

Consolidated interim condensed financial statements
PJSC Interregional Distribution Grid Company of Volga
for the six months ended 30 June 2016
(Unaudited)

Consolidated interim condensed financial statements
PJSC Interregional Distribution Grid Company of Volga

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PJSC IDGC of Volga

Consolidated Interim Condensed Statement of Financial Position as at 30 June 2016 (Unaudited) (in thousands of Russian Rubles, unless otherwise stated)

	Note	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	7	38,674,959	39,983,252
Intangible assets		119,101	157,488
Other non-current assets		709,890	674,211
Total non-current assets		39,503,950	40,814,951
Current assets			
Inventories		1,811,271	1,256,511
Income tax receivable		762,459	3,377
Trade and other receivables		6,682,096	6,855,016
Prepayments for current assets		185,145	148,082
Cash and cash equivalents		770,851	1,958,398
Total current assets		10,211,822	10,221,384
TOTAL ASSETS		49,715,772	51,036,335
EQUITY AND LIABILITIES			
Share capital	8	17,857,780	17,857,780
Reserve for issue of shares		251,680	66,860
Reserves		(884,453)	(780,713)
Retained earnings		11,347,858	11,041,379
Total equity		28,572,865	28,185,306
Non-current liabilities			
Deferred tax liabilities		3,006,183	3,699,849
Employee benefits		1,538,960	1,380,767
Loans and borrowings	9	7,700,000	7,700,000
Trade and other payables		691,171	540,108
Total non-current liabilities		12,936,314	13,320,724
Current liabilities			
Loans and borrowings	9	2,065,702	3,622,639
Trade and other payables		4,576,212	4,300,672
Provisions		234,166	40,984
Income tax payable		-	202,780
Other taxes payable		1,330,513	1,363,230
Total current liabilities		8,206,593	9,530,305
Total liabilities		21,142,907	22,851,029
TOTAL EQUITY AND LIABILITIES		49,715,772	51,036,335

These consolidated interim condensed financial statements were approved by management on 24 August 2016 and were signed on its behalf by:

General Director Deputy for Economics and Finance

Puchkova I. Y

Chief Accountant

Tamlenova I.A



PJSC IDGC of Volga
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2016 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Revenue	10	25,424,093	22,694,766
Operating expenses	11	(24,049,512)	(22,053,840)
Other income and expenses, net		98,782	142,189
Operating profit		1,473,363	783,115
Finance income		108,471	68,326
Finance costs		(647,910)	(646,234)
Profit before income tax		933,924	205,207
Income tax expense		(396,681)	(78,369)
Profit for the period		537,243	126,838
Other comprehensive income			
Revaluation of net liabilities (assets) for defined benefit obligations		(110,453)	(73,956)
Income tax on other comprehensive income		6,713	2,027
Total other comprehensive income		(103,740)	(71,929)
Total comprehensive income for the period		433,503	54,909
Earnings per share - basic and diluted (in RUB)		0.003	0.0007

The consolidated interim condensed statement of profit or 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 7 to 17.

PJSC IDGC of Volga
Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2016 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
OPERATING ACTIVITIES:			
Profit before income tax for the period		933,924	205,207
Adjustments for:			
Depreciation and amortisation	11	2,251,348	2,459,911
Allowance for impairment of accounts receivable	11	147,438	(1,093)
Finance costs		647,910	646,234
Finance income		(108,471)	(68,326)
Loss/(profit) on disposal of property, plant and equipment		6,734	(11,819)
Accounts payable written-off		(2,748)	(8,878)
Other non-cash transactions		-	(276)
Operating profit before working capital changes and income tax paid		3,876,135	3,220,960
Working capital changes:			
Change in trade and other receivables		(8,900)	416,662
Change in prepayments		(5,438)	(1,416)
Change in inventories		(554,760)	(518,719)
Change in other non-current assets		(6,038)	64,000
Change in trade and other payables		297,013	(426,789)
Change in long-term payables		(14,908)	(43,242)
Change in provisions		38,318	25,339
Change in taxes payable other than income		(32,717)	53,911
Cash flows from operations before income taxes and interest paid		3,588,705	2,790,706
Income tax (recovered)/paid		(2,047,064)	38,780
Interest paid		(608,074)	(627,141)
Net cash flows from operating activities		933,567	2,202,345
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(841,591)	(1,559,170)
Proceeds from disposal of property, plant and equipment		18,106	842
Acquisition of intangible assets		(14,020)	(22,525)
Interest received		81,586	43,483
Net cash flows used in investing activities		(755,919)	(1,537,370)
FINANCING ACTIVITIES:			
Proceeds from loans and borrowings		-	900,00
Repayment of loans and borrowings		(1,550,000)	(1,500,000)
Dividends paid		(15)	(46)
Proceeds from issue of shares		184,820	-
Net cash flows used in financing activities		(1,365,195)	(600,046)
Net increase in cash and cash equivalents		(1,187,547)	64,929
Cash and cash equivalents at the beginning of the period		1,958,398	1,258,536
Cash and cash equivalents at the end of the period		770,851	1,323,465

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

(in thousands of Russian Roubles, unless otherwise stated)

	Share capital	Reserve for issue of shares	Reserves	Accumulated Profit	Total equity
As at 1 January 2015	17,857,780	-	(625,919)	9,789,624	27,021,485
Profit for the period	-	-	-	126,838	126,838
Other comprehensive income					
Revaluation of net liabilities (assets) for defined benefit obligations	-	-	(73956)	-	(73,956)
Income tax on other comprehensive income	-	-	2,027	-	2,027
Total other comprehensive income	-	-	(71,929)	-	(71,929)
Total comprehensive income	-	-	(71,929)	126,838	54,909
Dividends	-	-	-	(17,858)	(17,858)
As at 30 June 2015	17,857,780	-	(697,848)	9,898,604	27,058,536
As at 1 January 2016	17,857,780	66,860	(780,713)	11,041,379	28,185,306
Profit for the period	-	-	-	537,243	537,243
Other comprehensive income					
Revaluation of net liabilities (assets) for defined benefit obligations	-	-	(110,453)	-	(110,453)
Income tax on other comprehensive income	-	-	6,713	-	6,713
Total other comprehensive income	-	-	(103,740)	-	(103,740)
Total comprehensive income	-	-	(103,740)	537,243	433,503
Issue of shares	-	184,820	-	-	184,820
Dividends	-	-	-	(230,764)	(230,764)
As at 30 June 2016	17,857,780	251,680	(884,453)	11,347,858	28,572,865

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2016 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 1. Background

(a) The Group and its operations

The new brand title of the company's organizational and legal form was approved At the Annual General Shareholders' Meeting held on 16 June 2015. Open Joint Stock Company Interregional Distribution Company of Volga was changed to Public Open Joint Stock Company Interregional Distribution Company of Volga.

Public Joint-Stock Company "Interregional Distribution Grid Company of Volga" (hereafter, the "Company" or PJSC IDGC of Volga) and its subsidiaries (together referred to as the "Group") comprise Russian open joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 29 June 2007 based on Resolution no. 191p of 22 June 2007 and pursuant to the Board of Directors' decision (board of directors' meeting minutes no. 250 of 27 April 2007) of the Russian Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereafter, "RAO UES").

The Company's registered office is 42/44 Pervomayskaya Street, Saratov, Russian Federation, 410031.

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

The Group's significant subsidiaries are:

Name	% owned	
	30 June 2016	31 December 2015
OJSC Chuvashskaya avtotransportnaya kompaniya	99.99	99.99
OJSC Sanatoriy Solnechny	99.99	99.99
OJSC Sotsialnaya Sfera-M	100	100
OJSC Energoservis Volgi	100	100

As at 30 June 2016 the Russian Government owned 86,32 % of the voting ordinary shares and 7,01 % of the preference shares of PJSC Rosseti (31 December 2015: 86,32% of the voting ordinary shares and 7.01 % of the preference shares), which in turn owned 67,63 % of the Company.

The Government of the Russian Federation influences the Group's activities through setting power transmission and distribution tariffs.

(b) Russian business environment

The Group conducts its business in the Russian Federation. Consequently, the Group is exposed to the economic and financial market of the Russian Federation, which displays the characteristics of an emerging market. The legal, tax and regulatory framework continue to develop, 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. Management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Note 2. Basis of preparation

(a) Statement of compliance

This consolidated interim condensed financial report has 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 2015. This consolidated interim condensed financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The Consolidated Interim Condensed Financial Statements are prepared on the historical cost basis except for:

- Financial investments classified as available-for-sale are stated at fair value;

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Notes to the Consolidated Interim Condensed Financial Statements
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(in thousands of Russian Roubles, unless otherwise stated)

- Property, plant and equipment were revalued to determine deemed cost as part of the adoption of IFRSs as at 1 January 2006.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble ("RUB"), which is the functional currency for Company and its' subsidiaries and the currency in which these consolidated interim condensed financial statements are presented. All financial information presented in Russian roubles has been rounded to the nearest thousand.

(d) Use of judgments, estimates and assumptions

The preparation of Financial Statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Note 3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2016, and have not been applied in preparing these consolidated interim financial statements:

- IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- IFRS 16 *Leases*. IFRS 16 is partly or fully retrospectively effective for annual periods beginning on or after 1 January 2019, with earlier application permitted under the simultaneous application of IFRS 15.

The Group is currently assessing the impact of these standards on the consolidated financial information. The Group does not intend to adopt these standards early.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* in respect of sale of contribution of assets between an investor and its associate of joint venture;
- Amendments to IAS 12 entitled *Recognition of deferred tax assets for unrealized losses*;
- Amendments to IAS 7 entitled *Disclosure Initiative*.

These amendments are not expected to have any impact or impact significantly on the Group's consolidated financial information.

Impact of the new standards, interpretations and amendments to standards

The following new standards, interpretations and amendments to standards is effective beginning 1 January 2016 and have been adopted by the Group for the first time in 2016 but they did not have significant impact on the financial statements:

- *Annual Improvements 2012-2014 Cycle*.
- IFRS 14 *Regulatory Deferral Accounts*;
- Amendments to IAS 16 *Property, Plant and Equipment*, and IAS 38 *Intangible Assets*;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*;
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Investment Property*;
- Amendment to IFRS 11 *Joint Arrangements*;

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- Amendments to IAS 27 *Separate financial statements*;
- Amendments to IAS 1 *Presentation of Financial Statements*;
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates* in respect of accounting and disclosure information about a subsidiary of an investment entity measured at fair value.

Note 4. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

In preparing these consolidated interim condensed financial statements, the methods for determination of fair values were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.

Note 5. Financial risk management

The goals and policies of financial risk management of the Group are consistent with those operated in the year ended 31 December 2015.

Note 6. 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 within the regions of the Russian Federation. The internal management reporting system is based on segments relating to electric energy transmission in separate regions of the Russian Federation (branches of the Company) and segments relating to other activities (represented by separate legal entities).

The Management Board regularly evaluates and analyses the financial information of the segments reported in the statutory financial statements of respective segments.

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

- Transmission Segments – Mordovia region, Chuvashia region, Orenburg region, Penza region, Samara region, Saratov region, Ulianovsk region – branches of IDGC Volga;
- Other Segments – other Group companies.

Segment items are based on financial information reported in statutory accounts and can differ significantly from those for financial statements prepared under IFRS. The reconciliation of items measured as reported to the Management Board with similar items in these Consolidated Financial Statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

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

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(in thousands of Russian Roubles, unless otherwise stated)

(i) Information about reportable segments for the six months ended 30 June 2016

	Transmission							Total
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region	
Revenue:								
Electricity transmission	5,506,624	5,139,782	5,862,758	3,249,910	2,536,729	1,671,926	1,234,062	25,201,791
Connection to the electricity network	15,056	26,970	9,588	15,528	5,287	13,615	3,813	89,857
Other revenue	12,085	51,181	8,857	6,157	2,708	5,711	2,253	129,135
Total revenue from external customers	5,533,765	5,217,933	5,881,203	3,271,595	2,544,724	1,691,252	1,240,128	25,420,783
Inter-segment revenue	-	187	-	-	-	-	-	56,649
Total revenue	5,533,765	5,218,120	5,881,203	3,271,595	2,544,724	1,691,252	1,240,128	25,477,432
EBITDA	595,730	648,970	1,646,089	405,679	225,243	209,378	181,794	3,911,171

Segment assets as at 30 June 2016 are presented below

	Transmission							Total
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region	
Segment assets	16,294,313	11,164,143	15,503,908	5,206,530	4,750,799	4,722,270	3,408,504	61,286,104
<i>Including property, plant and equipment</i>	14,440,943	9,878,649	13,405,973	4,178,255	3,474,071	3,215,870	2,737,463	51,431,792

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
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(in thousands of Russian Roubles, unless otherwise stated)

(ii) Information about reportable segments for the six months ended 30 June 2015

	Transmission								
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region	Other	Total
Revenue:									
Electricity transmission	5,085,689	4,785,004	4,930,826	3,081,848	1,855,942	1,567,877	1,091,536	-	22,398,722
Connection to the electricity network	44,124	39,959	18,213	12,783	14,826	11,906	9,213	-	150,824
Other revenue	10,141	57,963	8,190	7,062	2,649	5,488	2,290	49,781	143,564
Total revenue from external customers	5,139,954	4,882,926	4,957,229	3,101,693	1,873,217	1,585,271	1,103,039	49,781	22,693,110
Inter-segment revenue	-	198	-	-	-	-	-	58,965	59,163
Total revenue	5,139,954	4,883,124	4,957,229	3,101,693	1,873,217	1,585,271	1,103,039	108,746	22,752,273
EBITDA	598,447	551,972	1,176,502	452,580	129,182	188,240	125,928	1,527	3,224,378

Segment assets as at 31 December 2015 are presented below

	Transmission								
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region	Other	Total
Segment assets	16,989,902	11,713,916	16,575,801	5,548,939	4,661,319	4,822,488	3,245,552	230,756	63,788,673
Including property, plant and equipment	14,912,918	10,185,181	14,025,452	4,356,686	3,562,894	3,328,161	2,716,057	104,849	53,192,198

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2016 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(iii) Reconciliation of profit before tax of reportable segments

Reconciliation of reportable segment EBITDA is presented below:

	Six month ended 30 June 2016	Six month ended 30 June 2015
EBITDA of reportable segments	3,911,171	3,224,378
Retirement benefit obligations recognition	(40,437)	(21,393)
Assets related to employee benefit fund	7,302	3,427
Adjustment for disposal of property, plant and equipment	(2,759)	585
Discounting of financial instruments	136	259
Adjustment of financial lease	(143,882)	-
Other adjustments	39,002	39,461
	3,770,533	3,246,717
Depreciation, amortization and impairment	(2,251,348)	(2,459,911)
Interest expenses on financial liabilities measured at amortized cost	(585,261)	(581,599)
Income tax expense	(396,681)	(78,369)
Financial leasing	537,243	-
Profit/ (loss) for the period per consolidated interim condensed statement of profit and loss and other comprehensive income	(2,251,348)	126,838

The Group performs its activities in the Russian Federation and does not have any significant revenues from foreign customers or any significant non-current assets located in foreign countries.

Note 7. Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transformation	Construction in progress	Other	Total
Cost						
Balance as 1 January 2015	15,079,506	24,343,100	15,035,180	1,655,081	12,680,610	68,793,477
Additions	-	445	100	1,014,939	62,026	1,077,510
Transfers	13,604	281,178	93,451	(405,017)	16,784	-
Disposals	(4,598)	(9,639)	(4,218)	(492)	(2,413)	(21,360)
Balance as 30 June 2015	15,088,512	24,615,084	15,124,513	2,264,511	12,757,007	69,849,627
Balance as 1 January 2016	16,392,108	25,373,419	15,189,277	1,029,575	13,086,780	71,071,159
Additions	5,837	898	4,545	740,609	167,734	919,623
Transfers	28,210	178,910	22,138	(257,862)	28,604	-
Disposals	(1,580)	(1,309)	(64)	(5,211)	(35,039)	(43,203)
Balance as 30 June 2016	16,424,575	25,551,918	15,215,896	1,507,111	13,248,079	71,947,579
Accumulated depreciation						
Balance as 1 January 2015	(4,154,799)	(11,514,463)	(4,501,093)	-	(6,296,762)	(26,467,117)
Depreciation for the period	(425,226)	(651,243)	(455,792)	-	(874,164)	(2,406,425)
Disposals	527	7,338	3,109	-	6,333	17,307
Balance as 30 June 2015	(4,579,498)	(12,158,368)	(4,953,776)	-	(7,164,593)	(28,856,236)
Balance as 1 January 2016	(5,086,462)	(12,803,399)	(5,273,070)	-	(7,924,975)	(31,087,906)
Depreciation for the period	(436,217)	(672,345)	(432,799)	-	(659,177)	(2,200,538)
Disposals	473	864	64	-	14,423	15,824
Balance as 30 June 2016	(5,522,206)	(13,474,880)	(5,705,805)	-	(8,569,729)	(33,272,620)
Net book value						
At 1 January 2015	10,924,707	12,828,637	10,534,087	1,655,081	6,383,848	42,326,360
At 30 June 2015	10,509,014	12,456,716	10,170,737	2,264,511	5,592,414	40,993,392
At 1 January 2016	11,305,646	12,570,020	9,916,207	1,029,574	5,161,805	39,983,252
At 30 June 2016	10,902,369	12,077,038	9,510,091	1,507,111	4,678,350	38,674,959

PJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2016 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 8. Equity

Share capital

	30 June 2016	31 December 2015
Number of ordinary shares authorised, issued and fully paid	178,577,801,146	178,577,801,146
Par value (in RUB)	0.1	0.1
Total share capital (in RUB)	17,857,780,115	17,857,780,115

Dividends paid and declared

In accordance with the 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. As at 30 June 2016 the Company had retained earnings, including the profit for the current period, of RUB 6,131,367 thousand (as at 31 December 2015: RUB 6,265,065 thousand).

In June 2016 General Meeting of Shareholders of PJSC "MRSC Volga" declared dividends in the amount of RUB 230,764 thousand.

Earnings per share

The calculation of earnings per share is based upon the profit for the period and the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive potential ordinary shares.

	Six months ended 30 June 2016	Six months ended 30 June 2015
Weighted average number of ordinary shares issued	178,577,801,146	178,577,801,146
Profit attributable to the shareholders	537,243	126,838
Weighted average earnings per ordinary share – basic (in RUB)	0.003	0.0007

Note 9. Loans and borrowings

Non-current borrowings

	Effective interest rate, %	Currency	Year of maturity	30 June 2016	31 December 2015
Loans and borrowings					
Unsecured bank facility*	10.91-12.76	RUB	2015-2018	7,700,000	7,700,000
Total non-current debt				7,700,000	7,700,000

Loans and borrowings represent primarily credit lines.

Current borrowings

	30 June 2016	31 December 2015
Current portion of loans and borrowings	2,050,000	3,600,000
Accrued interest payable	15,702	22,639
Total	2,065,702	3,622,639

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

The effective interest rate is the market interest rate applicable to the loan at the date of its receipt.

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

(in thousands of Russian Roubles, unless otherwise stated)

During the six months ended 30 June 2016 the Group repaid the following significant bank loans:

	Amount
Repaid	
Unsecured bank facility*	1,550,000

* All bank loans were received from OJSC "Sberbank" that is a state-controlled entity.

Note 10. Revenue

During the six months ended 30 June 2016 revenue amounted to RUB 25,424,093 thousand (six months ended 30 June 2015: RUB 22,694,766 thousand) and included revenue from electricity transmission services in the amount of RUB 25,201,790 thousand (six months ended 30 June 2015: RUB 22,398,722 thousand), revenue from technological connection services in the amount of RUB 89,857 thousand (six months ended 30 June 2015: RUB 150,824 thousand) and other revenue in the amount of RUB 132,446 thousand (six months ended 30 June 2015: RUB 145,220 thousand).

Note 11. Operating expenses

During the six months ended 30 June 2016 operating expenses amounted to RUB 24,049,512 thousand (six months ended 30 June 2015: RUB 22,053,840 thousand) and included electricity transmission expenses in the amount of RUB 9,610,585 thousand (six months ended 30 June 2015: RUB 8,785,942 thousand), costs of purchased electricity for compensation of technological losses in the amount of RUB 3,450,438 thousand (six months ended 30 June 2015: RUB 3,086,998 thousand), personnel costs in the amount of RUB 5,849,778 thousand (six months ended 30 June 2015: RUB 5,296,571 thousand), depreciation and amortization of property, plant and equipment and intangible assets in the amount of RUB 2,251,348 thousand (six months ended 30 June 2015: RUB 2,459,911 thousand).

Note 12. Related parties

(a) Control relationships

As at 30 June 2016 and at 31 December 2015 JSC Rosseti was the parent company of the Group.

Transactions with the parent company were as follows:

	Six months ended 30 June 2016	Account payables as at 30 June 2016	Six months ended 30 June 2015	Account payables as at 31 December 2015
Operating expenses:				
Management services	120,979	14,169	113,401	14,169
Other expenses	-	-	7,578	-

The party with ultimate control over IDGC of Volga is the Government of the Russian Federation, which holds the majority of the voting rights in JSC Rosseti.

The majority of the Group's related party transactions are with the subsidiaries of former RAO UES and other state controlled entities.

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(b) Transactions with entities under common control of the parent

Transactions with the Parent's subsidiaries and associates were as follows:

	Six months ended 30 June 2016	Six months ended 30 June 2015
Revenue:	37	640
Rent	29	-
Other sales	8	640
Operating expenses:	4,972,747	4,821,142
Electricity transmission	4,965,214	4,808,068
Technological connection services	715	883
Repair and maintenance costs	-	231
Other expenses	6,818	11,960

Related party transactions are based on normal market prices.

(c) Transactions with other 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 measured at regulated tariffs where applicable, in other cases revenues and purchases are measured at normal market prices. The Group obtains bank loans and borrowings based on market interest rates.

Revenue from state-controlled entities for the period ended 30 June 2016 constitutes 28% (six months ended 30 June 2015: 22%) of total revenue. Almost all of the revenue is the proceeds from the electricity transmission.

Electricity transmission expenses (including compensation of technological losses) occurred by operations with state-controlled entities for the period ended 30 June 2016 constitute 15% (Six months ended 30 June 2015: 11%) of total transmission expenses.

Interest expense accrued on loans from Sberbank constitute 100% (Six months ended 30 June 2015: 100%) of total interest accrued.

(d) Transactions with management and close family members

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

Compensation is paid to members of the Board of Directors and top management for their services in full time management positions. The compensation is made up of a contractual salary, non-cash benefits, and performance bonuses depending on results for the period according to Russian statutory financial statements and social security contributions.

Members of the Board of Directors and the top management of the Group received the following remuneration:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Members of Board of Directors	Top management	Members of Board of Directors	Top management
Salaries and bonuses	12,167	32,366	10,720	28,919

The amount of the pension obligations attributable to the Members of the Board of Directors and to the Top management of the Group on 30 June 2016 was RUB 8,862 thousand (31 December 2015: RUB 7,516 thousand).

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Note 13. Commitments

Capital commitments

As at 30 June 2016 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 2,427,601 thousand (as at 31 December 2015: RUR 547,592 thousand).

Note 14. Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its property, plant and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management believes that it has provided adequately for all Group liabilities based on its assessment of the possible decision on the litigation with counterparties.

Taxation contingencies

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

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

Environmental matters

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

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

Note 15. Financial instruments.

(a) Fair value hierarchy

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	30 June 2016	31 December 2015
Level 1	81	76
Level 2	-	-
Level 3	500,397	493,094
Total	500,478	493,170

The financial instruments of the Group carried at fair value represent available-for-sale investments.

(b) Fair values

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.