

PJSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

IAS 34 “INTERIM FINANCIAL REPORTING”

AS AT AND FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2015

(UNAUDITED)

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PJSC “FGC UES”

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

	Notes	30 September 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	805,908	795,029
Intangible assets		7,710	8,285
Investments in associates and joint ventures		1,686	2,109
Available-for-sale investments	6	21,092	14,384
Deferred income tax assets		290	437
Long-term accounts receivable		9,466	2,933
Other non-current assets		1,758	1,177
Total non-current assets		847,910	824,354
Current assets			
Cash and cash equivalents	7	45,007	42,068
Bank deposits	7	20,800	185
Accounts receivable and prepayments	8	42,573	55,912
Income tax prepayments		287	1,516
Inventories		13,946	10,446
Other current assets		1,356	694
		123,969	110,821
Assets held for sale		1,086	-
Total current assets		125,055	110,821
TOTAL ASSETS		972,965	935,175
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	9	637,333	637,333
Treasury shares	9	(4,719)	(4,719)
Share premium		10,501	10,501
Reserves		230,182	226,382
Accumulated deficit		(265,596)	(297,237)
Equity attributable to shareholders of FGC UES		607,701	572,260
Non-controlling interest		345	971
Total equity		608,046	573,231
Non-current liabilities			
Deferred income tax liabilities		10,880	1,954
Non-current debt	11	262,792	233,291
Deferred income		1,107	1,130
Retirement benefit obligations		7,804	6,456
Total non-current liabilities		282,583	242,831
Current liabilities			
Accounts payable to shareholders of FGC UES		182	8
Current debt and current portion of non-current debt	11	21,019	29,686
Accounts payable and accrued charges	12	61,085	89,316
Income tax payable		50	103
Total current liabilities		82,336	119,113
Total liabilities		364,919	361,944
TOTAL EQUITY AND LIABILITIES		972,965	935,175

25 November 2015

Chairman of the Management Board

Head of Accounting and Financial Reporting – Chief Accountant



A.E. Murov

A.P. Noskov

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

PJSC “FGC UES”

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2015	2014	2015	2014
Revenues	13	43,363	41,533	125,882	126,893
Other operating income		3,228	1,728	5,943	3,858
Operating expenses	14	(27,275)	(27,374)	(89,578)	(89,371)
Loss on re-measurement of assets held for sale		(177)	-	(719)	-
Impairment of property, plant and equipment, net	5	(2)	(74)	(474)	(141)
Operating profit		19,137	15,813	41,054	41,239
Finance income	15	2,478	1,133	6,354	3,659
Finance costs	16	(3,322)	(1,608)	(7,359)	(4,398)
Impairment of available-for-sale investments	6	-	(1,306)	(26)	(2,235)
Share of result of associates		2	10	(12)	11
Profit before income tax		18,295	14,042	40,011	38,276
Income tax expense	10	(3,727)	(2,784)	(8,101)	(8,408)
Profit for the period		14,568	11,258	31,910	29,868
Other comprehensive income / (loss)					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Change in revaluation reserve for property, plant and equipment		(685)	-	(685)	-
Remeasurements of retirement benefit obligations		8	730	(1,019)	969
Income tax relating to items that will not be reclassified		243	(80)	288	(62)
Total items that will not be reclassified to profit or loss		(434)	650	(1,416)	907
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in fair value of available-for-sale investments	6	(3,132)	(1,302)	6,708	(2,571)
Impairment of available-for-sale investments recycled to profit or loss	6	-	1,306	26	2,235
Foreign currency translation difference		170	197	(152)	206
Income tax relating to items that may be reclassified		626	-	(1,347)	6
Total items that may be reclassified to profit or loss		(2,336)	201	5,235	(124)
Other comprehensive (loss) / profit for the period, net of income tax		(2,770)	851	3,819	783
Total comprehensive income for the period		11,798	12,109	35,729	30,651
Profit / (loss) attributable to:					
Shareholders of FGC UES	17	14,468	11,206	32,160	30,068
Non-controlling interest		100	52	(250)	(200)
Total comprehensive income / (loss) attributable to:					-
Shareholders of FGC UES		11,697	12,057	35,979	30,851
Non-controlling interest		101	52	(250)	(200)
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	17	0.012	0.009	0.026	0.024

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

PJSC “FGC UES”

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

	Notes	Nine months ended 30 September 2015	Nine months ended 30 September 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		40,011	38,276
<i>Adjustments to reconcile profit before income tax to net cash provided by operations</i>			
Depreciation of property, plant and equipment	5,14	29,325	32,255
Gain on disposal of property, plant and equipment		(303)	(621)
Amortisation of intangible assets		1,031	855
Impairment of property, plant and equipment, net	5	474	141
Impairment of available-for-sale investments	6	26	2,235
Loss on re-measurement of assets held for sale		719	-
Share of result of associates		12	(11)
Accrual of allowance for doubtful debtors	14	6,084	4,483
Share-based compensation		-	6
Finance income	15	(6,354)	(3,659)
Finance costs	16	7,359	4,398
Other non-cash operating loss / (income)		83	(32)
Operating cash flows before working capital changes and income tax paid		78,467	78,326
<i>Working capital changes:</i>			
(Increase) / decrease in accounts receivable and prepayments		(257)	691
Increase in inventories		(3,506)	(1,158)
Decrease in other non-current assets		1,303	1,107
Increase in other current assets		(1,078)	-
Increase in accounts payable and accrued charges		2,688	648
Decrease in retirement benefit obligations		(244)	(319)
Income tax paid		1,117	397
Net cash generated by operating activities		78,490	79,692
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(58,711)	(52,590)
Proceeds from disposal of property, plant and equipment		1,825	1,336
Purchase of intangible assets		(457)	(359)
Redemption of promissory notes		600	3,354
Investment in bank deposits		(20,976)	(535)
Redemption of bank deposits		361	21,343
Dividends received		21	1
Purchase of subsidiary		(83)	-
Sale of subsidiary		568	-
Interest received		5,614	3,150
Net cash used in investing activities		(71,238)	(24,300)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current and non-current borrowings		40,000	1
Repayment of non-current borrowings		(19,768)	(14,894)
Loans given		(1,000)	-
Repayment of lease		(112)	(112)
Dividends paid		(668)	(433)
Interest paid		(22,765)	(17,261)
Net cash used in financing activities		(4,313)	(32,699)
Net increase in cash and cash equivalents		2,939	22,693
Cash and cash equivalents at the beginning of the period	7	42,068	21,627
Cash and cash equivalents at the end of the period	7	45,007	44,320

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

PJSC “FGC UES”

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

	Notes	Attributable to shareholders of FGC UES					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Accumulated deficit			
As at 1 January 2015		637,333	10,501	(4,719)	226,382	(297,237)	572,260	971	573,231
Comprehensive income for the period									
Profit for the period		-	-	-	-	32,160	32,160	(250)	31,910
<i>Other comprehensive income / (loss), net of related income tax</i>									
Change in revaluation reserve for property, plant and equipment		-	-	-	(460)	535	75	(516)	(441)
Change in fair value of available-for-sale investments	6	-	-	-	5,366	-	5,366	-	5,366
Impairment of available-for-sale investments recycled to profit or loss	6	-	-	-	21	-	21	-	21
Remeasurements of retirement benefit obligations		-	-	-	(975)	-	(975)	-	(975)
Foreign currency translation difference		-	-	-	(152)	-	(152)	-	(152)
Total other comprehensive income		-	-	-	3,800	535	4,335	(516)	3,819
Total comprehensive income for the period		-	-	-	3,800	32,695	36,495	(766)	35,729
Transactions with shareholders of FGC UES recorded directly in equity									
Other transactions with shareholders		-	-	-	-	(215)	(215)	141	(74)
Dividends declared	9	-	-	-	-	(839)	(839)	(1)	(840)
Total transactions with shareholders of FGC UES		-	-	-	-	(1,054)	(1,054)	140	(914)
As at 30 September 2015		637,333	10,501	(4,719)	230,182	(265,596)	607,701	345	608,046

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PJSC “FGC UES”

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

	Notes	Attributable to shareholders of FGC UES					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Accumulated deficit			
As at 1 January 2014		633,571	10,501	(4,725)	184,916	(275,024)	549,239	(942)	548,297
Comprehensive income for the period									
Profit for the period		-	-	-	-	30,068	30,068	(200)	29,868
<i>Other comprehensive income / (loss), net of related income tax</i>									
Change in revaluation reserve for property, plant and equipment		-	-	-	(375)	375	-	-	-
Change in fair value of available-for-sale investments	6	-	-	-	(2,118)	-	(2,118)	-	(2,118)
Impairment of available-for-sale investments recycled to profit or loss	6	-	-	-	1,788	-	1,788	-	1,788
Remeasurements of retirement benefit obligations		-	-	-	907	-	907	-	907
Foreign currency translation difference		-	-	-	206	-	206	-	206
Total other comprehensive income		-	-	-	408	375	783	-	783
Total comprehensive income for the period		-	-	-	408	30,443	30,851	(200)	30,651
Transactions with shareholders of FGC UES recorded directly in equity									
Issue of share capital		3,762	-	-	-	-	3,762	-	3,762
Share-based compensation		-	-	6	-	-	6	-	6
Dividends declared		-	-	-	-	(433)	(433)	(4)	(437)
Total transactions with shareholders of FGC UES		3,762	-	6	-	(433)	3,335	(4)	3,331
As at 30 September 2014		637,333	10,501	(4,719)	185,324	(245,014)	583,425	(1,146)	582,279

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PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

Note 1. PJSC “FGC UES” and its operations

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

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

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

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

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

Business environment. The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

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

The consolidated financial statements (“Consolidated Financial Statements”) reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

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

Note 2. Basis of preparation

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

Critical accounting estimates and assumptions. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

Note 2. Basis of preparation (continued)

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

Note 3. Summary of significant accounting policies

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

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

Note 4. Balances and transactions with related parties

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
Transmission revenue	35,110	34,355	107,563	101,865
Electricity sales	227	549	2,366	1,789
Connection services	1,591	26	1,715	1,496
Purchased electricity for production needs	(1,796)	(1,881)	(5,322)	(5,557)

Significant balances with government-related entities are presented below:

	30 September 2015	31 December 2014
Cash and cash equivalents	38,931	41,474
Bank deposits	18,931	130
Long-term accounts receivable	8,936	2,627
Other non-current assets	27	38
Other current assets	31	47
Trade receivables (net of allowance for doubtful debtors of RR 9,456 million as at 30 September 2015 and RR 3,236 million as at 31 December 2014)	26,419	31,778
Available-for-sale investments	21,092	14,384
Advances to construction companies and suppliers of property, plant and equipment (included in CIP)	839	1,119
Accounts payable to shareholders of FGC UES	(182)	(8)
Non-current debt	(442)	(519)
Current debt	(102)	(141)
Accounts payable and accrued charges	(18,154)	(21,220)

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

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

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Short-term compensation, including salary and bonuses	61	127	266	203
Termination benefits	23	15	23	15
Post-employment benefits and other long-term benefits	4	-	12	3
Share-based compensation	-	-	-	1
Total	87	142	301	222

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

Note 5. Property, plant and equipment

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

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

Note 5. Property, plant and equipment (continued)

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Balance as at 1 January 2014	20,912	495,652	341,136	306,514	43,829	1,208,043
Additions	112	845	123	66,585	1,510	69,175
Transfers	554	26,568	12,055	(42,359)	3,182	-
Disposals	(20)	(43)	(632)	(358)	(240)	(1,293)
Balance as at 30 September 2014	21,558	523,022	352,682	330,382	48,281	1,275,925
Accumulated depreciation and impairment						
Balance as at 1 January 2014	(3,423)	(157,012)	(158,450)	(117,237)	(22,211)	(458,333)
Depreciation charge	(215)	(15,220)	(13,200)	-	(3,620)	(32,255)
Transfers	(196)	(7,337)	(4,136)	12,611	(942)	-
Impairment loss	-	-	-	(137)	(4)	(141)
Disposals	2	24	353	-	199	578
Balance as at 30 September 2014	(3,832)	(179,545)	(175,433)	(104,763)	(26,578)	(490,151)
Net book value as at 1 January 2014	17,489	338,640	182,686	189,277	21,618	749,710
Net book value as at 30 September 2014	17,726	343,477	177,249	225,619	21,703	785,774

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

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

Note 6. Available-for-sale investments

	1 January 2015	Change in fair value	Impairment charge	30 September 2015
PJSC “INTER RAO UES”	13,759	6,723	-	20,482
PJSC “Russian Grids”	625	11	(26)	610
Total	14,384	6,734	(26)	21,092
	1 January 2014	Change in fair value	Impairment charge	30 September 2014
PJSC “INTER RAO UES”	19,379	-	(2,235)	17,144
PJSC “Russian Grids”	1,063	(336)	-	727
Total	20,442	(336)	(2,235)	17,871

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

Note 7. Cash and cash equivalents and bank deposits

	30 September 2015	31 December 2014
Cash at bank and in hand	20,274	11,336
Cash equivalents	24,733	30,732
Total cash and cash equivalents	45,007	42,068

Cash equivalents include short-term investments in certificates of deposit with original maturities of three months or less and contractual interest rate of 8.49-12.00% as at 30 September 2015 and 10.47-30.00% as at 31 December 2014. There were no certificates of deposit denominated in foreign currency included in cash equivalents as at 30 September 2015 and 31 December 2014.

Bank deposits

	Interest rate	30 September 2015	31 December 2014
PJSC “Sberbank”	11.01-12.75%	18,880	130
OJSC “Bank “ROSSIYA”	10.70-11.00%	1,750	25
JSC “Alfa-Bank”	12.00%	119	-
JSC “Gazprombank”	10.2-10.6%	51	30
Total bank deposits		20,800	185

Fair value of bank deposits approximates their carrying value.

Note 8. Accounts receivable and prepayments

	30 September 2015	31 December 2014
Trade receivables	30,248	38,240
(Net of allowance for doubtful debtors of RR 13,763 million as at 30 September 2015 and RR 8,397 million as at 31 December 2014)		
Other receivables	6,468	8,046
(Net of allowance for doubtful debtors of RR 1,860 million as at 30 September 2015 and RR 1,466 million as at 31 December 2014)		
VAT recoverable	1,677	7,578
Advances to suppliers		
(Net of allowance for doubtful debtors of RR 1,985 million as at 30 September 2015 and RR 1,981 million as at 31 December 2014)	4,107	1,946
Tax prepayments	73	102
Total accounts receivable and prepayments	42,573	55,912

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days as at 30 September 2015 and 31 December 2014. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.

Note 9. Equity

Share capital

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

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

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

Note 10. Income tax

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

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

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Note 11. Non-current debt

	Effective interest rate	Due	30 September 2015	31 December 2014
Certified interest-bearing non-convertible bearer bonds:				
with fixed rates	7.5-8.75%	2019-2028	112,465	122,836
with variable rates	CPI+1-2.5%	2022-2050	153,018	111,383
Stock Exchange authorised certified interest-bearing non-convertible bearer bonds	8.10%	2015	210	10,155
Loan participation notes (LPNs)	8.45%	2019	17,574	17,943
Finance lease liabilities	9.50%	2018	544	614
Total debt			283,811	262,931
Less: current portion of non-current bonds and LPNs			(20,917)	(29,545)
Less: current portion of finance lease liabilities			(102)	(95)
Total non-current debt			262,792	233,291

All debt instruments are denominated in Russian Rouble.

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

	Level	30 September 2015		31 December 2014	
		Fair value	Carrying value	Fair value	Carrying value
Non-convertible bearer bonds with fixed rates and loan participation notes	1	117,551	130,249	129,377	150,933
Non-convertible bearer bonds with variable rates	1	10,273	10,273	9,746	10,415
Other non-current debt with floating rates and finance lease liabilities	3	107,866	143,289	70,385	101,583
Total debt		235,690	283,811	209,508	262,931

Fair value of non-current debt with floating rates included in Level 3 inputs was determined using discount rate of 11% as at 30 September 2015 (13% as at 31 December 2014).

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

Note 12. Accounts payable and accrued charges

	30 September 2015	31 December 2014
Trade payables	18,311	17,942
Accounts payable to construction companies and suppliers of property, plant and equipment	27,228	58,002
Advances received	8,469	7,060
Provision for legal claims	487	500
Accounts payable to employees	2,005	2,154
Taxes other than on income payable	2,652	1,825
Other creditors and accrued liabilities	1,933	1,833
Total accounts payable and accrued charges	61,085	89,316

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Note 13. Revenue

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Transmission fee	40,762	39,760	117,928	119,225
Connection services	1,601	49	2,032	3,492
Electricity sales	830	1,294	5,489	3,411
Grids repair and maintenance services	170	430	433	765
Total revenues	43,363	41,533	125,882	126,893

Note 14. Operating expenses

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Depreciation of property, plant and equipment	9,680	10,812	29,325	32,255
Employee benefit expenses and payroll taxes	6,236	6,003	20,138	19,654
Purchased electricity	3,334	2,807	10,047	9,932
Taxes, other than on income	1,982	1,125	6,125	4,542
Materials for repair	863	887	1,575	1,789
Rent	835	326	1,410	1,265
Repairs and maintenance of equipment (by contractors)	796	1,117	1,544	2,188
Electricity transit	637	955	4,205	2,338
Business trips and transportation expenses	492	611	1,368	1,578
Security services	382	420	1,187	1,350
Information system maintenance	379	515	822	867
Other materials	375	974	1,157	1,802
Subcontract works	292	528	606	1,079
Amortisation of intangible assets	284	391	1,031	855
Insurance	159	273	684	803
Movement in provision for legal claims (Reversal) / accrual of allowance for doubtful debtors	96 (635)	(3,629) 2,122	(14) 6,084	59 4,483
Other expenses	1,088	1,137	2,284	2,532
Total operating expenses	27,275	27,374	89,578	89,371

Note 15. Finance income

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Interest income	2,212	1,123	5,946	3,624
Foreign currency exchange differences	245	6	363	30
Dividends	-	-	21	1
Other finance income	21	4	24	4
Total finance income	2,478	1,133	6,354	3,659

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

Note 16. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Interest expense	9,262	5,644	23,527	16,832
Net interest on the defined benefit obligations	191	135	572	439
Foreign currency exchange differences	210	10	337	31
Other finance costs	1	-	1	1
Total finance cost	9,664	5,789	24,437	17,303
Less: capitalised interest expenses	(6,342)	(4,181)	(17,078)	(12,905)
Total finance cost recognised in profit or loss	3,322	1,608	7,359	4,398

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

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Weighted average number of ordinary shares (millions of shares)	1,260,938	1,260,938	1,260,938	1,260,938
Profit attributable to shareholders of FGC UES (millions of RR)	14,468	11,206	32,160	30,068
Weighted average earning per share – basic and diluted (in RR)	0.012	0.009	0.026	0.024

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

Note 18. Contingencies, commitments, operating and financial risks

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

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

As at 30 September 2015 the Group’s subsidiary, OJSC “Nurenergo” was engaged in a number of litigations involving claims amounting in total to RR 14,189 million (as at 31 December 2014: RR 12,363 million), for collection of amounts payable for electricity purchased by OJSC “Nurenergo”. The amount is recorded within accounts payable. No additional provision has been made as the Group’s management believes that these claims are unlikely to result in any further liabilities.

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

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

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

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Note 18. Contingencies, commitments, operating and financial risks (continued)

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 238,257 million as at 30 September 2015 (as at 31 December 2014: RR 233,101 million) including VAT. These amounts include accounts payable to construction companies and suppliers of property, plant and equipment in the amount of RR 27,228 million as at 30 September 2015 (as at 31 December 2014: RR 58,002 million) (Note 12).

Note 19. Segment information

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

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

	Transmission segment – based on statutory financial statements prepared according to RAR			
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
Revenue from external customers	42,931	40,525	121,846	124,141
Intercompany revenue	119	58	259	166
Total revenue	43,050	40,583	122,105	124,307
Segment profit for the period	3,627	166	4,485	1,193

	30 September 2015	31 December 2014
Total reportable segment assets (RAR)	1,254,129	1,248,887
Total reportable segment liabilities (RAR)	428,814	427,207

Statements for the three and nine months ended 30 September 2015 and 2014 is presented below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
Total revenue from segment (RAR)	43,050	40,583	122,105	124,307
Reclassification between revenue and other income	(495)	(380)	(1,700)	(911)
Non-segmental revenue	927	1,388	5,736	3,663
Elimination of intercompany revenue	(119)	(58)	(259)	(166)
Total revenue (IFRS)	43,363	41,533	125,882	126,893

A reconciliation of the reportable segment’s profit to the Condensed Consolidated Interim Financial Statements for the three and nine months ended 30 September 2015 and 2014 is presented below:

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Note 19. Segment information (continued)

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Profit for the period (RAR)	3,627	166	4,485	1,193
Property, plant and equipment				
Adjustment to the carrying value of property, plant and equipment	8,018	8,776	28,972	29,622
Impairment of property, plant and equipment	2,372	(1,154)	1,199	(1,173)
Financial instruments				
Impairment of available-for-sale investments	-	(765)	(26)	(1,694)
Reversal of impairment of promissory notes	(2)	877	58	121
Discounting of promissory notes	8	(797)	8	-
Consolidation				
Reversal of adjustments to the carrying value of intercompany promissory notes	807	239	(1,941)	1,269
Other				
Adjustment to provision for legal claims	8	3,629	8	(59)
Adjustment to allowance for doubtful debtors	1,925	2,213	1,628	4,920
Accrual of retirement benefit obligations	(285)	(41)	(636)	(239)
Share of result of associates	2	10	(12)	11
Share-based compensation	-	-	-	(6)
Loss on re-measurement of AHFS	(719)	-	(719)	-
Deferred tax adjustment	(1,452)	(10,429)	(385)	(10,458)
Other adjustments	(798)	218	(1,625)	683
Non-segmental other operating loss	1,057	8,316	896	5,678
Profit for the period (IFRS)	14,568	11,258	31,910	29,868

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

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