

PJSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

IAS 34 “INTERIM FINANCIAL REPORTING”

FOR THE THREE MONTHS ENDED 31 MARCH 2020

(UNAUDITED)

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

	Notes	31 March 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,025,765	1,024,901
Right-of-use assets	6	13,067	12,719
Intangible assets		6,417	6,609
Investments in associates and joint ventures		1,741	1,296
Financial investments	7	44,194	45,711
Deferred income tax assets		325	275
Trade and other accounts receivable	8	75,772	72,084
Advances given and other non-current assets		2,203	2,107
Total non-current assets		1,169,484	1,165,702
Current assets			
Cash and cash equivalents	9	36,007	37,077
Bank deposits	9	32,442	25,789
Trade and other accounts receivable	8	41,375	41,823
Income tax prepayments		795	93
Inventories		18,132	16,968
Advances given and other current assets		3,360	2,576
		132,111	124,326
Assets held for sale		313	313
Total current assets		132,424	124,639
TOTAL ASSETS		1,301,908	1,290,341
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		30,427	30,937
Retained earnings		247,228	227,558
Equity attributable to shareholders of FGC UES		920,770	901,610
Non-controlling interests		170	174
Total equity		920,940	901,784
Non-current liabilities			
Deferred income tax liabilities		50,729	46,871
Non-current debt	12	218,749	208,343
Trade and other accounts payable	13	14,131	14,121
Advances from customers		8,610	8,525
Taxes other than on income payable		1,722	1,705
Government grants		796	811
Retirement benefit obligations		6,679	6,955
Total non-current liabilities		301,416	287,331
Current liabilities			
Accounts payable to shareholders of FGC UES		301	11,388
Current debt and current portion of non-current debt		21,222	31,444
Trade and other accounts payable	13	37,118	41,580
Advances from customers		10,130	8,872
Taxes, other than on income payable		9,665	4,265
Provisions for liabilities and charges	14	1,065	1,202
Income tax payable		51	2,475
Total current liabilities		79,552	101,226
Total liabilities		380,968	388,557
TOTAL EQUITY AND LIABILITIES		1,301,908	1,290,341

Authorised for issue and signed on behalf of the management:

01 JUNE 2020

Director General of PJSC "ROSSETI"

The management company of PJSC "FGC UES"

Head of Accounting and Financial Reporting – Chief Accountant

P.A. Livinsky

A.P. Noskov

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

PJSC “FGC UES”

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

	Notes	Three months ended 31 March 2020	Three months ended 31 March 2019
Revenues	15	58,706	57,517
Other operating income		1,159	2,011
Operating expenses	16	(36,292)	(34,893)
Gain on disposal of assets	22	-	10,444
(Accrual)/ reversal of allowance for expected credit losses		(3)	275
Reversal of impairment of property, plant and equipment, net	5	-	726
Operating profit		23,570	36,080
Finance income	17	3,029	3,107
Finance costs	18	(1,855)	(2,054)
Share of result of associates		61	32
Profit before income tax		24,805	37,165
Income tax expense	11	(5,139)	(9,727)
Profit for the period		19,666	27,438
Other comprehensive income / (loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Change in fair value of financial investments	7	(1,517)	(1,369)
Remeasurements of retirement benefit obligations		401	(165)
Income tax relating to items that will not be reclassified		221	155
Total items that will not be reclassified to profit or loss		(895)	(1,379)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference		385	(85)
Total items that may be reclassified to profit or loss		385	(85)
Other comprehensive income for the period, net of income tax		(510)	(1,464)
Total comprehensive income for the period		19,156	25,974
Profit attributable to:			
Shareholders of FGC UES	19	19,670	27,430
Non-controlling interest		(4)	8
Total comprehensive income attributable to:			
Shareholders of FGC UES		19,160	25,966
Non-controlling interest		(4)	8
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	19	0.016	0.022

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

PJSC “FGC UES”

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

	Notes	Three months ended 31 March 2020	Three months ended 31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		24,805	37,165
<i>Adjustments to reconcile profit before income tax to net cash provided by operations</i>			
Depreciation of property, plant and equipment	5,16	9,464	8,492
Depreciation of right-of-use assets		260	237
Gain on disposal of property, plant and equipment		(63)	(129)
Amortisation of intangible assets		356	415
Reversal of impairment of property, plant and equipment, net	5	-	(726)
Gain on disposal of assets		-	(10,444)
Share of profit of associates and joint ventures		(61)	(32)
Accrual/(reversal) of allowance for expected credit losses		3	(275)
Accrual of other provision for liabilities and charges	14	57	138
Finance income	17	(3,029)	(3,107)
Finance costs	18	1,855	2,054
Other non-cash operating income		(131)	(2)
Operating cash flows before working capital changes, income tax paid and other changes in long-term assets and liabilities		33,516	33,786
Increase in long-term trade and other accounts receivable		(1,924)	(414)
Increase in long-term advances given and other non-current assets		(72)	(14)
Increase/(decrease) in long-term accounts payable		877	(4,673)
(Decrease)/increase in long-term advances from customers		(286)	576
<i>Working capital changes:</i>			
Decrease in trade and other accounts receivable		506	2,934
Increase in advances given and other current assets		(784)	(378)
Increase in inventories		(1,164)	(1,123)
Decrease in trade and other accounts payable		(1,465)	(1,752)
Decrease in provisions for liabilities and charges		(137)	(5)
Increase in advances from customers		7,077	1,797
Income tax paid		(4,235)	(6,166)
Net cash generated by operating activities		31,909	24,568
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(12,194)	(9,617)
Proceeds from disposal of property, plant and equipment		226	373
Purchase of intangible assets		(185)	(31)
Redemption of promissory notes		2	2
Placement of bank deposits		(17,146)	(4,767)
Redemption of bank deposits		10,670	2,001
Loans given		(10)	(1)
Repayment of loans given		5	7
Proceeds from sale of financial investments		-	2,795
Interest received		933	904
Net cash used in investing activities		(17,699)	(8,334)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current and non-current borrowings		10,000	15
Repayment of current and non-current borrowings		(9,506)	(17,515)
Repayment of principal portion of lease liabilities		(272)	(300)
Dividends paid		(11,124)	-
Acquisition of non-controlling interests		-	(74)
Interest paid		(4,378)	(4,581)
Net cash used in financing activities		(15,280)	(22,455)
Net decrease in cash and cash equivalents		(1,070)	(6,221)
Cash and cash equivalents at the beginning of the period	9	37,077	37,618
Cash and cash equivalents at the end of the period	9	36,007	31,397

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

PJSC “FGC UES”

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

	Notes	Attributable to shareholders of FGC UES					Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Retained earnings		
As at 1 January 2020		637,333	10,501	(4,719)	30,937	227,558	174	901,784
Comprehensive income for the period								
Profit for the period		-	-	-	-	19,670	(4)	19,666
<i>Other comprehensive income / (loss), net of related income tax</i>								
Change in fair value of financial investments, net of tax	7	-	-	-	(1,315)	-	-	(1,315)
Remeasurements of retirement benefit obligations, net of tax		-	-	-	420	-	-	420
Foreign currency translation difference		-	-	-	385	-	-	385
Total other comprehensive income		-	-	-	(510)	-	-	(510)
Total comprehensive income for the period		-	-	-	(510)	19,670	(4)	19,156
As at 31 March 2020		637,333	10,501	(4,719)	30,427	247,228	170	920,940

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PJSC “FGC UES”

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 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
Aquisition 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

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

PJSC “FGC UES”

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

Note 1. PJSC “FGC UES” and its operations

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

FGC UES and its subsidiaries (the “Group”) act as the natural monopoly operator for the UNEG. The Group’s principal operating activities consist of providing electricity transmission services, providing connection to the electricity grid, maintaining the electricity grid system, technical supervision of grid facilities and investment activities in the development of the UNEG. The majority of the Group’s revenues are generated via tariffs for electricity transmission, which are approved by the Russian Federal Antimonopoly Service (“FAS”) 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 2020 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 operates primarily in the Russian Federation and hence is exposed to risks related to the Russian economic and political markets environment. The economy of Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system is continuing to evolve and is subject to varying interpretations, and changes, which can occur frequently. The ongoing political tension and international sanctions against certain Russian companies and individuals still adversely affect the Russian economy.

The new coronavirus COVID-19 in 2020 has caused a financial and economic tension in the world markets. The stock exchange, currency and commodity markets have shown a significant volatility including a drop in oil prices and depreciation of the Russian Rouble against the US dollar and Euro since March 2020. Many countries as well as the Russian Federation have imposed quarantine measures that have had a significant influence on the level and scale of the business activities within the market. Both the pandemic itself and the measures to mitigate its consequences are having an impact on businesses in various industries. Neither the scale nor the duration of the events is certain and their quantity effects can hardly be reasonably measured so far.

The management of the Group has been in close cooperation with the federal and regional authorities so as to contain an outbreak of the coronavirus. The Group management is analysing possible effects of the changing macro- and microeconomic environment on the Group's financial position and performance. Taking into consideration the systemically importance nature of the industry and state regulation of tariffs on principal operating activities of the Group, independence from foreign suppliers of equipment and services, and absence of currency risk exposure (majority of income and expenses of the Group and its monetary assets and liabilities are denominated in the Russian Rouble) the impact of these events on the Group's operations is limited. The Group management is taking all necessary measures to secure safety, health protection of its staff and contractors together with actions to ensure stable electricity supply, realization of primary investment projects and the Group's financial stability.

The Condensed Consolidated Interim 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).

Note 2. Basis of preparation (continued)

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 2019 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 2019.

Measuring fair values When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability,

- either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The carrying value of short-term payables and receivables less allowance for expected credit losses is assumed to approximate their fair value due to their short-term nature. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 8– Trade and other accounts receivables;
- Note 12 – Non-current debt;
- Note 13 –Trade and other accounts payable.

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 2020, 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 2019. Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual profit or loss.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group :

- Amendments to IFRS 3 - *Definition of a Business*. The IASB issued amendments to the definition of a business to help entities determine whether an acquired set of activities and assets is a business or not.
- Amendments to IAS 1 and IAS 8 - *Definition of Material*. The IASB issued amendments to align the definition of 'material' across the standards and to clarify certain aspects of the definition.
- *The Conceptual Framework for Financial Reporting*. The IASB issued a revised version of Conceptual Framework for Financial Reporting. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Certain comparative amounts have been reclassified to conform with the current year's presentation. In particular, advances from customers and taxes other than on income payable were presented as separate lines and advances to suppliers were reclassified from trade and other receivables to advances given and other assets.

PJSC “FGC UES”

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

Note 4. Balances and transactions with related parties

Government-related entities. During the three months ended 31 March 2020 and 2019 the Group had the following significant transactions with government-related entities:

	Three months ended 31 March 2020	Three months ended 31 March 2019
Transmission revenue	43,522	44,147
Electricity sales	198	214
Construction services	304	-
Connection services	12	127
Interest income	766	634
Net reversal of allowance for expected credit losses	18	306
Purchased electricity for production needs	(1,996)	(1,777)
Rent	(318)	(497)

Significant balances with government-related entities are presented below:

	31 March 2020	31 December 2019
Non-current assets		
Financial investments	44,194	45,711
Advances to construction companies and suppliers of property, plant and equipment (included in construction in progress)	676	610
Trade and other accounts receivable (net of allowance for expected credit losses of RR 91 million as at 31 March 2020 and RR 160 million as at 31 December 2019)	74,201	69,779
Advances given and other non-current assets	7	8
Current assets		
Cash and cash equivalents	26,509	31,035
Bank deposits	28,516	25,718
Trade and other accounts receivable (net of allowance for expected credit losses of RR 5,539 million as at 31 March 2020 and RR 5,425 million as at 31 December 2019)	34,069	35,552
Advances given and other current assets (net of impairment of RR nil million as at 31 March 2020 and RR 73 million as at 31 December 2019)	262	75
Non-current liabilities		
Non-current debt	(8,225)	(6,287)
Trade and other accounts payable	(3,080)	(3,015)
Advances from customers	(8,019)	(8,020)
Current liabilities		
Current debt and current portion of non-current debt	(589)	(490)
Accounts payable to the shareholders of FGC UES	(301)	(11,388)
Trade and other accounts payable	(3,821)	(4,341)
Advances from customers	(7,590)	(5,810)

As at 31 March 2020 the Group had long-term undrawn committed financing facilities with government-related banks of RR 60,000 million (31 December 2019: RR 60,000 million) with the interest rates not exceeding 8.4% and the maturity dates in 2025.

Tax balances and charges are disclosed in Notes 11 and 16. Tax transactions are disclosed in the Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income.

PJSC “FGC UES”

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

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

Parent company. During the three months ended 31 March 2020 and 31 March 2019 the Group had the following significant transactions with the parent company of FGC UES - PJSC “ROSSETI”:

	Three months ended 31 March 2020	Three months ended 31 March 2019
Revenues	79	82

Significant balances with the parent company are presented below:

	31 March 2020	31 December 2019
Financial investments	423	495
Short-term trade and other payables	(204)	(408)
Accounts payable to shareholders of FGC UES	-	(8,999)

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 2020 and 2019 was as follows:

	Three months ended 31 March 2020	Three months ended 31 March 2019
Short-term compensation, including salary and bonuses	57	35
Termination benefits	-	9
Post-employment benefits and other long-term benefits	2	2
Total	59	46

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 2020 and 2019.

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

Note 5. Property, plant and equipment

	Land and Buildings	Power trans- mission grids	Substations	Construction in progress	Other	Total
Cost						
Balance as at 1 January 2020	34,155	661,862	765,911	258,654	93,979	1,814,561
Additions	1	1	-	10,163	326	10,491
Transfers	48	5,339	1,240	(6,852)	225	-
Disposals	-	(19)	(271)	(130)	(627)	(1,047)
Balance as at 31 March 2020	34,204	667,183	766,880	261,835	93,903	1,824,005
Accumulated depreciation and impairment						
Balance as at 1 January 2020	(8,210)	(300,492)	(382,871)	(43,951)	(54,136)	(789,660)
Depreciation charge	(115)	(2,777)	(5,172)	-	(1,400)	(9,464)
Transfers	(1)	(136)	(28)	165	-	-
Disposals	-	19	271	-	594	884
Balance as at 31 March 2020	(8,326)	(303,386)	(387,800)	(43,786)	(54,942)	(798,240)
Net book value as at 1 January 2020	25,945	361,370	383,040	214,703	39,843	1,024,901
Net book value as at 31 March 2020	25,878	363,797	379,080	218,049	38,961	1,025,765
Cost						
Balance as at 31 December 2018	31,809	604,748	725,527	248,566	82,787	1,693,437
Reclassification to right-of use assets	-	-	-	-	(914)	(914)
Balance as at 1 January 2019	31,809	604,748	725,527	248,566	81,873	1,692,523
Additions	-	27,280	3,711	10,126	3,846	44,963
Transfers	1,195	(13)	(754)	(586)	158	-
Disposals	(44)	(519)	(65)	(131)	(56)	(815)
Balance as at 31 March 2019	32,960	631,496	728,419	257,975	85,821	1,736,671
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	-	-	-	-	434	434
Balance as at 1 January 2019	(7,617)	(285,998)	(355,758)	(56,434)	(49,919)	(755,726)
Depreciation charge	(111)	(2,532)	(4,847)	-	(1,002)	(8 492)
Impairment loss	-	-	-	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)	(50,868)	(762,921)
Net book value as at 1 January 2019	24,192	318,750	369,769	192,132	32,434	937,277
Net book value as at 31 March 2019	25,234	343,372	367,881	202,310	34,953	973,750

PJSC “FGC UES”

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

Note 6. Right-of use assets

	Land and buildings	Power trans- mission grids	Substations	Other	Total	Lease liabilities
Balance as at 1 January 2020	9,379	768	1,229	1,343	12,719	12,824
Additions	612	-	-	60	672	672
Depreciation charged to profit or loss	(166)	(4)	(53)	(37)	(260)	-
Depreciation charged to construction in progress	(64)	-	-	-	(64)	-
Interest expense	-	-	-	-	-	333
Payments	-	-	-	-	-	(602)
Balance as at 31 March 2020	9,761	764	1,176	1,366	13,067	13,227

	Land and buildings	Power trans- mission 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 charged to profit or loss	(100)	(62)	(66)	(9)	(237)	-
Depreciation charged to construction in progress	(28)	-	-	-	(28)	-
Interest expense	-	-	-	-	-	278
Payments	-	-	-	-	-	(300)
Balance as at 31 March 2019	3,727	4,376	2,660	817	11,580	11,552

Note 7. Financial investments

	1 January 2020	Change in fair value	31 March 2020
PJSC “INTER RAO UES”	45,105	(1,445)	43,660
PJSC “ROSSETT”	495	(72)	423
Other	111	-	111
Total	45,711	(1,517)	44,194

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

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

Note 8. Trade and other accounts receivable

	31 March 2020	31 December 2019
Long-term trade and other receivables		
Trade receivables (net of allowance for expected credit losses of RR 134 million as at 31 March 2020 and RR 207 million as at 31 December 2019)	75,480	71,685
Other receivables (net of allowance for expected credit losses of RR 69 million as at 31 March 2020 and RR 77 million as at 31 December 2019)	96	170
Promissory notes	196	229
Total long-term trade and other receivables	75,772	72,084
Short-term trade and other receivables		
Trade receivables (net of allowance for expected credit losses of RR 7,728 million as at 31 March 2020 and RR 7,836 million as at 31 December 2019)	38,092	38,393
Other receivables (net of allowance for expected credit losses of RR 6,123 million as at 31 March 2020 and RR 5,937 million as at 31 December 2019)	3,063	3,254
Loans given	119	114
Promissory notes	101	62
Total short-term trade and other receivables	41,375	41,823

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 2020 long-term trade receivables in the amount of RR 70,658 million (as at 31 December 2019: RR 69,166 million) relating to the contracts of technological connection are being paid in equal semi-annual installments 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 6.91-9.63%.

As at 31 March 2020 long-term trade receivables in the amount of RR 3,604 million (as at 31 December 2019: RR 733 million) represent restructured balances for transmission services from related parties for which debt restructuring agreements were signed in 2016-2020 with a payment terms of 2021-2023 years and an interest rate varying from Central bank key interest rate to 11%.

As at 31 March 2020 fair value of long-term trade and other receivables amounted to RR 76,191 million as at 31 December 2019: RR 71,860 million). The fair value (Level 3) of long-term trade and other receivables has been determined using present value technique based on estimated future cash flows and the discount rates of 6.91-9.17% (as at 31 December 2019: 6.91-9.17%).

Note 9. Cash and cash equivalents and bank deposits

	31 March 2020	31 December 2019
Cash at bank and in hand	22,678	15,531
Cash equivalents	13,329	21,546
Total cash and cash equivalents	36,007	37,077

Cash equivalents include short-term investments in deposits with original maturities of three months or less and contractual interest rate of 3.60-6.36% as at 31 March 2020 and 3.69-8.05% as at 31 December 2019.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
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Note 9. Cash and cash equivalents and bank deposits (continued)

Bank deposits

	Interest rate	Rating	Rating agency	31 March 2020	31 December 2019
JSC "Rosselkhozbank"	6.50-7.20%	BBB-	FitchRatings	15,478	15,228
PJSC “VTB”	5.65-7.35%	BBB-	Standard&Poor's	7,183	10,490
JSC “Gazprombank”	6.36%	BB+	Standard&Poor's	4,423	-
PJSC “ROSBANK”	6.03%	Baa3/P-3	Moody's	3,854	-
PJSC “Promsvyazbank”	6.25%	BB-	Standard&Poor's	1,432	-
JSC “Alfa-Bank”	5.85%	BB+	Standard&Poor's	72	71
Total bank deposits				32,442	25,789

The carrying amount of bank deposits approximates their fair value.

Note 10. Equity

Share capital

	Number of shares issued and fully paid		Share Capital	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Ordinary shares	1,274,665,323,063	1,274,665,323,063	637,333	637,333

As at 31 March 2020 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 2020 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 2019: 4,719 million).

Reserves. Reserves included Revaluation reserve for financial investments, foreign currency translation reserve and remeasurement reserve for retirement benefit obligations. The Foreign currency translation reserve relates to the exchange differences arising on translation of net assets of a foreign associate.

Reserves comprised the following:

	31 March 2020	31 December 2019
Revaluation reserve for financial investments, net of tax (Note 7)	32,663	33,978
Remeasurement reserve for retirement benefit obligations	(2,894)	(3,314)
Foreign currency translation reserve	658	273
Total reserves	30,427	30,937

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 2020 and 2019 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

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

Note 12. Non-current debt

	Effective interest rate	Due	31 March 2020	31 December 2019
Certified interest-bearing non-convertible bearer bonds:				
with fixed rates	0.1-9.35%	2020-2052	75,673	75,476
with variable rates	CPI+1-2.5%	2027-2050	150,862	151,278
Non-bank loans	0.1-3%	2025-2026	209	209
Lease liabilities	5.77-10.38%	2020-2069	13,227	12,824
Total debt			239,971	239,787
Less: current portion of non-current bonds			(20,115)	(30,335)
Less: current portion of non-bank loans			(7)	(6)
Less: current portion of lease liabilities			(1,100)	(1,103)
Total non-current debt			218,749	208,343

All debt instruments are denominated in Russian Rouble.

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

		31 March 2020		31 December 2019	
	Level	Fair value	Carrying value	Fair value	Carrying value
Non-convertible bearer bonds with fixed rates and loan participation notes	1	75,733	75,673	76,284	75,476
Non-convertible bearer bonds with variable rates	1	9,839	10,102	9,930	10,319
Total debt		85,572	85,775	86,214	85,795

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 aligned 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 2020 the Group had long-term undrawn committed financing facilities of RR 100,000 million (as at 31 December 2019: RR 100,000 million) which could be used for the general purposes of the Group.

Note 13. Trade and other payables

	31 March 2020	31 December 2019
Long-term trade and other payables		
Accounts payable to construction companies and suppliers of property, plant and equipment	12,957	13,077
Trade payables	635	804
Other creditors	539	240
Total long-term trade and other payables	14,131	14,121
Short-term trade and other payables		
Accounts payable to construction companies and suppliers of property, plant and equipment	19,885	23,585
Trade payables	10,743	12,375
Accrued liabilities	632	-
Accounts payable to employees	3,420	2,982
Other creditors	2,438	2,638
Total short-term trade and other payables	37,118	41,580

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

Note 13. Trade and other payables (continued)

As at 31 March 2020 long-term accounts payable to construction companies and suppliers of property, plant and equipment includes RR 1,995 million (as at 31 December 2019: RR 2,132 million) of guarantee deposits made by suppliers of property, plant and equipment refundable in 2021-2037. 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 2020 long-term accounts payable to construction companies and suppliers of property, plant and equipment includes RR 7,978 million (as at 31 December 2019: RR 7,988 million) related to contracts of purchase of property, plant and equipment. Amounts are payable in instalments in 2021-2025. 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%.

As at 31 March 2020 fair value of long-term trade and other payables amounted to RR 14,558 million (as at 31 December 2019: RR 14,569 million). The fair value (Level 3) of long-term trade and other payables has been determined using present value technique based on estimated future cash flows and the discount rate of 5.48% (31 December 2019: 5.48%)

Note 14. Provisions for liabilities and charges

Movement in provisions for liabilities and charges:

	Three months ended 31 March 2020	Three months ended 31 March 2019
Carrying amount at 1 January	1,202	683
Additional amounts charged to profit or loss	69	138
Unused amounts reversed	(12)	-
Utilisation of provision	(194)	(15)
Carrying amount at 31 March	1,065	806

Note 15. Revenues

	Three months ended 31 March 2020	Three months ended 31 March 2019
Transmission fee	56,110	56,121
Construction services	981	-
Electricity sales	458	465
Connection services	328	134
Other revenues	581	592
Total revenues from contracts with customers	58,458	57,312
Rental income	248	205
Total revenues	58,706	57,517

Note 16. Operating expenses

	Three months ended 31 March 2020	Three months ended 31 March 2019
Purchased electricity	10,066	10,753
Depreciation of property, plant and equipment	9,464	8,492
Employee benefit expenses and payroll taxes	7,483	7,088
Taxes, other than on income	3,452	3,586
Rent	644	944
Repairs and maintenance of equipment	516	342
Business trips and transportation expenses	466	483
Electricity transit	399	310
Materials for repair	367	195
Amortisation of intangible assets	356	415
Depreciation of right-of-use assets	260	237
Materials for construction contracts	213	-
Subcontract works for construction contracts	82	-
Fuel for mobile gas-turbine electricity plants	3	26
Other expenses	2,521	2,022
Total operating expenses	36,292	34,893

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

Note 17. Finance income

	Three months ended 31 March 2020	Three months ended 31 March 2019
Unwinding of discount of accounts receivable	1,806	2,166
Interest income	1,100	894
Foreign currency exchange differences	19	11
Other finance income	104	36
Total finance income	3,029	3,107

Note 18. Finance costs

	Three months ended 31 March 2020	Three months ended 31 March 2019
Interest expense	3,533	3,898
Interest expense on lease contracts	333	278
Net interest on the defined benefit obligations	112	129
Foreign currency exchange differences	56	24
Other finance costs	200	115
Total finance cost	4,234	4,444
Less capitalised interest expenses on borrowings related to qualifying assets	(2,379)	(2,390)
Total finance cost recognised in profit or loss	1,855	2,054

Note 19. Earnings per ordinary share for profit attributable to shareholders of FGC UES

	Three months ended 31 March 2020	Three months ended 31 March 2019
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)	19,670	27,430
Weighted average earning per share – basic and diluted (in RR)	0.016	0.022

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

Note 20. 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 2020 in comparison with those described in the Group's consolidated financial statements for the year ended 31 December 2019 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 2020 claims made by suppliers of property, plant and equipment and other counterparties to the Group amounted to RR 3,915 million. Management believes the likelihood of negative outcome for the Group and the respective 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 14). 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 noncompliant 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.

Note 20. Contingencies, commitments, operating and financial risks (continued)

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 immovable 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 2020 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 146,156 million as at 31 March 2020 (as at 31 December 2019: RR 120,227 million) including VAT.

Note 21. Segment information

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

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

	Transmission segment – based on statutory financial statements prepared according to RAR	
	Three months ended 31 March 2020	Three months ended 31 March 2019
Revenue from external customers	57,718	56,805
Intercompany revenue	92	100
Total revenue	57,810	56,905
Segment profit for the period	10,585	10,522
	31 March 2020	31 December 2019
Total reportable segment assets (RAR)	1,545,363	1,543,924
Total reportable segment liabilities (RAR)	431,330	421,167

A reconciliation of the reportable segment's revenue to the Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2020 and 2019 is presented below:

	Three months ended 31 March 2020	Three months ended 31 March 2019
Total revenue from segment (RAR)	57,810	56,905
Reclassification between revenue and other income	(205)	(99)
Non-segmental revenue	1,220	928
Elimination of intercompany revenue	(92)	(100)
Non-recognised revenue	-	(117)
Other adjustments	(27)	-
Total revenue (IFRS)	58,706	57,517

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Note 21. 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 2020 and 2019 is presented below:

	Three months ended 31 March 2020	Three months ended 31 March 2019
Profit for the period (RAR)	10,585	10,522
Property, plant and equipment		
Adjustment to the carrying value of property, plant and equipment	10,397	11,098
Gain on disposal of assets	-	10,444
Reversal of impairment of property, plant and equipment	-	726
Financial instruments		
Re-measurement of financial investments through other comprehensive income	1,632	1,406
Discounting of long-term trade and other accounts receivables	459	828
Discounting of long-term trade and other accounts payable	(90)	(93)
Discounting of promissory notes	8	8
Consolidation		
Impairment of investments in subsidiaries	-	(2)
Other		
Adjustment to allowance for expected credit losses	29	(485)
Right-of-use assets	(135)	(226)
Accrual of retirement benefit obligations	(55)	(171)
Non-recognised revenue and other income	(7)	(136)
Write-off of research and development to expenses	25	32
Share of profit of associates and joint ventures	-	32
Deferred tax adjustment	(2,297)	(5,248)
Other adjustments	(423)	(912)
Non-segmental other operating loss	(462)	(385)
Profit for the period (IFRS)	19,666	27,438

Information on revenue for separate services and products of the Group is presented in Note 15. 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 22. Gain on disposal of assets

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” (government-controlled entity). The Group exchanges property, plant and equipment, accounts receivable, and promise to pay cash by instalments up to 2024 for UNEG property plant and equipment. The exchange has been completed on 1 January 2019.

As at 1 January 2019 the Group has recognised disposal of property, plant and equipment with the carrying value of RR 16,045 million and accounts receivable with the carrying value of RR 5,372 million, and at the same time recognised additions to property, plant and equipment at fair value of RR 34,564 million, long-term accounts payable at fair value of RR 2,713 million and short-term accounts payable at fair value of RR 2,384 million at initial recognition. The Group also recognised VAT recoverable amounted to RR 2,394 million.

Fair value of long-term accounts payable has been determined using present value technique based on estimated future cash flows at the discount rate of 9%. Gain on disposal of assets disposal amounted to RR 10,444 million has been recognised in profit and loss.

Note 23. Subsequent events

Bonds issue. In April 2020, the Group issued non-certified interest-bearing non-convertible bearer bonds of Series 001P-05R with a total nominal value of RR 10,000 million, an interest rate fixed at 6.50 percent, maturity in April 2035, and embedded put option in April 2025. The interest is payable every 91 days during the terms of the bonds.