

PJSC “FGC UES”

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2021

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PJSC “FGC UES”

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

		30 September 2021 (unaudited)	31 December 2020 (audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,102,640	1,069,114
Right-of-use assets	6	13,966	14,216
Intangible assets		7,325	7,684
Investments in associates and joint ventures		1,671	1,481
Other non-current financial assets	7	47,548	62,476
Deferred income tax assets		786	781
Trade and other accounts receivable	9	62,412	67,614
Advances given and other non-current assets		2,672	2,361
Total non-current assets		1,239,020	1,225,727
Current assets			
Cash and cash equivalents	10	53,222	30,096
Other financial assets	8	10,210	16,643
Trade and other accounts receivable	9	41,736	39,147
Income tax prepayments		3,031	1,357
Inventories		19,001	17,526
Advances given and other current assets		11,521	9,349
		138,721	114,118
Assets held for sale		313	313
Total current assets		139,034	114,431
TOTAL ASSETS		1,378,054	1,340,158
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	11	637,333	637,333
Treasury shares	11	(4,719)	(4,719)
Share premium		10,501	10,501
Reserves		28,327	32,755
Retained earnings		309,312	274,948
Equity attributable to shareholders of FGC UES		980,754	950,818
Non-controlling interests		164	168
Total equity		980,918	950,986
Non-current liabilities			
Deferred income tax liabilities		67,597	57,339
Non-current debt	13	230,200	219,850
Non-current trade and other accounts payable	14	5,771	5,863
Non-current advances received		13,628	13,612
Government grants		713	753
Retirement benefit obligations		7,031	7,531
Total non-current liabilities		324,940	304,948
Current liabilities			
Dividends payable		355	335
Current debt and current portion of non-current debt	13	14,324	23,769
Trade and other accounts payable	14	32,358	42,155
Advances received		13,737	10,099
Taxes, other than on income payable		6,655	4,167
Provisions	15	4,761	3,642
Current income tax payable		6	57
Total current liabilities		72,196	84,224
Total liabilities		397,136	389,172
TOTAL EQUITY AND LIABILITIES		1,378,054	1,340,158

Authorised for issue and signed on behalf of the management **25 November 2021**

Director General of PJSC “ROSSETI”
The management company of PJSC “FGC UES”

A.V. Ryumin

Head of Accounting and Financial Reporting –
Chief Accountant

D.V. Nagovitsyn

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

PJSC “FGC UES”

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

	Notes	Three months ended 30 September (unaudited)		Nine months ended 30 September (unaudited)	
		2021	2020	2021	2020
Revenues	16	62,724	61,348	185,699	176,162
Other operating income		1,122	1,283	2,593	3,312
Operating expenses	17	(42,134)	(38,929)	(123,431)	(112,164)
(Accrual)/reversal of allowance for expected credit losses		51	868	(146)	527
Operating profit		21,763	24,570	64,715	67,837
Finance income	18	2,683	2,943	9,169	10,465
Finance costs	19	(1,701)	(1,937)	(4,914)	(5,517)
Share of profit of associates and joint ventures (net of income tax)		52	22	135	114
Profit before income tax		22,797	25,598	69,105	72,899
Income tax expense	12	(4,639)	(4,589)	(14,374)	(14,399)
Profit for the period		18,158	21,009	54,731	58,500
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	(362)	6,805	(6,038)	5,200
Remeasurements of retirement benefit obligations		462	234	808	253
Income tax		28	(889)	748	(692)
Total items that will not be reclassified to profit or loss		128	6,150	(4,482)	(4,761)
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation difference		24	19	54	92
Total items that are or may be reclassified to profit or loss		24	19	54	92
Other comprehensive income/(loss) for the period, net of income tax		152	6,169	(4,428)	4,853
Total comprehensive income for the period		18,310	27,178	50,303	63,353
Profit attributable to:					
Shareholders of FGC UES	20	18,159	21,005	54,731	58,500
Non-controlling interests		(1)	4	–	–
Total comprehensive income attributable to:					
Shareholders of FGC UES		18,311	27,174	50,303	63,353
Non-controlling interests		(1)	4	–	–
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Roubles)	20	0.014	0.017	0.043	0.046

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

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

		Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		69,105	72,899
<i>Adjustments:</i>			
Depreciation of property, plant and equipment	17	31,605	28,427
Depreciation of right-of-use assets	17	858	816
(Gain)/loss on disposal of property, plant and equipment		(659)	88
Amortisation of intangible assets	17	1,131	1,004
Share of profit of associates and joint ventures, net of income tax		(135)	(114)
Accrual/(reversal) of allowance for expected credit losses		146	(527)
Accrual of provisions		1,169	514
Finance income	18	(9,169)	(10,465)
Finance costs	19	4,914	5,517
Other non-cash transactions		41	(180)
Total impact of adjustments		29,901	25,080
Change in non-current trade and other accounts receivable		9,805	4,266
Change in non-current advances given and other non-current assets		(571)	31
Change in non-current trade and other accounts payables		(626)	(736)
Change in non-current advances from customers and other long-term liabilities		(35)	(920)
Cash flows from operating activities before changes in working capital and provisions		107,579	100,620
<i>Changes in working capital:</i>			
Change in trade and other accounts receivable		(1,733)	(201)
Change in advances given and other current assets		(2,156)	(295)
Change in inventories		(1,292)	(10)
Change in trade and other payables		(1,905)	(4,855)
Use of provisions		(377)	(423)
Change in advances from customers		6,126	251
Cash flow from operating activities before payment of income tax		106,242	95,087
Income tax paid		(5,119)	(7,510)
Net cash flows generated by operating activities		101,123	87,577
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(64,319)	(46,955)
Proceeds from disposal of property, plant and equipment		574	33
Purchase of intangible assets		(308)	(969)
Redemption of promissory notes		104	16
Placement of bank deposits		(9,809)	(26,725)
Redemption of bank deposits		16,978	20,508
Dividends received		1,430	1,578
Loans given		(1,650)	(10,023)
Repayment of loans given		13	18
Acquisition of other financial assets		(13)	–
Repayment of other financial assets		10,000	–
Interest received		2,807	2,379
Net cash flows used in investing activities		(44,193)	(60,140)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		10,600	20,000
Repayment of borrowings		(10,564)	(24,466)
Repayment of principal portion of lease liabilities		(945)	(880)
Dividends paid		(20,395)	(23,051)
Interest paid on lease agreements		(1,209)	(1,032)
Interest paid		(11,291)	(10,407)
Net cash flows used in financing activities		(33,804)	(39,836)
Net increase/(decrease) in cash and cash equivalents		23,126	(12,399)
Cash and cash equivalents at the beginning of the period	10	30,096	37,077
Cash and cash equivalents at the end of the period	10	53,222	24,678

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

PJSC “FGC UES”

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

	Notes	Attributable to shareholders of FGC UES					Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Retained earnings		
As at 1 January 2021 (audited)		637,333	10,501	(4,719)	32,755	274,948	168	950,986
Total comprehensive income for the period								
Profit for the period		–	–	–	–	54,731	–	54,731
<i>Other comprehensive income/(loss), net of related income tax</i>								
Change in fair value of financial investments, net of income tax		–	–	–	(5,247)	–	–	(5,247)
Remeasurements of retirement benefit obligations, net of income tax		–	–	–	765	–	–	765
Foreign currency translation difference		–	–	–	54	–	–	54
Total other comprehensive loss		–	–	–	(4,428)	–	–	(4,428)
Total comprehensive income/(loss) for the period		–	–	–	(4,428)	54,731	–	50,303
Dividends	11	–	–	–	–	(20,367)	(4)	(20,371)
As at 30 September 2021 (unaudited)		637,333	10,501	(4,719)	28,327	309,312	164	980,918

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

PJSC “FGC UES”

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

	Notes	Attributable to shareholders of FGC UES					Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Retained earnings		
As at 1 January 2020 (audited)		637,333	10,501	(4,719)	30,937	227,558	174	901,784
Total comprehensive income for the period								
Profit/(loss) for the period		–	–	–	–	58,500	–	58,500
<i>Other comprehensive income/(loss), net of related income tax</i>								
Change in fair value of financial investments, net of income tax	7	–	–	–	4,516	–	–	4,516
Remeasurements of retirement benefit obligations, net of income tax		–	–	–	245	–	–	245
Foreign currency translation difference		–	–	–	92	–	–	92
Total other comprehensive income		–	–	–	4,853	–	–	4,853
Total comprehensive income for the period		–	–	–	4,853	58,500	–	63,353
Dividends		–	–	–	–	(11,989)	(17)	(12,006)
As at 30 September 2020 (unaudited)		637,333	10,501	(4,719)	35,790	274,069	157	953,131

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

Note 1. The Group 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.

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 30 September 2021, FGC UES was 80.13% owned and controlled by PJSC “ROSSETI”. The remaining shares are traded on the Moscow Stock Exchange and as Global Depository Receipts on the London Stock Exchange.

On 15 May 2020 the Annual General Shareholders’ Meeting of FGC UES was taken the decision to transfer the powers of the sole executive body of FGC UES to a management organisation, namely PJSC “ROSSETI”.

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. The Government's economic, social and other policies could have a material impact on the Group’s operations.

The Group’s business environment. The Group operates primarily in the Russian Federation and hence is exposed to risks related to the Russian economy and political market environments. The economy of the 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 impact the Russian economy.

The spread of the COVID-19 in 2020 has had a significant negative impact on the global economy. The oil and gas markets are experiencing volatility in demand and prices. Measures taken to limit the spread of the virus have caused a significant decrease in the business activity in certain industries. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of the measures taken, are currently unclear.

The Group continues to monitor and assess the situation and takes appropriate action:

- cooperate with the federal and regional authorities to prevent the spread of coronavirus and take all required measures to ensure safety, health protection of its employees and contractors;
- conduct events to ensure stable electricity supply, realize investment projects;
- monitor forecasted and actual information about the pandemic impact on the economy of the Russian Federation and on the business activities of the Group and its main counterparties;
- adjust the Group’s operations to fit the new market opportunities, take actions to counteract the adverse effect of the pandemic and ensure the financial stability of the Group.

These interim condensed consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the Group's operations and financial position. The actual impact of future business conditions may differ from current estimates.

Notes to the Interim Condensed Consolidated Financial Statements

(in millions of Russian Roubles unless otherwise stated)

Note 2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements for the three and nine months ended 30 September 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. 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.

These interim condensed consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (hereinafter – IFRS).

Use of professional judgements and estimates

The significant judgements regarding accounting policy of the Group and key sources of uncertainty in estimations applied by the management in preparation current interim condensed consolidated financial statements were the same as those applied to the consolidated financial statements for the year ended 31 December 2020.

New standards and amendments

The Group has applied all new standards and amendments, which came into force on 1 January 2021. The impact of the adoption of the new standards and clarifications was not significant in relation to these interim condensed consolidated financial statements.

In addition to the new standards and clarifications that are effective for annual periods beginning on or after 1 January 2021 and applicable to the Group's operations, which were disclosed in the consolidated financial statements for the year ended 31 December 2020, the following amendments to the standards were issued:

- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 “Income Taxes” – Deferred tax on assets and liabilities arising from a single transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

When effective, these amendments are not expected to have significant impact on the Group's consolidated financial statements.

Changes in presentation. Reclassification of comparative data

Some items in the comparative financial statements were reclassified to comply with the current period presentation. All reclassifications are immaterial.

Note 3. Summary of significant accounting policies

The key significant accounting policies and measurement procedures applied by the Group are consistent with those as disclosed in the audited consolidated financial statements for the year ended 31 December 2020.

Measurement of fair values

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair values are categorized 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 categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of the input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy during the reporting period when the change has occurred.

The Group considers the point of time when transfers between and for certain levels are recognised when an event or change in circumstances occurs.

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Notes to the Interim Condensed Consolidated Financial Statements

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Note 4. Related party transactions

Parties are usually considered related if they are under common control or one of the parties has the ability to control the other party or can have a significant influence on its decisions on financial and economic activities or exercise joint control over it. When considering the relationship with each of the possible related parties, the economic content of such relationships is taken into account, and not only their legal form.

The main related parties of the Group for the three and nine months ended 30 September 2021 and 30 September 2020, as well as at 30 September 2021 and 31 December 2020, were the parent company, its subsidiaries, key management personnel, as well as government-related entities.

Government-related entities. As part of its day-to-day business the Group enters into transactions with other government-related companies. These transactions are carried out at regulated tariffs or at market prices, market interest rates.

Taxes are charged and paid in accordance with Russian tax legislation.

During the three and nine months ended 30 September 2021 and 30 September 2020 the Group had the following significant transactions with government-related entities:

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Transmission revenue	46,292	43,372	137,066	128,938
Electricity sales	204	169	642	522
Construction services	841	926	2,663	1,303
Connection services	11	3,899	116	3,994
Dividend income	—	—	1,423	1,578
Interest income	4,472	679	6,117	2,439
Net (accrual)/reversal of allowance for expected credit losses	(165)	638	(138)	457
Purchased electricity for production needs	(1,890)	(1,765)	(5,983)	(5,541)
Short term rent	(13)	(53)	(185)	(75)

Significant balances with government-related entities are presented below:

	30 September 2021	31 December 2020
Non-current assets		
Other non-current financial assets	46,950	61,807
Advances to construction companies and suppliers of property, plant and equipment (included in construction in progress)	607	539
Trade and other accounts receivable (net of allowance for expected credit losses of RR 177 million as at 30 September 2021 and RR 177 million as at 31 December 2020)	61,896	67,017
Advances given and other non-current assets	13	26
Current assets		
Cash and cash equivalents	40,964	25,075
Other financial assets	10,192	6,528
Trade and other accounts receivable (net of allowance for expected credit losses of RR 4,965 million as at 30 September 2021 and RR 4,886 million as at 31 December 2020)	34,301	30,963
Advances given and other current assets (net of impairment of RR 1 million as at 30 September 2021 and RR 0 million as at 31 December 2020)	189	153
Non-current liabilities		
Non-current debt	(10,151)	(9,462)
Trade and other accounts payable	(3,440)	(3,227)
Advances from customers	(9,989)	(10,131)
Current liabilities		
Current debt and current portion of non-current debt	(559)	(596)
Trade and other accounts payable	(1,734)	(1,836)
Advances from customers	(11,020)	(7,312)

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Notes to the Interim Condensed Consolidated Financial Statements

(in millions of Russian Roubles unless otherwise stated)

As at 30 September 2021 the Group had long-term undrawn committed financing facilities with government-related banks of RR 60,019 million (31 December 2020: RR 60,021 million).

Parent company. During the three and nine months ended 30 September 2021 and 2020 the Group had the following significant transactions with the parent company of FGC UES - PJSC “ROSSETI”:

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Revenues	72	180	343	398
Operating expenses	(231)	–	(694)	(380)

Significant balances with the parent company are presented below:

	30 September 2021	31 December 2020
Short-term trade and other receivables	28	32
Financial investments into shares	584	669
Bonds	–	10,084
Short-term trade and other payables	(139)	(139)
Dividends payable	–	–

For the nine months ended 30 September 2021 the Group accrued a remuneration in the amount of RR 691 million in accordance with agreement on the transfer of authority of the sole executive body PJSC “FGC UES” to PJSC “ROSSETI” (for the nine months ended 30 September 2020: RR 119 million)

Directors’ compensation. Key management personnel (management) include members of the Board of Directors (for the nine months ended 30 September 2020 – members of the Board of Directors and the Management Board).

Fees, compensation or allowances to the members of the Board of Directors for their services in that capacity and for attending Board meetings are paid depending on results for the year. Fees, compensation or allowances, are not paid to the members of the Board of Directors who are government employees. Remuneration provided to the members of the Board of Directors for the nine months ended 30 September 2021 amounted to RR 6 million (remuneration provided to the members of the Board of Directors for the nine months ended 30 September 2020 amounted to RR 8 million), including social security contributions.

For nine months ended 30 September 2020, the members of the Management Board were paid with remuneration of RR 230 million (social security contributions are not included) in the form of salary, non-cash short-term benefits and bonuses, and RR 5 million in the form of post-employment benefits and other long-term benefits.

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Notes to the Interim Condensed Consolidated Financial Statements

(in millions of Russian Roubles 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 2021	36,284	722,174	806,736	241,080	99,519	1,905,793
Additions	464	43	167	61,688	3,147	65,509
Transfers	1,254	4,220	8,190	(15,788)	2,124	–
Disposals	(57)	(15)	(1,035)	(214)	(646)	(1,967)
Balance as at 30 September 2021	37,945	726,422	814,058	286,766	104,144	1,969,335
Accumulated depreciation and impairment						
Balance as at 1 January 2021	(8,935)	(318,747)	(409,231)	(41,331)	(58,435)	(836,679)
Depreciation charge	(530)	(9,385)	(16,954)	–	(4,737)	(31,606)
Transfers	2	(167)	(35)	114	86	–
Disposals	18	9	962	1	600	1 590
Balance as at 30 September 2021	(9,445)	(328,290)	(425,258)	(41,216)	(62,486)	(866,695)
Net book value as at 1 January 2021	27,349	403,427	397,505	199,749	41,084	1,069,114
Net book value as at 30 September 2021	28,500	398,132	388,800	245,550	41,658	1,102,640

	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	69	50,427	1,430	51,928
Transfers	822	36,691	20,197	(59,640)	1,930	–
Disposals	(16)	–	(649)	(473)	(850)	(1,988)
Balance as at 30 September 2020	34,962	698,554	785,528	248,968	96,489	1,864,501
Accumulated depreciation and impairment						
Balance as at 1 January 2020	(8,210)	(300,492)	(382,871)	(43,951)	(54,136)	(789,660)
Depreciation charge	(347)	(8,452)	(15,604)	–	(4,024)	(28,427)
Transfers	(33)	(1,663)	(448)	2,212	(68)	–
Disposals	–	–	580	–	827	1,407
Balance as at 30 September 2020	(8,590)	(310,607)	(398,343)	(41,739)	(57,401)	(816,680)
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 30 September 2020	26,372	387,947	387,185	207,229	39,088	1,047,821

Capitalized interest on loans for the nine months ended 30 September 2021 amounted to RR 8,934 million (for the nine months ended 30 September 2020: RR 6,341 million), the capitalization rate was 5.92 % (for the nine months ended 30 September 2020: 4.48 %).

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Notes to the Interim Condensed Consolidated Financial Statements (in millions of Russian Roubles 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 2021	11,175	753	1,020	1,268	14,216	14,526
Additions	1,281	—	—	69	1,350	1,350
Depreciation charged to profit or loss	(583)	(12)	(156)	(107)	(858)	—
Depreciation charged to construction in progress	(263)	—	—	—	(263)	—
Interest expense	—	—	—	—	—	1,209
Payments	—	—	—	—	—	(2,154)
Transfer to property, plant and equipment	—	—	—	(479)	(479)	—
Balance as at 30 September 2021	11,610	741	864	751	13,966	14,931

	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	1,850	—	—	67	1,917	1,917
Depreciation charged to profit or loss	(537)	(13)	(157)	(109)	(816)	—
Depreciation charged to construction in progress	(212)	—	—	—	(212)	—
Interest expense	—	—	—	—	—	1,032
Payments	—	—	—	—	—	(1,904)
Balance as at 30 September 2020	10,480	755	1,072	1,301	13,608	13 869

Note 7. Other non-current financial assets

	30 September 2021	31 December 2020
Financial assets measured at fair value through other comprehensive income		
Investments in quoted equity instruments	42,156	48,194
Investments in unquoted equity instruments	111	111
Financial assets measured at amortised cost		
Bank deposits	—	10,020
Federal loan bonds (OFZ) of the Russian Federation	4,218	4,151
Long-term loans given	1,050	—
Financial assets at fair value through profit or loss	13	—
Total	47,548	62,476

Investments in quoted equity instruments include shares of Russian companies with a fair value calculated on the basis of published market quotations (initial data of the 1st level of the fair value hierarchy).

The fair value of financial investments measured at amortised cost is approximately equal to their carrying amount.

Note 8. Other financial assets

	30 September 2021	31 December 2020
Financial assets measured at amortised cost		
Bank deposits	9,510	6,446
Bonds of PJSC “ROSSETI”	—	10,084
Loans given	700	113
Total other financial assets	10,210	16,643

The fair value of financial assets measured at amortised cost is approximately equal to their carrying amount.

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Note 9. Trade and other accounts receivable

	30 September 2021	31 December 2020
Non-current trade and other receivables		
Trade receivables (net of allowance for expected credit losses of RR 17 million as at 30 September 2021 and RR 18 million as at 31 December 2020)	59,632	64,943
Other receivables (net of allowance for expected credit losses of RR 223 million as at 30 September 2021 and RR 223 million as at 31 December 2020)	2,609	2,514
Promissory notes	171	157
Total non-current trade and other receivables	62,412	67,614

	30 September 2021	31 December 2020
Current trade and other receivables		
Trade receivables (net of allowance for expected credit losses of RR 7,161 million as at 30 September 2021 and RR 7,350 million as at 31 December 2020)	39,319	36,138
Other receivables (net of allowance for expected credit losses of RR 5,840 million as at 30 September 2021 and RR 5,988 million as at 31 December 2020)	2,417	2,908
Promissory notes	–	101
Total current trade and other receivables	41,736	39,147

Non-current trade receivables mainly relate to the contracts of technological connection services that imply payment deferral and restructured receivable balances for transmission services that are expected to be settled within the period exceeding 12 months from the period end.

As at 30 September 2021 non-current trade receivables in the amount of RR 58,311 million (as at 31 December 2020: RR 61,293 million) relate to the contracts of technological connection, 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 at the date of initial recognition has been determined using present value technique based on estimated future cash flows and the discount rates of 6.91–9.63%.

As at 30 September 2021 the fair value of non-current trade and other receivables amounted to RR 60,831 million (as at 31 December 2020: RR 73,380 million). The fair value (Level 3) of non-current trade and other receivables has been determined using present value technique based on estimated future cash flows and the discount rates of 7.56–7.85% (as at 31 December 2020: 6.08–6.53%).

Note 10. Cash and cash equivalents

	30 September 2021	31 December 2020
Cash at bank and in hand	25,572	24,761
Cash equivalents	27,650	5,335
Total cash and cash equivalents	53,222	30,096

Cash equivalents as at 30 September 2021 and 31 December 2020 mainly include short-term investments in bank deposits. The deposits are placed at interest rates of 2.25–7.10%.

As at 30 September 2021 cash and cash equivalents include amounts nominated in foreign currency totalling RR 89 million (as at 31 December 2020: RR 97 million).

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Note 11. Equity

Share capital

	Number of shares issued and fully paid, psc.		Share capital	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Ordinary shares	1,274,665,323,063	1,274,665,323,063	637,333	637,333

As at 30 September 2021 the number of ordinary shares of the PJSC “FGC UES” is entitled to issue widely placed is 72,140,500,768 shares with a nominal value of RR 0.5 per share.

Treasury shares. As at 30 September 2021 the Group held through a subsidiary 13,727,165,278 ordinary shares in treasury at the total cost of RR 4,719 million (as at 31 December 2020: RR 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:

	30 September 2021	31 December 2020
Revaluation reserve for financial investments	30,975	36,222
Remeasurement reserve for retirement benefit obligations	(3,018)	(3,783)
Foreign currency translation reserve	370	316
Total reserves	28,327	32,755

Dividends. The basis for dividends distribution is the net profit of the PJSC “FGC UES” defined in accordance with the current Russian legislation.

At the Annual General Meeting on 29 June 2021 shareholders approved the decision to distribute dividends for the year 2020 in the total amount of RR 20,564 million. Dividends per ordinary share amounted to RR 0.016132865449.

Note 12. Income tax

Income tax expense is recognized based on management's best estimation at the reporting date of the weighted average expected income tax rate for the full fiscal year

For the three and nine months ended 30 September 2021 and 2020 the taxable profit of the majority of the Group's companies was subject of 20% income tax rate.

Profit before income tax for financial reporting purposes is reconciled to income tax expenses as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Profit before income tax	22,797	25,598	69,105	72,899
Theoretical income tax charge at the statutory tax rate of 20 percent	(4,559)	(5,120)	(13,821)	(14,580)
Tax effect of items which are not deductible for taxation purposes	(158)	547	(513)	(104)
Movement in unrecognised deferred tax assets	78	(16)	(40)	285
Total income tax expense	(4,639)	(4,589)	(14,374)	(14,399)

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Note 13. Debt

	Effective interest rate	Due	30 September 2021	31 December 2020
Interest-bearing non-convertible bonds:				
with fixed rates	6.50–9.35%	2021–2030	77,289	77,762
with variable rates	CPI+1–2.5%	2022–2048	151,616	151,171
Non-bank borrowings	0.1–7.1%	2022–2026	688	160
Lease liabilities	4.7–10.38%	2021–2100	14,931	14,526
Total debt			244,524	243,619
Less: current portion of non-current bonds			(12,485)	(22,514)
Less: current portion of non-bank borrowings			(606)	(5)
Less: current portion of lease liabilities			(1,233)	(1,250)
Total non-current debt			230,200	219,850

All debt instruments are denominated in RR.

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 the Moscow Stock Exchange.

		30 September 2021		31 December 2020	
	Level	Fair value	Carrying value	Fair value	Carrying value
Non-convertible bonds with fixed rates (including current portion)	1	76,294	77,289	79,365	77,762
Non-convertible bonds with variable rates	1	10,063	10,149	10,005	10,234
Total debt classified into fair value hierarchy level 1		86,357	87,438	89,370	87,996

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

The amount of free limit on open but unused credit lines of the Group was RR 100,019 million at 30 September 2021 (31 December 2020: RR 100,021 million). The Group has opportunity to attract additional financing within the corresponding limits, including for the purpose of execution of short-term liabilities.

Note 14. Trade and other payables

	30 September 2021	31 December 2020
Non-current trade and other accounts payable		
Accounts payable to construction companies and suppliers of property, plant and equipment	5,443	5,160
Trade payables	328	703
Total long-term trade and other payables	5,771	5,863
Current trade and other accounts payable		
Accounts payable to construction companies and suppliers of property, plant and equipment	18,341	27,897
Trade payables	9,663	9,539
Accounts payable to employees	2,713	3,189
Other creditors	1,641	1,530
Total	32,358	42,155

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As at 30 September 2021 non-current accounts payable to construction companies and suppliers of property, plant and equipment includes RR 217 million (as at 31 December 2020: RR 161 million) of guarantee deposits made to suppliers of property, plant and equipment refundable in 2022–2039. Fair value of consideration payable for these deposits at the date of initial recognition has been determined using present value technique based on estimated future cash flows and the discount rates of 5.22–6.28%.

As at 30 September 2021 non-current accounts payable to construction companies and suppliers of property, plant and equipment includes RR 1,753 million (as at 31 December 2020: RR 1,773 million) related to purchase of property, plant and equipment. Amounts are payable in installments in 2022–2026. Fair value of consideration payable at the date of initial recognition has been determined using present value technique based on estimated future cash flows and the discount rate of 8.75%.

As at 30 September 2021 fair value of non-current trade and other payables amounted to RR 5,981 million (as at 31 December 2020: RR 6,262 million). The fair value (Level 3) of non-current trade and other payables has been determined using present value technique based on estimated future cash flows and the discount rate of 6.28% (31 December 2020: 5.22%).

Note 15. Provisions

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Carrying amount at 1 January	3,642	1,202
Charge (increase) for the period	1,822	672
Unused (decrease) amounts reversed	(325)	(158)
Use of provision	(378)	(423)
Carrying amount at 30 September	4,761	1,293

Provisions relate mainly to legal proceedings and claims against the Group in the ordinary course of business.

Note 16. Revenues

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Transmission fee	59,893	55,107	177,906	165,413
Construction services	841	1,029	2,664	2,081
Electricity sales	463	406	1,460	1,241
Technological connection services	689	3,926	1,218	4,615
Other revenues	627	614	1,894	2,049
Total revenue from contracts with customers	62,513	61,082	185,142	175,399
Rental income	211	266	557	763
Total revenue	62,724	61,348	185,699	176,162

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Note 17. Operating expenses

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Purchased electricity for production needs	10,636	8,738	31,605	28,427
Depreciation of property, plant and equipment	10,489	9,632	31,540	26,501
Employee benefit expenses and payroll taxes	7,835	7,362	22,814	23,351
Taxes, other than on income	3,714	3,412	11,043	10,255
Subcontract works for construction contracts	1,497	1,269	3,248	3,328
Materials for construction contracts	880	1,019	2,643	1,964
Electricity grids usage fee	887	766	2,359	2,404
Business trips and transportation expenses	1,273	599	2,238	2,775
Repairs and maintenance	606	1,425	1,644	1,571
Electricity transit	499	662	1,344	1,744
Amortisation of intangible assets	367	315	1,131	1,004
Depreciation of right-of-use assets	284	292	858	816
Fuel for mobile gas-turbine electricity plants	182	10	564	19
Short term rent	101	115	396	283
Other expenses	2,884	3,313	10,004	7,722
Total	42,134	38,929	123,431	112,164

Note 18. Finance income

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Unwinding of discount on financial assets	1,406	1,750	4,606	5,384
Interest income on bank deposits and cash on bank accounts	1,267	1,178	3,068	3,360
Dividend income	—	—	1,430	1,578
Foreign currency exchange differences	2	11	9	35
Other finance income	8	4	56	108
Total finance income	2,683	2,943	9,169	10,465

Note 19. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Interest expenses on financial liabilities measured at amortized cost	4,235	3,303	11,742	9,804
Interest expense on lease contracts	420	355	1,209	1,032
Net interest expense on defined benefit liability	118	104	359	326
Foreign currency exchange differences	33	85	169	221
Other finance costs	96	140	369	475
Total finance costs	4,902	3,987	13,848	11,858
Less capitalised interest expenses on borrowings related to qualifying assets (Note 5)	(3,201)	(2,050)	(8,934)	(6,341)
Total finance costs recognised in profit or loss	1,701	1,937	4,914	5,517

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Note 20. Earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Weighted average number of ordinary shares (millions of shares)	1,260,938	1,260,938	1,260,938	1,260,938
Profit attributable to shareholders of FGC UES (millions of RR)	18,159	21,005	54,731	58,500
Earnings per share – basic and diluted (in RR)	0.014	0.017	0.043	0.046

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

Note 21. Contingencies and commitments

Insurance. The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage, including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and the financial position of the Group in case of damage caused to third parties, and also as a result of damage or loss of assets, insurance protection of which is non-existent or not fully implemented.

Legal proceedings. In the normal course of business, the Group entities may be a party to certain legal proceedings. As at 30 September 2021 claims made by suppliers of property, plant and equipment and other counterparties to the Group amounted to RR 3,247 million.

As pursuant to the court rulings of the Moscow Arbitration Court for case No A40-45189/2018 and for case No A40-173223/2018 which have entered into legal force, the Group in 2019 recognised income from settlement of the liabilities of suppliers with means of cash received under the guarantees provided by PJSC “Bank Otkritie Financial Corporation” (as a reversal of the earlier recognised impairment loss on certain items of the property, plant and equipment and construction in progress). On 13 January 2021, the Moscow Arbitration Court made a decision to case No A40-108510/20-90-785 on dismissal of an action from PJSC “Bank Otkritie Financial Corporation” against the Company on cost recovery of RR 2,258 million since the Claimant has failed to prove the Company's actions as wrongful. Therefore, there are no grounds to allow the claim of the Claimant. The case was sent to the appeals court on 18 February 2021. On 19 April 2021, the Ninth Arbitration Court of Appeal dismissed the complaint of PJSC “Bank Otkritie Financial Corporation” and upheld the decision of the Moscow Arbitration Court. On 18 August 2021, by the decision of the Arbitration Court of the Moscow District, the cassation appeal of PJSC “Bank Otkritie Financial Corporation” was rejected, the decision of the Moscow Arbitration Court dated 13 January 2021 and the Resolution of the Ninth Arbitration Court of Appeal dated 19 April 2021, on the dismissal of claims requirements of PJSC “Bank Otkritie Financial Corporation”. On 13 October 2021, PJSC “Bank Otkritie Financial Corporation” filed the cassation appeal to the Supreme Court of the Russian Federation (registration number 305-ES21-23014). In the management's opinion, the probability of unfavourable final decision of the litigation for the Group is not high.

Management believes that there are currently no other outstanding claims or claims that could have a material effect on the results of operations or financial position.

Tax contingency. Russian tax legislation is subject to varying interpretations regarding the operations 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.

In particular, 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.

The Russian tax authorities are entitled to charge additional tax and penalty in accordance with procedures set forth by transfer pricing regulations (TPR) in case prices/return in controlled transactions differ from the those on the market. The list of controlled transactions comprises mainly transactions between related parties.

Since 1 January 2019, control over transfer prices for the major domestic Russian transactions has been cancelled. However, exemption from control over prices can be applied to certain domestic transactions only. At this, in case of additional tax charge, a correlative adjustment mechanism can be used to tax liabilities if certain legal requirements are met. Intra-group transactions that have been beyond the control of TPR since 2019 may, however, can be subject

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to inspection from territorial tax authorities with regard to unjustified tax income and the TRP principles can be applied to determine the additional tax payable. The federal executive body responsible for control and supervision over taxes and charges can inspect prices/return in controlled transactions and, if disagreeing with the Group's prices applied in the transactions, can charge additional tax unless the Group can justify the marketing nature of pricing in the transaction with documents on transfer pricing that are in compliance with the legal regulations.

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 Group's management does not exclude the risk of resources outflow and its impact can not be sufficiently estimated.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained.

Environmental matters. The Group has been operating in the electric transmission industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to develop, the duties of the authorized state bodies to monitor its compliance are reviewed. Potential liabilities arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation cannot be estimated under the existing legislation, management believes that there are no probable liabilities, which will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 177,260 million as at 30 September 2021 (as at 31 December 2020: RR 139,314 million) including VAT.

Note 22. Segment information

The Group operates within one operating segment. The Group's primary activity is provision of electricity transmission services within the Russian Federation which is represented as Transmission segment.

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 transmission segment performance is return on equity ratio (ROE). 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 RAS. The other information provided to the CODM is also based on statutory financial statements prepared according to RAS.

	Transmission segment – based on statutory financial statements prepared according to RAS			
	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Revenue from external customers	60,452	60,298	180,635	172,645
Intercompany revenue	194	91	290	278
Total revenue	60,646	60,389	180,925	172,923
Net profit for period	10,049	18,236	26,900	40,024

	30 September 2021	31 December 2020
Total reportable segment assets	1,585,114	1,578,076
Total reportable segment liabilities	433,345	432,631

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	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Total revenue from segment (RAS)	60,646	60,389	180,925	172,923
Reclassification between revenue and other operating income	640	(645)	(67)	(813)
Non-segmental revenue	1,697	1,739	5,271	4,010
Elimination of intercompany revenue	(194)	(91)	(290)	(278)
Revenue adjustments	(65)	(44)	(140)	320
Total revenue (IFRS)	62,724	61,348	185,699	176,162

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Profit for the period (RAS)	10,049	18,236	26,900	40,024
Property, plant and equipment				
Adjustment to the carrying value of property, plant and equipment	9,213	9,397	28,054	29,702
Financial instruments				
Re-measurement of financial investments through other comprehensive income	584	(7,034)	6,355	(5,617)
Discounting of long-term trade and other receivables	383	433	1,195	1,319
Discounting of long-term trade and other payables	(74)	(88)	(195)	(347)
Discounting of promissory notes	5	9	17	26
Other				
Adjustment to allowance for expected credit losses	621	148	275	(414)
Right-of-use assets	(204)	(184)	(621)	(393)
Accrual of retirement benefit obligations	(98)	(32)	(349)	(105)
Non-recognised revenue and other income	(501)	(450)	(283)	–
Write-off of research and development costs to expenses	(53)	35	(52)	55
Share of profit of associates and joint ventures	52	22	135	114
Deferred income tax adjustment	(1,889)	(374)	(6,416)	(4,827)
Other adjustments	245	844	206	446
Non-segmental other operating loss	(175)	47	(490)	(1,483)
Profit for the period (IFRS)	18,158	21,009	54,731	58,500