

PJSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

IAS 34 “INTERIM FINANCIAL REPORTING”

FOR THE THREE MONTHS ENDED 31 MARCH 2016

(UNAUDITED)

CONTENTS

Condensed Consolidated Interim Statement of Financial Position (Unaudited)	3
Condensed Consolidated Interim Statement of Profit and Loss and Other Comprehensive Income (Unaudited)	4
Condensed Consolidated Interim Statement of Cash Flows (Unaudited).....	5
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited).....	6
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)	
Note 1. PJSC “FGC UES” and its operations	7
Note 2. Basis of preparation	7
Note 3. Summary of significant accounting policies	8
Note 4. Balances and transactions with related parties	8
Note 5. Property, plant and equipment	9
Note 6. Available-for-sale investments	10
Note 7. Cash and cash equivalents and bank deposits	10
Note 8. Accounts receivable and prepayments	10
Note 9. Equity.....	11
Note 10. Income tax	11
Note 11. Non-current debt.....	11
Note 12. Accounts payable and accrued charges.....	11
Note 13. Revenue	12
Note 14. Operating expenses	12
Note 15. Finance income	12
Note 16. Finance costs.....	12
Note 17. Earnings per ordinary share for profit attributable to shareholders of FGC UES	12
Note 18. Contingencies, commitments, operating and financial risks	13
Note 19. Segment information	13

PJSC “FGC UES”

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

	Notes	31 March 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	5	825,175	821,114
Intangible assets		7,511	7,752
Investments in associates and joint ventures		1,781	1,691
Available-for-sale investments	6	36,572	22,271
Deferred income tax assets		22	260
Long-term accounts receivable		19,113	15,180
Other non-current assets		2,066	1,799
Total non-current assets		892,240	870,067
Current assets			
Cash and cash equivalents	7	35,717	28,176
Bank deposits	7	23,275	30,269
Accounts receivable and prepayments	8	50,522	50,043
Income tax prepayments		241	432
Inventories		19,842	16,063
Other current assets		271	278
Total current assets		129,868	125,261
TOTAL ASSETS		1,022,108	995,328
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	9	637,333	637,333
Treasury shares	9	(4,719)	(4,719)
Share premium		10,501	10,501
Reserves		240,863	229,578
Accumulated deficit		(236,454)	(252,980)
Equity attributable to shareholders of FGC UES		647,524	619,713
Non-controlling interest		(180)	(75)
Total equity		647,344	619,638
Non-current liabilities			
Deferred income tax liabilities		18,639	14,589
Non-current debt	11	250,048	250,076
Deferred income		1,096	1,105
Retirement benefit obligations		7,792	7,357
Total non-current liabilities		277,575	273,127
Current liabilities			
Accounts payable to shareholders of FGC UES		6	6
Current debt and current portion of non-current debt	11	29,871	31,466
Accounts payable and accrued charges	12	65,458	71,036
Income tax payable		1,854	55
Total current liabilities		97,189	102,563
Total liabilities		374,764	375,690
TOTAL EQUITY AND LIABILITIES		1,022,108	995,328

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

23 May 2016

Chairman of the Management Board

Head of Accounting and Financial Reporting – Chief Accountant

A. E. Murov

A.P. Noskov

PJSC “FGC UES”

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

	Notes	Three months ended 31 March 2016	Three months ended 31 March 2015
Revenues	13	52,540	42,568
Other operating income		789	1,051
Operating expenses	14	(31,501)	(32,389)
Impairment of property, plant and equipment, net	5	(718)	(202)
Operating profit		21,110	11,028
Finance income	15	1,798	2,079
Finance costs	16	(2,656)	(2,342)
Share of result of associates		4	(13)
Profit before income tax		20,256	10,752
Income tax expense	10	(3,835)	(1,639)
Profit for the period		16,421	9,113
Other comprehensive income / (loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of retirement benefit obligations		(259)	(521)
Income tax relating to items that will not be reclassified		16	39
Total items that will not be reclassified to profit or loss		(243)	(482)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of available-for-sale investments	6	14,301	7,574
Foreign currency translation difference		87	(247)
Income tax relating to items that may be reclassified		(2,860)	(1,515)
Total items that may be reclassified to profit or loss		11,528	5,812
Other comprehensive income for the period, net of income tax		11,285	5,330
Total comprehensive income for the period		27,706	14,443
Profit / (loss) attributable to:			
Shareholders of FGC UES	17	16,526	9,091
Non-controlling interest		(105)	22
Total comprehensive income / (loss) attributable to:			
Shareholders of FGC UES		27,811	14,421
Non-controlling interest		(105)	22
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	17	0.013	0.007

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 2016	Three months ended 31 March 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		20,256	10,752
<i>Adjustments to reconcile profit before income tax to net cash provided by operations</i>			
Depreciation of property, plant and equipment	5,14	9,785	9,643
(Gain) / loss on disposal of property, plant and equipment		(941)	93
Amortisation of intangible assets		331	472
Impairment of property, plant and equipment, net	5	718	202
Share of result of associates		(4)	13
(Reversal) / accrual of allowance for doubtful debtors	14	(2,744)	4,108
Finance income	15	(1,798)	(2,079)
Finance costs	16	2,656	2,342
Other non-cash operating income		(25)	(4)
Operating cash flows before working capital changes and income tax paid		28,234	25,542
<i>Working capital changes:</i>			
(Increase) / decrease in accounts receivable and prepayments		(1,701)	6,189
Increase in inventories		(2,468)	(211)
Decrease in other non-current and current assets		174	156
Increase / (decrease) in accounts payable and accrued charges		1,205	(783)
Increase / (decrease) in retirement benefit obligations		4	(119)
Income tax (paid) / received		(399)	735
Net cash generated by operating activities		25,049	31,509
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(18,197)	(21,678)
Proceeds from disposal of property, plant and equipment		2,316	364
Purchase of intangible assets		(90)	(157)
Redemption of promissory notes		52	18
Investment in bank deposits		(170)	(16,117)
Redemption of bank deposits		7,165	50
Interest received		1,378	1,865
Net cash used in investing activities		(7,546)	(35,655)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loans given		(35)	-
Repayment of lease		(37)	(37)
Interest paid		(9,890)	(6,369)
Net cash generated used in financing activities		(9,962)	(6,406)
Net increase / (decrease) in cash and cash equivalents		7,541	(10,552)
Cash and cash equivalents at the beginning of the period	7	28,176	42,068
Cash and cash equivalents at the end of the period	7	35,717	31,516

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					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Accumulated deficit			
As at 1 January 2016		637,333	10,501	(4,719)	229,578	(252,980)	619,713	(75)	619,638
Comprehensive income for the period									
Profit for the period		-	-	-	-	16,526	16,526	(105)	16,421
<i>Other comprehensive income / (loss), net of related income tax</i>									
Change in fair value of available-for-sale investments	6	-	-	-	11,441	-	11,441	-	11,441
Remeasurements of retirement benefit obligations		-	-	-	(243)	-	(243)	-	(243)
Foreign currency translation difference		-	-	-	87	-	87	-	87
Total other comprehensive income		-	-	-	11,285	-	11,285	-	11,285
Total comprehensive income for the period		-	-	-	11,285	16,526	27,811	(105)	27,706
As at 31 March 2016		637,333	10,501	(4,719)	240,863	(236,454)	647,524	(180)	647,344
	Notes	Attributable to shareholders of FGC UES					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Accumulated deficit			
As at 1 January 2015		637,333	10,501	(4,719)	226,382	(297,237)	572,260	971	573,231
Comprehensive income for the period									
Profit for the period		-	-	-	-	9,091	9,091	22	9,113
<i>Other comprehensive income / (loss), net of related income tax</i>									
Change in fair value of available-for-sale investments		-	-	-	6,059	-	6,059	-	6,059
Remeasurements of retirement benefit obligations		-	-	-	(482)	-	(482)	-	(482)
Foreign currency translation difference		-	-	-	(247)	-	(247)	-	(247)
Total other comprehensive loss		-	-	-	5,330	-	5,330	-	5,330
Total comprehensive income for the period		-	-	-	5,330	9,091	14,421	22	14,443
As at 31 March 2015		637,333	10,501	(4,719)	231,712	(288,146)	586,681	993	587,674

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 (the “FAS” – legal successor of the Federal Tariff Service, abolished on 21 July 2015) based on the Regulatory Asset Base (“RAB”) regulation. FGC UES’s main customers are distribution grid companies (“IDGCs”), certain large commercial end customers and retail electricity supply companies.

On 14 June 2013 the Government of the Russian Federation (the “RF”) transferred its stake in FGC UES to PJSC “Russian Grids” (former OJSC “IDGC Holding”), the holding company of an electricity distribution group, controlled by the Government of the RF. As at 31 March 2016, FGC UES was 80.13% owned and controlled by PJSC “Russian Grids”. The remaining shares are traded on Moscow Interbank Currency Exchange and as Global Depository Receipts on the London Stock Exchange.

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

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

Business environment. The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

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

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

Note 2. Basis of preparation

Statement of compliance. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all the information required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Selected explanatory notes are included to explain events and transactions that are significant for understanding of changes in the Group’s financial position and performance since the last annual consolidated financial statements. All information should be read in conjunction with the Group’s audited consolidated financial statements as at and for the year ended 31 December 2015 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 2015.

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

Note 2. Basis of preparation (continued)

Fair value. Management believes that the fair value of financial assets and liabilities carried at amortised cost is not significantly different from their carrying amounts, except for non-current and current debt (Note 11). The carrying value of trade payables and trade receivables less provision for doubtful debtors is assumed to approximate their fair value due to their short-term nature. The financial instruments of the Group carried at fair value represent available-for-sale investments (Note 6). The fair value of the available-for-sale investments is determined by the quoted prices (Level 1 inputs) in active markets for identical financial assets. There are no significant unobservable inputs used in measuring fair values of financial assets and liabilities

Note 3. Summary of significant accounting policies

Except for the adoption of the new standards and interpretations effective for the annual periods beginning on 1 January 2016, 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 2015. Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual profit or loss.

Changes in accounting policies. Several new amendments to standards apply for the first time in 2016. However, they do not impact the Group’s annual consolidated financial statements or the condensed consolidated interim financial statements.

Note 4. Balances and transactions with related parties

Government-related entities. During the three months ended 31 March 2015 and 2016 the Group had the following significant transactions with government-related entities:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Transmission revenue	42,726	33,477
Electricity sales	4,608	623
Construction services	2,337	-
Connection services	27	47
Purchased electricity for production needs	(1,825)	(2,328)

Significant balances with government-related entities are presented below:

	31 March 2016	31 December 2015
Cash and cash equivalents	34,886	15,454
Bank deposits	7,459	16,269
Long-term accounts receivable	18,414	14,229
Trade receivables (net of allowance for doubtful debtors of RR 7,071 million as at 31 March 2016 and RR 7,656 million as at 31 December 2015)	26,154	29,237
Other receivables (net of allowance for doubtful debtors of RR 1,239 million as at 31 March 2016 and RR 1,235 million as at 31 December 2015)	1,656	2,009
Available-for-sale investments	36,572	22,271
Advances to construction companies and suppliers of property, plant and equipment (included in CIP)	3,614	912
Accounts payable to shareholders of FGC UES	(6)	(6)
Non-current debt	(388)	(416)
Current debt	(107)	(104)
Accounts payable and accrued charges	(21,307)	(22,537)

As at 31 March 2016 the Group had long-term undrawn committed financing facilities with government-related banks of RR 105,000 million (as at 31 December 2015: RR 105,000 million) with the interest rates not exceeding 14.95% and the maturity dates from 2018 to 2026 (Note 11).

There were no short-term undrawn committed financing facilities with government-related banks as at 31 March 2016 and 31 December 2015.

Tax balances and charges are disclosed in Notes 10, 12 and 14. Tax transactions are disclosed in the Consolidated Interim Statement of Profit and 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)

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 2016 and 2015 was as follows:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Short-term compensation, including salary and bonuses	41	31
Post-employment benefits and other long-term benefits	4	4
Total	45	35

No remuneration was provided to the members of the Board of Directors for the three months ended 31 March 2016 and 2015.

Note 5. Property, plant and equipment

	Buildings	Power trans- mission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Balance as at 1 January 2016	20,820	392,762	256,529	155,704	37,177	862,992
Additions	1	-	18	17,338	(130)	17,227
Transfers	2	298	1,131	(1,515)	84	-
Disposals	(63)	(97)	(1,221)	(1,288)	(28)	(2,697)
Balance as at 31 March 2016	20,760	392,963	256,457	170,239	37,103	877,522
Balance as at 1 January 2016	(356)	(15,350)	(17,335)	(2,850)	(5,987)	(41,878)
Depreciation charge	(103)	(4,022)	(4,166)	-	(1,494)	(9,785)
Impairment loss	-	-	-	(718)	-	(718)
Disposals	1	9	11	-	13	34
Balance as at 31 March 2016	(458)	(19,363)	(21,490)	(3,568)	(7,468)	(52,347)
Net book value as at 1 January 2016	20,464	377,412	239,194	152,854	31,190	821,114
Net book value as at 31 March 2016	20,302	373,600	234,967	166,671	29,635	825,175
Appraisal value or cost						
Balance as at 1 January 2015	20,145	372,659	222,250	147,765	32,210	795,029
Additions	277	20	36	8,967	172	9,472
Transfers	64	165	832	(1,136)	75	-
Disposals	(172)	-	(128)	(148)	(18)	(466)
Balance as at 31 March 2015	20,314	372,844	222,990	155,448	32,439	804,035
Balance as at 1 January 2015	-	-	-	-	-	-
Depreciation charge	(109)	(3,771)	(4,259)	-	(1,504)	(9,643)
Impairment loss	-	-	-	(202)	-	(202)
Disposals	1	1	4	-	3	9
Balance as at 31 March 2015	(108)	(3,770)	(4,255)	(202)	(1,501)	(9,836)
Net book value as at 1 January 2015	20,145	372,659	222,250	147,765	32,210	795,029
Net book value as at 31 March 2015	20,206	369,074	218,735	155,246	30,938	794,199

PJSC “FGC UES”

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

Note 6. Available-for-sale investments

	1 January 2016	Change in fair value	31 March 2016
PJSC “INTER RAO UES”	21,480	14,152	35,632
PJSC “Russian Grids”	680	149	829
Other	111	-	111
Total	22,271	14,301	36,572

	1 January 2015	Change in fair value	31 March 2015
PJSC “INTER RAO UES”	13,759	7,489	21,248
PJSC “Russian Grids”	625	85	710
Total	14,384	7,574	21,958

Note 7. Cash and cash equivalents and bank deposits

	31 March 2016	31 December 2015
Cash at bank and in hand	22,840	7,518
Cash equivalents	12,877	20,658
Total cash and cash equivalents	35,717	28,176

Cash equivalents include short-term investments in certificates of deposit with original maturities of three months or less and contractual interest rate of 7.80-11.06% as at 31 March 2016 and 4.00-11.50% as at 31 December 2015.

Bank deposits

	Interest rate	31 March 2016	31 December 2015
OJSC “Bank “ROSSIYA”	10.85-11.00%	8,116	6,300
JSC “Alfa-Bank”	10.75-11.05%	7,700	7,700
PJSC “Sberbank”	8.91%	6,300	93
PJSC “VTB”	10.50-10.95%	1,020	13,116
JSC “Gazprombank”	10.45-11.01%	139	3,060
Total bank deposits		23,275	30,269

Fair value of bank deposits approximates their carrying value.

Note 8. Accounts receivable and prepayments

	31 March 2016	31 December 2015
Trade receivables (Net of allowance for doubtful debtors of RR 11,005 million as at 31 March 2016 and RR 14,232 million as at 31 December 2015)	38,844	37,904
Other receivables (Net of allowance for doubtful debtors of RR 22,422 million as at 31 March 2016 and RR 2,107 million as at 31 December 2015)	3,737	3,751
VAT recoverable	2,022	2,676
Advances to suppliers (Net of allowance for doubtful debtors of RR 2,002 million as at 31 March 2016 and RR 2,002 million as at 31 December 2015)	5,858	5,635
Tax prepayments	61	77
Total accounts receivable and prepayments	50,522	50,043

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days as at 31 March 2016 and 31 December 2015. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

Note 9. Equity

Share capital

	Number of shares issued and fully paid		Share Capital	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Ordinary shares	1,274,665,323,063	1,274,665,323,063	637,333	637,333

Treasury shares. 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 2015: 4,719 million).

Note 10. 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 2016 and 2015 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

Note 11. Non-current debt

	Effective interest rate	Due	31 March 2016	31 December 2015
Certified interest-bearing non-convertible bearer bonds:				
with fixed rates	7.5-8.75%	2016-2028	109,242	109,493
with variable rates	CPI+1-2.5%	2022-2050	152,609	153,586
Loan participation notes (LPNs)	8.45%	2019	17,574	17,943
Finance lease liabilities	9.50%	2018	495	520
Total debt			279,920	281,542
Less: current portion of non-current bonds and LPNs			(29,765)	(31,362)
Less: current portion of finance lease liabilities			(107)	(104)
Total non-current debt			250,048	250,076

All debt instruments are denominated in Russian Rouble.

Reconciliation between carrying and fair values of financial liabilities is presented bellow.

	Level	31 March 2016		31 December 2015	
		Fair value	Carrying value	Fair value	Carrying value
Non-convertible bearer bonds with fixed rates and loan participation notes	1	119,078	126,717	117,161	127,337
Non-convertible bearer bonds with variable rates	1	10,240	10,240	10,281	10,722
Total debt		129,318	136,957	127,442	138,059

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

As at 31 March 2016 the Group had long-term undrawn committed financing facilities of RR 152,500 million (as at 31 December 2015: RR 152,500 million) which could be used for the general purposes of the Group.

Note 12. Accounts payable and accrued charges

	31 March 2016	31 December 2015
Trade payables	21,748	21,949
Accounts payable to construction companies and suppliers of property, plant and equipment	21,061	29,140
Advances received	12,206	12,936
Provision for legal claims	1,404	948
Accounts payable to employees	2,466	2,242
Taxes other than on income payable	5,343	2,169
Other creditors and accrued liabilities	1,230	1,652
Total accounts payable and accrued charges	65,458	71,036

PJSC “FGC UES”

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

Note 13. Revenue

	Three months ended 31 March 2016	Three months ended 31 March 2015
Transmission fee	41,601	39,010
Electricity sales	5,744	2,705
Construction services	2,953	-
Connection services	1,670	258
Other revenues	572	595
Total revenues	52,540	42,568

Note 14. Operating expenses

	Three months ended 31 March 2016	Three months ended 31 March 2015
Depreciation of property, plant and equipment	9,785	9,643
Purchased electricity	6,629	3,895
Employee benefit expenses and payroll taxes	6,187	6,893
Other materials	3,901	375
Subcontract works	2,728	140
Property tax	2,352	1,915
Electricity transit	571	1,852
Business trips and transportation expenses	398	362
Security services	356	417
Amortisation of intangible assets	331	472
Rent	309	277
(Reversal) / accrual of allowance for doubtful debtors	(2,744)	4,108
Other expenses	698	2,040
Total operating expenses	31,501	32,389

Note 15. Finance income

	Three months ended 31 March 2016	Three months ended 31 March 2015
Interest income	1,763	2,010
Foreign currency exchange differences	22	60
Other finance income	13	9
Total finance income	1,798	2,079

Note 16. Finance costs

	Three months ended 31 March 2016	Three months ended 31 March 2015
Interest expense	8,304	5,936
Net interest on the defined benefit obligations	172	191
Foreign currency exchange differences	55	82
Total finance cost	8,531	6,209
Less: capitalised interest expenses	(5,875)	(3,867)
Total finance cost recognised in profit or loss	2,656	2,342

Note 17. Earnings per ordinary share for profit attributable to shareholders of FGC UES

	Three months ended 31 March 2016	Three months ended 31 March 2015
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)	16,526	9,091
Weighted average earning per share – basic and diluted (in RR)	0.013	0.007

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

Note 18. 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 2016 in comparison with those described in the Group’s consolidated financial statements for the year ended 31 December 2015 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. In the opinion of management, currently there are no existing legal proceedings or claims outstanding or final dispositions which will have a material adverse effect on the financial position of the Group, except for the following.

As at 31 March 2016 the Group's subsidiary, OJSC “Nurenergo” was engaged in a number of litigations involving claims amounting in total to RR 15,049 million (as at 31 December 2015: RR 14,731 million), for collection of amounts payable for electricity purchased by OJSC “Nurenergo”. The amount is recorded within accounts payable. No additional provision has been made as the Group's management believes that these claims are unlikely to result in any further liabilities.

During 2012-2015 OJSC “Nurenergo” was involved in a number of litigations aiming to commence a bankruptcy procedure in respect of subsidiary. In July 2015 the Commercial Court of the Republic of Chechnya re-established the observation procedure in respect of the OJSC “Nurenergo”. In accordance with Russian legislation on bankruptcy, all the above-mentioned litigations were suspended.

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

As at 31 March 2016 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 209,552 million as at 31 March 2016 (as at 31 December 2015: RR 232,219 million) including VAT. These amounts include accounts payable to construction companies and suppliers of property, plant and equipment in the amount of RR 21,061 million as at 31 March 2016 (as at 31 December 2015: RR 29,140 million) (Note 12).

Note 19. 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.

PJSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

(in millions of Russian Rouble unless otherwise stated)

Note 19. Segment information (continued)

	Transmission segment – based on statutory financial statements prepared according to RAR	
	Three months ended 31 March 2016	Three months ended 31 March 2015
Revenue from external customers	43,310	39,781
Intercompany revenue	319	72
Total revenue	43,629	39,853
	31 March 2016	31 December 2015
Total reportable segment assets (RAR)	1,292,276	1,287,303
Total reportable segment liabilities (RAR)	428,004	433,413

A reconciliation of the reportable segment’s revenue to the Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2016 and 2015 is presented below:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Total revenue from segment (RAR)	43,629	39,853
Reclassification between revenue and other income	208	(253)
Non-segmental revenue	9,022	3,040
Elimination of intercompany revenue	(319)	(72)
Total revenue (IFRS)	52,540	42,568

A reconciliation of the reportable segment’s profit to the Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2016 and 2015 is presented below:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Profit for the period (RAR)	10,205	581
Property, plant and equipment		
Adjustment to the carrying value of property, plant and equipment	9,958	9,702
Impairment of property, plant and equipment	2,674	1,443
Financial instruments		
Reversal of impairment of promissory notes	-	28
Discounting of promissory notes	-	8
Consolidation		
Reversal of adjustments to the carrying value of intercompany promissory notes	(2,789)	(2,165)
Other		
Adjustment to provision for legal claims	(457)	(58)
Adjustment to allowance for doubtful debtors	(2,378)	(2,820)
Accrual of retirement benefit obligations	27	(191)
Share of result of associates	4	(13)
Deferred tax adjustment	678	2,983
Other adjustments	(1,300)	(471)
Non-segmental other operating loss	(201)	86
Profit for the period (IFRS)	16,421	9,113

Information on revenue for separate services and products of the Group is presented in Note 13. 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.