



ROSSETI



Interregional
Distribution
Grid Company
of the North-West



Interregional Distribution Grid (IDG) Company of North-West

Consolidated Interim Condensed Financial Statements
for the nine months ended 30 September 2015
(Unaudited)



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**ROSSETI**Interregional
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Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the 9 months ended 30 September 2015 (Unaudited)

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

	Notes	For the nine months ended 30 September	
		2015	2014
Revenue and government subsidies	6	30,181,702	33,972,043
Operating expenses	7	(29,209,359)	(33,511,608)
Other income, net		658,851	626,879
Result from operating activities		1,631,194	1,087,314
Finance costs, net		(1,244,114)	(915,727)
Profit before income tax		387,080	171,587
Income tax expense		(93,384)	(77,631)
Profit for the period		293,696	93,956
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets		(864)	(1,165)
Income tax on items that are or may be reclassified subsequently to profit or loss		175	233
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>(689)</i>	<i>(932)</i>
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of the defined benefit liability		(93,430)	54,180
Income tax on items that will never be reclassified to profit or loss		18,686	(10,836)
<i>Total items that will not be reclassified to profit or loss</i>		<i>(74,744)</i>	<i>43,344</i>
Other comprehensive (loss)/income for the period, net of income tax		(75,433)	42,411
Total comprehensive income for the period		218,263	136,367

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

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Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the 9 months ended 30 September 2015 (Unaudited)

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




	Notes	For the nine months ended 30 September	
		2015	2014
Profit attributable to:			
Equity holders of the Company		293,671	93,933
Non-controlling interests		25	23
Profit for the period		293,696	93,956
Total comprehensive income attributable to:			
Equity holders of the Company		218,238	136,344
Non-controlling interests		25	23
Total comprehensive income for the period		218,263	136,367
Profit earnings per share			
Basic and diluted earnings per share (expressed in RUB)		0.0023	0.0014
Weighted average number of ordinary shares in issue	9	95,785,923,138	95,785,923,138

General Director

Deputy General Director for economy and finance

Deputy Chief Accountant

14 November 2015

 Letyagin A.V.
 Shiryaev P.V.
 Zhdanova I.G.

**ROSSETI**Interregional
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of the North-West

Consolidated Condensed Statement of Financial Position as at 30 September 2015 (Unaudited)

(in thousands of Russian roubles)

	Notes	30 September 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	34,832,678	35,276,341
Intangible assets		150,290	222,583
Deferred tax assets		21,879	21,073
Investment in securities and other financial assets		571,619	575,050
Other non-current assets		591,040	590,621
TOTAL NON-CURRENT ASSETS		36,167,506	36,685,668
CURRENT ASSETS			
Accounts receivable and prepayments		15,811,437	14,654,917
Income tax receivable		389,619	11,969
Inventories		1,123,147	790,435
Current financial assets		-	1,147,559
Other current assets		628,510	569,009
Cash and cash equivalents		1,179,076	1,038,530
TOTAL CURRENT ASSETS		19,131,789	18,212,419
TOTAL ASSETS		55,299,295	54,898,087
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	9,578,592	9,578,592
Accumulated deficit		(207,685)	(501,356)
Merger reserve	9	10,457,284	10,457,284
Other reserves		248,766	324,199
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		20,076,957	19,858,719
Non – controlling interests		349	324
TOTAL EQUITY		20,077,306	19,859,043

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

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Consolidated Condensed Statement of Financial Position as at 30 September 2015 (Unaudited)

(in thousands of Russian roubles)




	Notes	30 September 2015	31 December 2014
NON-CURRENT LIABILITIES			
Long-term loans and borrowings	8	11,089,493	14,913,056
Retirement benefit obligations		1,737,108	1,620,525
Deferred tax liabilities		1,917,417	1,811,376
Other non-current liabilities		623,571	546,594
TOTAL NON-CURRENT LIABILITIES		15,367,589	18,891,551
CURRENT LIABILITIES			
Accounts payable and advances received		11,148,284	11,078,740
Income tax payable		2,660	90,884
Current taxes payable		885,832	886,795
Current loans and borrowings	8	7,324,092	3,539,310
Current provisions		493,531	551,764
TOTAL CURRENT LIABILITIES		19,854,399	16,147,493
TOTAL LIABILITIES		35,221,988	35,039,044
TOTAL EQUITY AND LIABILITIES		55,299,295	54,898,087

General Director

Deputy General Director for economy and finance

Deputy Chief Accountant

17 November 2015

 Letyagin A.V.
 Shiryaev P.V.
 Zhdanova I.G.



Consolidated Condensed Statement of Changes in Equity for the nine months ended 30 September 2015 (Unaudited)

(in thousand of Russian roubles)

	Attributable to equity holders of the Company					Non- controlling interests	Total equity
	Share capital	Retained earnings	Merger reserve	Other reserves	Total		
Balance at 01 January 2014	9,578,592	1,792,091	10,457,284	290,219	22,118,186	288	22,118,474
Total comprehensive income for the period							
<i>Income for the period</i>	-	93,933	-	-	93,933	23	93,956
<i>Other comprehensive income for the period</i>	-	-	-	42,411	42,411	-	42,411
Total comprehensive income for the period	-	93,933	-	42,411	136,344	23	136,367
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	(76,629)	-	-	(76,629)	-	(76,629)
Balance at 30 September 2014	9,578,592	1,809,395	10,457,284	332,630	22,177,901	311	22,178,212
Balance at 01 January 2015	9,578,592	(501,356)	10,457,284	324,199	19,858,719	324	19,859,043
Total comprehensive income for the period							
<i>Profit for the period</i>	-	293,671	-	-	293,671	25	293,696
<i>Other comprehensive loss</i>	-	-	-	(75,433)	(75,433)	-	(75,433)
Total comprehensive income for the period	-	293,671	-	(75,433)	218,238	25	218,263
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	-	-
Balance at 30 September 2015	9,578,592	(207,685)	10,457,284	248,766	20,076,957	349	20,077,306

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Consolidated Condensed Statement of Cash Flows

for the nine months ended 30 September 2015 (Unaudited)

(in thousands of Russian roubles)

	For the nine months ended 30 September	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	293,696	93,956
<i>Adjustments for non-cash transactions:</i>		
Income tax expense recognised in profit or loss	93,384	77,631
Net finance costs	1,244,114	915,727
Provisions/(reversal of provisions) for account receivables	288,366	164,434
Depreciation and amortisation of non-current assets	2,988,947	3,068,518
Loss/(profit) from disposal of PPE	(9,130)	10,136
Provision for inventory obsolescence	(619)	(36)
Other non-cash loss	36,316	37,765
Operating cash flows before changes in working capital and provisions	4,935,074	4,368,132
<i>Working capital changes</i>		
Change in accounts receivable and prepayments	(1,348,484)	(4,811,235)
Change in inventories	(332,093)	(184,536)
Change in other current assets	(59,500)	(80,456)
Change in accounts payable, advances received and provisions	(204,305)	3,403,733
Cash generated by operations	2,990,692	2,695,638
Interest paid	(1,206,341)	(1,061,910)
Income tax paid	(447,496)	138,808
Contributions to benefit pension plan	(101,684)	(90,939)
Net cash generated by operating activities	1,235,170	1,681,597

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

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

for the nine months ended 30 September 2015 (Unaudited)

(in thousands of Russian roubles)

	For the nine months ended 30 September	
	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	1,919	21,769
Purchase of property, plant and equipment and other non-current assets	(2,126,835)	(2,489,668)
Interest received	336,915	142,839
Other investment income received	920,250	186
Net cash used in investing activities	(867,752)	(2,324,874)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans and borrowings	9,435,634	7,958,776
Repayments of loans and borrowings	(9,662,558)	(7,039,276)
Dividends paid	52	(75,443)
Net cash used in financing activities	(226,872)	844,057
Net decrease in cash and cash equivalents	140,546	200,780
Cash and cash equivalents at the beginning of the period	1,038,530	839,959
Cash and cash equivalents at the end of the period	1,179,076	1,040,738

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



Notes to the Consolidated Interim Condensed Financial Statements

for the nine months ended 30 September 2015 (Unaudited)



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1. THE GROUP AND ITS OPERATIONS

Background

Public Joint-Stock Company (until July, 3 2015 - Joint-Stock Company) Interregional Distribution Grid Company of North-West (“IDGC of North-West” or the “Company”) was established in December 2004 in accordance with the laws of the Russian Federation. The Company was formed during the process of re-organization of JSC “RAO UES of Russia” (“RAO UES”) as the owner and operator of the electric power transmission and distribution grid in the North-West Region of Russia.

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

Formation of the Group

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

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

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

Relations with the state and current regulations

The Group’s business is a natural monopoly which is under the influence of the Russian Government. The government of the Russian Federation directly affects the Group’s operations through state tariffs.

In accordance with legislation, the Group’s tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commissions.

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



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

The status of guaranteeing supplier in both cases is assigned for the period till the assigning of guaranteeing supplier status to the winner of the tender in respect of specified service area, but not more than for the period of 12 months.

The Group established separate unit within its Kolenergo and Novgorodenergo branches for the purpose of energy sales activities. The assigning of guaranteeing supplier status does not entail the change in assets, liabilities and equity of the Group at the date of status assignment. Financial information of these segments are disclosed in Note 5.

As at 01 January 2014 guaranteeing electric power supplier function in Novgorod region of the service area of OJSC “Novgorodoblenergosbyt” was assigned to another company by Ministry of Order № 912 issued on as at 23 December 2013.

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

Russian business environment

The Group’s operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated interim condensed financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2014.

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



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Basis of measurement

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

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Group’s functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

Use of estimates

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

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

In preparing this consolidated interim condensed financial report significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2014.

4. GROUP SUBSIDIARIES

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

Subsidiary	Principal activity	Ownership as at 30 September 2015, %	Ownership as at 31 December 2014, %
Pskovenergosbyt	Sale of electricity	100	100
Pskovenergoagent	Collection services	100	100
Energoservice North-West	Electricity metering services	100	100
Lesnaya skazka	Recreation	98	98



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5. OPERATING SEGMENTS

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

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

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

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

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

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

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

The major differences relate to:

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

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

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



Segment results for the 9 months ended 30 September 2015 are presented below:

	Transmission							Energy Retail				Unallocated	Total
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov- energosbyt	Other Segments		
Revenues													
Power transmitting	3,394,409	4,831,450	4,932,058	3,498,086	4,840,672	2,491,856	178,014	-	-	-	-	-	24,166,545
Connection to power network	63,613	12,857	27,410	58,900	70,208	10,528	67,863	-	-	-	-	-	311,378
Sale of electricity	-	-	-	-	-	-	-	946,178	-	4,234,208	-	-	5,180,386
Other revenue	202,039	107,948	95,889	22,731	42,009	20,450	23,603	-	-	-	-	-	514,669
Intersegment revenue	-	-	32	-	-	-	2,290,983	-	-	289,862	184,743	-	2,765,620
Total revenues	202,039	4,952,255	5,055,390	3,579,717	4,952,889	2,522,834	2,560,462	946,178	-	4,524,070	184,743	-	32,938,598
Profit/(loss) before income tax	61,153	335,624	173,268	(23,788)	(109,587)	(335,152)	(48,577)	108,883	-	3,871	(2,193)	-	163,502
As at 30 September 2015:													
Total assets	8,406,369	12,446,915	6,056,249	4,917,002	12,821,238	6,465,224	5,204,263	1,822,638	5,019	703,312	77,437	2,710,464	61,636,128
<i>Including property, plant and equipment</i>	<i>4,020,956</i>	<i>9,033,980</i>	<i>3,652,702</i>	<i>3,290,809</i>	<i>10,111,350</i>	<i>5,567,541</i>	<i>4,540,143</i>	<i>-</i>	<i>-</i>	<i>262</i>	<i>5 973</i>	<i>45,213</i>	<i>40,268,930</i>



Segment results for the 9 months ended 30 September 2014 are presented below:

	Transmission							Energy Retail			Other Segments	Unallocated	Total
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo	Pskov-energosbyt			
Revenues													
Power transmitting	3,452,655	4,564,566	2,901,354	2,635,700	4,760,557	2,298,042	151,670	-	-	-	-	-	20,764,544
Connection to power network	64,175	14,014	17,103	10,787	36,741	38,157	46,046	-	-	-	-	-	227,022
Sale of electricity	-	-	-	-	-	-	-	5,875,990	2,692,574	3,982,641	-	-	12,551,205
Other revenue	196,212	30,197	6,516	21,577	38,472	28,833	23,198	-	-	-	5,440	-	350,444
Intersegment revenue	-	-	4	-	-	-	2,048,442	-	-	284,471	181,367	-	2,514,283
Total revenues	3,713,041	4,608,777	2,924,977	2,668,064	4,835,769	2,365,032	2,269,355	5,875,990	2,692,574	4,267,112	186,807	-	36,407,498
Profit/(loss) before income tax	327,927	161,758	193,004	(414,034)	(122,627)	(155,373)	(151,004)	468,561	(61,221)	(7,866)	(12,118)	-	227,007
As at 30 September 2014:													
Total assets	6,704,494	13,099,287	5,744,566	3,984,708	10,905,998	6,406,451	5,133,757	2,385,558	556,710	612,524	92,327	4,865,994	60,492,373
<i>Including property, plant and equipment</i>	<i>3,749,469</i>	<i>9,254,186</i>	<i>3,794,014</i>	<i>3,179,158</i>	<i>9,319,049</i>	<i>5,915,462</i>	<i>4,549,131</i>	<i>6,426</i>	<i>-</i>	<i>650</i>	<i>11,438</i>	<i>27,928</i>	<i>39,806,912</i>



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

	For the nine months ended 30 September	
	2015	2014
Segment results - profit before income tax	163,502	227,007
Adjustment for depreciation of property, plant and equipment	220,761	(46,842)
Adjustments for financial costs	12,712	3,225
Intragroup dividends	(1,691)	(1,163)
Other adjustments	(8,204)	(10,641)
Profit before income tax per Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income	387,080	171,587

6. REVENUE AND GOVERNMENT SUBSIDIES

	For the nine months ended 30 September	
	2015	2014
Power transmitting	24,166,545	20,764,544
Sale of electricity	5,180,806	12,551,205
Connection to power network	311,378	227,022
Other revenue	519,790	349,825
Total revenue	30,178,519	33,892,596
Government subsidies	3,183	79,447
Total revenue	30,181,702	33,972,043

7. OPERATING EXPENSES

	For the nine months ended 30 September	
	2015	2014
Power transmitting services	9,007,902	9,534,605
Salaries and other personnel expenses	7,789,181	7,357,394
Electric purchases for resale	2,562,100	6,802,862
Depreciation and amortization of non-current assets	2,988,947	3,068,518
Electric purchases to cover losses	2,657,507	2,608,751
Raw materials used	1,259,191	1,291,525
Network and equipment repair services	551,829	613,524



	For the nine months ended 30 September	
	2015	2014
Taxes other than income tax	314,579	264,712
Electricity and heat power for own needs	140,414	176,845
Telecommunication and information services	166,094	165,701
Impairment of trade and other receivables	290,709	164,434
Other operating expenses	1,480,906	1,462,737
Итого операционные расходы	29,209,359	33,511,608

8. PROPERTY, PLANT AND EQUIPMENT

	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Cost/Deemed cost</i>						
Opening balance as at 1 January 2014	5,852,279	26,157,905	13,641,066	5,984,540	2,205,440	53,841,230
Additions and transfers	611	-	-	(611)	3 163 529	3 163 529
Putting into operation	450 197	1 002 875	471 949	199 202	(2 124 223)	-
Disposals	-	(12 966)	(1 849)	(19 491)	(3 804)	(38 110)
Closing balance as at 30 September 2014	6 303 087	27 147 814	14 111 166	6 163 640	3 240 942	56 966 649
Opening balance as at 1 January 2014	(1,630,338)	(9,675,319)	(3,988,622)	(2,631,521)	-	(17,925,800)
Charge for the period	(224 324)	(1 531 597)	(695 006)	(552 942)	-	(3 003 869)
Impairment carry forward of losses	-	-	-	-	-	-
Disposals	1 946	3 211	3 464	19 045	-	27 666
Closing balance as at 30 September 2014	(1 852 716)	(11 203 705)	(4 680 164)	(3 165 418)	-	(20 902 003)
Net book value as at 1 January 2014	4,221,941	16,482,586	9,652,444	3,353,019	2,205,440	35,915,430
Net book value as at 30 September 2014	4 450 371	15 944 109	9 431 002	2 998 222	3 240 942	36 064 646
<i>Cost/Deemed cost</i>						
Opening balance as at 1 January 2015	6,657,620	28,447,271	15,049,786	6,417,804	2,490,356	59,062,837
Additions and Transfers	(1 827)	-	1 003	824	2 468 396	2 468 396
Putting into operation	110 881	922 979	483 572	269 764	(1 787 195)	-
Disposals	(1 157)	(3 085)	(7 836)	(13 369)	-	(25 447)
Closing balance as at 30 September 2015	6 765 517	29 367 164	15 526 525	6 675 023	3 171 557	61 505 786



	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Accumulated depreciation and impairment</i>						
Opening balance as at 1 January 2015	(2,125,284)	(12,552,345)	(5,390,507)	(3,481,107)	(237,253)	(23,786,496)
Charge for the period	(227 442)	(1 402 955)	(735 771)	(544 236)	-	(2 910 404)
Impairment carry forward of losses	(14 525)	(14 356)	(46 048)	(11 989)	86 918	-
Disposals	941	3 758	8 413	10 608	73	23 792
Closing balance as at 30 September 2015	(2 366 310)	(13 965 899)	(6 163 913)	(4 026 723)	(150 263)	(26 673 108)
Net book value as at 1 January 2015	4,532,336	15,894,926	9,659,279	2,936,697	2,253,103	35,276,341
Net book value as at 30 September 2015	4 399 207	15 401 265	9 362 611	2 648 299	3 021 295	34 832 678

9. EQUITY AND RESERVES

Basis of presentation of movements in equity

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

Authorised, issued and fully paid share capital

As at 30 September 2015 authorised and issued share capital comprised 95,785,923,138 ordinary shares (31 December 2014: 95,785,923,138) of which all ordinary shares were issued and fully paid. All shares have a par value of RUB 0.1.

Merger reserve

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

Retained earnings and dividends

The Company's statutory financial statements form the basis for the distribution of profit and other appropriations. Due to differences between statutory accounting principles and IFRS, the Company's profit in the statutory accounts can differ significantly from that reported in the consolidated interim condensed financial statements prepared under IFRS.



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

Voting rights of shareholders

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

Earnings per share

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

10. LOANS AND BORROWINGS

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

	30 September 2015	31 December 2014
<i>Non-current liabilities</i>		
Unsecured bank loans	11,089,493	14,913,056
	11,089,493	14,913,056
<i>Current liabilities</i>		
Current portion of unsecured loans	4,029,605	3,539,310
Unsecured bank loans	3,294,487	-
	7,324,092	3,539,310

The Group raised the following bank loans during the 9 months ended 30 September 2015:

Amount	Interest rate	Maturity
5 000 000*	12,42%	2025
2 250 000*	12,35%	2015

On June 06 2015 taken up listed bonds of PJSC IDGC of North-West (BO-01 series, gross volume 5 billion RUB, maturity period of 10 years, coupon period per annum rate 12.42%). There is the offer terms is 3 years (6 coupon periods) and opportunity of emitter called bonds at its own convenience. The cash assets got from bonded loan have addressed to refunding Company's loans.

The Group repaid the following significant bank facilities during the 9 months ended 30 September 2015:

	Amount
Loans*	7 613 924
Loans	400 000

*- Loans from state-controlled entities.



11. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Control relationships

The Government of the Russian Federation, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Group. As at 30 September 2015 the Group was controlled by JSC Russian Grids, a state controlled entity.

Transactions with state-controlled entities

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

Revenue from state-controlled entities for the 9 months ended 30 September 2015 constitute 10.2% (9 months ended 30 September 2014: 14.9%) of total Group revenue, including 9.1% (9 months ended 30 September 2014: 9.8%) of electricity transmission revenues.

Electricity transmission cost due to for state-controlled entities for the 9 months ended 30 September 2015 constitute 48.4% (9 months ended 30 September 2014: 63.5%) of total transmission costs.

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

Pricing policies

Related party revenue for electricity transmission and energy retail is based on the tariffs determined by the Federal Service on Tariffs and the Regional Energy Commissions.

12. COMMITMENTS AND CONTINGENCIES

Political environment

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

Taxation contingencies in Russian Federation

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

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



financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Litigation

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

Capital expenditure commitments

As at 30 September 2015 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment of RUB 3,298,320 thousand (as at 31 December 2014: RUB 2,395,109 thousand).

Environmental matters

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

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

Insurance policies

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

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

As at 30 September 2015 the Group has insured its industrial assets for the amount of RUB 45,671,247 thousand (as at 31 December 2014: RUB 43,659,377 thousand). Also, as at 30 September 2015 the Group has insured vehicles below 10 years of age for the amount of RUB 522,913 thousand (as at 31 December 2014: RUB 573,298 thousand).

13. FINANCIAL RISK MANAGEMENT

During the period the Group had been exposed to the same risks as those which existed during the year ended 31 December 2014, and applied the same approach to financial risk management that was applied during the year ended 31 December 2014.