1 January 2016	(2,407,812)	(15,005,625)	(6,034,748)	(4,063,212)	(137,158)	(27,648,555)
Charge for the period	(156,803)	(925,522)	(508,416)	(370,634)	-	(1,961,374)
Impairment carry forward of losses	(22)	(1,240)	(79)	-	1,342	-
Disposals	23,734	13,413	(3,316)	(20,277)	-	13,555
Closing balance as at 30 June 2016	(2,540,903)	(15,918,974)	(6,546,559)	(4,454,122)	(135,816)	(29,596,374)
Net book value as at 1 January 2016	4,601,349	15,355,822	10,135,187	3,030,557	2,350,950	35,473,865
Net book value as at 30 June 2016	9,571,009	46,585,487	22,819,063	11,617,378	3,645,484	35,045,672



9. EQUITY

Basis of presentation of movements in equity

The Group was formed by the combination of a number of businesses under common control. Because of the consequent use of the predecessor basis of accounting, the principal component of the net equity recognized for the group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets.

Authorised, issued and fully paid share capital

As at 30 June 2016 authorised and issued share capital comprised 95,785,923,138 ordinary shares (31 December 2015: 95,785,923,138) of which all ordinary shares were issued and fully paid. All shares have a par value of RUB 0.1.

Merger reserve

The Group was formed by the combination of a number of businesses under common control. Because of the consequent use of the predecessor basis of accounting, the principal component of net equity recognized for the Group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets. Based on the application of predecessor accounting, the difference between the value of the share capital issued and the IFRS carrying values of the contributed assets and non-controlling interests was recorded as a merger reserve within equity.

Retained earnings and dividends

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 interim condensed financial statements prepared under IFRS.

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

On 08 June 2016 have declared dividends for the year ended 31 December 2016 in the amount of 50% from profit for the 2015 year of RUB 407,473 (2015: dividends for the year ended 31 December 2014 have not been declared).

Voting rights of shareholders

The holders of fully paid ordinary shares are entitled to one vote per share at the Company's annual and general shareholders' meetings.

Earnings per share

Earnings per share were calculated using the weighted average number of ordinary shares. The Company has no dilutive potential ordinary shares; accordingly, diluted earnings per share are equal to basic earnings per share.



10. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings and financial lease liabilities, which are measured at amortised cost.

	30 June 2016	31 December 2015
Non-current liabilities		
Unsecured bank loans	11 246 493	9 940 611
	11 246 493	9 940 611
Current liabilities		
Current portion of unsecured loans	201 413	5 103 846
Unsecured bank loans	3 102 495	100 319
	3 303 908	5 204 165

The Group raised the following bank loans during the 6 months ended 30 June 2016:

Amount	Interest rate	Maturity
794 100	14,70%	2016
1 212 409*	10,90% - 12,54%	2016
2 200 000*	10,90% - 12,30%	2018
887 000	11,40%	2019
1 000 000	11,80%	2021

The Group repaid the following significant bank facilities during the 6 months ended 30 June 2016:

	Amount
Loans*	3 401 953
Loans	3 274 100

*- Loans from state-controlled entities.

11. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Control relationships

The Government of the Russian Federation, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Group. As at 30 June 2016 the Group was controlled by JSC Russian Grids, a state controlled entity.

Transactions with state-controlled entities

In the course of its operating activities the Group is also engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are based on regulated tariffs where applicable, in other cases revenues and purchases are made at normal market prices.

Revenue from state-controlled entities for the 6 months ended 30 June 2016 constitute 10.29% (6 months ended 30 June 2015: 11.6%) of total Group revenue, including 10.28% (6 months ended 30 June 2015: 9.7%) of electricity transmission revenues.



Electricity transmission cost due to for state-controlled entities for the 6 months ended 30 June 2016 constitute 48.27% (6 months ended 30 June 2015: 57.2%) of total transmission costs.

Significant loans from state controlled entities are disclosed in Note 10.

Pricing policies

Related party revenue for power transmitting is based on the tariffs determined by the Federal Service on Tariffs and the Regional Energy Commission.

12. COMMITMENTS AND CONTINGENCIES

Political environment

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

Taxation contingencies in Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Litigation

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

Capital expenditure commitments

As at 30 June 2016 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment of RUB 837,694 (as at 31 December 2015: RUB 2,188,811).

**Environmental matters**

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

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Insurance policies

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

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

As at 30 June 2016 the Group has insured its industrial assets for the amount of RUB 46,584,006 (as at 31 December 2015: RUB 45,671,247 thousand). Also, as at 30 June 2016 the Group has insured vehicles below 10 years of age for the amount of RUB 605,030 (as at 31 December 2015: RUB 522,913).

13. FINANCIAL RISK MANAGEMENT

During the period the Group had been exposed to the same risks as those which existed during the year ended 31 December 2015, and applied the same approach to financial risk management that was applied during the year ended 31 December 2015.