PJSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

IAS 34 “INTERIM FINANCIAL REPORTING”

FOR THE THREE MONTHS ENDED 31 MARCH 2019

(UNAUDITED)

CONTENTS

PJSC "FGC UES"

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

	Notes	31 March 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	973,750	937,277
Right-of-use assets	6	11,580	-
Intangible assets		6,244	6,638
Investments in associates and joint ventures		1,390	1,442
Financial investments	7	36,587	37,956
Deferred income tax assets		260	207
Long-term accounts receivable	8	73,113	72,699
Other non-current assets		1,341	1,306
Total non-current assets		**1,104,265**	**1,057,525**
Current assets			
Cash and cash equivalents	9	31,397	37,618
Bank deposits	9	6,577	3,811
Accounts receivable and prepayments	8	70,845	71,417
Income tax prepayments		2,236	56
Inventories		18,104	17,037
Other current assets		103	111
		129,262	**130,050**
Assets held for sale	21	-	21,467
Total current assets		**129,262**	**151,517**
TOTAL ASSETS		**1,233,527**	**1,209,042**
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	10	637,333	637,333
Treasury shares	10	(4,719)	(4,719)
Share premium		10,501	10,501
Reserves		23,703	25,167
Retained earnings		198,092	170,699
Equity attributable to shareholders of FGC UES		**864,910**	**838,981**
Non-controlling interest		151	181
Total equity		**865,061**	**839,162**
Non-current liabilities			
Deferred income tax liabilities		39,066	29,586
Non-current debt	12	225,134	224,585
Long-term accounts payable	13	18,199	15,001
Government grants		853	867
Retirement benefit obligations		6,208	5,950
Total non-current liabilities		**289,460**	**275,989**
Current liabilities			
Accounts payable to shareholders of FGC UES		212	213
Current debt and current portion of non-current debt	12	14,831	22,224
Accounts payable and accrued charges	13	63,950	67,608
Income tax payable		13	3,846
Total current liabilities		**79,006**	**93,891**
Total liabilities		**368,466**	**369,880**
TOTAL EQUITY AND LIABILITIES		**1,233,527**	**1,209,042**

Authorised for issue and signed on behalf of the Management Board:

20 May 2019

Chairman of the Management Board — A. E. Murov

Head of Accounting and Financial Reporting – Chief Accountant — A.P. Noskov

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

	Notes	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated*)
Revenues	14	57,517	60,659
Other operating income		2,011	1,563
Operating expenses	15	(34,893)	(37,951)
Gain on assets exchange	21	10,444	-
Reversal/(accrual) of allowance for expected credit losses		275	(242)
Reversal of impairment of property, plant and equipment, net	5	726	36
Operating profit		**36,080**	**24,065**
Finance income	16	3,107	2,639
Finance costs	17	(2,054)	(1,235)
Share of result of associates		32	8
Profit before income tax		**37,165**	**25,477**
Income tax expense	11	(9,727)	(5,181)
Profit for the period		**27,438**	**20,296**
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of financial investments	7	(1,369)	8,057
Remeasurements of retirement benefit obligations		(165)	(293)
Income tax relating to items that will not be reclassified		155	(1,596)
Total items that will not be reclassified to profit or loss		**(1,379)**	**6,168**
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		(85)	64
Total items that may be reclassified to profit or loss		**(85)**	**64**
Other comprehensive income for the period, net of income tax		**(1,464)**	**6,232**
Total comprehensive income for the period		**25,974**	**26,528**
Proft attributable to:			
Shareholders of FGC UES	18	27,430	20,282
Non-controlling interest		8	14
Total comprehensive income attributable to:			
Shareholders of FGC UES		25,966	26,514
Non-controlling interest		8	14
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	18	**0.022**	**0.016**

*The amounts shown here do not correspond to the condensed consolidated interim financial statements for the three months ended 31 March 2018 (for details see Note 3).

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

	Notes	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated*)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**37,165**	**25,477**
Adjustments to reconcile profit before income tax to net cash provided by operations			
Depreciation of property, plant and equipment	5,15	8,492	7,759
Depreciation of right-of-use assets		237	-
Gain on disposal of property, plant and equipment		(129)	(82)
Amortisation of intangible assets		415	301
Reversal of impairment of property, plant and equipment, net	5	(726)	(36)
Gain on assets exchange		(10,444)	-
Share of result of associates		(32)	(8)
(Reversal)/accrual of allowance for expected credit losses		(275)	242
Accrual of other provision for liabilities and charges		138	227
Finance income	16	(3,107)	(2,639)
Finance costs	17	2,054	1,235
Other non-cash operating income		(2)	(32)
Operating cash flows before working capital changes and income tax paid		**33,786**	**32,444**
Working capital changes:			
Decrease in accounts receivable and prepayments		2,086	1,030
Increase in inventories		(1,067)	(1,019)
Increase in other current assets		(14)	(727)
(Decrease)/increase in accounts payable and accrued charges		(4,057)	3,915
Income tax paid		(6,166)	(6,718)
Net cash generated by operating activities		**24,568**	**28,925**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(9,617)	(14,941)
Proceeds from disposal of property, plant and equipment		373	337
Purchase of intangible assets		(31)	(176)
Redemption of promissory notes		2	2
Investment in bank deposits		(4,767)	(18,906)
Redemption of bank deposits		2,001	240
Loans given		(1)	-
Repayment of loans		7	6
Proceeds from sale of financial investments		2,795	-
Interest received		904	948
Net cash used in investing activities		**(8,334)**	**(32,490)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from non-current borrowings		15	41
Repayment of non-current and current borrowings		(17,515)	-
Repayment of of the lease liabilites		(300)	(37)
Acquisition of non-controlling interests		(74)	-
Interest paid		(4,581)	(4,977)
Net cash used in financing activities		**(22,455)**	**(4,973)**
Net decrease in cash and cash equivalents		**(6,221)**	**(8,538)**
Cash and cash equivalents at the beginning of the period	9	**37,618**	**42,535**
Cash and cash equivalents at the end of the period	9	**31,397**	**33,997**

*The amounts shown here do not correspond to the condensed consolidated interim financial statements for the three months ended 31 March 2018 (for details see Note 3).

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

		Attributable to shareholders of FGC UES						Non-controlling interest	Total equity
	Notes	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
As at 1 January 2019		**637,333**	**10,501**	**(4,719)**	**25,167**	**170,698**	**838,980**	**181**	**839,161**
Comprehensive income for the period									
Profit for the period		-	-	-	-	27,430	**27,430**	8	**27,438**
Other comprehensive income / (loss), net of related income tax									
Change in fair value of financial investments, net of tax	7	-	-	-	(1,204)	-	**(1,204)**	-	**(1,204)**
Remeasurements of retirement benefit obligations, net of tax		-	-	-	(175)	-	**(175)**	-	**(175)**
Foreign currency translation difference		-	-	-	(85)	-	**(85)**	-	**(85)**
Total other comprehensive income		-	-	-	***(1,464)***	-	***(1,464)***	-	***(1,464)***
Total comprehensive income for the period		-	-	-	(1,464)	27,430	**25,966**	8	**25,974**
Aqusition of non-controlling interests		-	-	-	-	(36)	**(36)**	(38)	**(74)**
As at 31 March 2019		**637,333**	**10,501**	**(4,719)**	**23,703**	**198,092**	**864,910**	**151**	**865,061**

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

		Attributable to shareholders of FGC UES							
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
As at 1 January 2018, as previously reported		**637,333**	**10,501**	**(4,719)**	**40,482**	**117,188**	**800,785**	**(546)**	**800,239**
Effect of changes in comparative information	3	-	-	-	-	(43,037)	(43,037)	(57)	(43,094)
As at 1 January 2018 (restated*)		**637,333**	**10,501**	**(4,719)**	**40,482**	**74,151**	**757,748**	**(603)**	**757,145**
Total comprehensive income for the year									
Profit for the period (restated *)		-	-	-	-	20,282	**20,282**	14	**20,296**
Other comprehensive income/(loss), net of related income tax									
Change in fair value of financial investments, net of tax	7	-	-	-	6,446	-	**6,446**	-	**6,446**
Remeasurements of retirement benefit obligations, net of tax		-	-	-	(278)	-	**(278)**	-	**(278)**
Foreign currency translation difference		-	-	-	64	-	**64**	-	**64**
Total other comprehensive income		**-**	**-**	**-**	**6,232**	**-**	**6,232**	**-**	**6,232**
Total comprehensive income for the year		-	-	-	6,232	20,282	**26,514**	14	**26,528**
As at 31 March 2018 (restated*)		**637,333**	**10,501**	**(4,719)**	**46,714**	**94,433**	**784,262**	**(589)**	**783,673**

*The amounts shown here do not correspond to the condensed consolidated interim financial statements for the three months ended 31 March 2018 (for details see Note 3).

Note 1. PJSC “FGC UES” and its operations

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

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

On 14 June 2013 the Government of the Russian Federation (the “RF”) transferred its stake in FGC UES to PJSC “ROSSETI” (former OJSC “IDGC Holding”), the holding company of an electricity distribution group, controlled by the Government of the RF. As at 31 March 2019, FGC UES was 80.13% owned and controlled by PJSC “ROSSETI”. The remaining shares are traded on Moscow Exchange and as Global Depository Receipts on the London Stock Exchange.

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

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

Business environment. The Group’s operations are primarily located in the Russian Federation

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. 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.

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. The Rouble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital 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.

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

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

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

Note 2. Basis of preparation

Statement of compliance. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all the information required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Selected explanatory notes are included to explain events and transactions that are significant for understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements. All information should be read in conjunction with the Group’s audited consolidated financial statements as at and for the year ended 31 December 2018 prepared in accordance with IFRS.

Critical accounting estimates and assumptions. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018, except for those related to the application of IFRS 16 “Leases” (Note 3).

Note 2. Basis of preparation (continued)

Fair value. Management believes that the fair value of financial assets and liabilities carried at amortised cost is not significantly different from their carrying amounts, except for non-current and current debt (Note 12). The carrying value of trade payables and trade receivables less allowance for expected credit losses is assumed to approximate their fair value due to their short-term nature. The financial instruments of the Group carried at fair value represent financial investments s measured at fair value through other comprehensive income (Note 7). The fair value of those financials assets is determined by the quoted prices (Level 1 inputs) in active markets for identical financial assets. There are no significant unobservable inputs used in measuring fair values of financial assets and liabilities.

Note 3. Summary of significant accounting policies

Except for the adoption of the new standards and interpretations effective for the annual periods beginning on 1 January 2019, the accounting policies followed in the preparation of these Condensed Consolidated Interim Financial Statements were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2018. Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual profit or loss.

IFRS 16 “Leases”. IFRS 16 was issued in January 2016 and replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 Operating Leases—Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single, on-balance lease sheet accounting model.

Lessor accounting under IFRS 16 is substuntially unchanged comparing to IAS 17. Lessors will continue to classify leases as either operational or financial leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is a lessor.

The Group mostly leases land plots under its power transmission grids, buildings and substations. The Group also leases transmission facilities,, non-residential premises and transport.

The Group adopted IFRS 16 using modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method the standard is applied retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transitions practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”). The Group is also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with similar characteristics;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded direct initial costs from the measurement of the right-of use-assets at the date of initial application.

Based on the foregoing, as at 1 January 2019, the Group recognized in the consolidated Statement of Financial Position:

- Right-of – use assets - presented as separate line item:
- Lease liabilities - within “Non-current debt” and “Current debt and current protion of non-current debt” line items.

(in millions of Russian Rouble unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

The effect of adoption IFRS 16 (increase/(decrease)) on consolidated Statement of Financial Position:

	As at 1 January 2019
Assets	
Property, plant and equipment	(480)
Right-of- use assets	11,621
Total assets	**11,141**
Liabilities	
Non-current debt	10,582
Current and current portion of non-current debt	559
Total liabilities	**11,141**

Summary of new accounting policies:

Lease terms. The lease term comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by and option to terminate the lease if the Group is reasonably certain not to exercise that option. For land lease contracts with indefinite term the Group estimates the lease term to be equal to the useful life of the Group’s property located on the land plots.

Right–of–use assets. Right –of use assets are recognized at the commencement date of the lease (i.e the date the underlying assets is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurment of lease liabilities.
The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before commensment date less any lease incentives received. When the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term, the recoginised right –of-use assets are depreciated from the commencement date to the end of usefuil life of the underlying assets. Otherwise,the recognised right–of-use assets are depreciated on a straight–line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities. Lease liabilities are recognized at the commencement date measured at the present value of lease payments to be made over the lease term.The lease payments includes fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also includes the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on index or a rate are recognized as expense in the period.on which the event or condition that triggers the payment occurs. Lease liabilities are subsequently measured at amortized cost with the interest expense recognized within finance income (expense) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed in the Group’s consolidated financial statements as of 31 December 2018 as follows:

Land plots operating lease commitments s on 31 December 2018 disclosed in the Group’s consolidated financial statements	**12,029**
Change in estimate for land	11,202
Other operating lease commitments	21,631
Relief option for short-term leases	(128)
Gross operating lease obligations as at 1 January 2019	**44,735**
Discounting	(33,594)
Operating lease liabilities as at 1 January 2019	**11,141**
Financial lease liabilities as at 31 December 2018	209
Total lease liabilities as at 1 January 2019	**11,350**

(in millions of Russian Rouble unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 was 9.91% per annum.

Restatement of comparative data and other reclassifications. Certain comparative information were reclassified to conform with current period’s presentation.

As at 31 December 2018 the Group has retrospectively corrected an error related to certain cash flows from technological connection in the discounted cash flows model used in impairment testing.

As at 31 March the 2019 the Group has retrospectively corrected an error related to discounting of certain accounts receivable for the three month ended 31 March 2018.

Consequently, the Group has restate comparative information in Condensed Consolidated Interm Financial Statements as at and for the three months ended 31 March 2018.

Changes in the Condensed Consolidated Interim Statement of Financial Position:

As at 31 March 2018	**As reported**	**Effect of changes**	**As restated**
Property, Plant and Equipment	937,831	(53,550)	884,281
Total non-current assets	**1,091,980**	**(53,550)**	**1,038,430**
Accounts receivable	46,680	(1,066)	45,614
Total current assets	**118,960**	**(1,066)**	**117,894**
Total assets	**1,210,940**	**(54,616)**	**1,156,324**
Retained earnings	138,138	(43,705)	94,433
Equity attributable to shareholders of FGC UES	**827,967**	**(43,705)**	**784,262**
Non –controlling interests	(534)	(55)	(589)
Total equity	**827,433**	**(43,760)**	**783,673**
Deferred tax liabilities	42,404	(10,856)	31,548
Total non-current liabilities	**288,867**	**(10,856)**	**278,011**
Total liabilities	**383,507**	**(10,856)**	**372,651**
Total equity and liabilities	**1,210,940**	**(54,616)**	**1,156,324**

Changes in the Condensed Consolidated Interim Statement of Profit or loss and other Comprehensive Income:

For the three months ended 31 March 2018:	**As reported**	**Effect of changes in accounting policy**	**As restated**
Operating expenses	(38,427)	476	(37,951)
Accrual of allowance for expected credit losses	-	(242)	(242)
Operating profit	**23,831**	**234**	**24,065**
Finance income	3,705	(1,066)	2,639
Profit before income tax	**26,309**	**(832)**	**25,477**
Income tax expense	(5,347)	166	(5,181)
Profit for the period	**20,962**	**(666)**	**20,296**
Total comprehensive income for the period	**27,194**	**(666)**	**26,528**
Proft / (loss) attributable to:			
Shareholders of FGC UES	20,950	(668)	20,282
Non-controlling interest	12	2	14
Total comprehensive income / (loss) attributable to:			
Shareholders of FGC UES	27,182	(668)	26,514
Non-controlling interest	12	2	14
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	**0.017**	**(0.001)**	**0.016**

(in millions of Russian Rouble unless otherwise stated)

Note 4. Balances and transactions with related parties

Government-related entities. During the three months ended 31 March 2019 and 2018 the Group had the following significant transactions with government-related entities:

	Three months ended 31 March 2019	Three months ended 31 March 2018
Transmission revenue	44,147	42,271
Electricity sales	214	1,619
Construction services	-	2,086
Connection services	127	33
Interest income	634	835
Net reversal/(acrual) of allowance for expected credit losses	306	(152)
Purchased electricity for production needs	(1,777)	(1,657)

Significant balances with government-related entities are presented below:

	31 March 2019	31 December 2018
Cash and cash equivalents	25,297	33,598
Bank deposits	6,345	2,615
Long-term accounts receivable (net of allowance for expected credit losses of RR 35 million as at 31 March 2019 and RR 49 million as at 31 December 2018)	72,042	71,522
Other non–current assets	6	6
Other current assets	7	7
Trade receivables (net of allowance for expected credit losses of RR 5,088 million as at 31 March 2019 and RR 5,426 million as at 31 December 2018)	30,407	31,096
Other receivables (net of allowance for expected credit losses of RR 1,390 million as at 31 March 2019 and RR 1,384 million as at 31 December 2018)	19,549	20,863
Advances to suppliers (net of allowance for expected credit losses of RR 74 million as at 31 March 2019 and RR 66 million as at 31 December 2018)	254	190
Financial investments	36,587	37,956
Advances to construction companies and suppliers of property, plant and equipment (included in construction in progress)	417	433
Accounts payable to shareholders of FGC UES	(212)	(213)
Non-current debt	(6,649)	(123)
Current debt	(449)	(86)
Long-term accounts payable	(2,623)	(2,304)
Accounts payable and accrued charges	(18,988)	(13,210)

As at 31 March 2019 the Group had long-term undrawn committed financing facilities with government-related banks of RR 60,000 million (31 December 2018: RR 65,000 million) with the interest rates not exceeding 14.95% and the maturity dates from 2019 to 2020.

Short-term undrawn committed financing facilities with government-related banks amounted to RR 95,050 million as at 31 March 2019 (31 December 2018: RR 90,050 million) with the interest rates not exceeding 10.5%.

Tax balances and charges are disclosed in Notes 11, 13 and 15. Tax transactions are disclosed in the Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income.

The assets exchange transaction with JSC "Far Eastern Energy Management Company" (goverment-controlled entity) is dsclosed in Note 21.

(in millions of Russian Rouble unless otherwise stated)

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

Parent company. During the three months ended 31 March 2019 and 31 March 2018 the Group had the following significant transactions with the parent company of FGC UES - PJSC “ROSSETI”:

	Three months ended 31 March 2019	Three months ended 31 March 2018
Revenues	82	82
Operating expenses	-	(117)

Significant balances with the parent company are presented below:

	31 March 2019	31 December 2018
Trade receivables	232	173
Financial investments	432	426

Directors' compensation. Total remuneration in the form of salary, bonuses and non-cash benefits (social security contributions are not included) provided to the members of the Management Board for the three months ended 31 March 2019 and 2018 was as follows:

	Three months ended 31 March 2019	Three months ended 31 March 2018
Short-term compensation, including salary and bonuses	35	60
Termination benefits	9	-
Post-employment benefits and other long-term benefits	2	4
Total	**46**	**64**

The amount of the short-term compensation to members of the Management Board represents remuneration accrued during the respective period. No remuneration was provided to the members of the Board of Directors for the three months ended 31 March 2019 and 2018.

Note 5. Property, plant and equipment

	Buildings	Power trans-mission grids	Substations	Construction in progress	Other	Total
Cost						
Balance as at 31 December 2018	31,809	604,748	725,527	248,566	82,786	1,693,436
Reclassification to right-of-use assets	-	-	-	-	(914)	(914)
Balance as at 1 January 2019	31,809	604,748	725,527	248,566	81,872	1,692,522
Additions	-	27,280	3,711	10,126	3,846	44,963
Transfers	3	45	177	(586)	361	-
Disposals	(44)	(519)	(65)	(131)	(56)	(815)
Balance as at 31 March 2019	31,768	631,554	729,350	257,975	86,023	1,736,670
Accumulated depreciation and impairment						
Balance as at 31 December 2018	(7,617)	(285,998)	(355,758)	(56,434)	(50,353)	(756,160)
Reclassification to right-of-use assets	-	-	-	-	435	435
Balance as at 1 January 2019	(7,617)	(285,998)	(355,758)	(56,434)	(49,918)	(755,725)
Depreciation charge	(111)	(2,532)	(4,847)	-	(1,002)	(8,492)
Reversal of impairment	-	-	-	726	-	726
Transfers	(1)	(2)	(5)	26	(18)	-
Disposals	3	408	72	17	71	571
Balance as at 31 March 2019	(7,726)	(288,124)	(360,538)	(55,665)	(50,867)	(762,920)
Net book value as at 1 January 2019	24,192	318,750	369,769	192,132	32,433	937,276
Net book value as at 31 March 2019	24,042	343,430	368,812	202,310	35,156	973,750

(in millions of Russian Rouble unless otherwise stated)

Note 5. Property, plant and equipment (continued)

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Cost						
Balance as at 1 January 2018	30,887	565,705	663,753	283,267	78,345	1,621,957
Additions	-	-	5	12,597	374	12,976
Transfers	6	175	8,134	(8,369)	54	-
Disposals (restated)	(130)	(17)	(254)	(19)	(77)	(497)
Balance as at 31 March 2018 (restated)	30,763	565,863	671,638	287,476	78,696	1,634,436
Accumulated depreciation and impairment						
Balance as at 1 January 2018	(7,150)	(280,150)	(339,214)	(67,957)	(48,193)	(742,664)
Depreciation charge (restated)	(107)	(2,279)	(4,435)	-	(938)	(7,759)
Reversal of impairment	-	-	-	36	-	36
Transfers	(1)	(3)	(583)	588	(1)	-
Disposals (restated)	18	19	226	-	(31)	232
Balance as at 31 March 2018 (restated)	(7,240)	(282,413)	(344,006)	(67,333)	(49,163)	(750,155)
Net book value as at 1 January 2018	23,737	285,555	324,539	215,310	30,152	879,293
Net book value as at 31 March 2018 (restated)	23,523	283,450	327,632	220,143	29,533	884,281

Note 6. Right-of use assets

	Buildings	Power transmission grids	Substations	Other	Total	Lease liabilities
Balance as at 1 January 2019	3,855	4,218	2,722	826	11,621	11,350
Additions	-	220	4	-	224	224
Depreciation charge	(128)	(62)	(66)	(9)	(265)	-
Interest expense	-	-	-	-	-	278
Payments	-	-	-	-	-	(300)
Balance as at 31 March 2019	3,727	4,376	2,660	817	11,580	11,552

Right-of use assets related to land plots lease contracts are classified in the same categories as items of Group's property, plant and equipment located om them.

Note 7. Financial investments

	1 January 2019	Change in fair value	31 March 2019
PJSC "INTER RAO UES"	37,419	(1,375)	36,044
PJSC "ROSSETI"	426	6	432
Other	111	-	111
Total	**37,956**	**(1,369)**	**36,587**

	1 January 2018	Change in fair value	31 March 2018
PJSC "INTER RAO UES"	65,912	8,143	74,055
PJSC "ROSSETI"	1,380	(85)	1,295
Other	111	-	111
Total	**67,403**	**8,058**	**75,461**

(in millions of Russian Rouble unless otherwise stated)

Note 8. Accounts receivable and prepayments

Long-term accounts receivable:

	31 March 2019	31 December 2018
Long-term trade receivables (net of allowance for expected credit losses of RR 19 million as at 31 March 2019 and RR 24 million as at 31 December 2018)	72,970	72,507
Long-term other receivables (net of allowance for expected credit losses of RR 62 million as at 31 March 2019 and RR 64 million as at 31 December 2018)	143	192
Total	**73,113**	**72,699**

Long-term trade receivables mainly relate to the contracts of technological connection services provided that imply deferred inflow of cash and to restructured receivable balances for transmission services that are expected to be settled within the period exceeding 12 months from the period end.

As at 31 March 2019 long-term receivables in the amount of RR 69,153 million (as at 31 December 2018: RR 67,994 million) relating to the contracts of technological connection are being paid in equal parts every six months with an interest accrued on the actual outstanding balances at the rate of 6% per annum.

Fair value of consideration receivable for these contracts is determined using present value technique based on estimated future cash flows and the discount rates of 8.2-9.63%.

As at 31 March 2019 long-term receivables in the amount of RR 2,815 million (as at 31 December 2018: RR 3,452 million) represent restructured balances for transmission services from related parties for which debt restructuring agreements were signed in 2016-2018 with a payment terms of 2020-2022 years and an interest rate varying from Central bank key interest rate to 14% .

Short-term accounts receivable ans prepayments:

	31 March 2019	31 December 2018
Trade receivables (net of allowance for expected credit losses of RR 10,464 million as at 31 March 2019 and RR 10,725 million as at 31 December 2018)	36,029	35,855
Other receivables (net of allowance for expected credit losses of RR 4,242 million as at 31 March 2019 and RR 4,250 million as at 31 December 2018)	30,079	32,059
VAT recoverable	810	702
Advances to suppliers ((net of allowance for doubtful debtors of RR 257 million as at 31 March 2019 and RR 245 million as at 31 December 2018)	3,820	2,638
Tax prepayments	107	163
Total accounts receivable and prepayments	**70,845**	**71,417**

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days as at 31 March 2019 and 31 December 2018. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.

Note 9. Cash and cash equivalents and bank deposits

	31 March 2019	31 December 2018
Cash at bank and in hand	10,769	22,285
Cash equivalents	20,628	15,333
Total cash and cash equivalents	**31,397**	**37,618**

Cash equivalents include short-term investments in deposits with original maturities of three months or less and contractual interest rate of 4.50-7.90% as at 31 March 2019 and 4.50-8.05% as at 31 December 2018.

(in millions of Russian Rouble unless otherwise stated)

Note 9. Cash and cash equivalents and bank deposits (continued)

Bank deposits

	Interest rate	31 March 2019	31 December 2018
JSC "Rosselkhozbank"	6.55-8.21%	4,960	1,694
JSC "Gazprombank"	7.46-8.20%	1,385	921
JSC "Alfa-Bank"	7.50-8.15%	232	1,196
Total bank deposits		**6,577**	**3,811**

Fair value of bank deposits approximates their carrying value.

Note 10. Equity

Share capital

	Number of shares issued and fully paid		Share Capital	
	31 March 2019	**31 December 2018**	**31 March 2019**	**31 December 2018**
Ordinary shares	1,274,665,323,063	1,274,665,323,063	637,333	637,333

As at 31 March 2019 the authorised share capital comprised 1,346,805,824 thousand ordinary shares with a nominal value of RR 0.5 per share.

Treasury shares. As at 31 March 2019 the Group through a subsidiary holds 13,727,165 thousand ordinary shares in treasury at a total cost of RR 4,719 million (as at 31 December 2018: 4,719 million).

Note 11. Income tax

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

During the three months ended 31 March 2019 and 2018 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

Note 12. Non-current debt

	Effective interest rate	Due	31 March 2019	31 December 2018
Certified interest-bearing non-convertible bearer bonds:				
with fixed rates	0.1-9.35%	2019-2052	77,103	77,410
with variable rates	CPI+1-2.5%	2027-2050	151,088	151,027
Loan participation notes (LPNs)	8.45%	-	-	17,943
Non-bank loans	0.1-3%	2019-2026	222	220
Lease liabilities	7.62-10.38%	2020-2069	11,552	209
Total debt			**239,965**	**246,809**
Less: current portion of non-current bonds and LPNs			(13,944)	(22,132)
Less: current portion of non-bank loans			(5)	(5)
Less: current portion of lease liabilities			(882)	(87)
Total non-current debt			**225,134**	**224,585**

All debt instruments are denominated in Russian Rouble.

Reconciliation between carrying and fair values of financial liabilities is presented bellow.Fair value of level 1 bonds are determined based on quoted market prices at Moscow Exchange and Irish Stock Exchange.

(in millions of Russian Rouble unless otherwise stated)

Note 12. Non-current debt (continued)

		31 March 2019		31 December 2018	
	Level	Fair value	Carrying value	Fair value	Carrying value
Non-convertible bearer bonds with fixed rates and loan participation notes	1	75,971	77,103	104,761	106,241
Non-convertible bearer bonds with variable rates	1	9,514	10,112	9,296	10,285
Total debt		**85,485**	**87,215**	**114,057**	**116,526**

Certified interest-bearing non-convertible bearer bonds with floating rates classified into fair value hierarchy level 3 represent non-quoted non-convertible bearer bonds with floating rate lined to inflation with a premium of 1-2.5%, which is a unique instrument with specific market. Hence, the management believes carrying amount of these instruments approximates its fair value.

As at 31 March 2019 the Group had long-term undrawn committed financing facilities of RR 61,500 million (as at 31 December 2018: RR 66,500 million) which could be used for the general purposes of the Group.

Note 13. Accounts payable and accrued charges

Long-term accounts payable:

	31 March 2019	31 December 2018
Long-term accounts payable to construction companies and suppliers of property, plant and equipment	14,805	12,055
Long-term advances received	2,768	2,441
Long term VAT payable	626	505
Total long-term accounts payable	**18,199**	**15,001**

As at 31 March 2019 long-term accounts payable to construction companies and suppliers of property, plant and equipment includes RR 4,581 million (as at 31 December 2018: RR 1,821 million) of guarantee deposits made by suppliers of property, plant and equipment refundable in 2020-2037. Fair value of consideration payable for these deposits has been determined using present value technique based on estimated future cash flows and the discount rates of 5.38-5.68%.

As at 31 March 2019 long-term accounts payable to construction companies and suppliers of property, plant and equipment includes RR 10,224 million (as at 31 December 2018: RR 10,234 million) related to contracts of purchase of property, plant and equipment. Amounts are payable in instalments in 2020-2025. Fair value of consideration payable for these accounts payable has been determined using present value technique based on estimated future cash flows and the discount rate of 8.75%.

Short-term accounts payable:

	31 March 2019	31 December 2018
Accounts payable to construction companies and suppliers of property, plant and equipment	24,469	29,967
Trade payables	9,715	12,920
Accrued liabilities	1,578	60
Other creditors	2,225	1,207
Advances received	13,136	13,227
Accounts payable to employees	3,260	2,681
Taxes other than on income payable	8,751	6,863
Other provisions for liabilities and charges	816	683
Total accounts payable and accrued charges	**63,950**	**67,608**

(in millions of Russian Rouble unless otherwise stated)

Note 14. Revenue

	Three months ended 31 March 2019	Three months ended 31 March 2018
Transmission fee	56,121	52,896
Electricity sales	465	3,767
Connection services	134	33
Construction services	-	2,923
Other revenues	797	1,040
Total revenues	**57,517**	**60,659**

Note 15. Operating expenses

	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated)
Purchased electricity for production needs	10,753	9,919
Depreciation of property, plant and equipment	8,492	7,759
Employee benefit expenses and payroll taxes	7,088	6,599
Property tax	3,255	3,711
Rent	944	361
Business trips and transportation expenses	483	489
Amortisation of intangible assets	415	301
Electricity transit	310	104
Depreciation of right-of-use assets	237	-
Fuel for mobile gas-turbine electricity plants	26	2,903
Subcontract works for construction contracts	-	1,649
Materials for construction contracts	-	893
Other expenses	2,890	3,263
Total operating expenses	**34,893**	**37,951**

Note 16. Finance income

	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated)
Interest income	894	1,034
Unwinding of discount of accounts receivable	2,166	1,453
Foreign currency exchange differences	11	1
Other finance income	36	151
Total finance income	**3,107**	**2,639**

Note 17. Finance costs

	Three months ended 31 March 2019	Three months ended 31 March 2018
Interest expense (excluding lease contracts)	3,898	3,691
Interest expense on lease contracts	278	7
Net interest on the defined benefit obligations	129	144
Foreign currency exchange differences	24	6
Other finance costs	115	64
Total finance cost	**4,444**	**3,912**
Less capitalised interest expenses on borrowings related to qualifying assets	(2,390)	(2,677)
Total finance cost recognised in profit or loss	**2,054**	**1,235**

(in millions of Russian Rouble unless otherwise stated)

Note 18. Earnings per ordinary share for profit attributable to shareholders of FGC UES

	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated)
Weighted average number of ordinary shares (millions of shares)	1,260,938	1,260,938
Profit attributable to shareholders of FGC UES (millions of RR)	27,430	20,282
Weighted average earning per share – basic and diluted (in RR)	**0.022**	**0.016**

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

Note 19. Contingencies, commitments, operating and financial risks

There have been no changes in political environment, insurance policies and environmental matters during the three months ended 31 March 2019 in comparison with those described in the Group’s consolidated financial statements for the year ended 31 December 2018 as well as there have been no changes in operating and financial risk management policies since year end.

Legal proceedings. In the normal course of business the Group entities may be a party to certain legal proceedings. As at 31 March 2019 claims made by suppliers of property, plant and equipment and other counterparties to the Group amounted to RR 3,503 million. Management belives the likelyhood of negative outcome for the Group and the respecive outflow of financial resources to settle such claims, if any, is not probable and, consequently, no provision has been made in these financial statements.

Management believes that it has made adequate provision for other probable claims (Note 13). In the opinion of management, currently there are no other existing legal proceedings or claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

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

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these Consolidated Financial Statements.

Depending on the further practice of applying the property tax rules by the tax authorities and courts the classification of moveable and immoveable property set by the Group could be argued. The management of the Group is unable to assess the ultimate outcome and the outflow of financial resources to settle potential tax claims.

As at 31 March 2019 management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency and customs positions will be sustained.

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 166,803 million as at 31 March 2019 (as at 31 December 2018: RR 180,617 million) including VAT. These amounts include accounts payable to construction companies and suppliers of property, plant and equipment in the amount of RR 39,274 million as at 31 March 2019 (as at 31 December 2018: RR 42,257 million).

(in millions of Russian Rouble unless otherwise stated)

Note 20. Segment information

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

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

	Transmission segment – based on statutory financial statements prepared according to RAR	
	Three months ended 31 March 2019	**Three months ended 31 March 2018**
Revenue from external customers	56,805	53,155
Intercompany revenue	100	74
Total revenue	**56,905**	**53,229**
Segment profit for the period	10,522	18,440

	31 March 2019	**31 December 2018**
Total reportable segment assets (RAR)	1,489,823	1,489,823
Total reportable segment liabilities (RAR)	405,584	405,584

A reconciliation of the reportable segment’s revenue to the Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2019 and 2018 is presented below:

	Three months ended 31 March 2019	**Three months ended 31 March 2018**
Total revenue from segment (RAR)	**56,905**	**53,229**
Reclassification between revenue and other income	(99)	333
Non-segmental revenue	928	7,360
Elimination of intercompany revenue	(100)	(74)
Non-recognised revenue	(117)	(183)
Other adjustments	-	(6)
Total revenue (IFRS)	**57,517**	**60,659**

(in millions of Russian Rouble unless otherwise stated)

Note 20. Segment information (continued)

A reconciliation of the reportable segment’s profit to the Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2019 and 2018 is presented below:

	Three months ended 31 March 2019	Three months ended 31 March 2018 (restated)
Profit for the period (RAR)	**10,522**	**18,440**
Property, plant and equipment		
Adjustment to the carrying value of property, plant and equipment	11,098	12,171
Gain on assets exchange	10,444	-
Reversal of impairment of property, plant and equipment	726	36
Financial instruments		
Re-measurement of financial investments	1,406	(8,747)
Discounting of long-term accounts receivable	828	1,262
Discounting of long-term accounts payable	(93)	73
Discounting of promissory notes	8	7
Consolidation		
Impairment of investments in subsidiaries	(2)	(524)
Other		
Adjustment to allowance for expected credit losses	(485)	275
Adjustment to rent expenses	(226)	-
Accrual of retirement benefit obligations	(171)	(196)
Non-recognised revenue and other income	(136)	(261)
Write-off of research and development to expenses	32	52
Share of result of associates	32	8
Adjustment to provision for legal claims	-	(250)
Deferred tax adjustment	(5,248)	(1,711)
Other adjustments	(912)	(749)
Non-segmental other operating (loss)/profit	(385)	410
Profit for the period (IFRS)	**27,438**	**20,296**

Information on revenue for separate services and products of the Group is presented in Note 14. The Group performs most of its activities in the Russian Federation and does not have any significant revenue from foreign customers or any non-current assets located in foreign countries.
The major customers of the Group are government-related entities. The amounts of revenue from such entities are disclosed in Note 4. The Group has no other major customers with turnover over 10 percent of the Group revenue.

Note 21. Assets exchange with JSC “Far Eastern Energy Management Company”

On 26 December 2018, as a part of UNEG asset consolidation process the Group has concluded the exchange contract with JSC “Far Eastern Energy Management Company” (goverment-controlled entity). The Group exchanges property, plant and equipment with the carrying value of RR 16,081 million as at 31 December 2018, accounts receivable with the carrying value of RR 5,386 million as at 31 December 2018 and cash amounted to RR 6,648 million and to be paid by instalments up to 2024 for UNEG property plant and equipment appraised by independent appraiser and valued in the amount of RR 34,564 million. The exchange has been completed on 1 January 2019.

As a result of the exchange the Group has recognized property, plant and equipment amounted to RR 34,564 million, long-term accounts payable amounted to RR 2,713 million and short-term accounts payable and RR 2,384 million. Fair value of long-term accounts payable has been determined using present value technique based on estimated future cashflows at the discount rate of 9%. Gain on assets exchange amounted to RR 10,444 million hase been recognised in profit and loss.

The Group has assessed whether there is any indication that assets exchange transaction leads to impairment of Group’s property, plant and equipment as at 31 March 2019 and based on the analysis concluded that no such indications exists.