

PJSC “IDGC of Centre”

**Interim Condensed Consolidated
Financial Statements
for the six months ended 30 June 2016
(unaudited)**

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

Thousands of Russian Roubles, unless otherwise stated

	Note	Six month ended 30 June 2016	Six month ended 30 June 2015
Revenue	6	41,520,011	38,905,464
Operating expenses	7	(37,792,472)	(35,659,245)
Other income		486,738	721,058
Results from operating activities		4,214,277	3,967,277
Finance income	8	230,886	157,479
Finance costs	8	(2,450,867)	(2,175,984)
Net finance costs		(2,219,981)	(2,018,505)
(Loss) / profit before income tax		1,994,296	1,948,772
Income tax benefit / (expense)		512,623	(783,486)
(Loss) / profit for the period		2,506,919	1,165,286
Other comprehensive income / (expense)			
Net change in fair value of available-for-sale financial assets		(30,274)	57,667
Income tax on other comprehensive income/(expense)		6,055	(11,533)
<i>Total items that are or may be reclassified to profit or loss</i>		(24,219)	46,134
Remeasurements of the net defined benefit liability		(222,915)	(156,461)
Income tax on other comprehensive income/(expense)		14,380	13,106
<i>Total items that will never be reclassified to profit or loss</i>		(208,535)	(143,355)
Other comprehensive income/(expense) for the period, net of income tax		(232,754)	(97,221)
Total comprehensive (expense) / income for the period		2,274,165	1,068,065
(Loss) / profit attributable to:			
Owners of the Company		2,482,013	1,146,002
Non-controlling interests		24,906	19,284
		2,506,919	1,165,286
Total comprehensive (expense) / income attributable to:			
Owners of the Company		2,249,259	1,048,781
Non-controlling interests		24,906	19,284
		2,274,165	1,068,065
(Loss) / earnings per share – basic and diluted (in Russian Roubles)	11	0.059	0.027

These interim condensed consolidated financial statements were approved on 19 August 2016:

Chief Executive Officer

O.U. Isaev

Chief Accountant – Head of Accounting
and Tax Department

L.A. Sklyarova

PJSC “IDGC of Centre”
Interim Condensed Consolidated Statement of Financial Position as at 30 June 2016 (unaudited)
Thousands of Russian Roubles, unless otherwise stated

	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	9	77,891,365	77,639,154
Intangible assets		1,906,062	1,797,450
Investments and financial assets		701,325	673,062
Other non-current assets		66,175	65,768
Total non-current assets		80,564,927	80,175,434
Current assets			
Cash and cash equivalents		2,220,025	123,220
Trade and other receivables		14,415,633	16,762,252
Income tax prepayment		2,604,849	1,375,661
Inventories		2,771,191	2,012,403
Total current assets		22,011,698	20,273,536
Total assets		102,576,625	100,448,970
EQUITY AND LIABILITIES			
Equity			
Share capital	10	4,221,794	4,221,794
Reserves		(367,665)	(134,911)
Retained earnings		36,698,245	34,672,186
Total equity attributable to equity holders of the Company		40,552,374	38,759,069
Non-controlling interests		152,180	127,274
Total equity		40,704,554	38,886,343
Non-current liabilities			
Loans and borrowings	12	41,937,161	40,435,180
Employee benefits		2,624,856	2,344,882
Deferred tax liabilities		3,712,799	5,177,990
Trade and other payables		802,639	380,688
Total non-current liabilities		49,077,455	48,338,740
Current liabilities			
Loans and borrowings	12	671,481	1,676,505
Finance lease liability		316	1,503
Trade and other payables		7,828,220	8,311,537
Provisions		1,118,820	1,099,872
Employee payables		1,420,626	640,000
Income tax payable		61	71
Other taxes payable		1,755,092	1,494,399
Total current liabilities		12,794,616	13,223,887
Total liabilities		61,872,071	61,562,627
Total equity and liabilities		102,576,625	100,448,970

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Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2016 (unaudited)

Thousands of Russian Roubles, unless otherwise stated

	Attributable to shareholders of the Company				Total	Non-controlling interests	Total equity
	Share capital	Fair value reserve for available-for-sale financial assets	Reserve for remeasurements of defined benefit plans	Retained earnings			
Balance at 1 January 2015	4,221,794	49,985	(87,479)	34,647,003	38,831,303	100,359	38,931,662
(Loss)/profit for the period	-	-	-	1,146,002	1,146,002	19,284	1,165,286
Net change in fair value of available-for-sale financial assets	-	57,667	-	-	57,667	-	57,667
Remeasurements of the net defined benefit liability	-	-	(156,461)	-	(156,461)	-	(156,461)
Income tax on other comprehensive income/(expense)	-	(11,533)	13,106	-	1,573	-	1,573
Total comprehensive (expense)/income for the period	-	46,134	(143,355)	1,146,002	1,048,781	19,284	1,068,065
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	(831,693)	(831,693)	-	(831,693)
Total transactions with owners, recorded directly in equity	-	-	-	(831,693)	(831,693)	-	(831,693)
Balance at 30 June 2015	4,221,794	96,119	(230,834)	34,961,312	39,048,391	119,643	39,168,034
Balance at 1 January 2016	4,221,794	106,531	(241,442)	34,672,186	38,759,069	127,274	38,886,343
(Loss)/profit for the period	-	-	-	2,482,013	2,482,013	24,906	2,506,919
Net change in fair value of available-for-sale financial assets	-	(30,274)	-	-	(30,274)	-	(30,274)
Remeasurements of the net defined benefit liability	-	-	(222,915)	-	(222,915)	-	(222,915)
Income tax on other comprehensive income/(expense)	-	6,055	14,380	-	20,435	-	20,435
Total comprehensive (expense)/income for the period	-	(24,219)	(208,535)	2,482,013	2,249,259	24,906	2,274,165
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	(455,954)	(455,954)	-	(455,954)
Total transactions with owners, recorded directly in equity	-	-	-	(455,954)	(455,954)	-	(455,954)
Balance at 30 June 2016	4,221,794	82,312	(449,977)	36,698,245	40,552,374	152,180	40,704,554

PJSC "IDGC of Centre"**Interim Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2016 (unaudited)**

Thousands of Russian Roubles, unless otherwise stated

	Note	Six month ended 30 June 2016	Six month ended 30 June 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit for the period		2,506,919	1,165,286
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortization of intangible assets	7	4,248,499	3,836,073
Allowance for impairment of accounts receivable	7	611,268	203,350
Net finance costs	8	2,219,981	2,018,505
Provision for inventory obsolescence	7	1,918	2,584
Loss on disposal of property, plant and equipment and intangible assets		8,008	(17,491)
Bad debts written-off	7	56,383	25,652
Income tax expense		(512,623)	783,486
Adjustment for other non-cash transactions		(81,405)	(90,173)
Cash flows from operating activities before changes in working capital		9,058,948	7,927,272
Change in trade and other receivables		1,643,011	1,005,374
Change in inventories		(756,296)	(520,325)
Change in investments, financial assets and other non-current assets		(58,537)	(37,101)
Change in trade and other payables		(626,405)	(1,109,417)
Change in employee payables		569,279	591,415
Change in employee benefits		(49,825)	(58,623)
Change in other liabilities		230,295	633,178
Change in other taxes payable		260,693	402,982
Cash flows from operations before income taxes and interest paid		10,271,163	8,834,755
Interest paid		(2,450,128)	(2,086,850)
Income tax paid		(2,158,281)	(2,252,855)
Cash flows from operating activities		5,662,754	4,495,050
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(4,265,696)	(3,266,673)
Proceeds from disposal of property, plant and equipment and intangible assets		2,045	23,618
Interest received		199,391	135,801
Cash flows used in investing activities		(4,064,260)	(3,107,254)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		3,523,874	6,400,944
Repayment of loans and borrowings		(3,023,874)	(6,908,146)
Dividends paid		(502)	(163)
Repayment of finance lease liabilities		(1,187)	(73,120)
Cash flows from financing activities		498,311	(580,485)
Net (decrease) / increase in cash and cash equivalents		2,096,805	807,311
Cash and cash equivalents at beginning of the period		123,220	395,836
Cash and cash equivalents at end of the period		2,220,025	1,203,147

1 BACKGROUND

(a) The Group and its operations

Public Joint-Stock Company "IDGC of Centre" (hereafter, the "Company") and its subsidiaries (hereinafter together referred to as the "Group") comprise Russian public and joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 17 December 2004 based on Resolution no. 154p of 9 December 2004 and pursuant to the Board of Directors' decision (board of directors' meeting minutes no. 178 of 1 October 2004) and Management Board decision (Management Board minute no. 1102 of 15 November 2004) of the Russian Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereafter, "RAO UES"). From 7 July 2015, OJSC "IDGC of Center" is renamed as PJSC "IDGC of Center" based on the Decision of the Annual General Meeting of Shareholders of OJSC "IDGC of Center" dated 25.06.2015 (Minutes №01/15 of 26.06.2015), in order to bring it in line with the legal requirements.

The Company's registered office is 2nd, Yamskaya, 4, Moscow, 127018, Russia.

The Company's de facto address is 2nd, Yamskaya, 4, Moscow, 127018, Russia.

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

The Group consists of PJSC "IDGC of Centre" and its subsidiaries, presented in Note 4.

As at 30 June 2016 and 31 December 2015, the Government of the Russian Federation owned 85.31% of the shares of PJSC Russian Grids (formerly OJSC "IDGC Holding"), which in turn owned 50.23% of the shares of the Company. OJSC "IDGC Holding" was renamed OJSC "Russian Grids" following the decision made on 23 March 2013 at an Extraordinary General Meeting of Shareholders of OJSC IDGC Holding. OJSC "Russian Grids" was renamed PJSC "Russian Grids" following the decision made on 30 June 2015 at an Extraordinary General Meeting of Shareholders of OJSC "Russian Grids", in order to bring it in line with the legal requirements.

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

(b) Russian business environment

The Group's operations are located in the Russian Federation, consequently, the Group is exposed to the economic and financial markets of the Russian Federation. Russia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

In 2014, the Russian economy was negatively impacted by macroeconomic factors, including devaluation of the Russian Rouble. In December 2014, the Rouble interest rates increased significantly after the Central Bank of Russia raised its key rate. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. In 2015 and first half of 2016, the situation has leveled off. The Central Bank of Russia has repeatedly reduced the key interest rate; exchange rate fluctuations and inflation have been smoothed. However, risks remain that the combination of economic factors 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.

These interim condensed 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

(a) Statement of compliance

These interim condensed consolidated financial statements (hereinafter "Financial Statements") have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Financial Statements include selected notes, explaining significant events and transactions, necessary for understanding of changes in the Group's financial position and results of operations that occurred after the annual reporting period ended 31 December 2015. These interim

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

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Thousands of Russian Roubles, unless otherwise stated

condensed consolidated financial statements do not contain all the information required to be disclosed for annual financial statements prepared in accordance with IFRSs (IASs).

(b) Use of estimates and judgements

The preparation of interim condensed consolidated 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 interim condensed consolidated financial statements, management has used professional judgment in the same areas of applying the accounting policies of the Group as for the preparation of the consolidated financial statements for 2015. Key sources of estimation uncertainty were also identical to those identified in the preparation of the consolidated financial statements for 2015.

(c) Changes in accounting policies and data presentation

The Group has consistently applied the accounting policies to all periods presented in these financial statements. When necessary, comparative information for prior periods has been reclassified due to the application of the extended data presentation. The quantitative impact of this reclassification on the comparative information specified in the financial statements for the six months ended 30 June 2015 is set out below.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income:

<i>30 June 2015</i>	<i>As previously reported</i>	<i>Effect of change</i>	<i>As restated</i>
Operating expenses	(35,131,735)	(527,510)	(35,659,245)
Other income	193,548	527,510	721,058

3 SIGNIFICANT ACCOUNTING POLICIES

In preparing these interim condensed consolidated financial statements, the Group applied the same accounting policies as for the preparation of consolidated financial statements for the year ended 31 December 2015. According to the accounting policies, the Group presents interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*, which provides a lower level of detail and scope of the disclosure as compared with the annual consolidated financial statements.

4 SUBSIDIARIES

(a) List of subsidiaries

	Country of incorporation	30 June 2016 Ownership/voting, %	31 December 2015 Ownership/voting, %
JSC "Sanatorium "Energetic"	Russian Federation	100	100
JCS "Yaroslavl Electric Grid Company"	Russian Federation	51	51
CJSC "Innovation and energy efficiency center"	Russian Federation	51	51

On 8 July 2015, OJSC "Yaroslavl Electric Grid Company" was renamed JSC "Yaroslavl Electric Grid Company" following the decision made on 26 June 2015 at the Annual General Meeting of Shareholders of OJSC "Yaroslavl Electric Grid Company" (Minutes of 26.06.2015 №01/15), in order to bring it in line with the legal requirements.

On 7 October 2015, OJSC “Energetic” was renamed JSC “Sanatorium "Energetic” following the decision of the sole shareholder of OJSC “Energetic” made on 07.09.2015 (Minutes of 07.09.2015 №30/15) in order to bring it in line with the legal requirements.

5 OPERATING SEGMENTS

The Group has eleven reportable segments representing branches of the Company, as described below. These are the Group’s strategic business units and are the Company’s branches. The strategic business units offer similar services representing transmission of electric power and connection services and are managed separately. For each of the strategic business units, the Management Board, the Group’s operating decision-making body, reviews internal management reports on at least a quarterly basis.

“Others” include operations of subsidiaries and the head office branch. None of them meets any of the quantitative thresholds for determining reportable segments in the six months ended 30 June 2016 or six months ended 30 June 2015.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest expense, income tax and depreciation and amortisation – EBITDA, as included in the internal management reports that are reviewed by the Management Board.

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

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

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Thousands of Russian Roubles, unless otherwise stated

(i) Information about reportable segments

For the six months ended 30 June 2016:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kurskenergo	Lipetsk- energo	Orelenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Revenue from electricity transmission	6,376,785	2,160,842	5,637,025	2,151,070	3,256,339	4,429,845	1,954,819	3,183,626	2,564,575	4,558,692	4,046,397	-	40,320,015
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	166,454	166,454
Revenue from connection services	87,190	2,050	196,122	18,594	30,524	21,645	8,459	96,861	11,779	19,254	107,333	2,572	602,383
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	19	-	19
Other revenue	139,103	14,598	49,187	20,248	20,247	25,339	15,356	61,681	15,600	21,485	64,595	23,994	471,433
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	887	3,193	4,080
Total revenues	6,603,078	2,177,490	5,882,334	2,189,912	3,307,110	4,476,829	1,978,634	3,342,168	2,591,954	4,599,431	4,219,231	196,213	41,564,384
Results from operating activities *	624,368	144,889	502,328	308,159	29,828	185,379	117,825	358,395	304,574	303,650	409,489	61,890	3,350,774
Finance income	35,516	11,666	23,709	7,343	16,483	20,568	6,427	10,365	8,544	13,405	18,022	414	172,462
Finance costs	(309,709)	(106,028)	(213,463)	(86,221)	(123,387)	(150,378)	(109,569)	(301,179)	(227,402)	(487,163)	(226,359)	(368)	(2,341,226)
Reportable segment profit/(loss) before income tax	350,175	50,527	312,574	229,281	(77,076)	55,569	14,683	67,581	85,716	(170,108)	201,152	61,936	1,182,010
Depreciation and amortisation	1,244,104	218,087	466,880	271,122	382,064	571,906	180,029	444,306	218,740	370,254	484,587	14,251	4,866,330
EBITDA	1,903,988	374,642	992,917	586,624	428,375	777,853	304,281	813,066	531,858	687,309	912,098	76,555	8,389,566
As at 30 June 2016:													
Reportable segment assets	25,176,401	5,667,161	12,032,542	5,767,467	7,878,000	15,898,669	3,937,322	8,176,260	5,859,793	12,195,254	12,283,562	5,544,846	120,417,277
Property, plant and equipment	22,839,025	4,122,092	10,491,792	5,119,536	6,621,872	13,231,250	3,259,602	6,581,474	4,868,229	8,343,023	9,375,291	278,733	95,131,919
Reportable segment liabilities	3,648,302	938,378	1,985,636	727,170	1,197,937	1,425,291	578,313	1,153,208	906,781	3,192,453	1,745,493	45,886,795	63,385,757
Capital expenditure	1,120,843	111,114	378,438	268,545	182,269	356,364	98,592	624,553	234,612	232,831	427,995	39,476	4,075,632

* Results from operating activities include other income and expense of reportable segment

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For the six months ended 30 June 2015:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kurskenergo	Lipetskenergo	Orelenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Revenue from electricity transmission	6,140,282	2,179,492	5,310,721	1,972,985	3,243,432	4,273,043	1,808,862	2,857,421	2,229,370	4,188,452	3,827,734	-	38,031,794
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	132,337	132,337
Revenue from connection services	112,454	2,368	122,470	22,903	20,746	27,092	6,303	43,224	10,169	26,048	67,625	1,731	463,133
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	107,329	40,764	46,351	18,214	13,589	21,486	13,040	43,906	14,683	18,488	51,775	21,367	410,992
Inter-segment revenue	-	-	-	-	-	-	-	-	7	-	832	25	864
Total revenues	6,360,065	2,222,624	5,479,542	2,014,102	3,277,767	4,321,621	1,828,205	2,944,551	2,254,229	4,232,988	3,947,966	155,460	39,039,120
Results from operating activities*	856,877	(135,540)	590,485	265,589	(228,040)	280,860	(74,247)	267,721	167,119	383,918	694,105	117,334	3,186,181
Finance income	28,310	9,301	18,924	5,899	13,258	16,441	5,195	8,329	6,915	10,780	14,398	83	137,833
Finance costs	(274,304)	(148,527)	(207,219)	(78,166)	(98,089)	(122,835)	(86,423)	(264,558)	(156,715)	(438,409)	(184,646)	(2,094)	(2,061,985)
Reportable segment profit/(loss) before income tax	610,883	(274,766)	402,190	193,322	(312,871)	174,466	(155,475)	11,492	17,319	(43,711)	523,857	115,323	1,262,029
Depreciation and amortisation	1,155,199	216,630	438,783	257,462	366,586	543,076	175,679	403,237	185,985	315,390	419,011	27,335	4,504,373
EBITDA	2,040,386	90,391	1,048,192	528,950	151,804	840,377	106,627	679,287	360,019	710,088	1,127,514	144,752	7,828,387
As at 30 June 2015:													
Reportable segment assets	23,962,976	6,113,568	11,488,502	5,499,465	7,723,819	15,342,686	3,756,714	7,617,553	4,638,267	11,859,706	10,852,897	3,996,911	112,853,064
Property, plant and equipment	21,244,587	4,268,169	10,047,649	4,921,151	6,527,887	13,155,837	3,162,747	6,051,125	3,863,237	7,087,591	8,793,667	268,690	89,392,337
Reportable segment liabilities	3,050,981	895,213	1,682,174	673,309	1,328,857	1,374,171	744,150	1,151,611	606,230	3,148,568	1,645,458	40,750,073	57,050,795
Capital expenditure	565,277	60,601	293,210	130,494	95,908	213,775	63,315	360,666	63,420	161,873	299,085	23,654	2,331,278

* Results from operating activities include other income and expense of reportable segment

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(ii) Reconciliations of reportable segment EBITDA

Reconciliation of EBITDA as reported to the Management Board with similar item in these Consolidated Financial Statements is presented below:

	Six month ended 30 June 2016	Six month ended 30 June 2015
EBITDA for the reportable segments	8,389,566	7,828,387
Adjustments for property, plant and equipment	(1,496)	16,941
Recognition of assets related to employee benefit fund	58,537	37,101
Recognition of employee benefit obligations	(57,059)	(50,548)
Adjustment for finance lease	1,343	68,836
Adjustment for allowance for impairment of account receivables	-	(9,166)
Provision for inventory obsolescence	(891)	(209)
Amortization of Intangible assets	123,527	99,255
Other adjustments	73,251	(138,939)
Consolidated earnings before interest, tax and depreciation and amortization (EBITDA)	8,586,778	7,851,658
Depreciation and amortization	(4,248,499)	(3,836,073)
Interest expenses	(2,343,870)	(2,062,438)
Interest on finance lease liabilities	(113)	(4,375)
Income tax expense	512,623	(783,486)
(Loss) / profit for the period per Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2,506,919	1,165,286

6 REVENUE

For the year ended 30 June, revenue includes:

	Six month ended 30 June 2016	Six month ended 30 June 2015
Electricity transmission	40,320,015	38,031,794
Connection services	602,383	463,133
Repairs and maintenance	145,795	144,306
Rent	37,114	27,311
Service Concession Arrangements	123,889	-
Other	290,815	238,920
	41,520,011	38,905,464

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network.

Revenue under the Service Concession Arrangement is the consideration for the services related to the construction of objects of the Service Concession Arrangement, subject to receipt by the Group, and represented the rights to the intangible asset. The consideration payable is recognised at its fair value.

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Thousands of Russian Roubles, unless otherwise stated

7 OPERATING EXPENSES

	Six month ended 30 June 2016	Six month ended 30 June 2015
Electricity transmission	13,563,730	12,899,769
Personnel costs	9,138,681	8,702,946
Purchased electricity to compensate for losses	5,947,875	4,897,876
Depreciation and amortization	4,248,499	3,836,073
Raw materials and supplies	1,181,531	1,078,814
Allowance for impairment of accounts receivable	611,268	203,350
Taxes other than income tax	667,871	534,044
Costs of Service Concession Arrangements	111,612	-
Provisions	54,401	652,801
Rent	285,961	284,760
Electricity for own needs	202,928	176,652
Repairs, maintenance and installation services	204,484	215,744
Security	149,596	148,095
Information services	162,922	158,449
Insurance	72,284	71,305
Consulting, legal and audit services	28,680	17,376
Target contribution and membership fee	1,643	1,563
Provision for inventory obsolescence	1,918	2,584
Communication services	133,608	156,190
Bad debt written-off	56,383	25,652
Transportation costs	10,651	2,949
Losses of previous years	78,846	475,607
Other expenses	877,100	1,116,646
	37,792,472	35,659,245

Allowance for impairment of accounts receivable recognized in the reporting period relates to impairment of trade receivables from the companies with which there is disagreement on electricity transmission, as well as companies with outstanding resale of electricity and capacity.

Costs under Service Concession Arrangements represent the Group's construction costs of objects of the Service Concession Arrangement.

8 FINANCE INCOME AND COSTS

	Six month ended 30 June 2016	Six month ended 30 June 2015
Finance income		
Interest income	199,391	157,479
Other finance income	31,495	-
	230,886	157,479
Finance costs		
Interest expense	2,340,928	2,062,438
Interest on finance lease liabilities	113	4,375
Interest expense on employee benefits obligation	106,884	109,171
Other finance costs	2,942	-
	2,450,867	2,175,984

PJSC “IDGC of Centre”

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

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9 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Transmission networks	Equipment for electricity transformation	Other	Construction in progress	Total
Deemed cost						
Balance at 1 January 2015	27,530,532	50,581,383	28,030,259	15,665,756	3,579,210	125,387,140
Reclassification between groups	1,092,849	(1,120,583)	30,380	(2,646)	-	-
Additions	-	79	138	132	3,160,016	3,160,365
Transfers	247,529	1,232,363	414,548	94,110	(1,988,550)	-
Disposals	(5,746)	(12,866)	(10,878)	(39,420)	(41,761)	(110,671)
Balance at 30 June 2015	28,865,164	50,680,376	28,464,447	15,717,932	4,708,915	128,436,834
Balance at 1 January 2016	31,589,384	54,759,421	31,690,306	16,537,044	3,478,781	138,054,936
Reclassification between groups	2	(1)	978	(979)	-	-
Additions	1,839	51,843	24,641	-	4,276,637	4,354,960
Transfers	335,804	1,474,546	530,860	433,162	(2,774,372)	-
Disposals	(1,209)	(5,881)	(18,322)	(20,875)	(5,278)	(51,565)
Balance at 30 June 2016	31,925,820	56,279,928	32,228,463	16,948,352	4,975,768	142,358,331
Accumulated depreciation						
Balance at 1 January 2015	(8,583,549)	(23,663,816)	(10,376,198)	(9,101,302)	(575,833)	(52,300,698)
Reclassification between groups	(265,267)	226,403	(39,724)	(7,955)	86,543	-
Depreciation for the period	(638,260)	(1,424,206)	(786,591)	(876,811)	-	(3,725,868)
Disposals	1,830	11,246	8,309	32,235	48	53,668
Balance at 30 June 2015	(9,485,246)	(24,850,373)	(11,194,204)	(9,953,833)	(489,242)	(55,972,898)
Balance at 1 January 2016	(10,210,363)	(26,772,578)	(12,340,194)	(10,623,021)	(469,626)	(60,415,782)
Reclassification between groups	(21,824)	(74,410)	(10,647)	(2,291)	109,172	-
Depreciation for the period	(717,492)	(1,619,286)	(897,193)	(854,348)	-	(4,088,319)
Disposals	541	5,111	10,193	20,707	583	37,135
Balance at 30 June 2016	(10,949,138)	(28,461,163)	(13,237,841)	(11,458,953)	(359,871)	(64,466,966)
Net book value						
At 1 January 2015	18,946,983	26,917,567	17,654,061	6,564,454	3,003,377	73,086,442
At 30 June 2015	19,379,918	25,830,003	17,270,243	5,764,099	4,219,673	72,463,936
At 1 January 2016	21,379,021	27,986,843	19,350,112	5,914,023	3,009,155	77,639,154
At 30 June 2016	20,976,682	27,818,765	18,990,622	5,489,399	4,615,897	77,891,365

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10 EQUITY

(a) Share capital

	Ordinary shares	
	30 June 2016	31 December 2015
Issued shares, fully paid, number	42,217,941,468	42,217,941,468
Par value of one share (in RUB)	0.10	0.10

(b) Dividends

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

At the Annual Shareholders Meeting held on 25 June 2015 the decision was made to distribute the Company's profit for the year 2014 to dividends in the amount of RUB 831,693 thousand and to pay dividends for the year 2014 in the amount of RUB 0.0197 per ordinary share of the Company in cash.

At the Annual Shareholders Meeting held on 08 June 2016 the decision was made to distribute the Company's profit for the year 2015 to dividends in the amount of RUB 455,954 thousand and to pay dividends for the year 2015 in the amount of RUB 0.0108 per ordinary share of the Company in cash.

11 EARNINGS PER SHARE

The calculation of earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive potential ordinary shares.

Number of shares unless otherwise stated

	Ordinary shares	Ordinary shares
	Six month ended 30 June 2016	Six month ended 30 June 2015
Authorised (ordinary) shares (number)	42,217,941,468	42,217,941,468
Par value of one share (in RUB)	0.10	0.10
Weighted average number of shares	42,217,941,468	42,217,941,468
(Loss) / profit for the year attributable to shareholders	2,482,013	1,146,002
(Loss) / earning per share (in RUB): basic and diluted	0.059	0.027

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12 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group’s loans and borrowings.

Long-term loans and borrowings

Name of lender		Effective interest rate 30 June 2016	Effective interest rate 31 December 2015	Maturity	Par value		Carrying value	
					30 June 2016	31 December 2015	30 June 2016	31 December 2015
PJSC “Bank VTB”	Unsecured	8.75-11.96%	8.75-13.98%	2017-2018	10,670,000	10,670,000	10,670,000	10,670,000
PJSC “Rosbank”	Unsecured	11.62-12.00%	12.90%	2016-2018	3,000,000	1,500,000	3,000,000	1,500,000
PJSC “Sberbank”	Unsecured	10.912-12.00%	10.524-14.096%	2016-2025	11,291,991	12,797,055	11,291,991	12,797,055
JSC «Severny Morskoy Put»	Unsecured	11.25%	13.00-18.00%	2017	500,000	-	500,000	-
PJSC “Sovcombank”	Unsecured	12.40%	11.90%	2018-2022	2,000,000	2,000,000	2,000,000	2,000,000
PJSC “SGB”	Unsecured	16.00%	-	2016	40	-	40	-
Unsecured bond issues	Unsecured	11.58-12.42%	11.58-12.42%	2018	15,164,450	15,164,450	15,146,611	15,144,630
					42,626,481	42,131,505	42,608,642	42,111,685
Less: current portion								
PJSC “Sberbank”	Unsecured	10.912-12.00%	10.524-14.096%	2016-2025	6,991	1,512,055	6,991	1,512,055
JSC «Severny Morskoy Put»	Unsecured	11.25%	13.00-18.00%	2017	500,000	-	500,000	-
PJSC “SGB”	Unsecured	16.00%	-	2016	40	-	40	-
Unsecured bond issues	Unsecured	11.58-12.42%	11.58-12.42%	2018	164,450	164,450	164,450	164,450
					671,481	1,676,505	671,481	1,676,505
Total long-term borrowings					41,955,000	40,455,000	41,937,161	40,435,180

PJSC “IDGC of Centre”

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Current borrowings and current portion of long-term borrowings

Name of lender		Effective interest rate	Effective interest rate	Par value		Carrying value	
				30 June 2016	31 December 2015	30 June 2016	31 December 2015
PJSC “Sberbank”	Unsecured	10.912-12.00%	10.524-14.096%	6,991	1,512,055	6,991	1,512,055
JSC «Severny Morskoy Put»	Unsecured	11.25%	13.00-18.00%	500,000	-	500,000	-
PJSC “SGB”	Unsecured	16.00%	-	40	-	40	-
Unsecured bond issues	Unsecured	11.58-12.42%	11.58-12.42%	164,450	164,450	164,450	164,450
				671,481	1,676,505	671,481	1,676,505

All the Group’s borrowings are denominated in RUB and bear a fixed interest rate. The effective interest rate is the market interest rate applicable to the loan on the date of its receipt.

The carrying value of borrowings approximates their fair value.

As at 30 June 2016 and 31 December 2015 no bank loans are secured over bank guarantees received.

During 2015, the Group made three issues of non-convertible documentary interest - bearing bonds with a total nominal value of RUB 15,000,000 thousand with a nominal interest rate of 11.58-12.42% per annum. The maturity of the bonds is 3-7 years. Two issues of the interest - bearing bonds have been purchased by PJSC “Russian Grids” (Note 16d).

13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Objectives and policies of the Group in respect of the financial risk management are consistent with those that were disclosed in the consolidated financial statements for the year ended 31 December 2015.

As at 30 June 2016 the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

As at 30 June 2016 the Group's unused portion of long-term and short-term credit line facilities amounted to RUB 9,326,161 thousand (31 December 2015: RUB 12,419,291 thousand).

14 COMMITMENTS

The Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 7,913,790 thousand as at 30 June 2016 (as at 31 December 2015: RUB 6,462,396 thousand).

15 CONTINGENCIES

(a) 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 has reliable insurance coverage for its property: industrial buildings, structures and premises, air and cable transmission lines, energy (power) machines and others. In addition, insurance covers risks that could lead to losses in the event of damage to third parties (health, property) arising from operation of dangerous production units. The Group has no insurance coverage against losses caused by business interruption

(b) Litigation

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management does not believe that these matters will have a material adverse effect on the Group's financial position and operating results.

(c) 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 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 Financial Statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) 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. 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.

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(e) Other contingencies

The Group believes that the electricity services provided are in compliance with the Russian legislation regulating electric power transmission. Other contingencies to disclose as at 30 June 2016 and 30 June 2015 are absent.

(f) Guarantees

As at 30 June 2016 and 31 December 2015 the Group has no issued financial guarantees for loans and borrowings.

16 RELATED PARTY TRANSACTIONS**(a) Control relationships**

The Company's parent as at 30 June 2016 and 31 December 2015 was PJSC "Russian Grids". The party with the ultimate control over the Company is the Government of the Russian Federation, which held the majority of the voting rights of PJSC "Russian Grids". The economic, social and other policies of the Government of the Russian Federation could have a significant impact on the Group's activities.

(b) Transactions with parent company and other related parties

	Transaction value for the six months ended		Balance	
	30 June 2016	30 June 2015	As at 30 June 2016	As at 31 December 2015
Sale of goods and services:	2,440	151,353	42,139	55,745
Parent company	-	-	-	-
Fellow subsidiaries	2,440	151,353	42,139	55,745
Purchase of goods and services:	8,047,522	9,712,639	1,289,282	2,144,793
Parent company	192,324	192,323	22,617	22,617
Fellow subsidiaries	7,855,198	9,520,316	1,266,665	2,122,176
Advances given:	-	-	35,355	33,881
Fellow subsidiaries	-	-	35,355	33,881
Advances received:	-	-	167,025	167,040
Fellow subsidiaries	-	-	167,025	167,040

(c) Management compensation

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

Total remuneration paid to key management, Board of Directors and Management Board members for the six months ended 30 June 2016 and for the six months ended 30 June 2015 and included into personnel costs was:

	Six month ended 30 June 2016	Six month ended 30 June 2015
Salary and bonuses	156,769	258,442

PJSC “IDGC of Centre”

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

(unaudited)

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(d) Transactions with government-related entities

The Group applies the exemption in IAS 24 Related party disclosures that allows to present reduced related party disclosures regarding transactions with government-related entities.

In the course of business, the Group makes a significant number of transactions with companies that are government-related. These operations are carried out under the regulated tariffs, or in accordance with market prices.

Revenues from government-related entities accounts for 24% of total revenue for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 26%), including 24% of the proceeds from the transfer of electricity (for the six months ended 30 June 2015: 26%).

Costs of electricity transmission for government-related entities account for 61% of the total cost of the electricity transmission for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 64%).

During 2015, the Group made three issues of non-convertible documentary interest - bearing bonds with a total nominal value of RUB 15,000,000 thousand with a nominal interest rate of 11.58-12.42% per annum. The maturity of the bonds is 3-7 years. Two issues of the interest - bearing bonds with a total nominal value of RUB 10,000,000 thousand with a nominal interest rate of 11.58-12.42% per annum have been purchased by PJSC “Russian Grids”.

(e) Pricing policy

Transactions with related parties for the transmission of electricity are carried out at the tariffs set by the state.