PJSC “FGC UES”

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

AS AT AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020

CONTENTS

Совершенствуя бизнес,
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
"Federal Grid Company of Unified Energy System"

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Public Joint-Stock Company "Federal Grid Company of Unified Energy System" and its subsidiaries, which comprise the condensed consolidated interim statement of financial position as at 30 June 2020, the condensed consolidated interim statement of profit and loss and other comprehensive income for the three and six months period then ended, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the six months period then ended, and selected explanatory notes (interim financial information). Management of Public Joint-Stock Company "Federal Grid Company of Unified Energy System" 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.

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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*.

T.L. Okolotina
Partner
Ernst & Young LLC

26 August 2020

Details of the entity

Name: Public Joint-Stock Company "Federal Grid Company of Unified Energy System"
Record made in the State Register of Legal Entities on 20 August 2002, State Registration Number 1024701893336.
Address: Russia 117630, Moscow, 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-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

PJSC "FGC UES"

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

	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,032,487	1,024,901
Right-of-use assets	6	13,085	12,719
Intangible assets		6,610	6,609
Investments in associates and joint ventures		1,461	1,296
Financial investments in equity instruments	7	44,106	45,711
Deferred income tax assets		345	275
Trade and other accounts receivable	8	70,408	72,084
Advances given and other non-current assets		2,457	2,107
Total non-current assets		**1,170,959**	**1,165,702**
Current assets			
Cash and cash equivalents	9	59,082	37,077
Bank deposits	9	33,168	25,789
Trade and other accounts receivable	8	42,292	41,823
Income tax prepayments		69	93
Inventories		18,478	16,968
Advances given and other current assets		3,605	2,576
		156,694	**124,326**
Assets held for sale		313	313
Total current assets		**157,007**	**124,639**
TOTAL ASSETS		**1,327,966**	**1,290,341**
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	10	637,333	637,333
Treasury shares	10	(4,719)	(4,719)
Share premium		10,501	10,501
Reserves		29,621	30,937
Retained earnings		253,064	227,558
Equity attributable to shareholders of FGC UES		**925,800**	**901,610**
Non-controlling interests		164	174
Total equity		**925,964**	**901,784**
Non-current liabilities			
Deferred income tax liabilities		53,380	46,871
Non-current debt	12	218,677	208,343
Trade and other accounts payable	13	13,357	14,121
Advances from customers		9,501	8,525
Taxes other than on income payable		1,901	1,705
Government grants		779	811
Retirement benefit obligations		7,186	6,955
Total non-current liabilities		**304,781**	**287,331**
Current liabilities			
Dividends payable		10,134	11,388
Current debt and current portion of non-current debt	12	31,555	31,444
Trade and other accounts payable	13	36,221	41,580
Advances from customers		9,556	8,872
Taxes, other than on income payable		7,792	4,265
Provisions for liabilities and charges	14	999	1,202
Income tax payable		964	2,475
Total current liabilities		**97,221**	**101,226**
Total liabilities		**402,002**	**388,557**
TOTAL EQUITY AND LIABILITIES		**1,327,966**	**1,290,341**

Authorised for issue and signed on behalf of the management 26 August 2020
Director General of PJSC "ROSSETI"
The management company of PJSC "FGC UES" P.A. Livinsky

Head of Accounting and Financial Reporting – Chief Accountant D.V. Nagovitsyn

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)

		Three months ended 30 June (unaudited)		Six months ended 30 June (unaudited)	
	Notes	**2020**	**2019**	**2020**	**2019**
Revenues	15	56,108	57,479	114,814	114,996
Other operating income		870	1,725	2,029	3,736
Operating expenses	16	(36,943)	(35,732)	(73,235)	(70,625)
Gain on disposal of assets	22	–	–	–	10,444
Accrual of allowance for expected credit losses		(338)	(1,057)	(341)	(782)
Reversal of impairment of property, plant and equipment, net	5	–	1,391	–	2,117
Operating profit		**19,697**	**23,806**	**43,267**	**59,886**
Finance income	17	4,493	4,402	7,522	7,509
Finance costs	18	(1,725)	(1,615)	(3,580)	(3,669)
Disposal of associate		–	(62)	–	(62)
Share of result of associates		31	28	92	60
Profit before income tax		**22,496**	**26,559**	**47,301**	**63,724**
Income tax expense	11	(4,671)	(3,318)	(9,810)	(13,045)
Profit for the period		**17,825**	**23,241**	**37,491**	**50,679**
Other comprehensive income / (loss)					
Items that will not be reclassified subsequently to profit or loss					
Change in fair value of financial investments	7	(88)	6,714	(1,605)	5,345
Remeasurements of retirement benefit obligations		(382)	270	19	105
Income tax relating to items that will not be reclassified		(24)	(920)	197	(765)
Total items that will not be reclassified to profit or loss		**(494)**	**6,064**	**(1,389)**	**4,685**
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation difference		(312)	(128)	73	(213)
Total items that may be reclassified to profit or loss		**(312)**	**(128)**	**73**	**(213)**
Other comprehensive income for the period, net of income tax		**(806)**	**5,936**	**(1,316)**	**4,472**
Total comprehensive income for the period		**17,019**	**29,177**	**36,175**	**55,151**
Proft attributable to:					
Shareholders of FGC UES	19	17,825	23,219	37,495	50,649
Non-controlling interest		–	22	(4)	30
Total comprehensive income attributable to:					
Shareholders of FGC UES		17,019	29,155	36,179	55,121
Non-controlling interest		–	22	(4)	30
Earnings per ordinary share for profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	19	**0.014**	**0.018**	**0.030**	**0.040**

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

	Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**47,301**	**63,724**
Adjustments to reconcile profit before income tax to net cash provided by operations			
Depreciation of property, plant and equipment	5,16	18,795	16,909
Depreciation of right-of-use assets		524	437
Gain on disposal of property, plant and equipment		(60)	(199)
Amortisation of intangible assets		689	816
Reversal of impairment of property, plant and equipment, net	5	–	(2,117)
Gain on disposal of assets		–	(10,444)
Share of profit of associates and joint ventures		(92)	(60)
Accrual of allowance for expected credit losses		341	782
Accrual of other provision for liabilities and charges	14	174	555
Disposal of associate		–	62
Finance income	17	(7,522)	(7,509)
Finance costs	18	3,580	3,669
Other non-cash operating income		(149)	(91)
Operating cash flows before working capital changes, income tax paid and other changes in long-term assets and liabilities		**63,581**	**66,534**
Decrease in long–term trade and other accounts receivable		5,265	4,815
Increase in long-term advances given and other non-current assets		(275)	(60)
Increase/(decrease) in long-term accounts payable		517	(4,556)
Increase in long-term advances from customers		1,180	2,193
Working capital changes:			
(Increase)/decrease in trade and other accounts receivable		(653)	8,725
(Increase)/decrease in advances given and other current assets		(1,030)	196
Increase in inventories		(989)	(866)
Decrease in trade and other accounts payable		(2,830)	(3,947)
Decrease in provisions for liabilities and charges		(377)	(329)
Increase/(decrease) in advances from customers		4,226	(323)
Income tax paid		(4,661)	(6,097)
Net cash generated by operating activities		**63,954**	**66,285**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(26,586)	(35,299)
Proceeds from disposal of property, plant and equipment		116	260
Purchase of intangible assets		(762)	(281)
Redemption of promissory notes		2	2
Placement of bank deposits		(17,992)	(4,978)
Redemption of bank deposits		11,275	3,880
Dividends received		1,528	1,442
Loans given		(17)	(1)
Repayment of loans given		11	12
Proceeds from sale of financial investments		–	6,289
Interest received		1,496	1,575
Net cash used in investing activities		**(30,929)**	**(27,099)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current and non-current borrowings		20,000	22
Repayment of current and non-current borrowings		(9,557)	(17,684)
Repayment of principal portion of lease liabilites		(565)	(826)
Dividends paid		(13,243)	(6)
Acquisition of non-controlling interests		–	(74)
Interest paid		(7,655)	(7,976)
Net cash used in financing activities		**(11,020)**	**(26,544)**
Net increase in cash and cash equivalents		**22,005**	**12,642**
Cash and cash equivalents at the beginning of the period	9	**37,077**	**37,618**
Cash and cash equivalents at the end of the period	9	**59,082**	**50,260**

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

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

		Attributable to shareholders of FGC UES							
	Notes	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2020		**637,333**	**10,501**	**(4,719)**	**30,937**	**227,558**	**901,610**	**174**	**901,784**
Comprehensive income for the period									
Profit for the period		–	–	–	–	37,495	**37,495**	(4)	**37,491**
Other comprehensive income / (loss), net of related income tax									
Change in fair value of financial investments, net of income tax	7	–	–	–	(1,404)	–	**(1,404)**	–	**(1,404)**
Remeasurements of retirement benefit obligations, net of income tax		–	–	–	15	–	**15**	–	**15**
Foreign currency translation difference		–	–	–	73	–	**73**	–	**73**
Total other comprehensive loss		–	–	–	***(1,316)***	–	***(1,316)***	–	***(1,316)***
Total comprehensive (loss)/income for the period		–	–	–	(1,316)	37,495	**36,179**	(4)	**36,175**
Dividends declared	10	–	–	–	–	(11,989)	**(11,989)**	(6)	**(11,995)**
As at 30 June 2020 (unaudited)		**637,333**	**10,501**	**(4,719)**	**29,621**	**253,064**	**925,800**	**164**	**925,964**

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

		Attributable to shareholders of FGC UES						Non-controlling interest	Total equity
	Notes	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
As at 1 January 2019		**637,333**	**10,501**	**(4,719)**	**25,167**	**170,699**	**838,981**	**181**	**839,162**
Comprehensive income for the period									
Profit for the period		–	–	–	–	50,649	**50,649**	30	**50,679**
Other comprehensive income / (loss), net of related income tax									
Change in fair value of financial investments, net of income tax	7	–	–	–	4,573	–	**4,573**	–	**4,573**
Remeasurements of retirement benefit obligations, net of income tax		–	–	–	112	–	**112**	–	**112**
Foreign currency translation difference		–	–	–	(213)	–	**(213)**	–	**(213)**
Total other comprehensive income		–	–	–	***4,472***	–	***4,472***	–	***4,472***
Total comprehensive income for the period		–	–	–	4,472	50,649	**55,121**	30	**55,151**
Transfer of accumulated revaluation reserve at disposal of financial investments		–	–	–	(1,669)	1,669	–	–	–
Dividends declared	10	–	–	–	–	(20,256)	**(20,256)**	(2)	**(20,258)**
Aqusition of non-controlling interests		–	–	–	–	(29)	**(29)**	(45)	**(74)**
As at 30 June 2019 (unaudited)		**637,333**	**10,501**	**(4,719)**	**27,970**	**202,732**	**873,817**	**164**	**873,981**

Note 1. PJSC “FGC UES” and its operations

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

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

On 14 June 2013 the Government of the Russian Federation (the “RF”) transferred its stake in FGC UES to PJSC “ROSSETI” (former OJSC “IDGC Holding”), the holding company of an electricity distribution group, controlled by the Government of the RF. As at 30 June 2020 FGC UES was 80.13% owned and controlled by PJSC “ROSSETI”. The remaining shares are traded on Moscow Exchange and as Global Depository Receipts on the London Stock Exchange.

On 15 May 2020 the Annual General Shareholders’ Meeting of the Company was taken the decision to transfer the powers of the sole executive body of PJSC “FGC UES” to a management organisation, namely PJSC “ROSSETI” (minutes No. 24 dated May 15, 2020).

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

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

Business environment. The Group operates primarily in the Russian Federation and hence is exposed to risks related to the Russian economy and political market environments.

The economy of Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system is continuing to evolve and is subject to varying interpretations, and changes, which can occur frequently. The ongoing political tension and international sanctions against certain Russian companies and individuals still adversely impact the Russian economy.

The pandemic of coronavirus (COVID-19) in 2020 has caused a financial and economic tension in the world markets, lower consumption expenditure and business activities. A drop in demand on oil, natural gas and crude products together with a higher supply of oil due to cancellation of OPEC+ oil production agreement have caused a fall in hydrocarbon world prices. The stock exchange, currency and commodity markets have shown a significant volatility since March 2020.

Many countries as well as the Russian Federation have imposed quarantine measures. Social distancing and isolation measures have resulted in discontinued operations in retail, transport, travel and tourism, foodservice and many other areas. The impact of the pandemic on economics in countries individually and globally has had no historical analogies ever when governments took measures to save the economy. Various forecasts of changes in the macroeconomic indicators both in the short- and long-term horizon, the extent of impact of the pandemic on businesses including the estimation how long the crisis and recovery from it will last display different views.

The Group considers the influence of the events on the Group's operations as limited taking into consideration the following factors:

- systemic nature and position of the industry where the Group operates to ensure uninterruptible energy and power supply to users;
- state regulation of tariffs on the primary operational activities which allows to make forecasts within the approved tariffs on the Group's services;
- the means and volume of use of the Group's production assets have not changed;
- absence of currency risk (the majority of the Group's revenues and expenditures as well as monetary assets and liabilities are denominated in Russian Ruble (“RR”));

Note 1. PJSC “FGC UES” and its operations (continued)

- absence of direct adverse effect on the main operational activities of the Group from the regulatory changes aimed at preventing the spread of COVID-19.

However the uncertainty about the future operating environment of the Group and of its counterparties remains; another risk is a possible long nature of the pandemic which duration and effect cannot be reliably estimated now.

The Group continues to monitor and assess the situation and take appropriate action such as:

- cooperate with the federal and regional authorities to prevent the spread of coronavirus and take all required measures to ensure safety, health protection of its employees and contractors;
- conduct events to ensure stable electricity supply, realize priority investment projects and financial stability of the Group;
- monitor forward-looking and actual information about the pandemic impact on the economy of the Russian Federation and on the business activities of the Group's main counterparties;
- incorporate such forward-looking and actual information together with estimation of its degree of reliability and representation into the assessment of the possible influence on the changing micro- and macroeconomic conditions on the Group's financial position and performance.

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 2019 prepared in accordance with IFRS.

Critical accounting estimates and assumptions. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

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

Note 3. Summary of significant accounting policies

The key significant accounting policies and measurement procedures applied by the Group are consistent with those as disclosed in the audited consolidated financial statements for the year ended 31 December 2019 except for the summary of standards and interpretations effective for annual periods beginning on 1 January 2020 and applicable to the Group.

Amendments to IFRS 3 Business Combination.
These amendments revise the definition of a business with the aim to make its application less complicated. In addition, they introduce an optional “concentration test” that, if met, eliminates the need for further assessment. Under this concentration test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

Conceptual framework for financial reporting.
The revised Conceptual Framework for Financial Reporting contains a new Chapter on measurement, recommendations for reporting financial results, new definitions and recommendations (in particular – definition of “liabilities”) and explanations on specific issues such as the role of management, prudence, and measurement uncertainty in the preparation of financial statements.

Amendments to IAS 1 and IAS 8, Definition of Material.
These amendments specify the definition of “material” and its application by including recommendations on the definition that were previously presented in other IFRSs and align the definition across the Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The application of these standards and interpretations did not have a material impact on these consolidated interim condensed financial statements of the Group.

(in millions of Russian Rouble unless otherwise stated)

Note 4. Balances and transactions with related parties

Government-related entities. During the three and six months ended 30 June 2020 and 2019 the Group had the following significant transactions with government-related entities:

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
Transmission revenue	42,044	43,411	85,566	87,558
Electricity sales	155	167	353	381
Construction services	73	75	377	75
Connection services	83	628	95	755
Dividend income	1,578	1,442	1,578	1,442
Interest income	994	634	1,760	1,268
Net accrual of allowance for expected credit losses	(195)	(758)	(181)	(452)
Purchased electricity for production needs	(1,780)	(1,486)	(3,776)	(3,263)
Rent	(61)	(378)	(87)	(875)

Significant balances with government-related entities are presented below:

	30 June 2020	**31 December 2019**
Non-current assets		
Financial investments in equity instruments	44,106	45,711
Advances to construction companies and suppliers of property, plant and equipment (included in construction in progress)	867	610
Trade and other accounts receivable (net of allowance for expected credit losses of RR 119 million as at 30 June 2020 and RR 160 million as at 31 December 2019)	69,296	69,779
Advances given and other non–current assets	7	8
Current assets		
Cash and cash equivalents	53,346	31,035
Bank deposits	29,256	25,718
Trade and other accounts receivable (net of allowance for expected credit losses of RR 5,718 million as at 30 June 2020 and RR 5,425 million as at 31 December 2019)	34,932	35,552
Advances given and other current assets (net of impairment of RR 0 million as at 30 June 2020 and RR 73 million as at 31 December 2019)	182	75
Non-current liabilities		
Non-current debt	(8,279)	(6,287)
Trade and other accounts payable	(3,146)	(3,015)
Advances from customers	(8,943)	(8,020)
Current liabilities		
Current debt and current portion of non-current debt	(596)	(490)
Accounts payable to the shareholders of FGC UES	(10,134)	(11,388)
Trade and other accounts payable	(3,646)	(4,341)
Advances from customers	(6,513)	(5,810)

As at 30 June 2020 the Group had long-term undrawn committed financing facilities with government-related banks of RR 60,000 million (31 December 2019: RR 60,000 million) with the interest rates not exceeding 8.4% and the maturity dates in 2025.

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

(in millions of Russian Rouble unless otherwise stated)

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

Parent company. During the three and six months ended 30 June 2020 and 30 June 2019 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	
	2020	**2019**	**2020**	**2019**
Revenues	139	81	218	163
Operating expenses	(380)	(1)	(380)	(1)

Significant balances with the parent company are presented below:

	30 June 2020	**31 December 2019**
Financial investments in equity instruments	608	495
Short-term trade and other payables	(343)	(408)
Accounts payable to shareholders of FGC UES	(9,697)	(8,999)

For the six months ended 30 June 2020 the Group accrued a remuneration in the amount of RR 119 million in accordance with agreement on the transfer of authority of the sole executive body PJSC "FGC UES" to PJSC "ROSSETI".

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 2020 and 2019 was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
Short-term compensation, including salary and bonuses	130	83	187	118
Termination benefits	43	–	43	9
Post-employment benefits and other long-term benefits	3	(57)	5	(55)
Total	**176**	**26**	**235**	**72**

The amount of the short-term compensation to members of the Management Board represents remuneration accrued during the respective period. Remuneration provided to the members of the Board of Directors for the three and six months ended 30 June 2020 amounted to RR 8 million (30 June 2019: RR 9 million).

(in millions of Russian Rouble unless otherwise stated)

Note 5. Property, plant and equipment

	Land and Buildings	Power trans-mission grids	Substations	Construction in progress	Other	Total
Cost						
Balance as at 1 January 2020	34,155	661,862	765,911	258,654	93,979	1,814,561
Additions	1	1	6	26,238	716	26,962
Transfers	132	15,152	5,436	(21,675)	955	–
Disposals	(4)	(18)	(341)	(534)	(680)	(1,577)
Balance as at 30 June 2020	34,284	676,997	771,012	262,683	94,970	1,839,946
Accumulated depreciation and impairment						
Balance as at 1 January 2020	(8,210)	(300,492)	(382,871)	(43,951)	(54,136)	(789,660)
Depreciation charge	(235)	(5,579)	(10,325)	–	(2,656)	(18,795)
Transfers	(1)	(879)	(200)	1,108	(28)	–
Disposals	–	15	336	–	645	996
Balance as at 30 June 2020	(8,446)	(306,935)	(393,060)	(42,843)	(56,175)	(807,459)
Net book value as at 1 January 2020	25,945	361,370	383,040	214,703	39,843	1,024,901
Net book value as at 30 June 2020	25,838	370,062	377,952	219,840	38,795	1,032,487

	Land and Buildings	Power trans–mission grids	Substations	Construction in progress	Other	Total
Cost						
Balance as at 31 December 2018	31,809	604,748	725,527	248,566	82,787	1,693,437
Reclassification to right-of use assets	–	–	–	–	(914)	(914)
Balance as at 1 January 2019	31,809	604,748	725,527	248,566	81,873	1,692,523
Additions	–	27,280	7,101	33,775	1,059	69,215
Transfers	1,198	4,024	(1,729)	(6,916)	3,423	–
Disposals	(6)	(359)	(475)	(48)	(345)	(1,233)
Balance as at 30 June 2019	33,001	635,693	730,424	275,377	86,010	1,760,505
Accumulated depreciation and impairment						
Balance as at 31 December 2018	(7,617)	(285,998)	(355,758)	(56,434)	(50,353)	(756,160)
Reclassification to right-of use assets	–	–	–	–	435	435
Balance as at 1 January 2019	(7,617)	(285,998)	(355,758)	(56,434)	(49,918)	(755,725)
Depreciation charge	(222)	(4,984)	(9,703)	–	(2,000)	(16,909)
Reversal of impairment	–	–	–	2,117	–	2,117
Transfers	(1)	(168)	(174)	370	(27)	–
Disposals	4	357	468	29	314	1,172
Balance as at 30 June 2019	(7,836)	(290,793)	(365,167)	(53,918)	(51,631)	(769,345)
Net book value as at 1 January 2019	24,192	318,750	369,769	192,132	32,434	937,277
Net book value as at 30 June 2019	25,165	344,900	365,257	221,459	34,379	991,160

Borrowing costs of RR 4,291 million for the six months ended 30 June 2020 were capitalised within additions (for the six months ended 30 June 2019: RR 5,322 million). A capitalisation rate of 4.39% was used for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 5.58%).

(in millions of Russian Rouble unless otherwise stated)

Note 6. Right-of use assets

	Land and buildings	Power trans-mission grids	Substations	Other	Total	Lease liabilities
Balance as at 1 January 2020	**9,379**	**768**	**1,229**	**1,343**	**12,719**	**12,824**
Additions	968	-	-	64	1,032	**1,032**
Depreciation charged to profit or loss	(338)	(9)	(105)	(72)	(524)	**-**
Depreciation charged to construction in progress	(142)	-	-	-	(142)	**-**
Interest expense	-	-	-	-	-	**677**
Payments	-	-	-	-	-	**(1,236)**
Balance as at 30 June 2020	**9,867**	**759**	**1,124**	**1,335**	**13,085**	**13,297**

	Land and duildings	Power trans-mission grids	Substations	Other	Total	Lease liabilities
Balance as at 1 January 2019	**8,347**	**783**	**1,428**	**1,063**	**11,621**	**11,350**
Additions	980	-	12	85	1,077	**1,077**
Depreciation charged to profit or loss	(297)	(8)	(109)	(23)	(437)	**-**
Depreciation charged to construction in progress	(121)	-	-	-	(121)	**-**
Interest expense	-	-	-	-	-	**599**
Payments	-	-	-	-	-	**(826)**
Balance as at 30 June 2019	**8,909**	**775**	**1,331**	**1,125**	**12,140**	**12,200**

Note 7. Financial investments in equity instruments

	1 January 2020	Change in fair value	30 June 2020
PJSC “INTER RAO”	45,105	(1,718)	43,387
PJSC “ROSSETI”	495	113	608
Other	111	–	111
Total	**45,711**	**(1,605)**	**44,106**

	1 January 2019	Change in fair value	Disposals	30 June 2019
PJSC “INTER RAO”	37,419	5,263	(2,166)	40,516
PJSC “ROSSETI”	426	82	–	508
Other	111	–	–	111
Total	**37,956**	**5,345**	**(2,166)**	**41,135**

(in millions of Russian Rouble unless otherwise stated)

Note 8. Trade and other accounts receivable

	30 June 2020	31 December 2019
Long-term trade and other receivables		
Trade receivables (net of allowance for expected credit losses of RR 153 million as at 30 June 2020 and RR 207 million as at 31 December 2019)	70,126	71,685
Other receivables (net of allowance for expected credit losses of RR 12 million as at 30 June 2020 and RR 77 million as at 31 December 2019)	80	170
Promissory notes	202	229
Total long-term trade and other receivables	**70,408**	**72,084**
Short-term trade and other receivables		
Trade receivables (net of allowance for expected credit losses of RR 8,063 million as at 30 June 2020 and RR 7,836 million as at 31 December 2019)	38,583	38,393
Other receivables (net of allowance for expected credit losses of RR 6,154 million as at 30 June 2020 and RR 5,937 million as at 31 December 2019)	3,484	3,254
Loans given	121	114
Promissory notes	104	62
Total short-term trade and other receivables	**42,292**	**41,823**

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

As at 30 June 2020 long-term trade receivables in the amount of RR 65,296 million (as at 31 December 2019: RR 69,166 million) relating to the contracts of technological connection are being paid in equal semi-annual installments with an interest accrued on the actual outstanding balances at the rate of 6% per annum. Fair value of consideration receivable for these contracts at the date of initial recognition has been determined determined using present value technique based on estimated future cash flows and the discount rates of 6.91–9.63%.

As at 30 June 2020 long-term trade receivables in the amount of RR 3,479 million (as at 31 December 2019: RR 733 million) represent restructured balances for transmission services from related parties for which debt restructuring agreements were signed in 2016–2020 with a payment terms of 2021–2023 years and an interest rate varying from Central bank key interest rate to 11%.

As at 30 June 2020 fair value of long-term trade and other receivables amounted to RR 72,614 million as at 31 December 2019: RR 71,860 million). The fair value (Level 3) of long-term trade and other receivables has been determined using present value technique based on estimated future cash flows and the discount rates of 5.92–8.33% (as at 31 December 2019: 6.91–9.17%).

Note 9. Cash and cash equivalents and bank deposits

	30 June 2020	31 December 2019
Cash at bank and in hand	52,039	15,531
Cash equivalents	7,043	21,546
Total cash and cash equivalents	**59,082**	**37,077**

Cash equivalents include short-term investments in deposits with original maturities of three months or less and contractual interest rate of 3.50–6.05% as at 30 June 2020 and 3.69–8.05% as at 31 December 2019.

(in millions of Russian Rouble unless otherwise stated)

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

Bank deposits

	Interest rate	Rating	Rating agency	30 June 2020	31 December 2019
JSC "Rosselkhozbank"	6.50-7.20%	BBB-	FitchRatings	15,521	15,228
PJSC “VTB”	5.65-7.35%	BBB-	Standard&Poor's	7,788	10,490
JSC “Gazprombank”	6.36%	BB+	Standard&Poor's	4,493	–
PJSC “ROSBANK”	6.03%	Baa3/P-3	Moody’s	3,911	–
PJSC “Promsvyazbank”	6.25%	BB-	Standard&Poor's	1,454	–
JSC “Alfa-Bank”	5.85%	BB+	Standard&Poor's	1	71
Total bank deposits				**33 168**	**25,789**

The carrying amount of bank deposits approximates their fair value.

Note 10. Equity

Share capital

	Number of shares issued and fully paid, pcs		Share Capital	
	30 June 2020	**31 December 2019**	**30 June 2020**	**31 December 2019**
Ordinary shares	1,274,665,323,063	1,274,665,323,063	637,333	637,333

As at 30 June 2020 the authorised share capital comprised 1,346,805,824 thousand ordinary shares with a nominal value of RR 0.5 per share.

Treasury shares. As at 30 June 2020 the Group through a subsidiary holds 13,727,165 thousand ordinary shares in treasury at a total cost of RR 4,719 million (as at 31 December 2019: 4,719 million).

Dividends. At the Annual General Meeting in May 2020 shareholders approved the decision to distribute dividends for the year 2019 in the total amount of RR 12,102 million, dividends per ordinary share amounted to RR 0,009494338212. The total amount of the declared dividends for the year 2019 is RR 23,331 million.

At the Annual General Meeting in June 2019 shareholders approved the decision to distribute dividends for the year 2018 in the total amount of RR 20,449 million. Dividends per ordinary share amounted to RR 0.016042926012.

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 2020	31 December 2019
Revaluation reserve for financial investments, net of tax (Note 7)	32,574	33,978
Remeasurement reserve for retirement benefit obligations	(3,299)	(3,314)
Foreign currency translation reserve	346	273
Total reserves	**29,621**	**30,937**

Note 11. Income tax

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

During the six months ended 30 June 2020 and 2019 the Company and its principal subsidiaries 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	
	2020	**2019**	**2020**	**2019**
Profit before income tax	**22,496**	**26,559**	**47,301**	**63,724**
Theoretical income tax charge at the statutory tax rate of 20 percent	(4,499)	(5,312)	(9,460)	(12,745)
Tax effect of items which are not deductible for taxation purposes	(285)	2,045	(651)	(302)
Movement in unrecognised deferred tax assets	113	(51)	301	2
Total income tax expense	**(4,671)**	**(3,318)**	**(9,810)**	**(13,045)**

(in millions of Russian Rouble unless otherwise stated)

Note 12. Non-current debt

	Effective interest rate	Due	30 June 2020	31 December 2019
Certified interest-bearing non-convertible bearer bonds:				
with fixed rates	0.1-9.35%	2020-2052	85,842	75,476
with variable rates	CPI+1-2.5%	2027-2050	150,935	151,278
Non-bank loans	0.1-3%	2025-2026	158	209
Lease liabilities	5.47-10.38%	2020-2069	13,297	12,824
Total debt			**250,232**	**239,787**
Less: current portion of non-current bonds			(30,358)	(30,335)
Less: current portion of non-bank loans			(5)	(6)
Less: current portion of lease liabilities			(1,192)	(1,103)
Total non-current debt			**218,677**	**208,343**

All debt instruments are denominated in Russian Rouble.

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

		30 June 2020		31 December 2019	
	Level	Fair value	Carrying value	Fair value	Carrying value
Non-convertible bearer bonds with fixed rates	1	88,578	85,842	76,284	75,476
Non-convertible bearer bonds with variable rates	1	9,985	10,252	9,930	10,319
Total debt		**98,563**	**96,094**	**86,214**	**85,795**

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

As at 30 June 2020 the Group had long-term undrawn committed financing facilities of RR 100,000 million (as at 31 December 2019: RR 100,000 million) which could be used for the general purposes of the Group.

Note 13. Trade and other payables

	30 June 2020	31 December 2019
Long-term trade and other payables		
Accounts payable to construction companies and suppliers of property, plant and equipment	12,290	13,077
Trade payables	1,067	1,044
Total long-term trade and other payables	**13,357**	**14,121**
Short-term trade and other payables		
Accounts payable to construction companies and suppliers of property, plant and equipment	20,410	23,585
Trade payables	10,503	12,375
Accounts payable to employees	3,175	2,982
Other creditors	2,133	2,638
Total short-term trade and other payables	**36,221**	**41,580**

(in millions of Russian Rouble unless otherwise stated)

Note 13. Trade and other payables (continued)

As at 30 June 2020 long-term accounts payable to construction companies and suppliers of property, plant and equipment includes RR 1,233 million (as at 31 December 2019: RR 2,132 million) of guarantee deposits made by suppliers of property, plant and equipment refundable in 2020–2037. Fair value of consideration payable for these deposits at the date of initial recognition has been determined using present value technique based on estimated future cash flows and the discount rates of 4.95–5.68%.

As at 30 June 2020 long-term accounts payable to construction companies and suppliers of property, plant and equipment includes RR 7,968 million (as at 31 December 2019: RR 7,988 million) related to contracts of purchase of property, plant and equipment. Amounts are payable in instalments in 2020–2025. Fair value of consideration payable for these accounts payable at the date of initial recognition has been determined using present value technique based on estimated future cash flows and the discount rate of 8.75%.

As at 30 June 2020 fair value of long-term trade and other payables amounted to RR 13,863 million (as at 31 December 2019: RR 14,569 million). The fair value (Level 3) of long-term trade and other payables has been determined using using present value technique based on estimated future cash flows and the discount rate of 4.95% (31 December 2019: 5.48%).

Note 14. Provisions for liabilites and charges

Movement in provisions for liabilities and charges:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Carrying amount at 1 January	**1,202**	**683**
Additional amounts charged to profit or loss	199	687
Unused amounts reversed	(25)	(132)
Utilisation of provision	(377)	(329)
Carrying amount at 30 June	**999**	**909**

Note 15. Revenues

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
Transmission fee	54,196	55,192	110,306	111,313
Construction services	72	136	1,052	136
Electricity sales	377	373	835	838
Connection services	361	638	689	772
Other revenues	853	923	1,435	1,515
Total revenues from contracts with customers	**55,859**	**57,262**	**114,317**	**114,574**
Rental income	249	217	497	422
Total revenues	**56,108**	**57,479**	**114,814**	**114,996**

Note 16. Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
Depreciation of property, plant and equipment	9,331	8,417	18,795	16,909
Purchased electricity	7,697	8,224	17,763	18,977
Employee benefit expenses and payroll taxes	8,506	7,508	15,989	14,596
Taxes, other than on income	3,391	3,408	6,843	6,994
Repairs and maintenance of equipment	834	1,082	1,350	1,424
Materials for repair	727	739	1,094	934
Electricity transit	683	508	1,082	818
Business trips and transportation expenses	506	540	972	1,023
Amortisation of intangible assets	333	401	689	816
Depreciation of right-of-use assets	264	200	524	437
Materials for construction contracts	–	–	213	–
Subcontract works for construction contracts	43	187	125	187
Rent	45	319	99	1,263
Fuel for mobile gas-turbine electricity plants	6	24	9	50
Other expenses	4,577	4,175	7,688	6,197
Total operating expenses	**36,943**	**35,732**	**73,235**	**70,625**

(in millions of Russian Rouble unless otherwise stated)

Note 17. Finance income

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
Unwinding of discount of accounts receivable	1,828	2,225	3,634	4,391
Interest income	1,082	662	2,182	1,556
Foreign currency exchange differences	1,578	1,442	1,578	1,442
Dividend income	5	8	24	19
Other finance income	-	65	104	101
Total finance income	**4,493**	**4,402**	**7,522**	**7,509**

Note 18. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
Interest expense	2,968	4,025	6,501	7,923
Interest expense on lease contracts	344	321	677	599
Net interest on the defined benefit obligations	110	89	222	218
Foreign currency exchange differences	80	31	136	55
Other finance costs	135	81	335	196
Total finance cost	**3,637**	**4,547**	**7,871**	**8,991**
Less capitalised interest expenses on borrowings related to qualifying assets	(1,912)	(2,932)	(4,291)	(5,322)
Total finance cost recognised in profit or loss	**1,725**	**1,615**	**3,580**	**3,669**

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

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
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)	17,825	23,219	37,495	50,649
Earning per share – basic and diluted (in RR)	**0.014**	**0.018**	**0.030**	**0.040**

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

Note 20. Contingencies, commitments, operating and financial risks

There have been no significant changes in political environment, insurance policies and environmental matters during the six months ended 30 June 2020 in comparison with those described in the Group’s consolidated financial statements for the year ended 31 December 2019 as well as there have been no changes in operating and financial risk management policies since year end.

The Group management is taking operational measures to ensure sufficient cash (liquidity) from operational activities in order to finance primary investment projects and to serve the short-term and long-term borrowings due as at the reporting date. The management of the Group is carrying out activities aimed to ensure sufficient available credit limits, adequate liquidity such as balances in bank accounts and bank deposits, quality control of financial security (banking guarantees) when accepted.

Legal proceedings. In the normal course of business, the Group entities may be a party to certain legal proceedings. As at 30 June 2020 claims made by suppliers of property, plant and equipment and other counterparties to the Group amounted to RR 4,442 million. Management belives the likelyhood of negative outcome for the Group and the respecive outflow of financial resources to settle such claims, if any, is not probable and, consequently, no provision has been made in these financial statements. Management believes that it has made adequate provision for other probable claims (Note 14). In the opinion of management, currently there are no other existing legal proceedings or claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

(in millions of Russian Rouble unless otherwise stated)

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

Tax contingency. Russian tax legislation is subject to varying interpretations regarding the operations and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant regional and federal authorities. Russian tax administration is gradually strengthening.

In particular there is a higher risk of review of tax transactions without a clear business purpose or with tax 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

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

Since 1 January 2019, control over transfer prices for the major domestic Russian transactions has been cancelled. However, exemption from control over prices can be applied to certain domestic transactions only. At this, in case of additional tax charge, a correlative adjustment mechanism can be used to tax liabilities if certain legal requirements are met. Intra-group transactions that have been beyond the control of TPR since 2019 may, however, can be subject to inspection from territorial tax authorities with regard to unjustified tax income and the TRP principles can be applied to determine the additional tax payable. The federal executive body responsible for control and supervision over taxes and charges can inspect prices/return in controlled transactions and, if disagreeing with the Group's prices applied in the transactions, can charge additional tax unless the Group can justify the marketing nature of pricing in the transaction with documents on transfer pricing that are in compliance with the legal regulations.

Depending on the further practice of applying the property tax rules by the tax authorities and courts the classification of moveable and immoveable property set by the Group could be argued. The Goup's management does not exclude the risk of resources outflow and its impact can not be sufficiently estimated.

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

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 149,018 million as at 30 June 2020 (as at 31 December 2019: RR 120,227 million) including VAT.

Note 21. Segment information

The Group operates wihin one operating segment. The Group's 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**	
	2020	**2019**	**2020**	**2019**
Revenue from external customers	54,629	56,753	112,347	113,558
Intercompany revenue	95	80	187	180
Total revenue	**54,724**	**56,833**	**112,534**	**113,738**
Segment profit for the period	11,203	18,301	21,788	28,823

(in millions of Russian Rouble unless otherwise stated)

Note 21. Segment information (continued)

	30 June 2020	31 December 2019
Total reportable segment assets (RAR)	1,563,189	1,543,924
Total reportable segment liabilities (RAR)	450,086	421,167

A reconciliation of the reportable segment's revenue to the Condensed Consolidated Interim Financial Statements for the three and six months ended 30 June 2020 and 2019 is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
Total revenue from segment (RAR)	**54,724**	**56,833**	**112,534**	**113,738**
Reclassification between revenue and other income	37	(326)	(168)	(425)
Non-segmental revenue	1,051	1,134	2,271	2,062
Elimination of intercompany revenue	(95)	(80)	(187)	(180)
Non-recognised revenue	391	(82)	364	(199)
Total revenue (IFRS)	**56,108**	**57,479**	**114,814**	**114,996**

A reconciliation of the reportable segment's profit to the Condensed Consolidated Interim Financial Statements for the three and six months ended 30 June 2020 and 2019 is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2020	**2019**	**2020**	**2019**
Profit for the period (RAR)	**11,203**	**18,301**	**21,788**	**28,823**
Property, plant and equipment				
Adjustment to the carrying value of property, plant and equipment	9,908	11,134	20,305	22,232
Gain on disposal of assets	-	-	-	10,444
Reversal of impairment of property, plant and equipment	-	1,391	-	2,117
Financial instruments				
Re-measurement of financial investments through other comprehensive income	(215)	(7,429)	1,417	(6,023)
Discounting of long-term trade and other accounts receivables	427	877	886	1,705
Discounting of long-term trade and other accounts payable	(169)	(34)	(259)	(127)
Discounting of promissory notes	9	7	17	15
Consolidation				
Impairment of investments in subsidiaries	–	(9)	–	(11)
Other				
Adjustment to allowance for expected credit losses	(591)	(59)	(562)	(544)
Right–of–use assets	(74)	(18)	(209)	(244)
Accrual of retirement benefit obligations	(18)	202	(73)	31
Non-recognised revenue and other income	457	(1,425)	450	(1,561)
Write-off of research and development to expenses	(5)	(1)	20	31
Share of profit of associates and joint ventures	31	28	92	60
Adjustment to provision for liabilities and charges	-	(299)	-	(299)
Deferred tax adjustment	(2,156)	89	(4,453)	(5,159)
Other adjustments	86	730	(398)	(181)
Non-segmental other operating loss	(1,068)	(244)	(1,530)	(630)
Profit for the period (IFRS)	**17,825**	**23,241**	**37,491**	**50,679**

Information on revenue for separate services and products of the Group is presented in Note 15. The Group performs most of its activities in the Russian Federation and does not have any significant revenue from foreign customers or any non-current assets located in foreign countries.
The major customers of the Group are government-related entities. The amounts of revenue from such entities are disclosed in Note 4. The Group has no other major customers with turnover over 10 percent of the Group revenue.

Note 22. Gain on disposal of assets

On 26 December 2018, as a part of UNEG asset consolidation process the Group has concluded the exchange contract with JSC “Far Eastern Energy Management Company” (goverment-controlled entity). The Group exchanges property, plant and equipment, accounts receivable, and promise to pay cash by instalments up to 2024 for UNEG property plant and equipment. The exchange has been completed on 1 January 2019.

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

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

Note 23. Subsequent events

In July 2020, the Group, within the events to place temporarily available cash, acquired uncertified interest bearing inconvertible bonds of its parent PJSC “ROSSETI” series БО-001Р-03 of RUB 10,000 million with the offer date of one year. The rate for the first coupon is 4.85%, for coupons 2-4 - MosPrime3M + 0.04%. The bonds are redeemable at the discretion of PJSC “ROSSETI” at the end date of each coupon period over the maturity.