

**Report on Review of
Consolidated Interim Condensed Financial Statements of
Public Joint Stock Company “ROSSETI” and its subsidiaries
for the six-month period ended 30 June 2015**

August 2015

**Report on Review of
Consolidated Interim Condensed Financial Statements of
Public Joint Stock Company "ROSSETI" and its subsidiaries**

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26.08.2015
~ PCU-2101

REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of Rosseti, Public Joint Stock Company

Audited entity:

Rosseti, Public Joint Stock Company (abbreviated name — **PJSC Rosseti**).

Location: 4, Belovezhskaya Str., Moscow 121353, Russian Federation;

Primary state registration number – 1087760000019.

Auditor:

RSM RUS Ltd.

Location: 4, Pudovkin Str., Moscow, 119285;

Tel.: (495) 363-2848; Fax: (495) 981-4121;

Primary state registration number – 1027700257540;

RSM RUS Ltd. is a member of self-regulatory organization Non-Profit Partnership "Auditor Association "Sodruzhestvo" (Membership Certificate # 6938, ORNZ 11306030308 (number in the register of auditing organizations), location: 21, Michurinsky avenue, bldg. 4, Moscow, 119192.

Introduction

Following tender evaluation report dated 17 Apr. 2015 (procurement No. 0473000000515000001), Decision of the annual general meeting of shareholders of PJSC Rosseti dated 30 June 2015 (Minutes dated 30 Jun. 2015) on appointment of RSM RUS Ltd. as the Company's auditor and Contract for the audit of the 2015 financial statements of PJSC Rosseti No. 15a050 dated 12 Aug. 2015, we have reviewed the accompanying consolidated interim condensed financial statements of Rosseti, Public Joint Stock Company and its subsidiaries (the "Group"). These financial statements comprise consolidated interim condensed statement of financial position as at 30 June 2015 and consolidated interim condensed statements of comprehensive income, cash flows and changes in equity for the six months then ended, and the main accounting policies and other explanatory notes.

Management of Rosseti, Public Joint Stock Company is responsible for the preparation and fair presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with:

- RF Federal Law "On Auditing" No. 307-FZ of 30 Dec. 2008;
- Federal Auditing Rules (Standards), including Rule (Standard) No. 33 "Review of Financial Statements";
- International Standards on Auditing, including International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of consolidated interim condensed 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 accompanying consolidated interim condensed financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and its financial performance and its cash flows for the six months then ended in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Management Board Chairwoman

Audit Certificate No. 05-000015. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 15 November 2011 No. 24. Permanent award.

ORNZ – 29605011647



N.A. Dantser

Group of companies "ROSSETI"
Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income
for the six months ended 30 June 2015 (Unaudited)
(in millions of Russian roubles, unless otherwise stated)


	Notes	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited
Revenue	6	351,895	377,809
Operating expenses	7	(313,088)	(331,756)
Other income		4,476	4,589
Results from operating activities		43,283	50,642
Finance income	8	8,510	5,194
Finance costs	8	(18,629)	(13,990)
Net finance costs		(10,119)	(8,796)
Share of profit of equity accounted investees (net of income tax)		9	1
Profit before income tax		33,173	41,847
Income tax expense		(9,081)	(10,307)
Profit for the period		24,092	31,540
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets		9,943	18
Foreign currency translation reserve		(322)	(76)
Income tax on items that may be reclassified subsequently to profit or loss		(1,985)	(4)
Total items that may be reclassified subsequently to profit or loss		7,636	(62)
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of the defined benefit liability		(2,196)	1,112
Income tax on items that will not be reclassified to profit or loss		81	(136)
Total items that will not be reclassified to loss or profit		(2,115)	976
Other comprehensive income for the period, net of income tax		5,521	914
Total comprehensive income for the period		29,613	32,454
Profit attributable to:			
Owners of the Company		18,127	22,724
Non-controlling interest		5,965	8,816
Total comprehensive income attributable to:			
Owners of the Company		22,720	23,327
Non-controlling interest		6,893	9,127
Profit per share			
Basic and diluted profit per ordinary share (in RUB)	14	0.11	0.14

These consolidated interim condensed financial statements were approved by management on 26 August 2015 and were signed on its behalf by:



First Deputy General Director

R.N. Berdnikov


 Director for accounting
 and reporting – Chief Accountant

V.V. Shchukin

The consolidated interim condensed statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 26.

Group of companies "ROSSETI"
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2015 (Unaudited)
(in millions of Russian roubles, unless otherwise stated)

	Notes	30 June 2015 Unaudited	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,653,072	1,643,586
Intangible assets	10	14,091	14,300
Investments in associates and joint ventures		1,311	1,627
Non-current accounts receivable		7,226	6,971
Other investments and financial assets	11	32,702	22,952
Deferred tax assets		7,419	7,117
Total non-current assets		1,715,821	1,696,553
Current assets			
Inventories		31,961	26,630
Other investments and financial assets	11	41,022	17,908
Current income tax prepayments		5,626	4,636
Trade and other receivables		143,435	155,776
Cash and cash equivalents	12	93,256	82,576
Total current assets		315,300	287,526
Total assets		2,031,121	1,984,079
EQUITY AND LIABILITIES			
Equity			
	13		
Share capital		163,154	163,154
Share premium		212,978	212,978
Treasury shares		(2,725)	(2,725)
Other reserves		612	(3,981)
Retained earnings		401,682	383,554
Total equity attributable to equity holders of the Company		775,701	752,980
Non-controlling interest		290,667	285,824
Total equity		1,066,368	1,038,804
Non-current liabilities			
Loans and borrowings	15	484,558	485,409
Trade and other payables		18,237	17,851
Employee benefits		28,314	25,512
Deferred tax liabilities		40,897	34,389
Total non-current liabilities		572,006	563,161
Current liabilities			
Loans and borrowings	15	127,719	93,227
Trade and other payables		245,292	268,469
Provisions		19,427	18,871
Current tax liabilities		309	1,547
Total current liabilities		392,747	382,114
Total liabilities		964,753	945,275
Total equity and liabilities		2,031,121	1,984,079

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 26.

Group of companies "ROSSETI"

Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2015 (Unaudited)
(in millions of Russian roubles, unless otherwise stated)

	Note	Six months ended 30 June 2014 Unaudited	Six months ended 30 June 2013 Unaudited
OPERATING ACTIVITIES			
Profit for the period		24,092	31,540
<i>Adjustments for:</i>			
Depreciation, amortization and impairment	7	56,267	61,139
Finance costs	8	18,629	13,990
Finance income	8	(8,510)	(5,194)
Loss/(profit) on disposal of property, plant and equipment		337	(113)
Share of profit of equity accounted investees (net of income tax)		(9)	(1)
Impairment of accounts receivable and inventory		8,132	6,387
Bad debt write-off		182	116
Non-cash receipt of property, plant and equipment		(861)	(1,119)
Non-cash settlement of technical connection agreements		(462)	(113)
Other non-cash transactions		(93)	(28)
Income tax expense		9,081	10,307
Operating profit before working capital changes and reserves		106,785	116,911
Change in trade and other receivables (before impairment)		3,361	(4,564)
Change in inventories (before impairment)		(5,202)	(3,645)
Change in trade and other payables		7,957	(17,979)
Change in employee benefit liabilities		(844)	(1,264)
Change in provisions		556	2,010
Other		69	332
Cash flows from operations before income taxes and interest paid		112,682	91,801
Income taxes paid		(6,639)	(7,039)
Interest paid		(27,960)	(22,123)
Net cash flows from operating activities		78,083	62,639
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(85,374)	(61,971)
Proceeds from sale of property, plant and equipment		1,697	1,627
Acquisition of investments and placement of bank deposits		(50,816)	(19,393)
Proceeds from sale of investments and withdrawal of bank deposits		27,354	33,079
Interest received		8,319	4,651
Dividends received		22	-
Net cash flows used in investing activities		(98,798)	(42,007)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		76,272	50,671
Repayment of loans and borrowings		(44,694)	(43,038)
Dividends paid		(8)	(9)
Payment of finance lease liabilities		(175)	(431)
Net cash flows from financing activities		31,395	7,193
Net increase in cash and cash equivalents		10,680	27,825
Cash and cash equivalents at the beginning of the period		82,576	61,917
Cash and cash equivalents at the end of the period		93,256	89,742

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 26.

	Attributable to equity holders of the Company							
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2014	163,154	212,978	(2,819)	(6,265)	398,711	765,759	295,932	1,061,691
Profit for the period	-	-	-	-	22,724	22,724	8,816	31,540
Other comprehensive income	-	-	-	691	-	691	363	1,054
Income tax on other comprehensive income	-	-	-	(88)	-	(88)	(52)	(140)
Total comprehensive income for the period	-	-	-	603	22,724	23,327	9,127	32,454
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	(2,038)	(2,038)
Contributions by and distributions to owners	-	-	-	-	-	-	(2,038)	(2,038)
Dividends (unaudited)	-	-	-	-	-	-	(2,038)	(2,038)
Total contributions by and distributions to owners	-	-	-	-	-	-	(2,038)	(2,038)
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-	(2,038)	(2,038)
Balance at 30 June 2014 (unaudited)	163,154	212,978	(2,819)	(5,662)	421,435	789,086	303,021	1,092,107

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 26.

	Attributable to equity holders of the Company							
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015	163,154	212,978	(2,725)	(3,981)	383,554	752,980	285,824	1,038,804
Profit for the period	-	-	-	-	18,127	18,127	5,965	24,092
Other comprehensive income	-	-	-	6,099	-	6,099	1,326	7,425
Income tax on other comprehensive income	-	-	-	(1,506)	-	(1,506)	(398)	(1,904)
Total comprehensive income for the period	-	-	-	4,593	18,127	22,720	6,893	29,613
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends (unaudited)	-	-	-	-	-	-	(2,050)	(2,050)
Effect of employee share options	-	-	-	-	1	1	-	1
Total contributions by and distributions to owners	-	-	-	-	1	1	(2,050)	(2,049)
Total transactions with owners, recorded directly in equity	-	-	-	-	1	1	(2,050)	(2,049)
Balance at 30 June 2015 (unaudited)	<u>163,154</u>	<u>212,978</u>	<u>(2,725)</u>	<u>612</u>	<u>401,682</u>	<u>775,701</u>	<u>290,667</u>	<u>1,066,368</u>

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 26.

1. Background

(a) The Group and its operations

Joint Stock Company "Interregional Distribution Grid Companies Holding" (hereinafter referred to as "JSC IDGC Holding") was established on 1 July 2008 in accordance with the resolution of the Extraordinary General Meeting of the Shareholders of the Unified Energy System of Russia (hereinafter referred to as "RAO UES") dated 26 October 2007 by the means of spin-off from RAO UES.

On 23 March 2013 at an Extraordinary General Meeting of Shareholders of JSC IDGC Holding the decision was made to amend the Charter of JSC "IDGC Holding", under which it was renamed JSC "Russian Grids" (hereinafter referred to as "the Company"). On 4 April 2013 the respective changes to the Charter of JSC "IDGC Holding" were registered by the Inter-Regional inspectorate of Federal Tax Service №46 of Moscow. In accordance with the laws on 30 June 2015 at the General meeting of shareholders of JSC "ROSSETI" was renamed into PJSC «ROSSETI».

The ordinary and preference shares of the Company are traded on the MICEX-RTS Stock Exchange. Also GDRs of the Company are listed on the London Stock Exchange.

The Company's registered office is located at Moscow, Russia.

The group of companies "ROSSETI" (hereinafter referred to as "the Group") comprises PJSC "ROSSETI" and its subsidiaries presented in Note 4.

The Group's principal activities are electricity distribution and technological connection services. Power distribution companies of the Group sell electricity.

(b) 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.

(c) Relations with state and current regulations

The Group's strategic business units (see Note 5) are regional natural monopolies. The Russian Government directly affects the Group's operations through the system of regional tariffs.

In accordance with legislation the tariffs charged by the Group are controlled by the Federal Service on Tariffs (FST) and the Regional Energy Commission in each region and the Federal Antimonopoly Service of the Russian Federation as a successor to FST according to the Russian President's order №373 dated 21 July 2015.

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 26.

1. Background (continued)

(c) Relations with state and current regulations (continued)

As at 30 June 2015 the Russian Government owned 86.32% of the voting ordinary shares and 7.01% of the voting preference shares of the Company (31 December 2014: 86.32% of the voting ordinary shares and 7.01% of the voting preference shares). The Russian Government, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Company. The Russian Government supports the Group due to its strategic position for economy of the Russian Federation. The Group's customer base includes a number of state-controlled entities.

2. Basis of preparation

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2014. These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Use of judgments, estimates and assumptions

Preparing the interim financial statements requires management to make judgements, estimates assumptions that affect the application of accounted policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim condensed financial statements 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 2014.

(c) Change in presentation

Reclassification of comparative information

The Group changed presentation in the comparative financial statements for certain items to comply with the current period presentation. The result of reclassification of comparative information in the consolidated statement of profit and loss and other comprehensive income is presented below:

	30 June 2014 (unaudited)	Reclassification of income from non-contracted electricity consumption	Reclassification of income on disposal of property, plant and equipment	Total changes	30 June 2014 (unaudited) (restated)
Revenue	379,526	(1,717)	—	(1,717)	377,809
Operating expenses	(331,698)	—	(58)	(58)	(331,756)
Other income, net	2,814	1,717	58	1,775	4,589
Results from operating activities	50,642	—	—	—	50,642

The respective changes were made in the Notes to the financial statements.

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 26.

3. Significant accounting policies

The accounting policies adopted in the preparation of the consolidated interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

There are a number of new IFRS standards and interpretations, applicable for annual periods beginning on 1 January 2015. However, the Group has considered that these standards and interpretations have no significant impact on its consolidated interim condensed financial statements.

Certain comparative balances have been reclassified to conform with the current period presentation.

4. Significant subsidiaries

		30 June 2015	31 December
		Unaudited	2014
	Country of	Ownership/voting,	Ownership/voting,
	incorporation	%	%
PJSC "FGC UES"	Russian Federation	80.15	80.15
PJSC "MOESK"	Russian Federation	50.90	50.90
JSC "Tyumenenergo"	Russian Federation	100.00	100.00
PJSC "Lenenergo"	Russian Federation	67.55	67.55/70.42
PJSC "IDGC of Centre"	Russian Federation	50.23	50.23
JSC "IDGC of Urals"	Russian Federation	51.52	51.52
PJSC "IDGC of Centre and Volga region"	Russian Federation	50.40	50.40
PJSC "Kubanenergo"	Russian Federation	92.24	92.24
PJSC "IDGC of Siberia"	Russian Federation	55.59	55.59
PJSC "IDGC of Volga"	Russian Federation	67.63	67.63
PJSC "IDGC of North-West"	Russian Federation	55.38	55.38
PJSC "IDGC of North Caucasus"	Russian Federation	93.20	93.20
JSC "Chechenenergo"	Russian Federation	72.66	72.66
PSC "IDGC of South"	Russian Federation	51.66	51.66
PJSC "TDC"	Russian Federation	85.77/94.58	85.77/94.58
JSC "Yantarenergo"	Russian Federation	100.00	100.00
JSC "Karachaevo-Cherkesskenergo"	Russian Federation	100.00	100.00
JSC "Kalmenergosbyt"	Russian Federation	100.00	100.00
PJSC "Kabbalkenergo"	Russian Federation	65.27	65.27
JSC "Tyvaenergosbyt"	Russian Federation	100.00	100.00
JSC "Ingushenergo"	Russian Federation	49.00	49.00
PJSC "Sevkavkazenergo"	Russian Federation	55.94	55.94
PJSC "Dagestan Power Sales Company"	Russian Federation	51.00	51.00

* The Group exercises control over these entities stemming from the majority representation on the Board of Directors.

5. Operating segments

The Group has fourteen reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit offers electricity distribution services including technological connection services in separate geographical regions of the Russian Federation and is managed separately. The "other" segment includes insignificant operating segments such as electricity transmission, electricity sales, rent services and repair and maintenance services. For each of the strategic business units, the Management Board reviews internal management reports on at least a quarterly basis. Unallocated items comprise assets and balances of the Group's headquarter which exercises management activity on remuneration basis.

Performance is measured based on earnings before interest expense, income tax and depreciation and amortisation (EBITDA), as included in the internal management reports that are reviewed by the Group's management responsible for operating decisions. EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry.

Segment reports are based on the information reported in statutory accounts, which differ significantly from the consolidated financial statements prepared under IFRS. Reconciliation of items measured as reported to the Management Board with similar items in these consolidated interim condensed financial statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Information regarding the results of each reportable segment is included below.

5. Operating segments (continued)

(i) Information about reportable segments (unaudited)

For the six months ended 30 June 2015:

	IDGC Siberia and TDC		Tyumen-energo		IDGC Urals		IDGC Volga		IDGC South		Kuban-energo		IDGC North Caucasus		IDGC Centre and Privolzhye		IDGC North-West Lenenergo		Yantar-energo		IDGC Centre		MOESK		FGC UES		Other		Total
Revenue from external customers	22,795	25,445	25,760	22,642	14,175	15,357	3,303	32,382	18,041	19,894	450	38,865	60,530	19,245	34,324	353,208													
Inter-segment revenue	486	4	2,740	2	187	2	3,778	35	1,556	63	1,645	18	12	59,815	9,146	79,489													
Total segment revenue	23,281	25,449	28,500	22,644	14,362	15,359	7,081	32,417	19,597	19,957	2,095	38,883	60,542	79,060	43,470	432,697													
Including																													
Electricity	23,046	25,149	27,826	22,399	14,179	15,121	6,692	32,053	18,077	18,575	1,940	38,032	55,944	77,744	4,958	381,735													
Transmission	114	179	443	151	93	200	19	231	181	1,301	104	461	4,087	430	742	8,736													
Connection services	-	121	-	-	-	-	-	-	947	-	-	-	-	-	-	31,518													
Electricity sales	121	-	231	94	90	38	370	133	392	81	51	390	511	886	6,252	9,640													
Other revenue	2,136	6,413	3,209	3,223	3,349	3,013	(1,465)	5,362	3,482	1,206	146	7,684	19,573	49,328	(1,555)	105,104													
EBITDA																													

For the six months ended 30 June 2014:

	IDGC Siberia and TDC		Tyumen-energo		IDGC Urals		IDGC Volga		IDGC South		Kuban-energo		IDGC North Caucasus		IDGC Centre and Privolzhye		IDGC North-West Lenenergo		Yantar-energo		IDGC Centre		MOESK		FGC UES		Other		Total
Revenue from external customers	34,763	25,779	27,414	22,826	13,975	13,742	4,242	36,014	21,103	20,027	357	47,595	59,061	22,128	28,936	377,962													
Inter-segment revenue	31	7	2,908	13	189	3	1,838	40	1,457	79	1,711	5	68	61,596	14,328	84,273													
Total segment revenue	34,794	25,786	30,322	22,839	14,164	13,745	6,080	36,054	22,560	20,106	2,068	47,600	59,129	83,724	43,264	462,235													
Including																													
Electricity	28,482	25,509	29,323	22,633	13,769	13,528	5,660	32,501	15,863	18,436	1,937	31,543	55,831	79,530	5,276	379,821													
Transmission	514	130	798	81	324	181	57	373	134	1,560	63	744	3,017	3,417	394	11,787													
Connection services	5,668	-	-	-	-	-	-	3,031	6,299	-	-	14,893	-	-	29,083	58,974													
Electricity sales	130	147	201	125	71	36	363	149	264	110	68	420	281	777	8,511	11,653													
Other revenue	5,331	6,313	3,665	3,345	2,529	438	(236)	5,410	3,433	3,274	322	8,531	17,087	50,923	(3,591)	106,774													
EBITDA																													

5. Operating segments (continued)

(i) Information about reportable segments (unaudited) (continued)

As at 30 June 2015:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	70,228	139,267	62,562	64,562	42,257	61,956	32,726	93,470	59,349	159,905	8,033	112,386	329,801	1,248,254	108,239	2,593,025
<i>Including property, plant and equipment</i>	50,764	123,188	48,511	54,809	29,026	48,106	24,807	72,852	40,236	136,651	5,682	89,140	277,670	1,074,079	49,656	2,125,177

As at 31 December 2014:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Segment assets	70,168	135,470	62,232	66,400	41,481	61,715	33,753	93,718	60,905	164,769	7,740	111,392	326,036	1,231,217	105,946	2,572,942
<i>Including property, plant and equipment</i>	50,093	122,834	48,360	56,624	29,987	47,499	25,461	73,478	40,925	139,479	5,293	89,171	275,494	1,078,341	51,714	2,135,053

5. Operating segments (continued)

(ii) Reconciliations of reportable segment EBITDA

Reconciliation of reportable segment EBITDA is presented below:

	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited
EBITDA of reportable segments	105,104	106,774
Bad debt allowance adjustment	4,058	5,665
Other provisions	747	1,629
Adjustments for financial lease	276	568
Adjustment for disposal of property, plant and equipment	58	392
Discounting of financial instruments	45	(74)
Adjustment for inventories valuation	(7)	(73)
Accrued salaries and wages	(49)	(738)
Assets related to employee benefit fund	(69)	(27)
Impairment of available-for-sale investments	(85)	(929)
Adjustments for deferred expenses	(208)	5
Retirement benefit obligations recognition	(607)	159
Adjustment for promissory notes impairment	(2,748)	1,030
Other adjustments	772	(421)
Unallocated	(1,166)	(220)
	106,121	113,740
Depreciation, amortization and impairment	(56,267)	(61,139)
Interest expenses on financial liabilities measured at amortised cost	(16,664)	(10,645)
Financial leasing	(17)	(109)
Income tax expense	(9,081)	(10,307)
Profit for the period per consolidated interim condensed statement of profit and loss and other comprehensive income	24,092	31,540

6. Revenue

	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited
Electricity transmission	309,891	305,834
Electricity sales	28,283	55,436
Technological connection services	8,473	12,343
Other revenues	5,248	4,196
	351,895	377,809

Other revenues are comprised of rental income, repair and maintenance services, etc.

7. Operating expenses

	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited
Personnel costs	82,592	79,249
Depreciation and amortization	56,267	60,107
Impairment of property, plant and equipment	-	1,032
<i>Material expenses, including:</i>		
Purchased electricity for compensation of technological losses	46,243	43,451
Purchased electricity for resale	15,173	30,927
Electricity and heat power for own needs	1,885	1,920
Other material costs	9,589	9,906
<i>Production work and services, including:</i>		
Electricity transmission	56,280	62,506
Repairs, maintenance and installation services	4,376	5,508
Other works and industrial services	1,223	800
Taxes other than income tax	8,730	7,180
Rent	3,060	3,352
Insurance	1,243	1,144
<i>Other third-party services, including:</i>		
Communication services	1,307	1,303
Security services	2,249	2,452
Consulting, legal and audit services	951	871
Software costs and servicing	1,058	1,021
Transportation	1,217	1,169
Other services	3,449	2,854
Impairment of trade and other receivables	8,140	6,354
Provisions	4,549	4,295
Other expenses	3,507	4,295
	313,088	331,756

8. Finance income and costs

	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited
Recognised in profit or loss		
<i>Finance income</i>		
Interest income on loans, bank deposits and promissory notes	8,160	4,468
Gain on disposal of financial assets	14	159
Other finance income	336	567
	8,510	5,194
<i>Finance costs</i>		
Interest expenses on financial liabilities measured at amortized cost	(16,664)	(10,645)
Interest expense on finance lease	(17)	(109)
Impairment loss on available-for-sale financial assets	(267)	(1,803)
Other finance costs	(1,681)	(1,433)
	(18,629)	(13,990)

9. Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
Balance at 1 January 2014	194,650	880,859	714,926	217,584	448,229	2,456,248
Acquisitions through business combinations	(36)	–	(4)	40	–	–
Additions	819	1,266	483	2,383	85,895	90,846
Transfer between groups	2,829	23,261	12,204	4,525	(42,819)	–
Disposals	(137)	(262)	(654)	(810)	(122)	(1,985)
Balance at 30 June 2014 (unaudited)	198,125	905,124	726,955	223,722	491,183	2,545,109
Depreciation and impairment						
Balance at 1 January 2014	(39,991)	(341,171)	(283,301)	(107,747)	(88,176)	(860,386)
Acquisitions through business combinations	(2)	(486)	(54)	(29)	571	–
Depreciation charge	(4,167)	(22,591)	(20,175)	(12,137)	–	(59,070)
Impairment	–	–	–	(3)	(1,029)	(1,032)
Disposals	18	125	558	646	–	1,347
Balance at 30 June 2014 (unaudited)	(44,142)	(364,123)	(302,972)	(119,270)	(88,634)	(919,141)
Net book value						
At 1 January 2014	154,659	539,688	431,625	109,837	360,053	1,595,862
At 30 June 2014 (unaudited)	153,983	541,001	423,983	104,452	402,549	1,625,968
	Land and buildings	Transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
Balance at 1 January 2015	220,258	1,043,536	802,014	246,497	390,399	1,702,704
Acquisitions through business combinations	1,153	(1,097)	1,775	(1,831)	–	–
Additions	373	577	234	1,404	63,512	66,100
Transfer between groups	2,232	13,580	9,971	3,956	(29,739)	–
Disposals	(369)	(232)	(874)	(681)	(1,113)	(3,269)
Balance at 30 June 2015 (unaudited)	223,647	1,056,364	813,120	249,345	423,059	2,765,535
Depreciation and impairment						
Balance at 1 January 2015	(60,186)	(434,396)	(535,125)	(133,369)	(78,042)	(1,059,118)
Acquisitions through business combinations	25	(587)	(821)	(27)	1,410	–
Depreciation charge	(4,601)	(20,109)	(18,471)	(11,625)	–	(54,806)
Impairment	–	–	–	–	–	–
Disposals	41	126	731	482	81	1,461
Balance at 30 June 2015 (unaudited)	(64,721)	(454,966)	(371,686)	(144,539)	(76,551)	(1,112,463)
Net book value						
At 1 January 2015	160,072	609,140	448,889	113,128	312,357	1,643,586
At 30 June 2015 (unaudited)	158,926	601,398	441,434	104,806	346,508	1,653,072

Capitalised borrowing cost for the 6 months ended 30 June 2015 amounted to RUB 13,396 million (for 6 months ended 30 June 2014: RUB 11,754 million).

10. Intangible assets

	<u>Software</u>	<u>Licenses and certificates</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost				
As of January 1, 2014	16,557	283	7,848	24,688
Transfer between groups	26	-	(26)	-
Additions	747	9	276	1,032
Disposals	(321)	(169)	(647)	(1,137)
As of June 30, 2014	17,009	123	7,451	24,583
As of January 1, 2015	16,652	271	8,762	25,685
Transfer between groups	122	(108)	(14)	-
Additions	965	1	330	1,296
Disposals	(69)	(2)	(9)	(80)
As of June 30, 2015	17,670	162	9,069	26,901
Amortization and impairment				
As of January 1, 2014	(5,658)	(195)	(2,278)	(8,131)
Amortization charge	(912)	(23)	(139)	(1,074)
Disposals	158	144	173	475
As of June 30, 2014	(6,412)	(74)	(2,244)	(8,730)
As of January 1, 2015	(9,099)	(145)	(2,141)	(11,385)
Transfer between groups	(113)	113	-	-
Amortization charge	(1,187)	(39)	(262)	(1,488)
Disposals	66	2	(5)	63
As of June 30, 2015	(10,333)	(69)	(2,408)	(12,810)
Net book value				
As of June 30, 2014	10,597	49	5,207	15,853
As of June 30, 2015	7,337	93	6,661	14,091

11. Other investments and financial assets

	<u>30 June 2015</u> <u>(unaudited)</u>	<u>31 December 2014</u>
Non-current		
Available-for-sale financial assets	23,908	14,019
Financial assets held to maturity	2,311	2,381
Assets related to employee defined benefits plans	6,483	6,552
	<u>32,702</u>	<u>22,952</u>
Current		
Financial assets held to maturity	41,022	17,908
	<u>41,022</u>	<u>17,908</u>

Available-for-sale financial assets are mainly represented by marketable securities of PJSC "Inter RAO" stated at fair value. Shares of PJSC "Inter RAO" are exposed to changes in their market price. Subsequently to the reporting date, the quoted market prices for PJSC "Inter RAO" shares are declining.

12. Cash and cash equivalents

	<u>30 June 2015</u> <u>(unaudited)</u>	<u>31 December 2014</u>
Cash in state-controlled banks	61,107	39,515
Cash in banks not controlled by state	12,989	7,812
Deposits in state-controlled banks	18,313	35,002
Deposits in other banks	764	94
Cash equivalents	83	153
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	<u>93,256</u>	<u>82,576</u>

13. Equity

(a) Share capital

<i>Number of shares unless otherwise stated</i>	<u>Ordinary shares</u>		<u>Preference shares</u>	
	<u>30 June 2015</u> <u>Unaudited</u>	<u>31 December 2014</u>	<u>30 June 2015</u> <u>Unaudited</u>	<u>31 December 2014</u>
Shares issued	161,078,853,310	161,078,853,310	2,075,149,384	2,075,149,384
Par value	RUB 1	RUB 1	RUB 1	RUB 1

(b) Dividends

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

The annual shareholders meeting held on 30 June 2015 decided not to pay dividends on ordinary and preference shares for 2014.

Preference shares carry the right to vote on all matters within the competence of General shareholders' meetings following the Annual shareholders' meeting at which a decision not to pay (or not to pay the full amount of) dividends on preference shares was taken. The right of preference shareholders to vote at General shareholders' meetings ceases from the date of the first full payment of dividends on such shares.

However, the dividend is not cumulative. The preference shares also carry the right to vote in respect of the Company's Charter amendments that limit their rights, including reorganisation and liquidation.

14. Profit per share (unaudited)

The calculation of basic earnings per share for the six months ended 30 June 2015 was based on the profit attributable to ordinary shareholders of RUB 18,127 million (six months ended 30 June 2014: profit of RUB 22,724 million), and a weighted average number of ordinary shares outstanding of 159,588 million (six months ended 30 June 2014: 159,563 million), as shown below.

<i>In millions of shares</i>	<u>2015</u>	<u>2014</u>
Issued shares at 1 January	161,079	161,079
Effect of own shares held	(1,491)	(1,516)
Weighted average number of shares for the six months ended 30 June	<u>159,588</u>	<u>159,563</u>
	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited
Total profit attributable to holders of ordinary shares	159,588	159,563
Weighted average number of ordinary shares for the six months ended 30 June (in millions of shares)	18,127	22,724
Profit per ordinary share (in RUB) – basic and diluted	<u>0.11</u>	<u>0.14</u>

15. 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.

	<u>30 June 2015 Unaudited</u>	<u>31 December 2014</u>
Non-current liabilities		
Unsecured loans	218,757	253,091
Unsecured bonds	355,037	300,842
Finance lease liabilities	770	909
Less: current portion of long-term finance lease liabilities	(152)	(225)
Less: current portion of long-term loans	(27,972)	(20,598)
Less: current portion of long-term bonds	(61,882)	(48,610)
	<u>484,558</u>	<u>485,409</u>
Current liabilities		
Unsecured loans	37,354	23,431
Promissory notes	359	363
Current portion of long-term finance lease liabilities	152	225
Current portion of long-term loans	27,972	20,598
Current portion of long-term bonds	61,882	48,610
	<u>127,719</u>	<u>93,227</u>

The Group raised the following bank loans and issued the following bonds during the six months ended 30 June 2015:

	<u>Currency</u>	<u>Nominal value</u>	<u>Interest rate</u>	<u>Maturity</u>
Unsecured bank loans*	RUB	3,560	12.3-17.5%	2016-2019
Unsecured bank loans	RUB	3,393	MosPrime(ON)+0.75/+1	2015
Unsecured bank loans*	RUB	2,856	13-25%	2015-2018
Unsecured bank loans	RUB	1,389	13.88-17.0%	2016-2018
Unsecured bank loans	RUB	1,000	16,5%	2017
Unsecured bank loans	RUB	867	9.25-15.5%	2016-2017
Unsecured bank loans*	RUB	816	11,6%	2015
Unsecured bank loans	RUB	265	16-17%	2015-2018
Unsecured bank loans	RUB	151	16,25%	2017
Unsecured bank loans	RUB	19	Key rate CBR+7%	2015
Unsecured bank loans	RUB	19	20%	2016
		14,335		
Unsecured bonds	RUB	20,000	CPI + 1%	2045-2050
Unsecured bonds	RUB	20,000	CPI + 1%	2045-2050
Unsecured bonds	RUB	10,000	11,85%	2018-2025
Unsecured bonds	RUB	7,000	13,2%	2018-2025
Unsecured bonds	RUB	5,000	11,9%	2020-2025
		62,000		

* Loans from government-related entities

15. Loans and borrowings (continued)

The Group repaid the following significant bank facilities and bonds during the six months ended 30 June 2015:

	<u>Amount</u>
Bonds	10,013
Loans from government-related entities	21,510
Other loans	13,166
	44,689

16. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

17. Commitments

As at 30 June 2015 the Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 245,941 million (as at 31 December 2014: RUB 264,092 million).

18. Contingencies

(a) Insurance

Adverse trends of the insurance industry in the Russian Federation resulting from unfavourable macroeconomic conditions such as limitation of insurance markets capacity due to imposition of economic sanctions by the European Union, the United States of America and other countries, affect the Group's ability to have full coverage for its plant facilities, business interruption or third party liability in respect of property or environmental damage arising from accidents with the Group property or relating to the Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

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

These circumstances may result in 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 interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Legal proceedings

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

(d) Environmental matters

The Group and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement position of Government authorities is continually being reconsidered. The Group's management periodically evaluates its obligations under environmental regulations.

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

19. Related party transactions

(a) Control relationships

The Russian Government holds the majority of the voting rights of the Company and it is the ultimate controlling party of the Group.

(b) Transactions with government-related entities

In the course of its operating activities the Group engages in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs as applicable.

Revenues from government-related entities for the six months ended 30 June 2015 constitute 37% (six months ended 30 June 2014: 33%) of total revenues, including 40% (six months ended 30 June 2013: 37%) of electricity transmission revenues.

Electricity transmission costs (including purchased electricity for compensation of technological losses) for government-related entities for the six months ended 30 June 2015 constitute 31% (six months ended 30 June 2014: 29%) of total transmission costs.

Significant loans from government-related entities raised and repaid during the period are disclosed in Note 15.

(c) Pricing policies

Related party revenue for electricity transmission is based on the tariffs determined by the government.

(d) Management remuneration

The Group identifies members of Boards of Directors, members of Management Boards and top managers of the Company and its subsidiaries as key management personnel.

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

Key management received the following remuneration during the period, which is included in personnel costs:

	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited
Salaries and bonuses	<u>150</u>	<u>130</u>

20. Events after the reporting period

There were no significant events during the period from the reporting date till the date of approval of these consolidated interim condensed financial statements.