PJSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

IAS 34 “INTERIM FINANCIAL REPORTING”

AS AT AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018

(UNAUDITED)

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улучшаем мир

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Report on Review of Interim Financial Information

To the shareholders and Board of directors of
Public Joint-Stock Company "Feferal Grid Company of Unified Energy System"

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Public Joint-Stock Company "Feferal Grid Company of Unified Energy System" (further PJSC "FGC UES") and its subsidiaries, which comprise the condensed consolidated interim statement of financial position as at 30 June 2018, the condensed consolidated interim statement of profit or loss and other comprehensive income for the three and six months then ended, condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity for the six months then ended, and selected explanatory notes ("interim financial information"). Management of PJSC "FGC UES" is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

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Other matters

The financial statements of PJSC "FGC UES" and its subsidiaries for 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2018.

The interim condensed consolidated financial statements of PJSC "FGC UES" and its subsidiaries for the three and six months ended 30 June 2017 were reviewed by another auditor who issued a review report with an unqualified conclusion on those statements on 17 August 2017.

T.L. Okolotina
Partner
Ernst & Young LLC

20 August 2018

Details of the entity

Name: PJSC "FGC UES"
Record made in the State Register of Legal Entities on 20 August 2002, State Registration Number 1024701893336.
Address: Russia 117630, Moscow, A. Chelomeya street, 5A.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Condensed Consolidated Interim Statement of Financial Position (Unaudited, except for balances as at 31 December / 1 January)
(in millions of Russian Rouble unless otherwise stated)

	Notes	30 June 2018	31 December 2017 (restated*)	1 January 2017 (restated*)
ASSETS				
Non-current assets				
Property, plant and equipment	5	953,294	933,076	845,783
Intangible assets		6,137	6,303	7,320
Investments in associates and joint ventures		1,317	1,136	1,160
Financial investments	6	53,773	67,403	76,537
Deferred income tax assets		155	55	14
Long-term accounts receivable	8	77,923	69,350	45,145
Other non-current assets		1,744	960	1,853
Total non-current assets		**1,094,343**	**1,078,283**	**977,812**
Current assets				
Cash and cash equivalents	7	47,558	42,535	44,404
Bank deposits	7	19,360	-	450
Accounts receivable and prepayments	8	51,338	45,437	58,187
Income tax prepayments		201	211	305
Inventories		16,867	15,907	14,900
Other current assets		110	111	140
Total current assets		**135,434**	**104,201**	**118,386**
TOTAL ASSETS		**1,229,777**	**1,182,484**	**1,096,198**
EQUITY AND LIABILITIES				
Equity				
Share capital: Ordinary shares	9	637,333	637,333	637,333
Treasury shares	9	(4,719)	(4,719)	(4,719)
Share premium		10,501	10,501	10,501
Reserves		38,569	40,482	49,093
Retained earnings		153,392	117,188	35,673
Equity attributable to shareholders of FGC UES		**835,076**	**800,785**	**727,881**
Non-controlling interests		(286)	(546)	(721)
Total equity		**834,790**	**800,239**	**727,160**
Non-current liabilities				
Deferred income tax liabilities		35,716	36,218	25,778
Non-current debt	11	216,411	233,862	236,954
Long-term accounts payable		21,407	14,864	-
Deferred income		935	966	919
Retirement benefit obligations		7,568	7,617	5,959
Total non-current liabilities		**282,037**	**293,527**	**269,610**
Current liabilities				
Accounts payable to shareholders of FGC UES	9	18,842	146	73
Current debt and current portion of non-current debt	11	41,206	23,988	29,660
Accounts payable and accrued charges	12	52,741	60,925	62,059
Income tax payable		161	3,659	7,636
Total current liabilities		**112,950**	**88,718**	**99,428**
Total liabilities		**394,987**	**382,245**	**369,038**
TOTAL EQUITY AND LIABILITIES		**1,229,777**	**1,182,484**	**1,096,198**

* The amounts shown here do not correspond to the 2017 consolidated financial statements and reflect change in accounting policy to measuring property, plant and equiment (for details see Note 3).

20 August 2018

Acting Chairman of the Management Board R.E. Filimonov

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

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

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 30 June		Six months ended 30 June	
		2018	**2017 (restated*)**	**2018**	**2017 (restated*)**
Revenues	13	56,797	51,823	117,456	101,619
Other operating income		1,283	1,255	2,846	3,500
Operating expenses	14	(37,723)	(29,807)	(76,150)	(56,430)
Loss on regain of control over subsdiary of subsidiary		-	-	-	(12,327)
Reversal of impairment / (Impairment) of property, plant and equipment, net	5	146	(43)	182	6
Operating profit		**20,503**	**23,228**	**44,334**	**36,368**
Finance income	15	3,652	5,238	7,357	7,990
Finance costs	16	(1,260)	(1,089)	(2,495)	(2,468)
Share of result of associates		13	(1)	21	6
Profit before income tax		**22,908**	**27,376**	**49,217**	**41,896**
Income tax expense	10	(4,001)	(5,277)	(9,348)	(11,108)
Profit for the period		**18,907**	**22,099**	**39,869**	**30,788**
Other comprehensive income / (loss)					
Items that will not be reclassified subsequently to profit or loss					
Change in fair value of financial investments	6	(1,224)	-	6,833	-
Remeasurements of retirement benefit obligations		555	(64)	262	(287)
Income tax relating to items that will not be reclassified		8,201	(9)	6,605	7
Total items that will not be reclassified to profit or loss		**7,532**	**(73)**	**13,700**	**(280)**
Items that may be reclassified subsequently to profit or loss					
Change in fair value of financial investments	6	-	(3,571)	-	(591)
Foreign currency translation difference		96	91	160	87
Income tax relating to items that will be reclassified		-	717	-	118
Total items that may be reclassified to profit or loss		**96**	**(2,763)**	**160**	**(386)**
Other comprehensive loss / (income) for the period, net of income tax		**7,628**	**(2,836)**	**13,860**	**(666)**
Total comprehensive income for the period		**26,535**	**19,263**	**53,729**	**30,122**
Profit attributable to:					
Shareholders of FGC UES	17	18,901	22,009	39,851	30,691
Non-controlling interests		6	90	18	97
Total comprehensive income attributable to:					
Shareholders of FGC UES		26,529	19,173	53,711	30,025
Non-controlling interests		6	90	18	97
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	17	**0.015**	**0.017**	**0.032**	**0.024**

* The amounts shown here do not correspond to the unaudited interim condensed consolidated financial statements for three and six months ended 30 June 2017 and reflect change in accounting policy to measuring property, plant and equiment (for details see Note 3).

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

	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017 (restated*)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**49,217**	**41,896**
Adjustments to reconcile profit before income tax to net cash provided by operations			
Depreciation of property, plant and equipment	5,14	16,387	15,022
Loss on disposal of property, plant and equipment		49	187
Amortisation of intangible assets		578	662
Reversal of impairment of property, plant and equipment, net	5	(182)	(6)
Loss on regain of control of subsidiary		-	12,327
Share of result of associates		(21)	(6)
Accrual of allowance for doubtful debtors	14	356	945
Accrual/(reversal) of other provision for liabilities and charges		240	(988)
Finance income	15	(7,357)	(7,990)
Finance costs	16	2,495	2,468
Other non-cash items		(17)	-
Operating cash flows before working capital changes and income tax paid		**61,745**	**64,517**
Working capital changes:			
Decrease/(increase) in accounts receivable and prepayments		8,704	(2,477)
Increase in inventories		(960)	(1,896)
Increase in other current assets		(706)	(32)
Increase/(decrease) in accounts payable and accrued charges		233	(5,000)
Income tax paid		(6,832)	(8,445)
Net cash flows generated by operating activities		**62,184**	**46,667**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(33,805)	(30,446)
Proceeds from disposal of property, plant and equipment		244	219
Purchase of intangible assets		(478)	(176)
Redemption of promissory notes		2	2
Investment in bank deposits		(20,117)	(9,596)
Redemption of bank deposits		756	3,164
Dividends received		2,229	599
Loans given		(11)	(2)
Repayment of loans given		10	1,003
Sale of financial investments		100	-
Interest received		1,846	2,557
Net cash flows used in investing activities		**(49,224)**	**(32,676)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current and non-current borrowings		41	34
Repayment of non-current and current borrowings		(2)	(9,942)
Repayment of finance lease		(63)	(75)
Interest paid		(7,437)	(9,894)
Acquisition of non-controlling interests		(476)	-
Government grants		-	124
Net cash flows used in financing activities		**(7,937)**	**(19,753)**
Net increase/(decrease) in cash and cash equivalents		**5,023**	**(5,762)**
Cash and cash equivalents at the beginning of the period	7	**42,535**	**44,404**
Cash and cash equivalents at the end of the period	7	**47,558**	**38,642**

* The amounts shown here do not correspond to the unaudited interim condensed consolidated financial statements for three and six months ended 30 June 2017 and reflect change in accounting policy to measuring property, plant and equiment (for details see Note 3).

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited, except for balances as at 1 January)
(in millions of Russian Rouble unless otherwise stated)

		Attributable to shareholders of FGC UES							
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Reserves**	**Accumu-lated deficit**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2018, as previously reported		**637,333**	**10,501**	**(4,719)**	**302,099**	**(144,118)**	**801,096**	**672**	**801,768**
Effect of changes in accounting policies	3	-	-	-	(261,617)	261,306	**(311)**	(1,218)	**(1,529)**
As at 1 January 2018 (restated*)		**637,333**	**10,501**	**(4,719)**	**40,482**	**117,188**	**800,785**	**(546)**	**800,239**
Total comprehensive income for the period									
Profit for the period		-	-	-	-	39,851	**39,851**	18	**39,869**
Other comprehensive income / (loss), net of related income tax									
Change in fair value of financial investments, net of tax	6, 10	-	-	-	13,460	-	**13,460**	-	**13,460**
Remeasurements of retirement benefit obligations, net of tax		-	-	-	240	-	**240**	-	**240**
Foreign currency translation difference		-	-	-	160	-	**160**	-	**160**
Total other comprehensive income		***-***	***-***	***-***	***13,860***	***-***	***13,860***	***-***	***13,860***
Total comprehensive income for the period		-	-	-	13,860	39,851	**53,711**	18	**53,729**
Transactions with shareholders of FGC UES recorded directly in equity									
Transfer of accumulated revaluation reserve at disposal of financial investments	6	-	-	-	(15,773)	15,773	**-**	-	**-**
Dividends declared	9	-	-	-	-	(18,702)	**(18,702)**	-	**(18,702)**
Total transactions with shareholders of FGC UES		-	-	-	(15,773)	(2,929)	**(18,702)**	-	**(18,702)**
Changes in ownership									
Acquisition of non-controlling interests		-	-	-	-	(718)	**(718)**	242	**(476)**
Total changes in ownership		-	-	-	-	(718)	**(718)**	242	**(476)**
As at 30 June 2018		**637,333**	**10,501**	**(4,719)**	**38,569**	**153,392**	**835,076**	**(286)**	**834,790**

* The amounts shown here do not correspond to the 2017 consolidated financial statements and reflect change in accounting policy to measuring property, plant and equiment (for details see Note 3).

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited, except for balances as at 1 January)
(in millions of Russian Rouble unless otherwise stated)

		Attributable to shareholders of FGC UES						Non-controlling interests	Total equity
	Notes	Share capital	Share premium	Treasury shares	Reserves	Accumu-lated deficit	Total		
As at 1 January 2017, as previously reported		**637,333**	**10,501**	**(4,719)**	**281,759**	**(198,273)**	**726,601**	**1,816**	**728,417**
Effect of changes in accounting policies	3	-	-	-	(232,666)	233,946	**1,280**	(2,537)	**(1,257)**
As at 1 January 2017 (restated*)		**637,333**	**10,501**	**(4,719)**	**49,093**	**35,673**	**727,881**	**(721)**	**727,160**
Total comprehensive income for the period									
Profit for the period		**-**	**-**	**-**	**-**	**30,691**	**30,691**	**97**	**30,788**
Other comprehensive income / (loss), net of related income tax									
Change in fair value of financial investments, net of tax	6	-	-	-	(473)	-	**(473)**	-	**(473)**
Remeasurements of retirement benefit obligations, net of tax		-	-	-	(280)	-	**(280)**	-	**(280)**
Foreign currency translation difference		-	-	-	87	-	**87**	-	**87**
Total other comprehensive income		**-**	**-**	**-**	***(666)***	**-**	***(666)***	**-**	***(666)***
Total comprehensive income for the period		-	-	-	(666)	30,691	**30,025**	**97**	**30,122**
Transactions with shareholders of FGC UES recorded directly in equity									
Dividends declared	9	-	-	-	-	(19,397)	**(19,397)**	(3)	**(19,400)**
Total transactions with shareholders of FGC UES		-	-	-	-	(19,397)	**(19,397)**	(3)	**(19,400)**
Changes in ownership									
Regain of control over subsidiary		-	-	-	-	-	-	(1,312)	**(1,312)**
Total changes in ownership		-	-	-	-	-	-	(1,312)	**(1,312)**
As at 30 June 2017 (restated*)		**637,333**	**10,501**	**(4,719)**	**48,427**	**46,967**	**738,509**	**(1,939)**	**736,570**

* The amounts shown here do not correspond to the unaudited interim condensed consolidated financial statements for three and six months ended 30 June 2017 and reflect change in accounting policy to measuring property, plant and equiment (for details see Note 3).

Note 1. PJSC “FGC UES” and its operations

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

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

On 14 June 2013 the Government of the Russian Federation (the “RF”) transferred its stake in FGC UES to PJSC “ROSSETI” (former OJSC “IDGC Holding”), the holding company of an electricity distribution group, controlled by the Government of the RF. As at 30 June 2018, FGC UES was 80.13% owned and controlled by PJSC “ROSSETI”. The remaining shares are traded on Moscow Exchange and as Global Depository Receipts on the London Stock Exchange.

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

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

Business environment. The Group’s operations are primarily located in the Russian Federation. 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 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). 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 2017 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 2017, except for the carrying value of property, plant and equipment (Note 3).

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 financial assets measured at fair value through other comprehensive income (Note 6). The fair value of those financial assets is determined by the quoted prices (Level 1 inputs) in active markets for identical financial assets. There are no significant unobservable inputs used in measuring fair values of financial assets and liabilities.

Note 3. Summary of significant accounting policies

Except for the adoption of the new standards and interpretations effective for the annual periods beginning on 1 January 2018 and changes in accounting policies relating to property, plant and equipment, 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 2017. 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.

The following new standards were adopted by the Group starting from the annual period beginning on 1 January 2018: IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”. Starting from 1 January 2018 the Group also changed its accounting policy relating to measuring property, plant and equipment.

Property, plant and equipment. From 1 January 2018 the Group changed its accounting policy to measuring property, plant and equipment at cost less accumulated depreciation and impairment losses. Management believes that transition from revaluation model to cost model results in a more relevant and reliable presentation of the Group’s financial position and financial performance as the cost model is adopted by parent company of FGC UES – PJSC “ROSSETI”, as well widely used in utilities industry and by major foreign electricity transmission companies.

In accordance with IAS 8 “Accounting policies, Changes in Accounting Estmates and errors” change in accounting policy is applied retrospectively and the comparative data have been restated. The retrospective application of the change in accounting policy had the following impact on the Group’s financial position (in RR million).

(in millions of Russian Rouble unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

Changes to the Consolidated Statement of Financial Position:

As at 1 January 2017:	**As previously reported**	**Effect of changes in accounting policy**	**As restated**
Property, plant and equipment	846,695	(912)	845,783
Total non-current assets	**978,724**	**(912)**	**977,812**
Total assets	**1,097,110**	**(912)**	**1,096,198**
Reserves	281,759	(232,666)	49,093
(Accumulated deficit) / Retained eatnings	(198,273)	233,946	35,673
Equity attributable to shareholders of FGC UES	**726,601**	**1,280**	**727,881**
Non-controlling interests	1,816	(2,537)	(721)
Total equity	**728,417**	**(1,257)**	**727,160**
Deferred income tax liabilities	25,433	345	25,778
Total non-current liabilities	269,265	345	269,610
Total liabilities	**368,693**	**345**	**369,038**
Total equity and liabilities	**1,097,110**	**(912)**	**1,096,198**

As at 31 December 2017:	**As previously reported**	**Effect of changes in accounting policy**	**As restated**
Property, plant and equipment	934,417	(1,341)	933,076
Total non-current assets	**1,079,624**	**(1,341)**	**1,078,283**
Total assets	**1,183,825**	**(1,341)**	**1,182,484**
Reserves	302,099	(261,617)	40,482
(Accumulated deficit) / Retained earnings	(144,118)	261,306	117,188
Equity attributable to shareholders of FGC UES	**801,096**	**(311)**	**800,785**
Non-controlling interests	672	(1,218)	(546)
Total equity	**801,768**	**(1,529)**	**800,239**
Deferred income tax liabilities	36,030	188	36,218
Total non-current liabilities	293,339	188	293,527
Total liabilities	**382,057**	**188**	**382,245**
Total equity and liabilities	**1,183,825**	**(1,341)**	**1,182,484**

Changes to the Consolidated Statement of Profit or Loss and Other Comprehensive income:

For the six months ended 30 June 2017:	**As previously reported**	**Effect of changes in accounting policy**	**As restated**
Operating expenses	(63,775)	7,345	(56,430)
Operating profit	**29,023**	**7,345**	**36,368**
Profit before income tax	**34,551**	**7,345**	**41,896**
Income tax expense	(9,664)	(1,444)	(11,108)
Profit for the period	**24,887**	**5,901**	**30,788**
Total comprehensive income for the period	**24,221**	**5,901**	**30,122**
Proft / (loss) attributable to:			
Shareholders of FGC UES	24,928	5,763	30,691
Non-controlling interests	(41)	138	97
Total comprehensive income / (loss) attributable to:			
Shareholders of FGC UES	24,262	5,763	30,025
Non-controlling interests	(41)	138	97
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	**0.020**	**0.004**	**0.024**

(in millions of Russian Rouble unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

For the three months ended 30 June 2017:	As previously reported	Effect of changes in accounting policy	As restated
Operating expenses	(33,587)	3,780	(29,807)
Operating profit	**19,448**	**3,780**	**23,228**
Profit before income tax	**23,596**	**3,780**	**27,376**
Income tax expense	(4,497)	(780)	(5,277)
Profit for the period	**19,099**	**3,000**	**22,099**
Total comprehensive income for the period	**16,263**	**3,000**	**19,263**
Proft / (loss) attributable to:			
Shareholders of FGC UES	19,099	2,910	22,009
Non-controlling interests	-	90	90
Total comprehensive income / (loss) attributable to:			
Shareholders of FGC UES	16,263	2,910	19,173
Non-controlling interests	-	90	90
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	**0.015**	**0.002**	**0.017**

IFRS 9 Financial Instruments. The standard introduces new requirements for classification and measurement of financial instruments, impairment, and hedge accounting. As the Group does not apply hedge accounting, the main changes relevant to the Group impacted its accounting policies for classification and impairment of financial instruments.

According to IFRS 9, the financial assets are classified in the following measurement categories: those to be measured subsequently at amortised cost, those to be measured at fair value through profit or loss, and those to be measured at fair value through other comprehensive income. The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows. If a hybrid contract contains a host that is a financial asset, the classification requirements apply to the entire hybrid contract.

Financial assets are classified as at amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group’s available–for–sale investments were reclassified as financial assets measured at fair value through other comprehensive income. The remaining financial assets are measured at amortised cost.

Subsequent to the inintial recognition the Group’s financial liabilities are measured at amortised cost.

In respect of impairment, IFRS 9 replaced the “incurred loss” model used in IAS 39, Financial instruments: Recognition and Measurement, with a new “expected credit loss” (“ECL”) model that requires a more timely recognition of expected credit losses. An allowance for expected credit losses shall be recorded for financial assets classified as at amortised cost. Under IFRS 9, loss allowances are measured on either of the following bases: 12-month ECLs that result from possible default events within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument. For trade receivables and contract assets, the Group measures loss allowances applying a simplified approach at an amount equal to lifetime ECLs. For other financial assets classified as at amortised cost loss allowances are measured as 12-month ECLs unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the lifetime ECLs.

In accordance with the transition provisions in IFRS 9, the Group applied the new rules retrospectively, except for the items that have already been derecognized at the date of initial application, which is 1 January 2018. The Group also used an exemption in IFRS 9 allowing not to restate prior periods presented as a result of adoption of the new classification and measurement requirements, but rather recognize any differences in the opening retained earnings as at 1 January 2018. The initial application of the standard did not result in any material changes in their measurement, therefore, the opening retained earnings were not restated.

IFRS 15 Revenue from Contracts with Customers. The Group recognises revenue when (or as) goods or services (ie an asset) are transferred to the customer, at the transaction price which is the the amount of the consideration in a contract to which the Group expects to be entitled in exchange of promised goods or services, net of value added tax.

(in millions of Russian Rouble unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

Electricity transmission services and electricity sales. Revenue from rendering the electricity transmission services is recognized over the period (billing month) and measured by output method (based on the volume of electricity transmitted). Tariff for the electricity transmission services is set by Federal Antimonopoly Service.

Revenue from sales of electricity and capacity is recognized over the period (billing month) and measured by output method (based on the volume of electricity or capacity sold). Electricity is being sold on Russian regulated wholesale market at rates calculated by trading operator based on the regulatory mechanisms established by the Government of RF.

Technological connection services. Revenue from connection services represents non-refundable fee for connecting the customer to electricity gird network and recognized when the customer is connected to the network. Both payment for technological connection based on individual project and standart tariffs for connection to the grid are approved by Federal Antimonopoly Service and do not depend on tariff for electricity transmission.

The Group made judgment that connection service is a separate performance obligation that is recognised when the respective services are provided. The customer obtains distinct connection service and there is no any other promises beyond the connection services agreement. Practically and in accordance with the law on electricity market, connection services and electricity transmission agreements are negotiated separately with different customers as different packages and with different commercial objectives with no relation in the contracts in pricing, purpose, acceptance, or type of service.

Construction services. Revenue from construction services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other revenue. Other revenue are recognized when the customer obtains control over the asset.

In accordance with IFRS 15 transition requirements, the Group applied new Standard using modified retrospective approach with with cumulative effect of initially applying a Standard to be recognized as adjustment to retained earnings as at 1 January 2018.

The application of the standard had no material impact on the Group's condensed consolidated interim financial statements and therefore the retained earnings as at January 2018 were not restated.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Group's condensed consolidated interim financial statements.

Note 4. Balances and transactions with related parties

Government-related entities. During the three and six months ended 30 June 2018 and 2017 the Group had the following significant transactions with government-related entities:

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
Transmission revenue	41,500	38,284	83,771	76,736
Electricity sales	986	692	2,605	1,897
Construction services	1,248	1,025	3,334	1,564
Connection services	23	301	56	377
Dividend income	2,251	2,476	2,251	2,476
Net reversal of allowance for doubtful debtors	(312)	(822)	(464)	(807)
Purchased electricity for production needs	(1,456)	(1,196)	(3,113)	(2,801)
Rent	(216)	(220)	(420)	(440)

(in millions of Russian Rouble unless otherwise stated)

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

Significant balances with government-related entities are presented below:

	30 June 2018	31 December 2017
Cash and cash equivalents	41,400	33,750
Bank deposits	8,925	-
Long-term accounts receivable (net of allowance for doubtful debtors of RR 1,205 million as at 30 June 2018 and RR 1,596 million as at 31 December 2017)	77,374	67,126
Other non –current assets	12	12
Other current assets	7	7
Trade receivables (net of allowance for doubtful debtors of RR 4,486 million as at 30 June 2018 and RR 4,431 million as at 31 December 2017)	27,206	29,175
Other receivables (net of allowance for doubtful debtors of RR 1,421 million as at 30 June 2018 and RR 1,399 million as at 31 December 2017)	7,491	1,728
Advances to suppliers (net of allowance for doubtful debtors of RR 826 million as at 30 June 2018 and RR 834 million as at 31 December 2017)	236	130
Financial investments	53,773	67,403
Advances to construction companies and suppliers of property, plant and equipment (included in CIP)	507	360
Accounts payable to shareholders of FGC UES	(18,842)	(146)
Non-current debt	(167)	(1)
Current debt	(83)	(300)
Accounts payable and accrued charges	(27,641)	(15,924)

As at 30 June 2018 the Group had long-term undrawn committed financing facilities with government-related banks of RR 75,000 million (as at 31 December 2017: RR 95,000 million) with the interest rates not exceeding 14% and the maturity dates from 2019 to 2020.

Short-term undrawn committed financing facilities with government-related banks amounted to RR 20,350 million as at 30 June 2018 (31 December 2017: RR 25,350 million) with the interest rates not exceeding 14.95%.

Tax balances and charges are disclosed in Notes 8, 12 and 14. Tax transactions are disclosed in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income.

As at 30 June 2018 long-term accounts receivable and other receivables includes amounts of RR 14,713 million and RR 5,650 million respectively due from JSC “Inter RAO Capital” under the terms of share sales agreement. The Group has sold part of its financial investment in PJSC “INTER RAO UES” (Note 6).

Parent company. During the three and six month ended 30 June 2018 and 30 June 2017 the Group had the following significant transactions with the parent company of FGC UES - PJSC “ROSSETI”:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Revenues	110	82	192	166
Operating expenses	(240)	(303)	(357)	(356)

Significant balances with the parent company are presented below:

	30 June 2018	31 December 2017
Trade receivables	34	10
Financial investments	1,275	1,380
Accounts payable and accrued charges	(41)	(41)

(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 and six months ended 30 June 2018 and 2017 was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
Short-term compensation, including salary and bonuses	143	186	203	229
Post-employment benefits and other long-term benefits	3	-	7	20
Total	**146**	**186**	**210**	**249**

Remuneration provided to the members of the Board of Directors for the six months ended 30 June 2018 amounted to RR 7 million (30 June 2017: RR 7 million).

Note 5. Property, plant and equipment

	Buildings	**Power transmission grids**	**Substations**	**Construction in progress**	**Other**	**Total**
Cost						
Balance as at 1 January 2018 (restated)	30,859	565,477	664,241	283,536	77,914	1,622,027
Additions	-	-	15	36,079	622	36,716
Transfers	78	246	11,767	(13,001)	910	-
Disposals	(95)	(21)	(482)	(20)	(194)	(812)
Balance as at 30 June 2018	30,842	565,702	675,541	306,594	79,252	1,657,931
Depreciation and impairment						
Balance as at 1 January 2018 (restated)	(6,504)	(259,750)	(318,948)	(56,987)	(46,762)	(688,951)
Depreciation charge	(226)	(4,854)	(9,380)	-	(1,927)	(16,387)
Reversal of impairment	-	-	-	182	-	182
Transfers	(1)	(8)	(618)	631	(4)	-
Disposals	19	5	325	-	170	519
Balance as at 30 June 2018	(6,712)	(264,607)	(328,621)	(56,174)	(48,523)	(704,637)
Net book value as at 1 January 2018 (restated)	24,355	305,727	345,293	226,549	31,152	933,076
Net book value as at 30 June 2018	24,130	301,095	346,920	250,420	30,729	953,294

(in millions of Russian Rouble unless otherwise stated)

Note 5. Property, plant and equipment (continued)

	Buildings	Power trans-mission grids	Substations	Construction in progress	Other	Total
Cost						
Balance as at 1 January 2017 (restated)	29,674	548,559	615,557	247,327	73,994	1,515,111
Additions	193	39	26	33,436	582	34,276
Transfers	(14)	602	3,116	(4,410)	706	-
Disposals	(12)	(137)	(422)	(525)	(419)	(1,515)
Balance as at 30 June 2017 (restated)	29,841	549,063	618,277	275,828	74,863	1,547,872
Depreciation and impairment						
Balance as at 1 January 2017 (restated)	(6,188)	(254,184)	(304,513)	(60,415)	(44,028)	(669,328)
Depreciation charge	(199)	(4,586)	(8,372)	-	(1,865)	(15,022)
Reversal of impairment	-	-	-	6	-	6
Transfers	-	(8)	(81)	92	(3)	-
Disposals	3	116	366	-	363	848
Balance as at 30 June 2017 (restated)	(6,384)	(258,662)	(312,600)	(60,317)	(45,533)	(683,496)
Net book value as at 1 January 2017 (restated)	23,486	294,375	311,044	186,912	29,966	845,783
Net book value as at 30 June 2017 (restated)	23,457	290,401	305,677	215,511	29,330	864,376

Note 6. Financial investments

	1 January 2018	Change in fair value	Disposals	30 June 2018
PJSC "INTER RAO UES"	65,912	6,938	(20,463)	52,387
PJSC "ROSSETI"	1,380	(105)	-	1,275
Other	111	-	-	111
Total	**67,403**	**6,833**	**(20,463)**	**53,773**

	1 January 2017	Change in fair value	30 June 2017
PJSC "INTER RAO UES"	74,520	(213)	74,307
PJSC "ROSSETI"	1,906	(378)	1,528
Other	111	-	111
Total	**76,537**	**(591)**	**75,946**

On 29 June 2018 the Group has concluded sales agreements to sell 10,440,000 thousand shares or 10% out of its 18.57% financial investment in PJSC "INTER RAO UES" to JSC "Inter RAO Capital" (6,608,643 thousand shares or 6.33%), "DVB Leasing" LLC (3,132,000 thousand shares or 3%) and "Praktika" LLC (699,357 thousand shares or 0.67%) for the price of RR 3.3463 per share. As at 30 June 2018 6,608,643 thousand shares of PJSC "INTER RAO UES" were transferred to JSC "Inter RAO Capital".

During the six months ended 30 June 2018 the Group has reclassified 6,608,643 thousand shares sold to JSC "Inter RAO Capital" from Level 1 to Level 3 fair value hierarchy. The fair value of shares sold as single lot has been determined based on independent appraiser report by applying income approach with due account for volume discount and payment by installments in 2019.

During the six months ended 30 June 2018 the Group has recognized revaluation loss for financial investments amounted to RR 2,007 million relating to the part of financial investment in PJSC "INTER RAO UES" shares sold to to JSC "Inter RAO Capital" on 29 June 2018. Accumulated revaluation reserve, net of tax, relating to shares disposed and amounted to RR 15,773 million has been reclassified from reserves to retained earnings.

(in millions of Russian Rouble unless otherwise stated)

Note 7. Cash and cash equivalents and bank deposits

	30 June 2018	31 December 2017
Cash at bank and in hand	10,249	13,259
Cash equivalents	37,309	29,276
Total cash and cash equivalents	**47,558**	**42,535**

Cash equivalents include investments in short-term deposits with original maturities of three months or less and contractual interest rate of 4.4-6.85% as at 30 June 2018 and 0.01-7.9% as at 31 December 2017.

Bank deposits

	Interest rate	Rating	Rating agency	30 June 2018	31 December 2017
JSC "Rosselkhozbank"	6.55%-6.61%	Ba2	Moody's	5,604	-
JSC "Bank "ROSSIYA"	6.60%-7.00%	A+ (RU)	Acra	4,507	-
JSC "Alfa-Bank"	6.75%	BB+	Standard & Poor's	3,393	-
JSC "Gazprombank"	6.35%-6.61%	BB+	Fitch Ratings	2,969	-
PJSC "ROSBANK"	6.55%-6.90%	Ba2	Moody's	1,520	-
JSC "Russian regional development bank"	6.40%	AA- (RU)	Acra	1,015	-
PJSC "VTB"	6.60%	BBB-	Standard & Poor's	352	-
Total bank deposits				**19,360**	**-**

Fair value of bank deposits approximates their carrying value.

Note 8. Accounts receivable and prepayments

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 30 June 2018 long-term receivables in the amount of RR 54,267 million (as at 31 December 2017: RR 56,577 million) relating to the contracts of technological connection are paid in equal parts every six months with an interest accrued on the actual outstanding balances at the rate of 6% per annum. Fair value of consideration receivable for these contracts is determined using present value technique based on estimated future cash flows and the discount rates of 8.2-9.63%.

As at 30 June 2018 long-term receivables in the amount of RR 6,997 million (as at 31 December 2017: RR 7,381 million) relating to restructured balances for transmission services relate to receivables from related parties for which debt restructuring agreements were signed in 2016-2018 with a payment terms of 2018-2022 years and an interest rate varying from Central bank key interest rate to 14%.

As at 30 June 2018 long-term accounts receivable and other receivables includes amounts of RR 14,713 million and RR 5,650 million respectively due from JSC "Inter RAO Capital" under the PJSC "INTER RAO UES" share sales agreement (Note 6).

	30 June 2018	31 December 2017
Trade receivables		
(Net of allowance for doubtful debtors of RR 7,296 million as at 30 June 2018 and RR 6,764 million as at 31 December 2017)	35,060	35,445
Other receivables		
(Net of allowance for doubtful debtors of RR 2,993 million as at 30 June 2018 and RR 2,895 million as at 31 December 2017)	11,260	4,267
Total financial assets	**46,320**	**39,712**
VAT recoverable	1,372	1,791
Advances to suppliers		
(Net of allowance for doubtful debtors of RR 901 million as at 30 June 2018 and RR 888 million as at 31 December 2017)	3,526	3,801
Tax prepayments	120	133
Total short-term accounts receivable and prepayments	**51,338**	**45,437**

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days as at 30 June 2018 and 31 December 2017. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.

(in millions of Russian Rouble unless otherwise stated)

Note 9. Equity

Share capital

	Number of shares issued and fully paid		Share Capital	
	30 June 2018	**31 December 2017**	**30 June 2018**	**31 December 2017**
Ordinary shares	1,274,665,323,063	1,274,665,323,063	637,333	637,333

As at 30 June 2018 the authorised share capital comprised 1,346,805,823,831 ordinary shares with a nominal value of RR 0.5 per share

Treasury shares. The Group through a subsidiary holds 13,727,165,278 ordinary shares in treasury at a total cost of RR 4,719 million (as at 31 December 2017: 4,719 million).

Dividends. At the Annual General Meeting in June 2018 shareholders approved the decision to distribute dividends for the year 2017 in the total amount of RR 18,884 million, RR 182 million of them relate to treasury shares. Dividends per ordinary share amounted to RR 0.1482.

At the Annual General Meeting in June 2017 shareholders approved the decision to distribute dividends for the year 2016 and for the first quarter of 2017 in the total amount of RR 19,608 million, RR 211 million of them relate to treasury shares. Dividends per ordinary share amounted to RR 0.01538.

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 June 2018	**31 December 2017 (restated)**
Revaluation reserve for financial investments, net of tax	40,013	42,326
Remeasurement reserve for retirement benefit obligations	(1,924)	(2,164)
Foreign currency translation reserve	480	320
Total reserves	**38,569**	**40,482**

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 six months ended 30 June 2018 and 2017 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

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

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017 (restated)**	**2018**	**2017 (restated)**
Profit before income tax	**22,908**	**27,376**	**49,217**	**41,896**
Theoretical income tax charge at the statutory tax rate of 20 percent	(4,582)	(5,475)	(9,843)	(8,379)
Tax effect of regain of control of subsidiary	-	-	-	(2,871)
Tax effect of items which are not deductible for taxation purposes	533	320	419	198
Movement in unrecognised deferred tax assets	48	(122)	76	(56)
Total income tax expense	**(4,001)**	**(5,277)**	**(9,348)**	**(11,108)**

During six months ended 30 June 2018 the Group recognized decrease in deferred tax liabilities in the amount of RR 6,605 million within other comprehensive income. The movement is related mainly to deferred taxes arising from financial investments carried at fair value and resulted due to change in tax rates that are expected to apply when the Group will generate the taxable income.

(in millions of Russian Rouble unless otherwise stated)

Note 11. Non-current debt

	Effective interest rate	Due	30 June 2018	31 December 2017
Certified interest-bearing non-convertible bearer bonds:				
with fixed rates	0.1-9.35%	2019-2052	88,279	88,298
with variable rates	CPI+1-2.5%	2022-2050	150,815	151,019
Loan participation notes (LPNs)	8.45%	2019	17,943	17,943
Non-bank loans	0.1-3%	2018-2026	330	289
Finance lease liabilities	9.50%	2018	250	301
Total debt			**257,617**	**257,850**
Less: current portion of non-current bonds and LPNs			(41,009)	(23,575)
Less: current portion of non-bank loans			(113)	(112)
Less: current portion of finance lease liabilities			(84)	(301)
Total non-current debt			**216,411**	**233,862**

All debt instruments are denominated in Russian Rouble.

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

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

		30 June 2018		31 December 2017	
	Level	Fair value	Carrying value	Fair value	Carrying value
Non-convertible bearer bonds with fixed rates and loan participation notes	1	105,313	106,222	104,761	106,241
Non-convertible bearer bonds with variable rates	1	9,508	10,205	9,296	10,285
Total debt		**114,821**	**116,427**	**114,057**	**116,526**

Other non-current debt with variable rates classified into fair value hierarchy level 3 represent non-quoted non-convertible bearer bonds with variable 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 30 June 2018 the Group had long-term and short-term undrawn committed financing facilities of RR 76,500 million and RR 52,850 million respectively (as at 31 December 2017: RR 96,500 million and 57,850 million) which could be used for the general purposes of the Group.

Note 12. Accounts payable and accrued charges

	30 June 2018	31 December 2017
Accounts payable to construction companies and suppliers of property, plant and equipment	19,325	22,598
Trade payables	10,505	12,452
Accrued liabilities	375	272
Other creditors	1,120	1,754
Total financial liabilities	**31,325**	**37,076**
Advances received	9,670	16,123
Accounts payable to employees	2,714	2,515
Taxes other than on income payable	6,875	3,294
Other provisions for liabilities and charges	2,157	1,917
Total accounts payable and accrued charges	**52,741**	**60,925**

(in millions of Russian Rouble unless otherwise stated)

Note 13. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
Transmission fee	52,022	44,889	104,918	90,748
Electricity sales	2,241	1,463	6,008	4,032
Construction services	1,350	3,070	4,273	3,822
Connection services	34	1,615	67	1,715
Other revenues	1,150	786	2,190	1,302
Total revenues	**56,797**	**51,823**	**117,456**	**101,619**

Note 14. Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017 (restated)**	**2018**	**2017 (restated)**
Purchased electricity	8,376	3,112	18,295	7,247
Depreciation of property, plant and equipment	8,329	7,597	16,387	15,022
Employee benefit expenses and payroll taxes	7,356	6,983	13,955	12,908
Property tax	3,685	2,744	7,396	5,518
Fuel for mobile gas-turbine electricity plants	1,538	1,175	4,441	3,201
Subcontract works for construction contracts	816	1,153	2,465	1,924
Materials for construction contracts	540	1,511	1,433	1,555
Repairs and maintenance of equipment	864	511	1,126	775
Business trips and transportation expenses	570	500	1,059	919
Materials for repair	688	623	882	838
Amortisation of intangible assets	277	333	578	662
Accrual of allowance for doubtful debtors, net	100	267	356	945
Electricity transit	182	283	286	524
Other expenses	4,402	3,015	7,491	4,392
Total operating expenses	**37,723**	**29,807**	**76,150**	**56,430**

Note 15. Finance income

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
Interest income	1,023	968	2,057	2,548
Unwinding of discount of accounts receivable	394	1,773	2,913	2,912
Foreign currency exchange differences	4	7	5	23
Dividend income	2,251	2,476	2,251	2,476
Other finance income	(20)	14	131	31
Total finance income	**3,652**	**5,238**	**7,357**	**7,990**

Note 16. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
Interest expense	3,631	4,380	7,329	9,245
Net interest on the defined benefit obligations	138	119	282	243
Foreign currency exchange differences	15	1	21	61
Other finance costs	77	-	141	-
Total finance costs	**3,861**	**4,500**	**7,773**	**9,549**
Less: capitalised interest expenses	(2,601)	(3,411)	(5,278)	(7,081)
Total finance costs recognised in profit or loss	**1,260**	**1,089**	**2,495**	**2,468**

(in millions of Russian Rouble unless otherwise stated)

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

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017 (restated)**	**2018**	**2017 (restated)**
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)	18,901	22,009	39,851	30,691
Weighted average earning per share – basic and diluted (in RR)	**0.015**	**0.017**	**0.032**	**0.024**

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 significant changes in political environment, insurance policies and environmental matters during the six months ended 30 June 2018 in comparison with those described in the Group’s consolidated financial statements for the year ended 31 December 2017 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 30 June 2018 claims made by suppliers of property, plant and equipment and other counterparties to the Group amounted to RR 6,861 million. Management belives the likelyhood of negative outcome for the Group and the respecive outflow of financial resources to settle such claims, if any, is not probable and, consequently, no provision has been made in these financial statements.

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

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

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

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

As at 30 June 2018 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. Capital expenditures for which contracts have been signed amount to RR 202,687 million as at 30 June 2018 (as at 31 December 2017: RR 172,392 million) including VAT. These amounts include accounts payable to construction companies and suppliers of property, plant and equipment in the amount of RR 34,201 million as at 30 June 2018 (as at 31 December 2017: RR 36,938 million).

(in millions of Russian Rouble unless otherwise stated)

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.

	Transmission segment – based on statutory financial statements prepared according to RAR			
	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
Revenue from external customers	52,869	47,619	106,024	93,415
Intercompany revenue	79	69	153	148
Total revenue	**52,948**	**47,688**	**106,177**	**93,563**
Segment profit for the period	10,094	10,455	28,534	19,061

	30 June 2018	**31 December 2017**
Total reportable segment assets (RAR)	1,469,176	1,397,077
Total reportable segment liabilities (RAR)	438,567	419,169

Statements for the three and six months ended 30 June 2018 and 2017 is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
Total revenue from segment (RAR)	**52,948**	**47,688**	**106,177**	**93,563**
Reclassification between revenue and other income	(229)	(691)	104	(286)
Non-segmental revenue	4,198	4,981	11,558	8,682
Elimination of intercompany revenue	(79)	(69)	(153)	(148)
Non-recognised revenue	(37)	-	(220)	-
Other adjustments	(4)	(86)	(10)	(192)
Total revenue (IFRS)	**56,797**	**51,823**	**117,456**	**101,619**

(in millions of Russian Rouble unless otherwise stated)

Note 19. Segment information (continued)

A reconciliation of the reportable segment’s profit to the Condensed Consolidated Interim Financial Statements for the three and six months ended 30 June 2018 and 2017 is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017 (restated)**	**2018**	**2017 (restated)**
Profit for the period (RAR)	**10,094**	**10,455**	**28,534**	**19,061**
Property, plant and equipment				
Adjustment to the carrying value of property, plant and equipment	11,284	12,906	23,221	26,563
Reversal of impairment / (Impairment) of property, plant and equipment	(3)	(44)	33	5
Financial instruments				
Re-measurement of financial investments	(216)	-	(8,963)	-
Discounting of promissory notes	7	6	14	13
Discounting of long-term accounts receivable	350	1,000	2,678	2,133
Discounting of long-term accounts payable	(129)	-	(56)	-
Consolidation				
Reversal of impairment of investments in subsidiaries	(439)	22	(963)	347
Reversal of impairment of intercompany promissory notes	-	487	-	(443)
Other				
Non-recognised revenue and other income	(1,374)	(696)	(1,635)	(1,220)
Adjustment to provision for legal claims	(94)	(146)	(344)	1,192
Adjustment to allowance for doubtful debtors	1,273	134	1,548	839
Accrual of retirement benefit obligations	(117)	(63)	(313)	(123)
Write-off of research and development to expenses	13	20	65	51
Share of result of associates	13	(1)	21	6
Deferred tax adjustment	(701)	(1,733)	(2,579)	(4,453)
Other adjustments	(1,084)	83	(1,833)	1,542
Gain on derecognition of subsidiary	-	-	-	(12,327)
Non-segmental other operating profit / (loss)	30	(331)	441	(2,398)
Profit for the period (IFRS)	**18,907**	**22,099**	**39,869**	**30,788**

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.

Note 20. Subsequent events

On 30 July 2018 the Group has sold 3,132,000 thousand shares of the PJSC “INTER RAO UES” to “DVB Leasing LLC” for the price of RR 3.3463 per share (Note 6).

On 16 August 2018 the Board of Directors of the Company has approved change in shareholding of PJSC “FGC UES” in PJSC “ROSSETI” from 0.689% (privileged and ordinary shares) to 0.151% (privileged shares only) and disposal of 1 080 647 thousand ordinary shares of PJSC “ROSSETI” owned by PJSC “FGC UES” for the price of not less than RR 0.83 per share.