

Consolidated interim condensed financial statements  
***PJSC Interregional Distribution Grid Company of Volga***  
for the six months ended 30 June 2015  
(Unaudited)

**PJSC IDGC of Volga**  
 Consolidated Interim Condensed Statement of Financial Position as at 30 June 2015 (Unaudited)  
 (in thousands of Russian Rubles, unless otherwise stated)

	Note	30 June 2015 (unaudited)	31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	40,993,392	42,326,360
Intangible assets		125,191	159,513
Other non-current assets		676,868	630,101
<b>Total non-current assets</b>		<b>41,795,451</b>	<b>43,115,974</b>
<b>Current assets</b>			
Inventories		1,746,052	1,227,333
Income tax receivable		40,478	80,070
Trade and other receivables		5,878,707	6,397,540
Prepayments for current assets		200,880	199,464
Cash and cash equivalents		1,323,465	1,258,536
<b>Total current assets</b>		<b>9,189,582</b>	<b>9,162,943</b>
<b>TOTAL ASSETS</b>		<b>50,985,033</b>	<b>52,278,917</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	8	17,857,780	17,857,780
Reserves		(697,848)	(625,919)
Retained earnings		9,898,604	9,789,624
<b>Total equity</b>		<b>27,058,536</b>	<b>27,021,485</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		3,606,308	3,530,596
Employee benefits		1,254,333	1,158,984
Loans and borrowings	9	10,900,000	12,000,000
Trade and other payables		586,350	363,017
<b>Total non-current liabilities</b>		<b>16,346,991</b>	<b>17,052,597</b>
<b>Current liabilities</b>			
Loans and borrowings	9	2,420,161	1,919,387
Trade and other payables		4,049,271	5,248,762
Provisions		20,225	762
Income tax payable		14	-
Other taxes payable		1,089,835	1,035,924
<b>Total current liabilities</b>		<b>7,579,506</b>	<b>8,204,835</b>
<b>Total liabilities</b>		<b>23,926,497</b>	<b>25,257,432</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>50,985,033</b>	<b>52,278,917</b>

These consolidated interim condensed financial statements were approved by management on 27 August 2015 and were signed on its behalf by:

General Director

Ryabikin V. A

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 2015 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

	Note	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Revenue	10	22,694,766	22,888,701
Operating expenses	11	(22,053,840)	(22,000,749)
Other income and expenses, net		142,189	41,233
<b>Operating profit</b>		<b>783,115</b>	<b>929,185</b>
Finance income		68,326	35,143
Finance costs		(646,234)	(523,766)
<b>Profit before income tax</b>		<b>205,207</b>	<b>440,562</b>
Income tax expense		(78,369)	(73,064)
<b>Profit for the period</b>		<b>126,838</b>	<b>367,498</b>
<b>Other comprehensive income</b>			
Revaluation of net liabilities (assets) for defined benefit obligations		(73,956)	71,491
Income tax on other comprehensive income		2,027	(14,298)
<b>Total other comprehensive income</b>		<b>(71,929)</b>	<b>57,193</b>
<b>Total comprehensive income for the period</b>		<b>54,909</b>	<b>424,691</b>
Earnings per share - basic and diluted (in RUB)		0.0007	0.0021



**PJSC IDGC of Volga**  
 Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2015  
 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

	Note	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
<b>OPERATING ACTIVITIES:</b>			
Profit before income tax for the period		205,207	440,562
<b>Adjustments for:</b>			
Depreciation and amortisation	11	2,459,911	2,505,448
Allowance for impairment of accounts receivable	11	(1,093)	149
Finance costs		646,234	523,766
Finance income		(68,326)	(35,143)
Loss/(profit) on disposal of property, plant and equipment		(11,819)	(12,220)
Accounts payable written-off		(8,878)	(2,173)
Other non-cash transactions		25,063	14,489
<b>Operating profit before working capital changes and income tax paid</b>		<b>3,246,299</b>	<b>3,434,878</b>
<b>Working capital changes:</b>			
Increase in trade and other receivables		416,662	(547,599)
(Increase)/decrease in prepayments		(1,416)	111,869
Increase in inventories		(518,719)	(529,288)
Decrease in other current assets		-	1,184
(Increase)/decrease in other non-current assets		64,000	30,585
Increase/(decrease) in trade and other payables		(426,789)	(851,882)
Decrease in long-term liabilities		(43,242)	(48,989)
Increase in taxes payable other than income		53,911	643,412
<b>Cash flows from operations before income taxes and interest paid</b>		<b>2,790,706</b>	<b>2,244,167</b>
Income tax paid		38,780	818,463
Interest paid		(627,141)	(555,374)
<b>Net cash flows from operating activities</b>		<b>2,202,345</b>	<b>2,507,256</b>
<b>INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment		(1,559,170)	(2,532,817)
Proceeds from disposal of property, plant and equipment		842	22,833
Acquisition of intangible assets		(22,525)	(21,120)
Interest received		43,483	35,143
<b>Net cash flows used in investing activities</b>		<b>(1,537,370)</b>	<b>(2,495,961)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from loans and borrowings		900,00	3,350,000
Repayment of loans and borrowings		(1,500,000)	(3,550,000)
Dividends paid		(46)	-
Repayment of finance lease liabilities		-	(14,060)
<b>Net cash flows used in financing activities</b>		<b>(600,046)</b>	<b>(214,060)</b>
<b>Net increase in cash and cash equivalents</b>		<b>64,929</b>	<b>(202,765)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,258,536</b>	<b>1,056,150</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,323,465</b>	<b>853,385</b>

**PJSC IDGC of Volga**  
 Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30  
 June 2015  
 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

	Share capital	Reserves	Accumulated Profit	Total equity
<b>As at 1 January 2014</b>	<b>17,857,780</b>	<b>(647,541)</b>	<b>8,999,909</b>	<b>26,210,148</b>
Profit for the period	-	-	367,498	367,498
<b>Other comprehensive income</b>				
Revaluation of net liabilities (assets) for defined benefit obligations	-	71,491	-	71,491
Income tax on other comprehensive income	-	(14,298)	-	(14,298)
<b>Total other comprehensive income</b>	<b>-</b>	<b>57,193</b>	<b>-</b>	<b>57,193</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>57,193</b>	<b>367,498</b>	<b>424,691</b>
Dividends	-	-	(18,137)	(18,137)
<b>As at 30 June 2014</b>	<b>17,857,780</b>	<b>(590,348)</b>	<b>9,349,270</b>	<b>26,616,702</b>
<b>As at 1 January 2015</b>	<b>17,857,780</b>	<b>(625,919)</b>	<b>9,789,624</b>	<b>27,021,485</b>
Profit for the period	-	-	126,838	126,838
<b>Other comprehensive income</b>				
Revaluation of net liabilities (assets) for defined benefit obligations	-	(73,956)	-	(73,956)
Income tax on other comprehensive income	-	2,027	-	2,027
<b>Total other comprehensive income</b>	<b>-</b>	<b>(71,929)</b>	<b>-</b>	<b>(71,929)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>(71,929)</b>	<b>126,838</b>	<b>54,909</b>
Dividends	-	-	(17,858)	(17,858)
<b>As at 30 June 2015</b>	<b>17,857,780</b>	<b>(697,848)</b>	<b>9,898,604</b>	<b>27,058,536</b>

*The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 17*



**PJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2015 (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 2015	31 December 2014
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 2015 the Russian Government owned 86,32 % of the voting ordinary shares and 7,01 % of the preference shares of JSC Rosseli (31 December 2014: 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**

For the six months ended 30 June 2015 and in 2014, the Russian economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries. In December 2014, the Rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%. As on 30 June 2015 the key rate was 11.5%. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management 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 2014. 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;



## PJSC IDGC of Volga

### Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2015 (Unaudited)

(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 2014.

#### 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 2014.

#### 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 2015, and have not been applied in preparing these consolidated interim financial statements. The Group has not yet analysed the likely impact of the new standards on its financial position or performance. The Group plans to adopt the following pronouncements when they become effective:

- IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a single framework for revenue recognition and contains requirements for related disclosures. The new standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related interpretations on Revenue recognition. The standard is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- Amendments to IAS 16 *Property, Plant and Equipment*, and IAS 38 *Intangible Assets*, entitled "Clarification of Acceptable Methods of Depreciation and Amortization". Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. These amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- IFRS 9 *Financial Instruments* was issued in phases and ultimately replaced IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together the requirements for the classification and measurement, impairment and hedge accounting of financial instruments. In respect of impairment IFRS 9 replaces the 'incurred loss' model used in IAS 39, with a new 'expected credit loss' model that will require a more timely recognition of expected credit losses. The standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The Group is currently assessing the impact of the standard on the consolidated financial statements. The Group does not intend to adopt this standard early.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* entitled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. These narrow scope amendments clarify, that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.



**PJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30  
June 2015 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

- Amendment to IFRS 11 *Joint Arrangements*, entitled *Accounting for Acquisitions of Interests in Joint Operations*. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and requires the application of IFRS 3 *Business Combinations*, for such acquisitions. The amendment is effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

**Impact of the new standards, interpretations and amendments to standards**

The following new standards, interpretations and amendments to standards have been adopted by the Group for the first time in 2015 but they did not have significant impact on the financial statements:

- *Defined Benefit Plans: Employee Contributions* – Amendments to IAS 19 *Employee Benefits*. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Various improvements to IFRSs which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning on or after 1 January 2015.

**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 2014.

**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 2014.

**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.



**PJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2015 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

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

	Transmission						Total	
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region
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	14,626	11,906	9,213	150,824
Other revenue	10,141	57,963	8,190	7,062	2,649	5,488	2,290	143,564
<b>Total revenue from external customers</b>	<b>5,139,954</b>	<b>4,882,926</b>	<b>4,957,229</b>	<b>3,101,693</b>	<b>1,873,217</b>	<b>1,585,271</b>	<b>1,103,039</b>	<b>22,693,110</b>
Inter-segment revenue	-	198	-	-	-	-	-	59,163
<b>Total revenue</b>	<b>5,139,954</b>	<b>4,883,124</b>	<b>4,957,229</b>	<b>3,101,693</b>	<b>1,873,217</b>	<b>1,585,271</b>	<b>1,103,039</b>	<b>22,752,273</b>
<b>EBITDA</b>	<b>598,447</b>	<b>551,972</b>	<b>1,176,502</b>	<b>452,580</b>	<b>129,182</b>	<b>188,240</b>	<b>125,928</b>	<b>3,224,378</b>

*Segment assets as at 30 June 2015 are presented below*

	Transmission						Total	
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region
<b>Segment assets</b>	<b>17,530,831</b>	<b>12,012,055</b>	<b>16,912,941</b>	<b>5,594,010</b>	<b>4,602,767</b>	<b>4,157,547</b>	<b>3,212,615</b>	<b>64,258,403</b>
<i>Including property, plant and equipment</i>	15,423,852	10,561,020	14,477,937	4,461,953	3,621,426	3,409,407	2,726,805	54,783,168

PJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2015 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(ii) Information about reportable segments for the six months ended 30 June 2014

	Transmission						Total	
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region
Revenue:								
Electricity transmission	5,071,660	4,833,149	5,050,550	3,024,141	1,939,650	1,617,904	1,096,050	22,633,104
Connection to the electricity network	10,079	17,906	16,762	7,217	8,620	14,708	5,589	80,881
Other revenue	32,381	59,468	10,496	9,804	2,999	7,514	2,300	180,906
<b>Total revenue from external customers</b>	<b>5,114,120</b>	<b>4,910,523</b>	<b>5,077,808</b>	<b>3,041,162</b>	<b>1,951,269</b>	<b>1,640,126</b>	<b>1,103,939</b>	<b>22,894,891</b>
Inter-segment revenue	-	-	-	-	-	-	-	61,222
<b>Total revenue</b>	<b>5,114,120</b>	<b>4,910,523</b>	<b>5,077,808</b>	<b>3,041,162</b>	<b>1,951,269</b>	<b>1,640,126</b>	<b>1,103,939</b>	<b>22,956,113</b>
<b>EBITDA</b>	<b>465,204</b>	<b>808,079</b>	<b>976,250</b>	<b>462,173</b>	<b>317,722</b>	<b>178,897</b>	<b>136,237</b>	<b>3,349,068</b>

Segment assets as at 31 December 2014 are presented below

	Transmission						Total	
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region
<b>Segment assets</b>	<b>17,440,684</b>	<b>12,633,800</b>	<b>17,549,465</b>	<b>5,673,355</b>	<b>4,812,075</b>	<b>4,318,050</b>	<b>3,282,082</b>	<b>65,939,273</b>
Including property, plant and equipment	15,973,739	11,012,810	15,000,843	4,519,442	3,699,809	3,483,439	2,795,497	56,593,560



## PJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2015 (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 2015 Unaudited	Six month ended 30 June 2014 Unaudited
<b>EBITDA of reportable segments</b>	<b>3,224,378</b>	<b>3,349,068</b>
Retirement benefit obligations recognition	(21,393)	(3,931)
Assets related to employee benefit fund	3,427	8,493
Adjustment for disposal of property, plant and equipment	585	2,953
Discounting of financial instruments	259	387
Adjustment for depreciation / revaluation of property, plant and equipment	-	1,649
Adjustment of financial lease	-	14,448
Other adjustments	39,461	43,790
	<b>3,246,717</b>	<b>3,416,857</b>
Depreciation, amortization and impairment	(2,459,911)	(2,505,448)
Interest expenses on financial liabilities measured at amortized cost	(581,599)	(468,988)
Income tax expense	(78,369)	(73,064)
Financial leasing	-	(1,859)
<b>Profit/ (loss) for the period per consolidated interim condensed statement of profit and loss and other comprehensive income</b>	<b>126,838</b>	<b>367,498</b>

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
<b>Cost</b>						
Balance as 1 January 2014	13,380,305	22,585,581,	13,362,488,	2,763,517	11,419,970	63,511,861
Additions	581	1,181	467	1,948,915	199,335	2,150,479
Transfers	56,801	370,657	129,401	(557,106)	247	-
Disposals	(4,989)	(20,360)	(4,238)	(15,030)	(15,418)	(60,035)
<b>Balance as 30 June 2014</b>	<b>13,432,698</b>	<b>22,937,059,</b>	<b>13,488,118,</b>	<b>4,140,296</b>	<b>11,604,134</b>	<b>65,602,305</b>
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)
<b>Balance as 30 June 2015</b>	<b>15,088,512</b>	<b>24,615,084</b>	<b>15,124,513</b>	<b>2,264,511</b>	<b>12,757,007</b>	<b>69,849,627</b>
<b>Accumulated depreciation</b>						
Balance as 1 January 2014	(3,364,114)	(9,970,312)	(3,662,203)	-	(4,669,642)	(21,666,271)
Depreciation for the period	(394,053)	(786,264)	(421,893)	-	(848,944)	(2,451,154)
Disposals	1,900	14,680	3,074	-	15,284	34,938
<b>Balance as 30 June 2014</b>	<b>(3,756,267)</b>	<b>(10,741,896)</b>	<b>(4,081,022)</b>	<b>-</b>	<b>(5,503,302)</b>	<b>(24,082,487)</b>
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
<b>Balance as 30 June 2015</b>	<b>(4,579,498)</b>	<b>(12,158,368)</b>	<b>(4,953,776)</b>	<b>-</b>	<b>(7,164,593)</b>	<b>(28,856,236)</b>
<b>Net book value</b>						
At 1 January 2014	10,016,191	12,615,269	9,700,285	2,763,517	6,750,328	41,845,590
At 30 June 2014	9,676,431	12,195,163	9,407,096	4,140,296	6,100,832	41,519,818
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

**PJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30  
June 2015 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

**Note 8. Equity**

**Share capital**

	<u>30 June 2015</u>	<u>31 December 2014</u>
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
<b>Total share capital (in RUB)</b>	<b><u>17,857,780,115</u></b>	<b><u>17,857,780,115</u></b>

**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 2015 the Company had retained earnings, including the profit for the current period, of RUB 5,688,010 thousand (as at 31 December 2014: RUB 6,026,857 thousand).

In June 2014 General Meeting of Shareholders of PJSC "MRSC Volga" declared dividends in the amount of 0.0001 Rub. per ordinary share. Total dividends amounted to RUB 17 858 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.

	<u>Six months ended 30 June 2015</u>	<u>Six months ended 30 June 2014</u>
Weighted average number of ordinary shares issued	178,577,801,146	178,577,801,146
Profit attributable to the shareholders	126,838	367,498
Weighted average earnings per ordinary share – basic (in RUB)	0,0007	0,0021

**Note 9. Loans and borrowings**

**Non-current borrowings**

	<u>Effective interest rate,%</u>	<u>Currency</u>	<u>Year of maturity</u>	<u>30 June 2015</u>	<u>31 December 2014</u>
<b>Loans and borrowings</b>					
Unsecured bank facility*	10,91-12,76	RUB	2015-2019	10,900,000	12,000,000
Finance lease liability					
<b>Total non-current debt</b>				<b><u>10,900,000</u></b>	<b><u>12,000,000</u></b>

Loans and borrowings represent primarily credit lines.

**Current borrowings**

	<u>30 June 2015</u>	<u>31 December 2014</u>
Current portion of loans and borrowings	2,400,000	1,900,000
Accrued interest payable	20,161	19,387
<b>Total</b>	<b><u>2,420,161</u></b>	<b><u>1,919,387</u></b>

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.

During the six months ended 30 June 2015 the Group received the following significant bank loans:



**PJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2015 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

	Nominal interest rate, %	Currency	Year of maturity	Amount
<b>Issued</b>				
Unsecured bank facility*	12,76	RUR	2019	900 000

During the six months ended 30 June 2014 the Group repaid the following significant bank loans:

	Amount
<b>Repaid</b>	
Unsecured bank facility*	1 500 000

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

**Note 10. Revenue**

During the six months ended 30 June 2015 revenue amounted to RUB 22,694,766 thousand (six months ended 30 June 2014: RUB 22,888,701 thousand) and included revenue from electricity transmission services in the amount of RUB 22,398,722 thousand (six months ended 30 June 2014: RUB 22,625,726 thousand), revenue from technological connection services in the amount of RUB 150,824 thousand (six months ended 30 June 2014: RUB 83,403 thousand) and other revenue in the amount of RUB 145,220 thousand (six months ended 30 June 2014: RUB 179,572 thousand).

**Note 11. Operating expenses**

During the six months ended 30 June 2015 operating expenses amounted to RUB 22,053,840 thousand (six months ended 30 June 2014: RUB 22,000,749 thousand) and included electricity transmission expenses in the amount of RUB 8,785,942 thousand (six months ended 30 June 2014: RUB 8,726,120 thousand), costs of purchased electricity for compensation of technological losses in the amount of RUB 3,086,998 thousand (six months ended 30 June 2014: RUB 3,057,431 thousand), personnel costs in the amount of RUB 5,296,571 thousand (six months ended 30 June 2014: RUB 5,141,276 thousand), depreciation and amortization of property, plant and equipment and intangible assets in the amount of RUB 2,459,911 thousand (six months ended 30 June 2014: RUB 2,505,448 thousand).

**Note 12. Related parties**

**(a) Control relationships**

As at 30 June 2015 and at 31 December 2014 JSC Rosseti was the parent company of the Company.

Transactions with the parent company were as follows:

	Six months ended 30 June 2015	Account payables as at 30 June 2015	Six months ended 30 June 2014	Account payables as at 30 June 2014
<b>Operating expenses:</b>				
Management services	113,401	14,169	105,823	12,487
Other expenses	7,578	-	11,512	-

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.

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

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



**PJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2015 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

	Six months ended 30 June 2015	Six months ended 30 June 2014
<b>Revenue:</b>	<b>640</b>	<b>12,722</b>
Rent	-	1,281
Other sales	640	11,441
<b>Operating expenses:</b>	<b>4,821,142</b>	<b>4,926,401</b>
Electricity transmission	4,808,068	4,861,815
Technological connection services	883	58,950
Rent expenses	-	594
Repair and maintenance costs	231	231
Other expenses	11,960	4,811

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 2015 constitutes 22% (six months ended 30 June 2014: 20%) 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 2015 constitute 11% (Six months ended 30 June 2014: 14%) of total transmission expenses.

Interest expense accrued on loans from Sberbank constitute 100% (Six months ended 30 June 2014: 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 2015		Six months ended 30 June 2014	
	Members of Board of Directors	Top management	Members of Board of Directors	Top management
Salaries and bonuses	10,720	28,919	10,379	27,763

**Note 13. Commitments**

**Capital commitments**

As at 30 June 2015 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 951,109 thousand (as at 31 December 2014: RUR 838 179 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



**PJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30  
June 2015 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

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 Company 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. Company 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:

- 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)

**PJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30  
June 2015 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)*

	30 June 2014	31 December 2014
Level 1	-	-
Level 2	-	-
Level 3	505,004	501,557
<b>Total</b>	<b>505,004</b>	<b>501,557</b>

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.