Independent auditor's report
on the consolidated financial statements of
PJSC Inter RAO and its subsidiaries
for 2020

March 2021

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PJSC Inter RAO and its subsidiaries

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Independent auditor's report

To the Shareholders and Board of
Directors of PJSC Inter RAO

Opinion

We have audited the consolidated financial statements of PJSC Inter RAO and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade accounts receivables	
As at 31 December of 2020 the Group has a significant balance of trade accounts receivables. The assessment of recoverability of trade accounts receivables from the third parties is complex, largely subjective and based on assumptions, in particular, on forecasted ability of the customer to pay. Therefore, it was one of the matters of the most significance to our audit. The information on trade accounts receivable impairment is disclosed in the Notes 11, 13 and 24 to the consolidated financial statements.	Among other audit procedures, we obtained understanding of the process of impairment assessment of trade receivables and we analysed information used by the Group for the identification of impaired trade accounts receivable, including information on accounts receivable history of settlements, tested aging structure, subsequent payments and reviewed contracts on a sample basis, analysed applicable levels of accounts receivable impairment allowance. Due to pervasiveness of this matter across the Group, we involved component auditors and directed their work based on the significance of the matter to a component.
Analysis of property, plant and equipment impairment	
Analysis of property, plant and equipment impairment was one of the matters of most significance to our audit because the process of assessing of indicators for separate cash-generating unit is complex and is based on Group's management assumptions. In assessing the impairment indicators, the Group has applied judgement in selecting the discount rates for calculating individual cash-generating units value in use, economic performance of the assets, changes in the technological, market, economic and legal environment in which assets operate and other indicators of potential impairment. The information about impairment testing of property, plant and equipment of the Group is disclosed in Note 6 to the consolidated financial statements.	We analyzed the discount rates used by the Group for individual cash-generating units, analysed economic performance of separate cash-generating units by comparing actual results of cash-generating units for the current period with planned indicators, as well as with budgets for the next reporting period, analysed changes in technological, market, economic and legal environment in the Russian Federation and other countries in which the Group operates, and also examined other information that could provide evidence of potential impairment of property, plant and equipment including information on the market capitalization of the Group and evidence of obsolescence or physical damage of property, plant and equipment.

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of provisions and contingent liabilities for litigation	
Recognition and measurement of provisions and contingent liabilities in respect of litigation, regulatory bodies' actions and customers' claims involve a significant degree of judgement. Due to the significance of amounts under litigation and claims and estimation uncertainty, it was one of the matters of most significance in our audit. The information on the Group's provisions and contingent liabilities is disclosed in Notes 19, 20 and 29 to the consolidated financial statements.	Our procedures included analysis of the court decisions in different jurisdictions, discussing these matters with employees of the Group's Legal department, assessing the effect of possible claims from regulatory bodies and others and respective disclosures.

Other information included in the Group's 2020 Annual report

Other information consists of the information included in Group's 2020 Annual report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit Committee of the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is I.A. Buyan.

I.A. Buyan
Partner
Ernst & Young LLC

1 March 2021

Details of the audited entity

Name: PJSC Inter RAO
Record made in the State Register of Legal Entities on 1 November 2002, State Registration Number 1022302933630.
Address: Russia 119435, Moscow, Bolshaya Pirogovskaya street, building 27-2.

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.

Consolidated statement of financial position

(in millions of RUR)

	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	6	358,218	327,980
Intangible assets	7	17,687	9,804
Investments in associates and joint ventures	8	17,206	15,779
Deferred tax assets	9	5,518	5,139
Securities	10	8,331	7,797
Other non-current assets	11	7,054	2,273
Total non-current assets		**414,014**	**368,772**
Current assets			
Inventories	12	20,242	19,311
Accounts receivable and prepayments	13	98,314	102,233
Income tax prepaid		1,131	714
Cash and cash equivalents	14	181,116	95,924
Other current assets	15	150,426	164,055
Total current assets		**451,229**	**382,237**
Total assets		**865,243**	**751,009**
Equity and liabilities			
Equity			
Share capital	16	293,340	293,340
Treasury shares	16	(86,708)	(86,708)
Share premium		69,312	69,312
Hedge reserve	16	(359)	394
Actuarial reserve	16	(459)	(605)
Fair value reserve	16	(4,836)	(5,903)
Foreign currency translation reserve		5,103	2,278
Retained earnings		338,548	278,731
Total equity attributable to shareholders of the Company		**613,941**	**550,839**
Non-controlling interest	31	2,156	1,940
Total equity		**616,097**	**552,779**
Non-current liabilities			
Loans and borrowings	18	263	474
Long-term lease liabilities	6	78,839	48,934
Deferred tax liabilities	9	11,444	11,208
Other non-current liabilities	20	18,084	9,927
Total non-current liabilities		**108,630**	**70,543**
Current liabilities			
Loans and borrowings	18	2,788	2,842
Short-term portion of long-term lease liabilities	6	12,778	8,361
Accounts payable and accrued liabilities	19	112,315	102,559
Other taxes payable	21	11,121	12,137
Income tax payable		1,514	1,788
Total current liabilities		**140,516**	**127,687**
Total liabilities		**249,146**	**198,230**
Total equity and liabilities		**865,243**	**751,009**

Chief Executive Officer — Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer — Miroshnichenko E.N.

1 March 2021

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-32.

Consolidated statement of comprehensive income

(in millions of RUR)

	Note	For the year 2020	For the year 2019
Revenue	22	986,292	1,032,120
Other operating income	23	9,390	12,096
Operating expenses	24	(915,142)	(945,909)
Operating income		**80,540**	**98,307**
Finance income	25	21,163	15,602
Finance expenses	25	(8,515)	(12,538)
Share of profit of associates and joint ventures, net	8	3,013	2,410
Income before income tax		**96,201**	**103,781**
Income tax expense	26	(20,736)	(21,851)
Income for the period		**75,465**	**81,930**
Other comprehensive income/(loss)			
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss when specific conditions are met			
Loss on securities, net of tax	10, 16	(23)	(601)
Net (loss)/income on hedge instruments, net of tax	16	(840)	956
Exchange gain/(loss) on translation to presentation currency		3,204	(2,928)
Other comprehensive income/(loss) not to be reclassified subsequently to profit or loss			
Income on securities, net of tax	10, 16	1,090	443
Actuarial gain/(loss), net of tax	16	146	(883)
Other comprehensive gain/(loss), net of tax		**3,577**	**(3,013)**
Total comprehensive income for the period		**79,042**	**78,917**
Income attributable to:			
Shareholders of the Company		74,989	81,631
Non-controlling interest	31	476	299
		75,465	**81,930**
Total comprehensive income attributable to:			
Shareholders of the Company		78,274	78,746
Non-controlling interest		768	171
		79,042	**78,917**
		RUR	*RUR*
Basic income per ordinary share for income attributable to the shareholders of the Company	17	**1.020**	**1.109**
Diluted income per ordinary share for income attributable to the shareholders of the Company	17	**1.020**	**1.109**

Chief Executive Officer — Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer — Miroshnichenko E.N.

1 March 2021

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-32.

Consolidated statement of cash flows

(in millions of RUR)

	Note	For the year 2020	For the year 2019
Operating activities			
Income before income tax		**96,201**	**103,781**
Adjustments to reconcile income before tax to net cash flows from operating activities			
Depreciation and amortisation	24	28,969	28,002
Provision for impairment of accounts receivable, net	24	5,459	7,050
Discounting of accounts receivable	25	74	(145)
Discounting of accounts payable	25	12	2,038
Charge/(release) of other provisions	24	1,343	(1,394)
Impairment of securities and asset classified as held-for-sale	10, 24	–	2
Impairment of property, plant and equipment and intangible assets	6, 7, 24	1,575	2,649
Impairment of investments in associate and joint venture	24	–	2,269
Share of profit of associates and joint ventures, net	8	(3,013)	(2,410)
Income from electricity derivatives, net	23, 24	(1,586)	(2,082)
Foreign exchange (gain)/loss, net	25	(7,115)	4,139
Interest income	25	(13,081)	(14,580)
Other finance income	25	(403)	(344)
Interest expense	25	8,022	6,008
Other finance expenses	25	263	274
Dividend income	25	(420)	(454)
Income from sale of securities	10, 23	(178)	–
Loss from sale of asset classified as held-for-sale	24	–	148
Loss/(gain) from disposal of Group entities, net	5, 8, 24	129	(66)
Other non-cash operations/items		(1,315)	221
Operating cash flows before working capital adjustments and income tax paid		**114,936**	**135,106**
(Increase)/decrease in inventories		(534)	427
(Increase)/decrease in accounts receivable and prepayments		(5,449)	3,485
Decrease in value added tax recoverable		270	875
Decrease in other current assets		534	2,738
Increase/(decrease) in accounts payable and accrued liabilities		10,908	(9,816)
Increase/(decrease) in taxes other than income tax prepaid/payable, net		2,757	(1,204)
Other working capital adjustments		–	64
		123,422	**131,675**
Income tax paid		(21,679)	(22,419)
Net cash flows from operating activities		**101,743**	**109,256**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-32.

Consolidated statement of cash flows (continued)

(in millions of RUR)

	Note	For the year 2020	For the year 2019
Investing activities			
Proceeds from disposal of property, plant and equipment		81	1,373
Purchase of property, plant and equipment and intangible assets		(28,546)	(24,466)
Purchase of controlling interest, net of cash acquired	5, 8	888	–
Outflow from disposal of controlling interest, net of cash disposed	5	–	(2)
Purchase of securities	10	(53)	(55)
Proceeds from disposal of joint venture and associate	8	–	109
Proceeds from disposal of securities and asset classified as held-for-sale	10	1,026	1,597
Proceeds from repayment of loans issued		5	174
Loans issued		–	(148)
Bank deposits placed		(246,780)	(224,307)
Bank deposits returned and proceeds from promissory notes repayment		261,352	135,428
Interest proceeds for bank deposits placed		13,228	11,541
Purchase of other non-current assets		(20)	(528)
Dividends received		444	454
Cash flows from / (used for) other investing activities		28	(85)
Net cash flows from / (used for) investing activities		**1,653**	**(98,915)**
Financing activities			
Proceeds from loans and borrowings		5,912	7,176
Repayment of loans and borrowings		(6,395)	(13,212)
Repayment of leases		(9,748)	(7,752)
Interest paid		(253)	(427)
Dividends paid		(15,660)	(13,787)
Purchase of non-controlling interest in subsidiaries	5	(2)	(451)
Acquisition of treasury shares	16	–	(37,510)
Proceeds from treasury shares sale	16	–	2,271
Net cash flows used for financing activities		**(26,146)**	**(63,692)**
Effect of exchange rate fluctuations on cash and cash equivalents		7,942	(4,472)
Net increase/(decrease) in cash and cash equivalents		**85,192**	**(57,823)**
Cash and cash equivalents at the beginning of the period		95,924	153,747
Cash and cash equivalents at the end of the period	14	**181,116**	**95,924**

Chief Executive Officer Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer Miroshnichenko E.N.

1 March 2021

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-32.

Consolidated statement of changes in equity

(in millions of RUR)

		Attributable to shareholders of the Company										
	Note	***Share capital***	***Treasury shares***	***Share premium***	***Foreign currency translation reserve***	***Fair value reserve***	***Hedge reserve***	***Actuarial reserve***	***Retained earnings***	***Total***	***Non-controlling interest***	***Total equity***
Balance at 31 December 2018		**293,340**	**(86,210)**	**69,312**	**4,887**	**(5,745)**	**(367)**	**274**	**207,778**	**483,269**	**2,209**	**485,478**
Total comprehensive (loss)/income for the year ended 31 December 2019		–	–	–	(2,609)	(158)	761	(879)	81,631	**78,746**	171	**78,917**
Dividends to shareholders	16	–	–	–	–	–	–	–	(13,411)	**(13,411)**	(410)	**(13,821)**
Undrawn dividends returned	16	–	–	–	–	–	–	–	6	**6**	–	**6**
Acquisition of non-controlling interest in subsidiary	5	–	–	–	–	–	–	–	(42)	**(42)**	(30)	**(72)**
Sale of treasury shares	16	–	1,467	–	–	–	–	–	804	**2,271**	–	**2,271**
Acquisition of treasury shares	16	–	(1,965)	–	–	–	–	–	1,965	**–**	–	**–**
Balance at 31 December 2019		**293,340**	**(86,708)**	**69,312**	**2,278**	**(5,903)**	**394**	**(605)**	**278,731**	**550,839**	**1,940**	**552,779**
Balance at 31 December 2019		**293,340**	**(86,708)**	**69,312**	**2,278**	**(5,903)**	**394**	**(605)**	**278,731**	**550,839**	**1,940**	**552,779**
Total comprehensive income/(loss) for the year ended 31 December 2020		–	–	–	2,825	1,067	(753)	146	74,989	**78,274**	768	**79,042**
Dividends to shareholders	16	–	–	–	–	–	–	–	(15,215)	**(15,215)**	(551)	**(15,766)**
Undrawn dividends returned	16	–	–	–	–	–	–	–	44	**44**	–	**44**
Acquisition of non-controlling interest in subsidiary	5	–	–	–	–	–	–	–	(1)	**(1)**	(1)	**(2)**
Balance at 31 December 2020		**293,340**	**(86,708)**	**69,312**	**5,103**	**(4,836)**	**(359)**	**(459)**	**338,548**	**613,941**	**2,156**	**616,097**

Chief Executive Officer Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer Miroshnichenko E.N.

1 March 2021

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-32.

(in millions of RUR)

1. The Group and its operations

Establishment of the Group

Public Joint Stock Company "Inter RAO UES" (the "Parent Company" or the "Company" or PJSC "Inter RAO") is incorporated and domiciled in the Russian Federation and whose shares are publicly traded.

The Russian Federation is the ultimate controlling party of PJSC Inter RAO. The main state shareholders of the Parent Company as at 31 December 2020 are Group ROSNEFTEGAZ (27.63%) and PJSC FGC UES (8.57%).

The Company has controlling interests in a number of subsidiaries operating in different regions of the Russian Federation and abroad (the Company and its subsidiaries collectively are designated as the "Group"). The Group's principal subsidiaries as at 31 December 2020 are presented in Note 31.

The Group is engaged in the following business activities:

- Electricity production, supply and distribution;
- Export and import of electricity;
- Sales of electricity purchased abroad and on the domestic market;
- Engineering services;
- Energy effectiveness research and development.

The Company's registered address is Bolshaya Pirogovskaya street, building 27-2, 119435, Moscow, the Russian Federation.

The Group's business environment

The governments of the countries where the Group entities operate directly affect the Group's operations through regulation with respect to energy generation, purchases and sales. Governmental economic, social and other policies in these countries could have a material effect on the operations of the Group.

The Russian Federation, Georgia, Moldavia (including Transdniestria Republic), Turkey, Lithuania, Latvia and Estonia have been experiencing significant (albeit different) political and economic changes that have affected, and may continue to affect, the activities of the Group entities operating in this environment. Consequently, operations in these jurisdictions involve risks that typically do not exist in other mature markets. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The accompanying consolidated financial statements reflect management's assessment of the impact of the business environment on the operating results and the financial position of the Group in the countries where the Group entities operate. Management is unable to predict all developments which could have an impact on the utilities sector and the wider economy in these countries and consequently, what effect, if any, they could have on the financial position of the Group. Therefore, future business environment may differ from management's assessment.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (the IASB).

Each entity of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the relevant statutory accounting requirements. These financial statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as discussed in Note 3.

(in millions of RUR)

2. Basis of preparation (continued)

(b) Functional and presentation currency

The national currencies of the countries where the Group entities operate are usually the individual company's functional currencies, because they generally reflect the economic substance of the underlying transactions and circumstances of those companies.

The Group applies judgment in determination of the functional currencies of certain Group entities. The functional currency determination influences foreign exchange gain/losses recognised in profit and loss and translation differences recognised in other comprehensive income.

The consolidated financial statements are presented in millions of the Russian roubles ("RUR"). The main part of the Group is represented by entities operating in the Russian Federation having RUR as their functional currency. All values are rounded to the nearest million, except when otherwise indicated.

(c) Seasonality

Demand for electricity is to some extent influenced by the season of the year. Revenue is usually higher in the period from October to March than in other months of the year. This seasonality does not impact revenue or cost recognition policies of the Group.

(d) Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments that might be necessary should the Group be unable to continue as a going concern.

(e) Critical accounting estimates and judgments

The Group makes estimates and judgments that affect the reported amounts of assets and liabilities within the next reporting period. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. The judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next reporting period include:

Provision for impairment of accounts receivable

The provision for impairment of accounts receivable is based on the Group's assessment of the collectability of specific customer accounts. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

If the Group determines that no objective evidence exists that impairment has occurred for an individually assessed accounts receivable, whether significant or not, it includes the accounts receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management to the extent of which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. The Group adjusts the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults in the specific sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed (see Note 13).

Useful lives of property, plant and equipment

The estimation of useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and physical environment in which the asset operates. Changes in any of these conditions or estimates may result in adjustments in depreciation rates. Land has an unlimited useful life and therefore is not depreciated.

(in millions of RUR)

2. Basis of preparation (continued)

(e) Critical accounting estimates and judgments (continued)

Estimation of fair value

The Group estimates the fair value of an asset or liability, using assumptions that market participants would use when pricing the asset or liability, assuming that market participants are acting in their own economic interests. In developing those assumptions the Group identifies the common characteristics that distinguish the market participants, having considered the factors specific to the following: (a) an asset or liability; (b) the principal (or most advantageous) market for the asset or liability; and (c) market participants with whom the entity would enter into a transaction in that market. The estimation of the fair value of the acquired businesses and financial instruments where there is not the principal (or most advantageous) market for assets or liabilities is a matter of management judgment based on the application of relevant valuation models. In determining the fair value the valuation models that are based on management best estimates of future cash flows, current market conditions and the choice of analogue the judgment areas (include considerations of inputs such as liquidity risk, credit risk and volatility) are frequently used. Changes in any of these conditions may result in significant adjustment to the fair value of financial instruments and acquired businesses.

Restoration provision

Changes in the measurement of an existing restoration provision that result from changes in the estimated timing or amount of the outflows of economic benefits, or from changes in the discount rate adjust the cost of the related asset and liability. Estimating the amounts and timing of those obligations settlement requires management judgment. This judgment is based on cost and engineering studies using currently available technology and on current environmental regulations. The restoration provision is also subject to change because of updates in laws and regulations, and their interpretation by management.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted as arm's length transaction, for similar assets or at observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the management forecast for the next twenty years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Tax contingencies

The Group entities operate in a number of tax jurisdictions across Europe and the CIS. Where management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is provided for in the consolidated financial statements. Tax contingencies are disclosed in Note 29.

Deferred income tax asset recognition

The Group does not recognise certain deferred income tax assets in respect of certain Group entities located in the Russian Federation, Netherlands and Lithuania as management believes that it is not probable that the future taxable profit will be available in the respective Group entities against which the Group can utilise the benefits. Unrecognised deferred income tax assets are disclosed in Note 9 (b).

3. Summary of significant accounting policies

Significant accounting policies applied in the preparation of the consolidated statements are described below. These accounting policies have been consistently applied. In order to enhance the relevance of the financial statements to users, management has changed the presentation and aggregation of certain disclosures, including comparative information.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The ability to use its power over the investee to affect its returns.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to non-controlling interest, even if this results in non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control is presumed to exist when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities. Relevant activities are activities of the investee that significantly affect the investee's return. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

Non-controlling interest represents the non-controlling shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This has been calculated based upon the non-controlling interests' ownership percentage of these subsidiaries. The non-controlling interest has been disclosed as a part of equity.

The Group applies a policy of treating transactions with non-controlling shareholders as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of a subsidiary is recorded in equity. Differences between consideration received and carrying value of non-controlling interests sold are also recorded in equity.

The Group derecognises non-controlling interest if non-controlling shareholders have received a mandatory offer to purchase their shares. The difference between the amount of the liability recognised in the consolidated statement of financial position over the carrying value of the derecognised non-controlling interests is charged to retained earnings.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Principles of consolidation (continued)

Associates entities and joint ventures

Associates are those entities over which the Group has significant influence, the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Equity method

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown in the Consolidated statement of comprehensive income separately from operating profit and represents profit or loss after tax of the associate or joint venture (including their subsidiaries) to the extent of Group's share in the associate or joint venture for the reporting period. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in Consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint operations

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains in transactions among the Group entities are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in the investees; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date on fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The acquisitions of entities under common control are accounted for using the predecessor accounting method. In accordance with this method, the consolidated financial statements of the Group are prepared to reflect the combination as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, or, if occurred later, from the date when the entities had been under common control. Under the predecessor accounting method the assets and liabilities of the combining entities are accounted for at the carrying values determined by the Group in its consolidated financial statements. Comparative information is presented as if the entities had always been consolidated, but not earlier than the common control over these entities was established.

All other acquisitions are accounted for by applying the acquisition method.

Foreign currency

Foreign currency transactions and translation

Transactions in foreign currencies are measured in the respective functional currencies of the Group entities at exchange rates effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured to the entities' functional currencies at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are remeasured to the functional currency at the exchange rate at the date that the fair value was determined. Other non-monetary assets and liabilities measured in a foreign currency are remeasured to the functional currency at the exchange rate at the date of operation. Foreign currency differences arising on remeasurement are recognised in profit and loss.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Foreign currency (continued)

The effect of exchange rate changes on fair value of securities is included in the consolidated statement of other comprehensive income.

Assets and liabilities of the Company and its subsidiaries are translated into the Group's presentation currency at the exchange rate prevailing at the end of the reporting period. Profit and loss items of the Company and its subsidiaries are translated at the average exchange rate for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in this case income and expenses are translated at the rate on the dates of the transactions). Components of equity and other comprehensive income are translated at the historical rate with the exception of equity opening balances at the date of transition to IFRS which were translated at the exchange rate at the date of transition. Exchange differences arising on the translation of the net assets of the Company and its subsidiaries are recognised as translation differences in other comprehensive income and included in the foreign currency translation reserve (FCTR) in equity.

Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. The cost of self-constructed assets includes cost of materials, direct labour and a proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment.

Renewals and improvements are capitalised. The costs of regular repair and maintenance are expensed as incurred. Gains and losses arising from the disposal of property, plant and equipment are included in profit and loss as incurred.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised to the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognised in profit and loss as incurred.

Social assets are not capitalised as they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling of the Group's social responsibilities are expensed as incurred.

Prepayments for capital construction and acquisition of property, plant and equipment are included into construction in progress.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation commences from the time an asset is completed and ready for use. The useful lives are reviewed at each financial year-end and, if expectations differ from previous estimates, changes are recognised prospectively. The useful lives, in years, of assets by type of facility are as follows:

Type of facility	*Useful life, years*
Buildings	6-78
Hydro engineering structures	12-50
Transmission facilities and equipment	9-36
Thermal networks	21-63
Power equipment	4-35
Other equipment and fixtures	12-33
Other structures	9-40
Other fixed assets	6-30

Intangible assets

The Group classifies its intangible assets in the following categories:

- Goodwill;
- Software;
- Other intangible assets (which include: capitalised cost to obtain status of "guarantee supplier", costs of projects in the development stage and others).

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Intangible assets (continued)

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of investment over the Group’s interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill in respect of subsidiaries is recognised as a separate asset within intangible assets in the consolidated statement of financial position. Goodwill in respect of associates and joint ventures is included in the carrying amount of the investees.

The excess of the Group’s interest in the net fair value of the identifiable assets and liabilities of the acquiree over the cost of investment is recognised in profit and loss. For associates and joint ventures such excess is recognised in profit and loss as a part of the share of profit/loss of an associates and joint ventures.

Goodwill is measured at cost less accumulated impairment losses and is the subject for impairment test at each reporting period or when an indication of impairment loss exists.

Concession arrangements

Concession arrangements are the contracts when the Group constructs and upgrades infrastructure used to provide services, which it operates and maintains for a specified period of time. These arrangements include operating of a power plant and infrastructure under service concession arrangement for their entire useful life.

The Group applies the financial asset model when the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

The Group manages concession arrangements which include the construction of power plant, infrastructure and other facilities followed by a period in which the Group maintains and services the infrastructure. This may also include, in a secondary period, asset replacement or refurbishment. These concession arrangements set out rights and obligations relative the infrastructure and the service to be provided.

For fulfilling those obligations, the Group is entitled to receive consideration from the grantor. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

- A construction component;
- A service element for operating and maintenance services performed.

The right to consideration gives rise to a financial asset.

Revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.

Software and other intangible assets

Other intangible assets that are acquired or internally created (as part of the cost of development projects) by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

The estimated useful lives of intangible assets are in the range of 2-10 years for software and other intangibles assets.

Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Intangible assets (continued)

Internally generated intangible assets

Costs of projects on development stage are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits and demonstrated all of the following: (a) the technical feasibility of completing the intangible asset so that it can be available for use or sale; (b) the Group's intention to complete intangible asset and use or sell it; (c) the Group's ability to use or sell the intangible asset; (d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; (e) the Group's ability to measure the expenditure attributable to the intangible asset during its development reliably.

Leases

Right-of-use assets and Lease liabilities are capitalised at the commencement of the lease at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. Finance charges are recognised in finance costs in the Consolidated statement of comprehensive income. Right-of-use asset is depreciated over the lease term.

Assets classified as held for sale (HFS)

Non-current assets and disposal groups are classified as HFS if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable within a year from the date of classification, the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale. The extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as HFS if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). Non-current assets and disposal groups classified as HFS are measured at the lower of their carrying amount and fair value less costs to sell.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Provision is made for obsolete or slow-moving inventories, taking into account their expected use and future net realisable value.

Cash and cash equivalents

Cash comprises cash in hand and cash deposited on demand at banks. Cash equivalents comprise short-term, highly liquid investments that are readily convertible into cash and have an original maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

Prepayments

Prepayments made by the Group are carried at cost less provision for impairment. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are recognised in profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of prepayment is written down as impairment loss in profit and loss.

Prepayments made by the Group are classified as non-current assets when the goods or services relating to the prepayment are to be delivered beyond one year period or when they relate to acquisition of property, plant and equipment. Where such prepayments relate to construction contracts, revenue is recognised when the outcome of the contract can be estimated reliably, by reference to the stage of completion of the contract activity.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Value added tax on purchases and sales

Value added tax (VAT) related to sales is payable to tax authorities either upon revenue recognition or at the time of collection of receivables from customers, depending on local statutory regulations in respective jurisdictions in which the Group entities operate. Tax authorities permit settlement of VAT on a net basis. VAT related to sales and purchases which has not been settled at the end of the reporting period (deferred VAT) is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as current asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor's balance, including VAT. Related deferred VAT liability is maintained on the consolidated statement of financial position until the debt is recognised for tax purposes. Changes of VAT recoverable related to the purchases of property, plant and equipment and investment property is recognised in the consolidated statement of cash flows in operating activities.

Financial instruments

Financial instruments include cash and cash equivalents, securities, derivatives, hedges, accounts receivable, accounts payable and loans and borrowings. Particular recognition and measurement methods are disclosed in the individual policy statements associated with each item. Financial instruments are represented by derivatives and non-derivative financial instruments.

Sale and repurchase agreements

Equity instruments sold under sale and repurchase agreements ("repos") are retained in the consolidated statement of financial position. The difference between sale and repurchase price in treated as other operating income/(expenses) through profit and loss in the consolidated statement of comprehensive income.

Derivative financial instruments

Derivative financial instruments are means to transfer risk inherent in the basic instruments, between the parties of the contract, without transfer of the underlying instruments.

As a part of trading activities, the Group has the following derivative financial instruments:

(a) Foreign currency forward and option contract: foreign currency forwards and options are initially recognised at fair value on the date a forward/option contract is entered into and are subsequently remeasured at their fair value. Fair value gains and losses on those derivatives are presented as part of other comprehensive income to the extent of effective cash flow hedges and as a part of profit or loss to the extent of ineffective cash flow hedges;

(b) Electricity futures and forward contracts: electricity derivatives are initially recognised at fair value on the date a contract in entered into and are subsequently remeasured at their fair value. Fair value gains and losses on those derivatives are presented as part of other comprehensive income to the extent of effective cash flow hedges and as a part of profit or loss to the extent of ineffective cash flow hedges or speculative transactions.

Compound financial instruments

Compound (hybrid) financial instrument is divided in accordance with the terms of the contract in the following parts: financial liability/financial asset and equity component. When initial carrying amount of a compound financial instrument is allocated to its equity and asset/liability components, the equity component is assigned to the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the asset/liability component. The sum of the carrying amounts assigned to the asset/liability and equity components at initial recognition equals to the fair value that would be ascribed to the instrument as a whole. The Group presents the asset/liability and equity components separately in its consolidated statement of financial position. On initial recognition, the fair value of the asset/liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status which provide for substantially the same cash flows, on the same terms, but without the conversion option. Changes in the fair value of an equity instrument are not recognised in the consolidated financial statements. On conversion of a convertible instrument at maturity, the Group derecognises the asset/liability component and recognises it in equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity.

The method of recognising of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);

(c) Hedges of a net investment in a foreign operation (net investment hedge).

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Compound financial instruments (continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Group also documents its assessment, both at the time of the hedges' inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments are disclosed in Notes 13, 15, 19 и 20. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Non derivative financial assets

The Group classifies its financial assets in the following categories:

(a) Financial assets at fair value through profit or loss;

(b) Securities;

(c) Financial assets at amortised cost.

Management determines the classification of its financial assets at initial recognition and re-assesses this designation thereafter.

(a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term period or if so designated by management. Assets in this category are classified as current assets if they are expected to be realised within 12 months from the end of the reporting period. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included within the profit and loss in the consolidated statement of comprehensive income in the period in which they arise.

(b) Securities

Investments in quoted instruments previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. Unquoted equity investments previously classified as AFS financial assets are now classified and measured as Financial assets at fair value through profit or loss. Debt instruments (represented by the bonds) previously classified as AFS financial assets are now classified and measured as Debt instruments at fair value through OCI.

(c) Financial assets at amortised cost

Financial assets with fixed terms and cash flows are classified as financial assets at amortised cost, provided management intends to keep them for their full terms and is in a position to do so. Management determines the appropriate classification for its investments on their acquisition dates. These assets are carried at amortised cost based on the effective interest method, net of provision for impairment losses. Interest earned on financial assets at amortised cost is recognised as interest income. All purchases and sales made in accordance with standard market conditions for financial assets at amortised cost are recognised at the date of settlement.

Loans and accounts receivable

Accounts receivable are recorded inclusive of value added taxes (VAT) and are initially recorded at the amount receivable from the debtor. Trade and other receivables are adjusted for provision made for impairment of these receivables. Such provision for doubtful debtors is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the contract. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the market rate of interest adjusted for the credit risk of debtors at the date of origination of the receivables.

Debt is recognised initially at its fair value net of transaction costs incurred. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective yield method; any difference between the amount at initial recognition and the redemption amount is recognised in profit and loss as interest adjustment over the period of the debt obligation existence.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the reporting date.

Fair value of financial instruments

The Group measures financial instruments, such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments, which are measured at amortised cost, are disclosed in Note 18 and Note 27 (e).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The principal market (or the most advantageous market in the absence of principle market) must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

To achieve greater consistency and comparability of fair value measurements and related disclosures the fair value hierarchy is followed up to define fair value estimation methods and apply relevant observable inputs and minimise the use of unobservable inputs.

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. The unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities in the principal market for the asset or liability, at the close of business on the reporting date, with no adjustment made for the transaction costs.

For assets and liabilities where there is no principal (or most advantageous) market, respective fair value is determined using appropriate valuation techniques. Valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances can be used to measure at fair value. It is possible to use mid-market pricing conventions that are used by market participants as an expedient for fair value measurement within a bid-ask spread. Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that is tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate internal model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (Day 1 profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Fair value of financial instruments (continued)

For discounted cash flow techniques, estimated future cash flows and discount rates are based on management's best estimates of assumptions that market participants would use when pricing the asset or liability. Cash flows and discount rates used take into account only the factors attributable to the asset or liability being measured. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit plus interest accrued. Fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at prevailing market rates for similar instruments at the recognition date.

If fair value cannot be measured reliably, assets and liabilities are measured at cost. An analysis of fair values of financial instruments and further details as of how they are measured are provided in Note 27 (e).

Where fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from the principal (or most advantageous) markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity risk, credit risk, and model inputs such as volatility and discount rates, prepayment rates and default rate assumptions for asset backed securities.

For discounted cash flows analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in these assumptions affect fair value of financial instruments.

Impairment

Financial assets at amortised cost

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the current effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit and loss.

Securities

Impairment losses are recognised when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of Securities. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised. Investments in quoted equity instruments are measured at fair value through OCI. Unquoted equity investments are measured at fair value through profit and loss and debt instruments are measured at fair value through OCI.

Non-financial assets

Carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Impairment (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from those of other assets and groups. Impairment losses are recognised in the consolidated statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss previously recognised in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a substantial positive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or rights to cash flows from the assets otherwise expired or (b) the Group has transferred rights to cash flows from financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but does not retain a control. Control is retained if the counterparty does not have practical ability to sell the asset in its entirety to an unrelated third party without imposition of additional restrictions on sale.

Loans and borrowings

Loans and borrowings are recognised initially at their fair value which is determined using prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, loans and borrowings are recognised at amortised cost, using effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised in profit and loss as an interest adjustment over the period of the instrument.

Employee benefits

Pension and post-employment benefits

In the normal course of business the Group contributes to various governmental pension schemes on behalf of its employees. Mandatory contributions to governmental pension schemes are expensed in profit and loss when incurred. Costs associated with discretionary pensions and other post-employment benefits are included in wages, benefits and payroll taxes in profit and loss.

Short-term benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed in profit and loss as related service is provided.

An expense is recognised in the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees, and the obligation can be estimated reliably.

Defined benefit plans

The Company operates defined benefit plans that cover the majority of its employees. Benefit plans define the amount of pension benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit plans is the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets. Defined benefit obligations are calculated using the projected unit credit method.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Employee benefits (continued)

Present value of defined benefit obligations is determined by discounting the estimated future cash outflows using interest rate of government bonds that are denominated in the currency of benefits payment and associated with the operation of the plans, and that have maturity terms approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions of post-employment benefits are recognised in other comprehensive income at the date of occurrence. Other amounts, such as current service cost, any past service cost and gain or loss on settlement, and net interest on net defined benefit liability (asset) are recognised in profit or loss. Remeasurements of other long-term benefits are also recognised in profit or loss.

Share-based payment transactions

The share option programme allows the Group's employees to acquire shares of the Company. The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the American type options is measured based on the binomial model while fair value of European type options is measured based on the Black-Scholes model taking into account terms and conditions in the options were granted.

Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit and loss on a straight-line basis over the expected lives of the related assets.

Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of time value of money and risks specific to liability.

Environmental liabilities

Liabilities for environmental remediation are recorded where there is a present obligation (legal or constructive), payment is probable and reliable estimates can be made.

Restoration provision

Restoration provision is recognised if it presents a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The corresponding asset is depreciated through profit and loss in the consolidated statement of comprehensive income on a straight-line basis during the asset's useful life. Restoration provision is calculated based on expected costs and time required to restore land occupied by ash dumps and mines at the end of their useful life to avoid their damaging effect on the environment. Change in provision related to revision of costs, discount rate or other assumptions is accounted for prospectively starting from the date of revision of these estimates.

Shareholder's equity

Dividends

Dividends declared are recognised as a liability and deducted from equity if they are approved by shareholders. Dividends are disclosed when they are declared after the end of the reporting period, but before the consolidated financial statements are authorised for issue.

Earnings per share

Earnings per share is determined by dividing profit/(loss) attributable to holders of ordinary shares by weighted average number of ordinary shares outstanding during the reporting period, excluding the effect of average number of ordinary shares purchased by the Group (treasury shares).

Diluted earnings per share are calculated by adjusting weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Shareholder's equity (continued)

Share premium

Share premium is determined as a difference between the issue cost of shares and their nominal value at the moment of issue of shares. Share premium is translated into reporting currency using the historical rate as at the date of the transaction and recognised in the consolidated statement of changes in equity.

Treasury shares

The cost of acquisition of the Company's equity instruments by the Company or its subsidiaries, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of.

Treasury shares are recognised at their nominal value, and any differences between nominal value and consideration transferred, including any directly attributable incremental costs, net of income taxes, are recognised within retained earnings.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects is included in equity attributable to the Company's shareholders. Disposal of treasury shares is recognised at nominal value, and any difference between nominal value and consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is recognised in retained earnings. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured, regardless of when the payment is made. Revenue is recognised in the amount of the consideration to which the Group will be entitled in exchange for the goods or services that will be transferred to the customer. The consideration set in the contract with the customer may contain fixed and variable amounts as a result of price concession. The Group recognises revenue using the expected value method. Revenue from sale of electricity, capacity and heat is recognised in profit and loss on delivery of electricity, capacity and heat. Where applicable, revenue is based on rates and related restrictions established by law and regulating authorities. The regulatory mechanisms differ from country to country.

Revenue from rendering of construction contracts services is recognised in proportion to the stage of completion of the services. Costs incurred in connection with future activity for a contract are excluded from contract costs in determining the stage of completion. They are presented as a part of amounts due to or due from customers for contract work. Revenue amounts are presented exclusive of VAT.

The Group presents electricity purchases entered into to support delivery of non-regulated bilateral contracts net of revenue.

After adoption of IFRS 15 the Group presents compensation for electricity lost during transmission as reduction of operating expenses.

Social expenditure

To the extent that the Group's contributions to social programmes benefit the community at large and are not restricted to the Group's employees, they are recognised in profit and loss as incurred.

Research expenditure

Research expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period, even if the asset recognition criteria are subsequently met.

Finance income

Finance income comprises interest income on funds invested, accretion income, dividend income and foreign currency gains, net. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the dividends are declared and an inflow of economic benefits is probable.

Finance expenses

Finance expenses primarily include interest expense on borrowings, unwinding of discount on provisions and foreign currency losses, net. All borrowing costs are recognised in the consolidated statement of comprehensive income using the effective interest method unless directly attributable to acquisition of a qualifying asset. Commission fee for opening of credit lines is included into interest expense.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except it relates to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the Parent Company is able to control the timing of their reversal and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset for deductible temporary differences and tax losses carry forward is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the end of the reporting period.

New accounting pronouncements and revised standards

The accounting policies adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2020 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

(a) The following IFRSs and amendments to existing IFRSs that have been published and effective as of 1 January 2020 and did not have any impact on the Group's consolidated financial statements

- Amendments to IAS 1 and IAS 8 *Definition of Material*;
- Amendments to IFRS 3 *Definition of a Business*;
- Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*.

(b) The following IFRSs and amendments to existing IFRSs that have been published are not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

- IFRS 17 *Insurance Contracts*. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.
- Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.
- Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract*. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
- Amendment to IFRS 9 *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted and apply to the financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

New accounting pronouncements and revised standards (continued)

The Group has not adopted earlier any other standard, interpretation and amendment that has been issued but is not yet effective.

The Group is considering the implication of the new standards and the impact on the Group's consolidated financial statements and plans to adopt new and amended standards when they become effective.

4. Segment information

Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the Chief Operating Decision Maker ('CODM') in deciding how to allocate resources and in assessing performance. The Management Board of the Parent Company has been determined as the CODM; the operating segment has been defined as a legal entity or a particular business activity of a legal entity. The Management Board analyses the effectiveness of the operating segments based on IFRS financial reporting.

The Management Board considers the Group activities from both geographical (by countries of the Group entities' jurisdiction) and business perspective (generation, trading, supply, distribution, engineering and other) meaning that each operating segment represents a certain type of business activities or legal entities in a certain country.

The following reporting segments have been identified based on the requirements of IFRS 8 *Operating Segments* (taking into consideration aggregation criteria as well as quantitative thresholds on revenue and EBITDA):

- **Supply in the Russian Federation** (represented by JSC Mosenergosbyt, LLC MosOblEIRTS, JSC Saint Petersburg Power Supply Company (Group of entities), PJSC Tambov Energy Retailing Company, PJSC Saratovenergo, JSC Altayenergosbyt, LLC INTER RAO Orlovskii Energosbyt, JSC Industrial Energetics, LLC RN-Energo, JSC Tomskenergosbyt, LLC Omsk Energy Retailing Company, JSC EIRTS LO, LLC ESC Bashkortostan, LLC Inter RAO − EIRTS, LLC Energosbyt Volga, LLC RT − Energy Trading (equity accounted investee), LLC North Supply Company, LLC ESCB − Development, LLC EIRTS RB (from July 2019) and LLC EIRTS TO (from September 2019), LLC United Processing Centre (from December 2019), LLC Altay – Development (from December 2020)).
- **Electric Power Generation in the Russian Federation** (represented by Group Inter RAO − Electric Power Plants, including JSC Nizhnevartovskaya GRES (equity accounted investee).
- **Thermal Power Generation in the Russian Federation** represented by:
  - ***TGC-11*** (represented by JSC TGC-11, JSC Tomsk generation, JSC TomskRTS and JSC OmskRTS);
  - ***Bashkir Generation*** (represented by Group Bashkir Generation Company).
- **Trading in the Russian Federation and Europe** (represented by the trading activities of the Parent Company, RAO Nordic Oy, AB INTER RAO Lietuva and its subsidiaries, JSC Eastern Energy Company, LLC Inter RAO Georgia (equity accounted investee from May 2019).
- **Foreign assets** represented by the following reporting sub-segments:
  - ***Georgia*** (represented by JSC Telasi, JSC Khramhesi I and JSC Khramhesi II);
  - ***Moldavia*** (represented by CJSC Moldavskaya GRES);
  - ***Turkey*** (represented by Trakya Elektrik Uretim Ve Ticaret A.S.).
- **Engineering in the Russian Federation** (represented by LLC INTER RAO Engineering, LLC Quartz Group, LLC Power Efficiency Centre INTER RAO UES (equity accounted investee), LLC INTER RAO − Export, Energy beyond borders Non-for-profit Fund and LLC TCC Energy beyond borders (till December 2019), Rus Gas Turbines Holdings B.V. (equity accounted investee from April 2019 till September 2020, subsidiary from September 2020), LLC INTER RAO Export – Projects Management (from October 2019).
- **Corporate centre** includes elimination of transactions among the reporting segments and management expenses, interest income and interest expense of the Parent Company and other subsidiaries, as well as loans and borrowings, obtained by the Parent Company and other subsidiaries, which cannot be allocated to a specific reporting segment on a reasonable basis.

(in millions of RUR)

4. Segment information (continued)

The CODM evaluates performance of the operating segments based on EBITDA, which is calculated as profit/(loss) for the period before finance income and finance expenses; income tax expense; depreciation and amortisation of property, plant and equipment, intangible assets; impairment charge/(release) of property, plant and equipment; impairment of goodwill and other intangible assets; impairment of securities, investments in associates and joint ventures and assets classified as held-for-sale; provisions for doubtful debts and for inventory obsolescence; other provisions; share in profit/(loss) of associates and effects from acquisition and disposal of Group entities; income/(loss) from purchase and sale of securities and assets classified as held-for-sale; and charity expenses, income/(loss) from disposal of non-financial assets and some other included in Other item within the reconciliation between EBITDA of the reporting segments and net income/(loss) for the reporting period. The Group’s definition of EBITDA may differ from that of other companies. Information about depreciation and amortisation of property, plant and equipment and intangible assets, interest income and interest expenses is disclosed in segment information as it is regularly reviewed by the CODM.

Revenue of each segment is mainly represented by sales of electricity and capacity and heat-power allocated to the reporting segments.

The CODM analyses leverage of the Group’s subsidiaries, joint ventures (equity accounted investees) on a regular basis; loans and borrowings are allocated to the reporting segments excluding inter-segment balances.

Joint ventures (equity accounted investees) are reviewed by the CODM in terms of the Group’s share in their profit/(loss) and loan and borrowings.

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the year ended 31 December 2020:

	Supply	***Electric Power Generation in the Russian Federation***	***Thermal Power Generation in the Russian Federation***		***Trading***	***Foreign assets***			***Engineering***		
	The Russian Federation	***Inter RAO – Electricity Generation Group***	***TGC-11***	***Bashkir Generation***	***The Russian Federation and Europe***	***Georgia***	***Moldavia***	***Turkey***	***The Russian Federation***	***Corporate centre***	***Total***
Total revenue	**696,696**	**174,921**	**32,520**	**60,175**	**53,608**	**10,272**	**12,548**	**–**	**16,958**	**(71,406)**	**986,292**
Revenue from external customers	694,875	128,028	27,291	47,514	52,461	10,272	12,548	–	12,475	828	**986,292**
Inter-segment revenue	1,821	46,893	5,229	12,661	1,147	–	–	–	4,483	(72,234)	**–**
Operating expenses, including:											
Purchased electricity and capacity	(413,302)	(6,832)	(2,431)	(4,381)	(41,491)	(7,179)	–	–	–	67,473	**(408,143)**
Electricity transmission fees	(233,671)	–	–	(4)	(4,494)	(1,310)	(92)	–	–	–	**(239,571)**
Fuel expenses	–	(62,816)	(12,097)	(30,110)	–	–	(7,308)	–	–	3,058	**(109,273)**
Share in profit/(loss) of joint ventures	–	3,101	–	–	46	–	–	–	(100)	–	**3,047**
EBITDA	**24,412**	**76,335**	**6,921**	**12,990**	**7,776**	**(266)**	**3,481**	**(109)**	**(2,576)**	**(6,691)**	**122,273**
Depreciation and amortisation	(2,842)	(16,993)	(1,810)	(4,374)	(209)	(574)	(399)	(1)	(216)	(1,551)	**(28,969)**
Interest income	1,707	6,818	226	654	24	30	–	21	167	3,434	**13,081**
Interest expense	(211)	–	(59)	(6)	(9)	(235)	–	–	(217)	422	**(315)**
Interest expense on lease liabilities	(408)	(6,884)	(72)	(281)	(4)	(5)	–	–	(15)	(38)	**(7,707)**

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the year ended 31 December 2019:

	Supply	*Electric Power Generation in the Russian Federation*	*Thermal Power Generation in the Russian Federation*		*Trading*	*Foreign assets*			*Engineering*		
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Georgia*	*Moldavia*	*Turkey*	*The Russian Federation*	*Corporate centre*	*Total*
Total revenue	**695,098**	**192,449**	**33,943**	**62,022**	**77,107**	**10,834**	**10,391**	**2,786**	**22,613**	**(75,123)**	**1,032,120**
Revenue from external customers	693,340	141,947	29,944	48,429	75,683	10,834	10,391	2,786	17,968	798	**1,032,120**
Inter-segment revenue	1,758	50,502	3,999	13,593	1,424	–	–	–	4,645	(75,921)	**–**
Operating expenses, including:											
Purchased electricity and capacity	(412,102)	(6,852)	(2,702)	(4,563)	(53,340)	(5,668)	–	–	–	71,011	**(414,216)**
Electricity transmission fees	(233,393)	–	–	(4)	(6,659)	(1,636)	(78)	–	–	–	**(241,770)**
Fuel expenses	–	(77,501)	(12,446)	(31,913)	–	–	(5,688)	(18)	–	3,474	**(124,092)**
Share in profit/(loss) of joint ventures	–	3,125	–	–	(1)	–	–	–	30	–	**3,154**
EBITDA	**25,807**	**79,440**	**7,702**	**11,892**	**17,915**	**1,591**	**3,136**	**2,333**	**(513)**	**(7,756)**	**141,547**
Depreciation and amortisation	(3,012)	(15,705)	(1,776)	(3,982)	(182)	(570)	(333)	(879)	(135)	(1,428)	**(28,002)**
Interest income	2,034	7,095	383	686	14	40	–	29	236	4,063	**14,580**
Interest expense	(416)	(6)	(56)	(1)	(24)	(195)	(30)	(47)	(101)	437	**(439)**
Interest expense on lease liabilities	(409)	(4,723)	(67)	(316)	(4)	(6)	–	–	(7)	(37)	**(5,569)**

(in millions of RUR)

4. Segment information (continued)

As at 31 December 2020:

	Supply	*Electric Power Generation in the Russian Federation*	*Thermal Power Generation in the Russian Federation*		*Trading*	*Foreign assets*			*Engineering*		
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Georgia*	*Moldavia*	*Turkey*	*The Russian Federation*	*Corporate centre*	*Total*
Loans and borrowings	**(19)**	**(21)**	**(1,586)**	**–**	**–**	**(1,424)**	**–**	**–**	**(1)**	**–**	**(3,051)**
Lease liabilities, including:	**(3,851)**	**(83,514)**	**(613)**	**(3,172)**	**(126)**	**(45)**	**–**	**–**	**(132)**	**(389)**	**(91,842)**
Share in lease liabilities of joint ventures	–	(225)	–	–	–	–	–	–	–	–	**(225)**

As at 31 December 2019:

	Supply	*Electric Power Generation in the Russian Federation*	*Thermal Power Generation in the Russian Federation*		*Trading*	*Foreign assets*			*Engineering*		
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Georgia*	*Moldavia*	*Turkey*	*The Russian Federation*	*Corporate centre*	*Total*
Loans and borrowings	**(568)**	**–**	**(874)**	**(700)**	**(267)**	**(907)**	**–**	**–**	**–**	**–**	**(3,316)**
Lease liabilities, including:	**(4,150)**	**(48,634)**	**(582)**	**(3,551)**	**(107)**	**(47)**	**–**	**–**	**(75)**	**(384)**	**(57,530)**
Share in lease liabilities of joint ventures	–	(216)	–	–	–	–	–	–	(19)	–	**(235)**

(in millions of RUR)

4. Segment information (continued)

The reconciliation between EBITDA of the reporting segments and net profit for the reporting period in the consolidated statement of comprehensive income is presented below:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
EBITDA of the reportable segments	**122,273**	**141,547**
Depreciation and amortisation (Note 24)	(28,969)	(28,002)
Interest income (Note 25)	13,081	14,580
Interest expense (Note 25)	(315)	(439)
Interest expense on lease liabilities (Note 25)	(7,707)	(5,569)
Foreign currency exchange gain/(loss), net (Note 25)	7,115	(4,139)
Other finance income/(expense) (Note 25)	474	(1,369)
Provisions charge, including: (Note 24)	(8,786)	(10,580)
- impairment of property, plant and equipment	*(1,575)*	*(161)*
- impairment of intangible assets	–	*(2,488)*
- impairment of investments in associate and joint venture	–	*(2,269)*
- impairment of securities	–	*(2)*
- impairment of account receivables, net	*(5,459)*	*(7,050)*
- charge of VAT provision	*(409)*	*(4)*
- (charge)/release of other provisions	*(1,343)*	*1,394*
(Loss)/gain from disposal of Group entities, net (Note 24)	(129)	66
Loss from sale of asset classified as held-for-sale (Note 24)	–	(148)
Income from sale of securities (Note 23)	178	–
Other item	(980)	(1,422)
Share of loss of associates (Note 8)	(34)	(744)
Income tax expense (Note 26)	(20,736)	(21,851)
Profit for the reporting period in the consolidated statement of comprehensive income	**75,465**	**81,930**

The reconciliation between loans and borrowings of the reportable segments and loans and borrowings for the reporting period in the consolidated statement of financial position is presented below:

	As at 31 December 2020	*As at 31 December 2019*
Loans and borrowings of the reportable segments	**(3,051)**	**(3,316)**
Less:		
Share in loans and borrowings of joint ventures	–	–
Loans and borrowings in the consolidated statement of financial position	**(3,051)**	**(3,316)**
Lease liabilities of the reportable segments	**(91,842)**	**(57,530)**
Less:		
Share in lease liabilities of joint ventures	225	235
Lease liabilities in the consolidated statement of financial position	**(91,617)**	**(57,295)**

(in millions of RUR)

4. Segment information (continued)

Information about geographical areas

The Management Board also considers revenue of the Group entities generated in their countries of jurisdiction and abroad as well as non-current assets (property, plant and equipment, investment property, investments in associates and jointly controlled entities and intangible assets, including goodwill) based on location of assets.

	For the year ended 31 December 2020			*For the year ended 31 December 2019*		
	Revenue in the Group entity's jurisdiction[1]	***Revenue in countries other than Group entity's jurisdiction***	***Total revenue based on location of customers***	***Revenue in the Group entity's jurisdiction***	***Revenue in countries other than Group entity's jurisdiction***	***Total revenue based on location of customers***
Russian Federation	916,539	–	**916,539**	937,765	–	**937,765**
Moldavia (incl. Transdniestria Republic)	12,548	–	**12,548**	10,391	–	**10,391**
Georgia	10,272	898	**11,170**	10,834	1,464	**12,298**
Lithuania	10,673	–	**10,673**	20,466	–	**20,466**
China	–	9,946	**9,946**	–	8,736	**8,736**
Poland	7,582	–	**7,582**	6,841	–	**6,841**
Finland	6,563	129	**6,692**	21,647	229	**21,876**
Kazakhstan	–	3,972	**3,972**	–	3,804	**3,804**
Turkey	–	–	**–**	2,786	–	**2,786**
Other	2,167	5,003	**7,170**	1,592	5,565	**7,157**
Total	**966,344**	**19,948**	**986,292**	**1,012,322**	**19,798**	**1,032,120**

	Total non-current assets based on location of assets[2]	
	As at 31 December 2020	***As at 31 December 2019***
Russian Federation	377,277	339,423
Georgia	9,094	8,440
Moldavia (incl. Transdniestria Republic)	5,385	4,444
Lithuania	1,074	948
Other	281	308
Total	**393,111**	**353,563**

5. Acquisitions and disposals

Acquisition of non-controlling interest in JSC Tomskenergosbyt

In February 2019 the Group bought 11.53% of ordinary shares and 4.71% of preferred shares of JSC Tomskenergosbyt from non-controlling shareholders (10.83% of the total voting shares of the company) under the voluntary public offer on 12 November 2018 for RUR 270 million. As a result the Group has increased its participation in JSC Tomskenergosbyt to 95.84%.

On 24 May 2019 the Group acquired 2.85% of ordinary shares and 15.67% of preferred shares for the total cash consideration of RUR 104 million and increased its participation in JSC Tomskenergosbyt from 95.84% to 100.00%.

Acquisition of non-controlling interest in PJSC Tambov Energy Retailing Company

In August 2019 the Group bought 20.25% of ordinary shares and 0.13% of preferred shares of PJSC Tambov Energy Retailing Company from non-controlling shareholders (17.74% of the total voting shares of the company) for RUR 77 million. As a result the Group has increased its participation in PJSC Tambov Energy Retailing Company to 84.98%.

[1] Revenues are attributable to countries on the basis of the customer's location.

[2] Total non-current assets based on location of assets excludes deferred tax assets, securities and other non-current assets.

(in millions of RUR)

5. Acquisitions and disposals (continued)

Acquisition of non-controlling interest in PJSC Tambov Energy Retailing Company (continued)

In December 2019 the Group bought 0.06% of ordinary shares and 0.01% of preferred shares of PJSC Tambov Energy Retailing Company from non-controlling shareholders (0.06% of the total voting shares of the company) under the voluntary public offer for RUR 0.3 million. As a result, the Group has increased its participation in PJSC Tambov Energy Retailing Company to 85.04%.

In March-May 2020 the Group bought 0.166% of ordinary shares and 3.657% of preferred shares of PJSC Tambov Energy Retailing Company from non-controlling shareholders (0.602% of the total voting shares of the company) under the voluntary public offer for RUR 2 million. As a result, the Group has increased its participation in PJSC Tambov Energy Retailing Company to 85.64%.

Acquisition of controlling interest in Rus Gas Turbines Holdings B.V.

In September 2020, the Group acquired control of Rus Gas Turbines Holdings B.V. having increased its share in the companie’s share capital from 50% to 50.999%. As part of the deal, an option agreement was concluded to buy and sell the remaining share of Rus Gas Turbines Holdings B.V. with a performance period from 4 to 6 years and with an additional option of prolongation up to 1 year. The cost of implementing an option agreement varies and depends on the achievement of Rus Gas Turbines Holdings B.V. the level of localization of the produced turbines. The fair value of the option as at the date of acquisition was RUR 3,263 million, it was recognized as a non-current liability as a part of the acquisition consideration transferred (Note 20). At the same time, Rus Gas Turbines Holdings B.V. has entered into a licensing agreement with General Electric, according to which the company received exclusive rights to manufacture and service turbines for 25 years, which was recognised at the date of acquisition as an identifiable asset with a fair value of RUR 9,879 million.

Fair value of the Group’s 50% share in Rus Gas Turbines Holdings B.V. as at date of acquisition amounted to RUR 1,543 million and was a part of consideration given.

The fair values of assets and liabilities arising from the acquisition were as follows (RUR million):

Non-current assets	11,808
Current assets (including cash in amount of RUR 888 million)	1,407
Non-current liabilities	(8,180)
Current liabilities	(229)
Non-controlling interest	–

Had the acquisition occurred as at 1 January 2020, the estimated contribution to the Group revenue would have been RUR 198 million, and the estimated contribution to the net result for the year ended 31 December 2020 would have been a net loss of RUR 374 million.

Other acquisitions and disposals

During the year ended 31 December 2020 the Group liquidated an individually insignificant subsidiary. The loss of RUR 129 million from the liquidation was recognised in the consolidated statement of comprehensive income (during the year ended 31 December 2019 loss: RUR 3 million).

During the year ended 31 December 2019 the Group established a number of individually insignificant subsidiaries. The non-controlling interest of RUR 5 million due to the establishment was recognised in the consolidated statement of changes in equity.

(in millions of RUR)

6. Property, plant and equipment

	Land and buildings	*Infrastructure assets*	*Plant and equipment*	*Other*	*Construction in progress*	*Total*
Cost						
Balance at 31 December 2018	**133,762**	**103,121**	**343,082**	**10,236**	**12,029**	**602,230**
Reclassification	(1)	149	(123)	(25)	–	**–**
Additions	864	725	11,670	5,535	17,569	**36,363**
Disposals	(3,312)	(587)	(3,100)	(1,385)	(441)	**(8,825)**
Transfers	1,857	3,863	6,042	834	(12,596)	**–**
Transfer from/(to) other balance accounts	1	(1)	(2)	–	(22)	**(24)**
Disposal of controlling interest	–	(7)	–	–	–	**(7)**
Translation difference	(1,055)	(2,211)	(2,117)	(221)	(197)	**(5,801)**
Balance at 31 December 2019	**132,116**	**105,052**	**355,452**	**14,974**	**16,342**	**623,936**
Including right-of-use assets	*9,277*	*1,530*	*48,755*	*679*	*–*	***60,241***
Balance at 31 December 2019	**132,116**	**105,052**	**355,452**	**14,974**	**16,342**	**623,936**
Reclassification	(494)	2	(4)	496	–	**–**
Additions	1,064	210	36,140	43	18,934	**56,391**
Disposals	(1,692)	(416)	(7,830)	(303)	(191)	**(10,432)**
Transfers	1,217	3,393	8,186	1,299	(14,095)	**–**
Transfer to other balance accounts	(35)	–	(104)	(5)	(26)	**(170)**
Acquisition of controlling interest	1,191	–	634	15	219	**2,059**
Translation difference	1,452	1,055	2,899	184	163	**5,753**
Balance at 31 December 2020	**134,819**	**109,296**	**395,373**	**16,703**	**21,346**	**677,537**
Including right-of-use assets	*8,927*	*1,505*	*84,886*	*738*	*–*	***96,056***
Depreciation and impairment						
Balance at 31 December 2018	**(49,834)**	**(51,811)**	**(169,219)**	**(6,554)**	**(1,836)**	**(279,254)**
Reclassification	(11)	(22)	20	13	–	**–**
Depreciation charge	(3,917)	(3,595)	(16,712)	(1,118)	–	**(25,342)**
Impairment loss charge	–	–	–	(162)	–	**(162)**
Impairment loss release	–	–	–	–	1	**1**
Disposals	608	509	3,037	1,021	64	**5,239**
Transfers	(1)	(403)	(113)	(16)	533	**–**
Transfer (from)/to other balance accounts	–	(3)	(1)	(1)	5	**–**
Disposal of controlling interest	–	4	–	–	–	**4**
Translation difference	807	1,049	1,516	150	36	**3,558**
Balance at 31 December 2019	**(52,348)**	**(54,272)**	**(181,472)**	**(6,667)**	**(1,197)**	**(295,956)**
Including right-of-use assets	*(2,536)*	*(816)*	*(4,829)*	*(228)*	*–*	***(8,409)***
Balance at 31 December 2019	**(52,348)**	**(54,272)**	**(181,472)**	**(6,667)**	**(1,197)**	**(295,956)**
Reclassification	2	–	(2)	–	–	**–**
Depreciation charge	(4,008)	(3,816)	(17,875)	(1,204)	–	**(26,903)**
Impairment loss charge	(131)	(195)	(751)	(18)	(480)	**(1,575)**
Disposals	1,036	183	7,723	294	22	**9,258**
Transfers	(2)	(10)	(35)	–	47	**–**
Transfer to other balance accounts	16	–	96	–	5	**117**
Translation difference	(1,206)	(706)	(2,153)	(138)	(57)	**(4,260)**
Balance at 31 December 2020	**(56,641)**	**(58,816)**	**(194,469)**	**(7,733)**	**(1,660)**	**(319,319)**
Including right-of-use assets	*(2,611)*	*(843)*	*(9,331)*	*(401)*	*–*	***(13,186)***
Net book value						
Balance at 31 December 2018	**83,928**	**51,310**	**173,863**	**3,682**	**10,193**	**322,976**
Balance at 31 December 2019	**79,768**	**50,780**	**173,980**	**8,307**	**15,145**	**327,980**
Balance at 31 December 2020	**78,178**	**50,480**	**200,904**	**8,970**	**19,686**	**358,218**

(in millions of RUR)

6. Property, plant and equipment (continued)

The category land and buildings includes land in the amount of RUR 528 million (31 December 2019: RUR 556 million).

Construction in progress is represented by property, plant and equipment that is not yet ready for operation and advances to suppliers of property, plant and equipment. Such advances amounted to RUR 6,101 million as at 31 December 2020 (as at 31 December 2019: RUR 3,865 million).

Details of the balances and the movements of right-of-use assets, as well as the corresponding lease liabilities, are set below:

	For the year ended	
	31 December 2020	***31 December 2019***
Net book value of right-of-use assets	82,870	51,832
Additions of right-of-use assets	34,535	10,404
Revaluation of right-of-use assets	2,695	2,289
Depreciation of right-of-use assets	(5,656)	(4,265)
Long-term lease liabilities	78,839	48,934
Short-term portion of long-term lease liabilities	12,778	8,361
Total lease liabilities	**91,617**	**57,295**

Additions of right-of-use assets for the year ended 31 December 2020 are mainly comprised by right-of-use assets of Kaliningrad Generation LLC in the amount of RUR 33,875 million.

As at 31 December 2020 net book value of right-of-use assets are mainly comprised by right-of-use assets of Kaliningrad Generation LLC in the amount of RUR 75,342 million (as at 31 December 2019: RUR 43,647 million).

Impairment

The Group performed the impairment tests of property, plant and equipment by the cash generating units and the material impairment charges and reversals included in the consolidated statement of comprehensive income in the line “Operating expenses” are discussed below:

Kashirskaya GRES, Iriklinskaya GRES and Sochinskaya TES (separate power plants included into the operating segment – “Generation in the Russian Federation”)

The impairment of Kashirskaya GRES in the amount of RUR 278 million, Iriklinskaya GRES in the amount of RUR 891 million and Sochinskaya TES in the amount of RUR 406 million for the year ended 31 December 2020 was recognised within the current update of financial model. The estimate of Kashirskaya GRES property, plant and equipment fair value assumed the planned retirement of this power plant. The recoverable amount was measured as value in use using the discount rate of 10.1% as at 31 December 2020.

(in millions of RUR)

7. Intangible assets

	Goodwill	*Software*	*Other*	*Total*
Cost				
Balance at 31 December 2018	**4,362**	**9,028**	**24,654**	**38,044**
Reclassification	–	(94)	94	**–**
Additions	–	919	548	**1,467**
Disposals	–	(95)	(10,386)	**(10,481)**
Transfer (to)/from other balance accounts	–	(6)	17	**11**
Disposal of controlling interest	–	–	(2)	**(2)**
Translation difference	(344)	(47)	(869)	**(1,260)**
Balance at 31 December 2019	**4,018**	**9,705**	**14,056**	**27,779**
Balance at 31 December 2019	**4,018**	**9,705**	**14,056**	**27,779**
Reclassification	–	164	(164)	**–**
Additions	–	2,035	1,107	**3,142**
Disposals	–	(94)	(813)	**(907)**
Transfer from other balance accounts	–	11	4	**15**
Acquisition of controlling interest	–	–	6,201	**6,201**
Translation difference	726	29	247	**1,002**
Balance at 31 December 2020	**4,744**	**11,850**	**20,638**	**37,232**
Amortisation and impairment				
Balance at 31 December 2018	**(1,798)**	**(3,996)**	**(18,401)**	**(24,195)**
Reclassification	–	13	(13)	**–**
Amortisation charge	–	(693)	(1,967)	**(2,660)**
Disposals	–	86	10,386	**10,472**
Impairment loss	–	(2,488)	–	**(2,488)**
Transfer from other balance accounts	–	(2)	–	**(2)**
Disposal of controlling interest	–	–	2	**2**
Translation difference	65	40	791	**896**
Balance at 31 December 2019	**(1,733)**	**(7,040)**	**(9,202)**	**(17,975)**
Balance at 31 December 2019	**(1,733)**	**(7,040)**	**(9,202)**	**(17,975)**
Reclassification	–	(4)	4	**–**
Amortisation charge	–	(868)	(1,198)	**(2,066)**
Disposals	–	87	813	**900**
Transfer from other balance accounts	–	(6)	–	**(6)**
Translation difference	(138)	(25)	(235)	**(398)**
Balance at 31 December 2020	**(1,871)**	**(7,856)**	**(9,818)**	**(19,545)**
Net book value				
At 31 December 2018	**2,564**	**5,032**	**6,253**	**13,849**
At 31 December 2019	**2,285**	**2,665**	**4,854**	**9,804**
At 31 December 2020	**2,873**	**3,994**	**10,820**	**17,687**

Amortisation charge is included in operating expenses in the consolidated statement of comprehensive income.

Impairment of goodwill

AB INTER RAO Lietuva

As at 31 December 2020 the Group carried out an impairment test for goodwill related to acquisition of AB INTER RAO Lietuva. The recoverable amount was measured as value in use. The discount factor used for the impairment test performed by management was 8.7% for cash-flows estimations in presentation currency as at 31 December 2020. Based on the discounted cash flow model, management concluded that goodwill for AB INTER RAO Lietuva is not impaired as of 31 December 2020.

(in millions of RUR)

7. Intangible assets (continued)

Other

Additions in the amount RUR 6,201 million through acquisition of controlling interest during the year 2020, represents non-current advances for license from General Electric, according to which Rus Gas Turbines Holdings B.V. received exclusive rights to manufacture and service turbines for 25 years (Note 5).

Included in other intangible assets RUR 683 million represents capitalised cost to obtain status of “guarantee supplier” (as at 31 December 2019: RUR 1,325 million) acquired by supply Group entities to perform functions of guaranteed supplier on the territory of Saint Petersburg city, Vologda, Vladimir, Orel, Omsk and Leningrad regions of the Russian Federation.

Included in other intangible assets RUR 2,219 million represents carrying value of intangible assets of rights on the basis of the contract for capacity supply (CCS) for Verkhnetagilskaya GRES acquired in March 2017 (as at 31 December 2019: RUR 2,543 million). As at 31 December 2020 the remaining intangible assets’ useful life was 6.8 years.

Impairment loss

As at 31 December 2019 computer software licenses was impaired in the amount of RUR 2,488 million by the reason of the evidence of inability to use the assets. The impairment loss was recognised in the consolidated statement of comprehensive income within Impairment of intangible assets (Note 24).

8. Investments in associates and joint ventures

Details of the associates and joint ventures, together with movements in the carrying values of these investments, are set below:

			Voting share		
	Status	***Country***	***31 December 2020***	***31 December 2019***	***31 December 2018***
JSC Nizhnevartovskaya GRES	Joint venture	The Russian Federation	75.00%	75.00%	75.00%
LLC Power Efficiency Centre INTER RAO UES	Joint venture	The Russian Federation	50.00%	50.00%	50.00%
LLC RT – Energy Trading	Joint venture	The Russian Federation	50.00%	50.00%	50.00%
JSC Information system operator	Joint venture	The Russian Federation	49.99%	49.99%	49.99%
LLC ENOD	Joint venture	The Russian Federation	50.00%	50.00%	–
RUS Gas Turbines Holdings B.V.	Joint venture	The Netherlands	–	50.00%	25.00%
LLC Inter RAO Georgia	Joint venture	Georgia	50.01%	50.01%	–
UAB ALPROKA	Associate	Lithuania	–	–	49.99%
JSC KASKAD	Associate	The Russian Federation	–	–	25.00%
LLC IC Gas-Turbine Technologies	Associate	The Russian Federation	52.95%	52.95%	52.95%
LLC INVENT (Group of companies)	Associate	The Russian Federation	–	–	33.00%

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

	Joint ventures			*Associates*		
	JSC Nizhne-vartovskaya GRES	***RUS Gas Turbines Holdings B.V.***	***Other joint ventures***	***LLC INVENT***	***Other associates***	***Total***
Carrying value at 31 December 2018	**10,401**	**–**	**139**	**2,460**	**2,451**	**15,451**
Additions	–	755	2	–	–	**757**
Disposals	–	–	–	–	(312)	**(312)**
Share of profit/(loss) after tax	3,125	133	(104)	(222)	(522)	**2,410**
Recognised actuarial loss and past service cost	(12)	–	–	–	–	**(12)**
Impairment of investments	–	–	(31)	(2,238)	–	**(2,269)**
Reclassification	–	755	–	–	(755)	**–**
Forex loss	–	–	–	–	(246)	**(246)**
Carrying value at 31 December 2019	**13,514**	**1,643**	**6**	**–**	**616**	**15,779**
Carrying value at 31 December 2019	**13,514**	**1,643**	**6**	**–**	**616**	**15,779**
Recognised actuarial loss and past service cost	(19)	–	–	–	–	**(19)**
Share of profit/(loss) after tax	3,101	(100)	46	–	(34)	**3,013**
Dividends received	–	–	(24)	–	–	**(24)**
Reclassification	–	(1,543)	–	–	–	**(1,543)**
Carrying value at 31 December 2020	**16,596**	**–**	**28**	**–**	**582**	**17,206**

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

Joint ventures

JSC Nizhnevartovskaya GRES

In accordance with the term of the Shareholders Agreement between the Group and PJSC Rosneft, control over JSC Nizhnevartovskaya GRES is jointly exercised.

The following is the summarised financial information in respect of JSC Nizhnevartovskaya GRES:

	31 December 2020	***31 December 2019***
Non-current assets	13,288	11,391
Current assets (including cash and cash equivalents as at 31 December 2020: RUR 934 million, 31 December 2019: RUR 564 million)	10,773	8,912
Non-current liabilities, including:	(870)	(796)
Non-current financial liabilities (excluding trade and other payables and provisions)	*(291)*	*(278)*
Current liabilities, including:	(1,063)	(1,488)
Current financial liabilities (excluding trade and other payables and provisions)	*(10)*	*(10)*
Equity	**22,128**	**18,019**
Proportion of the Group's ownership	75.00%	75.00%
Carrying value of the investment	**16,596**	**13,514**

	Year ended 31 December 2020	***Year ended 31 December 2019***
Revenue	17,745	19,883
Depreciation and amortisation	(639)	(593)
Interest income	323	250
Interest expense	–	(10)
Income tax expense	(870)	(966)
Profit from continuing operations	4,135	4,167
Other comprehensive loss	(25)	(16)
Total comprehensive income for the period	**4,110**	**4,151**
Proportion of the Group's ownership	75.00%	75.00%
Group's share of total comprehensive income	**3,082**	**3,113**

RUS Gas Turbines Holdings B.V.

In April 2019 the Group increased its share in RUS Gas Turbines Holdings B.V. by 25% to 50%. As a result, RUS Gas Turbines Holdings B.V. became a joint venture. In September 2020, the Group increased its share in Rus Gas Turbines Holdings B.V. by 50% to 50.999% and obtained control over the company. As of 30 September 2020 Rus Gas Turbines Holdings B.V. was recognised in the Group's consolidated financial statements as a subsidiary (Note 5). Fair value of the Group's 50% share in Rus Gas Turbines Holdings B.V. amounted to RUR 1,543 million was written off as a part of consideration given.

JSC Kaskad

In January 2019 the Group sold 25% of shares of JSC Kaskad to third parties. As a result, the Group recognised gain from disposal in the amount of RUR 63 million in the consolidated statement of comprehensive income (Note 24), cash inflow due to sale of JSC Kaskad amounted to RUR 103 million was recognised in the consolidated statement of cash flows in investing activities.

UAB Alproka

As at 31 December 2019 the Group has written off UAB Alproka due to the process of liquidation of the company (the company was liquidated on 17 February 2020). As a result, the Group recognised gain from disposal in the amount of RUR 6 million in the consolidated statement of comprehensive income (Note 24), cash inflow due to disposal of UAB Alproka amounted to RUR 6 million was recognised in the consolidated statement of cash flows in investing activities.

(in millions of RUR)

9. Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Differences between IFRS base and relevant tax bases give rise to temporary differences between carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. Deferred tax assets and liabilities are measured at the rate expected to be applicable when the temporary differences will reverse, based on rates and legislation enacted or substantively enacted by end of the reporting period.

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax assets		*Deferred tax liabilities*	
	31 December 2020	*31 December 2019*	*31 December 2020*	*31 December 2019*
Property, plant and equipment	147	129	(33,202)	(25,315)
Investments in associates and joint ventures	–	–	(3)	(8)
Trade and other receivables	2,240	2,299	–	–
Tax loss carry-forwards	669	699	–	–
Investments in securities and assets classified as held-for-sale	2,939	2,969	(550)	(540)
Accounts payable and long-term loans and borrowings	21,764	14,259	(193)	(273)
Other items	950	1,429	(687)	(1,717)
Tax assets/(liabilities)	**28,709**	**21,784**	**(34,635)**	**(27,853)**
Set off of tax	(23,191)	(16,645)	23,191	16,645
	5,518	**5,139**	**(11,444)**	**(11,208)**

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of some of the Group entities located in the Russian Federation and abroad and relate to the following deductible temporary differences:

	31 December 2020	*31 December 2019*
Securities	1,984	1,984
Other	1,005	1,071
	2,989	**3,055**

Deductible temporary differences as at 31 December 2020 mainly relate to securities. Deferred tax assets have not been recognised in respect of these items because in management's opinion it is not probable that future taxable profit will be available in the respective Group's entities against which the Group can utilise respective tax loss.

(c) Movement in tax effects of temporary differences, after offsetting, during the period

Deferred tax assets

	31 December 2018	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2019*
Property, plant and equipment	(1,111)	(67)	(9)	–	(1,187)
Trade and other receivables	682	(361)	(437)	–	(116)
Investments in securities and assets classified as held-for-sale	1,939	41	(1)	103	2,082
Accounts payable and long-term loans and borrowings	2,774	(377)	170	(118)	2,449
Other items	172	769	276	(8)	1,209
Tax loss carry-forwards	1,297	(634)	39	–	702
	5,753	**(629)**	**38**	**(23)**	**5,139**

(in millions of RUR)

9. Deferred tax assets and liabilities (continued)

(c) Movement in tax effects of temporary differences, after offsetting, during the period (continued)

	31 December 2019	*Acquisition of Group entities*	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2020*
Property, plant and equipment	(1,187)	(50)	(43)	–	–	(1,280)
Trade and other receivables	(116)	8	727	1	–	620
Investments in securities and assets classified as held-for-sale	2,082	–	205	–	11	2,298
Accounts payable and long-term loans and borrowings	2,449	7	156	(25)	108	2,695
Other items	1,209	51	(625)	(1)	(8)	626
Tax loss carry-forwards	702	69	(219)	7	–	559
	5,139	**85**	**201**	**(18)**	**111**	**5,518**

Deferred tax liabilities

	31 December 2018	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2019*
Property, plant and equipment	(21,948)	(2,067)	17	–	(23,998)
Investments in associates and joint ventures	(81)	76	–	–	(5)
Investments in securities and assets classified as held-for-sale	266	170	1	(94)	343
Accounts payable and long-term loans and borrowings	9,618	1,956	(15)	(20)	11,539
Other items	255	677	(19)	–	913
	(11,890)	**812**	**(16)**	**(114)**	**(11,208)**

	31 December 2019	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2020*
Property, plant and equipment	(23,998)	(7,744)	(33)	–	(31,775)
Investments in associates and joint ventures	(5)	13	–	–	8
Investments in securities and assets classified as held-for-sale	343	26	–	(272)	97
Accounts payable and long-term loans and borrowings	11,539	7,280	(38)	99	18,880
Other items	913	384	49	–	1,346
	(11,208)	**(41)**	**(22)**	**(173)**	**(11,444)**

Temporary differences on property, plant and equipment relate to differences between the accounting and tax depreciation rates and carrying values and tax base of property, plant and equipment.

Deferred tax assets in the amount of RUR 11 million was recognised as income and RUR 8 million as loss through other comprehensive income in relation to change of fair value of debt instruments for the year ended 31 December 2020 (for the year ended 31 December 2019: RUR 103 million as income and RUR 8 million as loss).

(in millions of RUR)

9. Deferred tax assets and liabilities (continued)

(c) Movement in tax effects of temporary differences, after offsetting, during the period (continued)

Deferred tax liability in the amount of RUR 272 million was recognised as loss through other comprehensive income in relation to revaluation of Equity instruments at FVOCI for the year ended 31 December 2020 (for the year ended 31 December 2019 loss: RUR 122 million). Deferred tax liability in the amount of RUR 28 million was recognised as income through other comprehensive income in relation to change of fair value of debt instruments for the year ended 31 December 2019.

The Group has not recognised deferred tax liabilities in respect of temporary differences associated with investments in subsidiaries, associates and joint ventures in the amount of RUR 216,871 million (31 December 2019: RUR 192,910 million) because the Group is able to control timing of the reversal of temporary differences and does not intend to realise them in the foreseeable future.

10. Securities

	As at 31 December 2020	*As at 31 December 2019*
Equity instruments	**6,141**	**5,573**
FVOCI	5,370	4,008
FVPL	771	1,565
Debt instruments	**2,190**	**2,224**
FVOCI	2,190	2,224
Total	**8,331**	**7,797**

For the year ended 31 December 2020 no impairment on securities at fair value through profit and loss (FVPL) was recognised (for the year ended 31 December 2019: loss in the amount of RUR 2 million).

For the year ended 31 December 2020 the Group has purchased the equity securities at fair value through profit and loss (FVPL) in the amount of RUR 54 million (for the year ended 31 December 2019: RUR 55 million).

In December 2020 the Group has sold its share in JSC Akkuyu NPP which was recognised as the equity instrument through profit and loss (FVPL) in the amount of RUR 848 million for the cash consideration of RUR 1,026 million. The gain in the amount of RUR 178 million was recognized in the consolidated statement of comprehensive income.

For the year ended 31 December 2019 the Group has sold debt instruments at fair value through other comprehensive income (FVOCI) in the amount of RUR 51 million and equity instruments at fair value through other comprehensive income (FVOCI) in the amount of RUR 7 million.

For the year ended 31 December 2020 the amount of RUR 1,090 million, net of tax RUR 272 million, was recognised as a gain from revaluation of securities at fair value through other comprehensive income (FVOCI) in the consolidated statement of comprehensive income (for the year ended 31 December 2019: gain from revaluation in the amount of RUR 507 million, net of tax RUR 122 million).

During the year ended 31 December 2019 the accumulated other comprehensive income in the amount of RUR 64 million was disposed due to sale of the securities at fair value through other comprehensive income (FVOCI).

Debt instruments at fair value through other comprehensive income (FVOCI) represent quoted bonds of Peresvet Bank. During the reporting period the change of bonds fair value in the amount of RUR 23 million, net of tax RUR 11 million was recognised as a loss through other comprehensive income in the consolidated statement of comprehensive income (for the year ended 31 December 2019 loss: RUR 624 million, net of tax RUR 131 million).

As at 31 December 2020 the bonds issued by Peresvet Bank amounted to RUR 2,190 million (as at 31 December 2019: RUR 2,224 million).

(in millions of RUR)

11. Other non-current assets

		31 December 2020	*31 December 2019*
Financial non-current assets		***2,021***	***1,179***
Non-current trade receivables		1,132	838
	Less impairment provision	*(225)*	*(94)*
Non-current trade receivables − net		**907**	**744**
Other non-current receivables		1,558	425
	Less impairment provision	*(468)*	*(54)*
Other non-current receivables − net		**1,090**	**371**
Long-term derivative financial instruments		11	−
Long-term bank deposits		13	64
Non-financial non-current assets		***5,033***	***1,094***
Non-current advances to suppliers and prepayments		69	127
	Less impairment provision	*(6)*	*(4)*
Non-current advances to suppliers and prepayments − net		**63**	**123**
VAT recoverable		565	534
Other taxes recoverable		135	116
Other		4,270	321
		7,054	**2,273**

As of 31 December 2020 other non-current assets included the fair value of deferred payment for the obtained exclusive rights recognized within the acquisition of the controlling interest in Rus Gas Turbines Holdings B.V. in the amount of RUR 3,678 million (Note 5, 8, 20).

Movements in the provision for impairment of other non-current assets are as follows:

	Non-current trade receivables	*Non-current advances to suppliers and prepayments*	*Other non-current receivables*	*Total provision*
At 31 December 2019	**(94)**	**(4)**	**(54)**	**(152)**
Receivables written off during the year as uncollectible	1	−	−	**1**
Accrual of provision for receivables impairment	(13)	(4)	(421)	**(438)**
Accrual of discount effect	(171)	−	(10)	**(181)**
Unwinding of discount	47	2	16	**65**
Reclassification of short-term portion	6	−	1	**7**
Translation difference	(1)	−	−	**(1)**
At 31 December 2020	**(225)**	**(6)**	**(468)**	**(699)**

	Non-current trade receivables	*Non-current advances to suppliers and prepayments*	*Other non-current receivables*	*Total provision*
At 31 December 2018	**(180)**	**(11)**	**(54)**	**(245)**
Release of provision for receivables impairment	9	−	1	**10**
Accrual of discount effect	(53)	(3)	(18)	**(74)**
Unwinding of discount	74	9	18	**101**
Reclassification of short-term portion	50	1	(1)	**50**
Translation difference	6	−	−	**6**
At 31 December 2019	**(94)**	**(4)**	**(54)**	**(152)**

(in millions of RUR)

12. Inventories

	31 December 2020	31 December 2019
Fuel	9,696	9,396
Spare parts	5,353	4,256
Materials and consumables	4,169	4,097
Other	1,024	1,562
	20,242	**19,311**

As at 31 December 2020 provision for inventory obsolescence amounted to RUR 592 million (as at 31 December 2019: RUR 657 million). The release of provision for the year ended 31 December 2020 in the amount of RUR 39 million (for the year ended 31 December 2019 release of provision: RUR 26 million) was recognised in Other provisions within Operating expenses in consolidated statement of comprehensive income.

As at 31 December 2020 the Group has a technological inventory in the amount RUR 7,018 million, mostly represented by fuel and spare parts (as at 31 December 2019: RUR 6,576 million).

13. Accounts receivable and prepayments

		31 December 2020	31 December 2019
Financial assets		***89,035***	***89,312***
Trade receivables		100,495	92,072
	Less impairment provision	*(22,516)*	*(20,513)*
Trade receivables − net		**77,979**	**71,559**
Other receivables		12,532	13,380
	Less impairment provision	*(4,208)*	*(4,951)*
Other receivables − net		**8,324**	**8,429**
Short-term loans issued (including interest)		754	724
	Less impairment provision	*(250)*	*(250)*
Short-term loans issued (including interest)		**504**	**474**
Short-term outstanding interest on bank deposits		2,149	3,020
Short-term receivables on construction contracts		79	5,830
Non-financial assets		***9,279***	***12,921***
Advances to suppliers and prepayments		6,291	6,759
	Less impairment provision	*(1,188)*	*(1,543)*
Advances to suppliers and prepayments − net		**5,103**	**5,216**
Short-term VAT recoverable		1,591	1,256
Taxes prepaid		2,585	6,449
		98,314	**102,233**

As at 31 December 2020 current advances to suppliers and prepayments included RUR 314 million of advances given to subcontractors within the construction of Primorskaya TPP and Pregolskaya TPP (as at 31 December 2019: RUR 2,841 million), RUR 1,391 million of advances under long-term maintenance and repairs agreement with Siemens Gas Turbine Technologies LLC (as at 31 December 2019: RUR 11 million).

(in millions of RUR)

13. Accounts receivable and prepayments (continued)

Movements in the provision for impairment of receivables are as follows:

	Trade receivables	*Advances to suppliers and prepayments*	*Short-term loans issued (incl. interest)*	*Other receivables*	*Total provision*
At 31 December 2019	**(20,513)**	**(1,543)**	**(250)**	**(4,951)**	**(27,257)**
(Accrual)/reverse of provision	(4,231)	60	–	(850)	**(5,021)**
Unwinding of discount	41	1	–	–	**42**
Receivables written off as uncollectible (provided for at the beginning of the year)	2,242	294	–	1,632	**4,168**
Reclassification, other	12	–	–	(12)	**–**
Reclassification of long-term portion	(6)	–	–	(1)	**(7)**
Translation difference	(61)	–	–	(26)	**(87)**
At 31 December 2020	**(22,516)**	**(1,188)**	**(250)**	**(4,208)**	**(28,162)**

	Trade receivables	*Advances to suppliers and prepayments*	*Short-term loans issued (incl. interest)*	*Other receivables*	*Total provision*
At 31 December 2018	**(18,202)**	**(1,416)**	**(250)**	**(3,191)**	**(23,059)**
Accrual of provision	(4,609)	(137)	–	(2,314)	**(7,060)**
Accrual of discount effect	(1)	–	–	–	**(1)**
Unwinding of discount	119	–	–	–	**119**
Receivables written off as uncollectible (provided for at the beginning of the year)	2,048	10	–	513	**2,571**
Reclassification, other	(3)	–	–	3	**–**
Reclassification of long-term portion	(50)	(1)	–	–	**(51)**
Translation difference	185	1	–	38	**224**
At 31 December 2019	**(20,513)**	**(1,543)**	**(250)**	**(4,951)**	**(27,257)**

Nominal value of financial assets included in accounts receivable are presented as follows:

At 31 December 2020	*Trade receivables*	*Short-term loans issued (including interest)*	*Other receivables*	*Short-term outstanding interest on bank deposits*	*Short-term receivables on construction contracts*	*Total*
Not past due not impaired	48,136	504	6,827	2,149	79	**57,695**
Past due but not impaired	10,437	–	989	–	–	**11,426**
Past due and impaired	41,922	250	4,716	–	–	**46,888**
Total	**100,495**	**754**	**12,532**	**2,149**	**79**	**116,009**

At 31 December 2019	*Trade receivables*	*Short-term loans issued (including interest)*	*Other receivables*	*Short-term outstanding interest on bank deposits*	*Short-term receivables on construction contracts*	*Total*
Not past due not impaired	42,493	469	6,816	3,020	5,830	**58,628**
Past due but not impaired	13,669	–	843	–	–	**14,512**
Past due and impaired	35,910	255	5,721	–	–	**41,886**
Total	**92,072**	**724**	**13,380**	**3,020**	**5,830**	**115,026**

(in millions of RUR)

13. Accounts receivable and prepayments (continued)

As at 31 December 2020 accounts receivable in the amount of RUR 11,426 million (as at 31 December 2019: RUR 14,512 million) were past due but not impaired. These relate to a number of independent counterparties without past instances of default as well as none expected. The ageing analysis of these receivables is as follows:

Past due but not impaired	***31 December 2020***	***31 December 2019***
Up to 3 months	6,944	11,105
3 to 6 months	837	1,418
6 to 12 months	1,359	1,201
Over 12 months	2,286	788
Total	**11,426**	**14,512**

The past due and impaired accounts receivable mainly comprise amounts due from wholesalers, population and other retail customers. The ageing of these receivables is as follows:

Past due and impaired	***31 December 2020***	***31 December 2019***
Up to 3 months	17,618	13,710
3 to 6 months	2,819	2,915
6 to 12 months	5,961	5,936
Over 12 months	20,490	19,325
Total	**46,888**	**41,886**

The Group does not hold any collateral as a security.

14. Cash and cash equivalents

	31 December 2020	***31 December 2019***
Cash at bank and in hand, national currency	22,464	31,555
Cash at bank and in hand, foreign currency	10,022	21,520
Bank deposits with maturity of three months or less	148,630	42,849
Total	**181,116**	**95,924**

As at 31 December 2020 bank deposits with maturity of three months or less in the amount of RUR 147,616 million are denominated in RUR (as at 31 December 2019: RUR 23,497 million), in US dollars – RUR 802 million (as at 31 December 2019: RUR 10,962 million), in Turkish lira – RUR 212 million (as at 31 December 2019: nil million) and in euro – RUR nil million (as at 31 December 2019: RUR 8,390 million).

15. Other current assets

	31 December 2020	***31 December 2019***
Bank deposits with maturity of 3-12 months	147,409	161,447
Restricted cash	1,327	727
Debt instruments	1,260	1,232
Short-term derivative financial instruments	158	242
Other	272	407
Total	**150,426**	**164,055**

As at 31 December 2020 restricted cash balances included cash deposited in Nordea (held as collateral in favour of NASDAQ OMX AB), in the aggregate amount of RUR 121 million held by RAO Nordic Oy (as at 31 December 2019: RUR 15 million), cash deposited in the total amount of RUR 1,206 million held by RAO Nordic Oy, Trakya Group, JSC Telasi, SIA Inter RAO Latvia and other companies (as at 31 December 2019: RUR 712 million).

(in millions of RUR)

15. Other current assets (continued)

As at 31 December 2020 debt instruments included bonds issued by financial institutions with total carrying value of RUR 1,260 million (as at 31 December 2019: RUR 1,232 million). During the reporting period the change of bonds fair value in the amount of RUR 8 million, net of tax RUR 8 million was recognised as a gain through other comprehensive income in the consolidated statement of comprehensive income (for the year ended 31 December 2019: gain RUR 31 million, net of tax RUR 8 million).

As at 31 December 2020 short-term derivative financial instruments included fair value of electricity derivatives in the amount of RUR 13 million (as at 31 December 2019: RUR 176 million) at RAO Nordic Oy which are held for the purposes of hedging future sales (Note 11), AB INTER RAO Lietuva in the amount of RUR 119 million (as at 31 December 2019: RUR 66 million) which are held for the purposes of hedging future cash flow and IRL POLSKA SP. Z O.O. in the amount of RUR 26 million (as at 31 December 2020: RUR nil million) which are held for the purposes of hedging future sales.

16. Equity

Share capital

	31 December 2020	***31 December 2019***
Number of ordinary shares issued and fully paid (in units)	104,400,000,000	104,400,000,000
Par value (in RUR)	2.809767	2.809767
Share capital (in million RUR)	293,340	293,340

Movements in outstanding and treasury shares

	Issued shares		***Treasury shares***		***Total***	
	Thousand units	***Million RUR***	***Thousand units***	***Million RUR***	***Thousand units***	***Million RUR***
31 December 2019	104,400,000	293,340	(30,859,370)	(86,708)	**73,540,630**	**206,632**
31 December 2020	104,400,000	293,340	(30,859,370)	(86,708)	**73,540,630**	**206,632**

	Issued shares		***Treasury shares***		***Total***	
	Thousand units	***Million RUR***	***Thousand units***	***Million RUR***	***Thousand units***	***Million RUR***
31 December 2018	**104,400,000**	**293,340**	**(30,682,013)**	**(86,210)**	73,717,987	207,130
Acquisition of treasury shares	–	–	(699,357)	(1,965)	**(699,357)**	**(1,965)**
Sale of treasury shares	–	–	522,000	1,467	**522,000**	**1,467**
31 December 2019	**104,400,000**	**293,340**	**(30,859,370)**	**(86,708)**	73,540,630	206,632

In May 2019 the Group sold 522,000 thousand shares of the Parent company (0.50% of its share capital) to the third party.

On 3 June 2019 the Group acquired 699,357 thousand shares of the Parent company (0.67% of its share capital) from the PJSC FGC UES for the price of RUR 3.3463 per share.

Dividends

On 19 May 2020 the Parent Company declared dividends for the year 2019 of RUR 0.196192528735633 per share in the amount of RUR 20,483 million (including dividends to treasury shares in the amount of RUR 5,268 million and to related and third parties in the amount of RUR 15,215 million). Dividends paid including tax payable by the company's shareholders are shown in the financing activities of the consolidated statement of cash flows in the amount of RUR 15,660 million.

On 20 May 2019 the Parent Company declared dividends for the year 2018 of RUR 0.171635536398468 per share in the amount of RUR 17,919 million (including dividends to related and third parties in the amount of RUR 13,411 million). Dividends paid including tax payable by the company's shareholders are shown in the financing activities of the consolidated statement of cash flows in the amount of RUR 13,787 million.

(in millions of RUR)

16. Equity (continued)

Cash flow hedge reserve

For the year ended 31 December 2020 loss on hedge transactions was recognised in other comprehensive income in the amount of RUR 753 million net of tax RUR 206 million related to shareholders of the Company and net loss related to non-controlling interest in the amount of RUR 87 million net of tax RUR 1 million.

For the year ended 31 December 2019 gain on hedge transactions was recognised in other comprehensive income in the amount of RUR 761 million net of tax RUR 175 million related to shareholders of the Company and net gain related to non-controlling interest in the amount of RUR 195 million net of tax RUR 34 million.

The overall effect of above agreements is provided in the table below:

	Foreign currency forward and option contacts	*Electricity forward and futures contracts*	*Total*
31 December 2018	**3**	**(370)**	**(367)**
Gain arising on change in fair value of hedge instruments, net	2	934	**936**
Deferred income tax related to gains recognised in other comprehensive income	–	(175)	**(175)**
31 December 2019	**5**	**389**	**394**
Loss arising on change in fair value of hedge instruments, net	(5)	(954)	**(959)**
Deferred income tax related to losses recognised in other comprehensive income	1	205	**206**
31 December 2020	**1**	**(360)**	**(359)**

Fair value reserve

	Fair value reserve
31 December 2018	**(5,745)**
Gain arising on change in fair value of equity instruments (Note 10)	596
Loss arising on change in fair value of debt instruments (Note 10)	(755)
Deferred income tax related to losses recognised in other comprehensive income	1
31 December 2019	**(5,903)**
31 December 2019	**(5,903)**
Gain arising on change in fair value of equity instruments (Note 10)	1,362
Loss arising on change in fair value of debt instruments (Note 10)	(26)
Deferred income tax related to gains recognised in other comprehensive income	(269)
31 December 2020	**(4,836)**

Actuarial reserve

	Related to shareholders of the Company	*Related to non-controlling shareholders*	*Total*
31 December 2018	**274**	**3**	**277**
Loss arising on change in pension liabilities	(916)	(4)	**(920)**
Deferred income tax related to gains recognised in other comprehensive income	37	–	**37**
31 December 2019	**(605)**	**(1)**	**(606)**
31 December 2019	**(605)**	**(1)**	**(606)**
Gain arising on change in pension liabilities	145	–	**145**
Deferred income tax related to gains recognised in other comprehensive income	1	–	**1**
31 December 2020	**(459)**	**(1)**	**(460)**

(in millions of RUR)

17. Earnings per share

The calculation of earnings per share is based on profit or loss for the period and weighted average number of ordinary shares outstanding during the period, calculated as shown below.

	Year ended 31 December 2020
Weighted average number of shares (thousand units) – basic	**73,540,630**
Weighted average number of shares (thousand units) – diluted	**73,540,630**
Income attributable to the shareholders of the Company	74,989
Income per ordinary share (RUR) – basic	1.020
Income per ordinary share (RUR) – diluted	1.020

	Year ended 31 December 2019
Weighted average number of shares (thousand units) – basic	**73,629,762**
Weighted average number of shares (thousand units) – diluted	**73,629,762**
Income attributable to the shareholders of the Company	81,631
Income per ordinary share (RUR) – basic	1.109
Income per ordinary share (RUR) – diluted	1.109

18. Loans and borrowings

This note provides information about the Group's loans and borrowings. Certain loan agreements include financial and non-financial covenants.

Loans and borrowings	*Currency*	*31 December 2020*	*31 December 2019*
Gazprombank JSC	RUR	125	800
Total in RUR	RUR	**125**	**800**
SWEDBANK AB	EUR	–	267
Total in EUR	EUR	**–**	**267**
Government of Georgia	JPY	366	350
Total in JPY	JPY	**366**	**350**
Total in GEL	GEL	**1,058**	**554**
Total long-term loans and borrowings		**1,549**	**1,971**
Less: current portion of long-term loans and borrowings		(1,286)	(1,497)
		263	**474**

Effective interest rates

	31 December 2020	*31 December 2019*
Loans and borrowings at fixed interest rate		
RUR	2.00-7.95%	6.75-12.00%
JPY	18.00%	18.00%
GEL	14.00-18.00%	12.50-18.00%
Loans and borrowings at variable interest rate		
GEL	14.00-15.00%	12.50-15.00%
RUR	6.00-6.05%	6.90-7.60%
EUR	–	2.10-2.13%

(in millions of RUR)

18. Loans and borrowings (continued)

Effective interest rates (continued)

As at 31 December 2020 fair value of loans and borrowings is RUR 1,636 million (31 December 2019: RUR 2,130 million), which is estimated by discounting of contractual future cash flows at the prevailing current market interest rates available to the Group for similar financial instruments.

31 December 2020	*Fair value*	*Method of valuation*	*Ranges*
Financial liabilities at amortised cost			
Total loans and borrowings		**Discounted cash flows**	
Loans denominated in RUR	124	Discounted cash flows	9.00%
Loans denominated in GEL	1,062	Discounted cash flows	11.60%
Loans denominated in JPY	450	Discounted cash flows	7.10%

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Parent Company has a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. At the time of raising new loans or borrowings management applies the policy to determine whether a fixed or variable rate would be more favourable to the Company over the expected period until maturity. As for other entities of the Group, following the corporate regulative documents, the decisions on raising new loans and borrowings on the subsidiaries level are subject for approval by the Parent Company. Management applies the same policy in making decisions in respect of the conditions of raising loans and borrowings on the subsidiary level.

Current loans and borrowings and current portion of non-current loans and borrowings:

	31 December 2020	*31 December 2019*
Current loans and borrowings	1,501	1,343
Current portion of non-current loans and borrowings	1,286	1,497
Interest payable	1	2
Total	**2,788**	**2,842**

The Group has the following undrawn borrowing facilities:

	31 December 2020	*31 December 2019*
Floating rate		
Expiring within one year	–	–
Expiring beyond one year	–	104
	–	**104**
Fixed rate		
Expiring within one year	26,852	55,595
Expiring beyond one year	121,939	58,250
	148,791	**113,845**
Total	**148,791**	**113,949**

19. Accounts payable and accrued liabilities

	31 December 2020	*31 December 2019*
Financial liabilities		
Trade payables	58,781	47,983
Short-term derivative financial instruments	379	1
Dividends payable	151	140
Obligation to repurchase own equity instruments	763	763
Other payables and accrued expenses	7,169	6,039
Total	**67,243**	**54,926**
Non-financial liabilities		
Advances received	30,342	33,874
Staff payables	10,924	11,259
Provisions, short-term	3,806	2,500
Total	**45,072**	**47,633**
	112,315	**102,559**

(in millions of RUR)

19. Accounts payable and accrued liabilities (continued)

As at 31 December 2020 other payables and accrued expenses included RUR 2,122 million payable to the various management companies by LLC MosOblIERC in accordance with the agency contracts (as at 31 December 2019: RUR 1,839 million), RUR 1,320 million of VAT on advances given by JSC INTER RAO – Electric Power Plants (as at 31 December 2019: RUR 627 million), RUR 106 million of VAT on advances given by LLC INTER RAO Engineering (as at 31 December 2019: 514 million).

As at 31 December 2020 advances received included RUR 23,184 million of payments for electricity sales from customers of JSC Mosenergosbyt, JSC Saint Petersburg Power Supply Company, LLC RN-Energo and Group Bashkir Generation Company (as at 31 December 2019: RUR 20,099 million), RUR 836 million of advances received for construction from customers of LLC INTER RAO Engineering (as at 31 December 2019: RUR 6,320 million).

As at 31 December 2020 the amount of obligation to repurchase own equity instruments equaled to RUR 763 million (as at 31 December 2019: RUR 763 million) due to option agreement signed between the Group and the non-controlling shareholder to purchase its non-controlling share in one of the newly established subsidiary. The option will expire in 2042.

Movements in short-term provisions are as follows:

	Provision for legal claims	*Provision for taxes*	*Provision for income tax*	*Other provisions*	*Total*
Balance at 31 December 2018	**1,958**	**287**	**124**	**1,921**	**4,290**
Additions	1,331	76	62	600	**2,069**
Release of provision	(1,971)	(211)	(62)	(1,187)	**(3,431)**
Reclassification	38	–	–	(259)	**(221)**
Transfer from/(to) other balance accounts	5	(42)	(124)	(19)	**(180)**
Translation difference	(27)	–	–	–	**(27)**
Balance at 31 December 2019	**1,334**	**110**	**–**	**1,056**	**2,500**
Balance at 31 December 2019	**1,334**	**110**	**–**	**1,056**	**2,500**
Additions	900	–	–	1,975	**2,875**
Release of provision	(920)	(3)	–	(584)	**(1,507)**
Reclassification	1	–	–	10	**11**
Foreign exchange gain	(37)	–	–	–	**(37)**
Transfer from/(to) other balance accounts	2	(68)	–	(10)	**(76)**
Translation difference	40	–	–	–	**40**
Balance at 31 December 2020	**1,320**	**39**	**–**	**2,447**	**3,806**

Additional provision (net of release) for the year ended 31 December 2020 in the amount of RUR 1,368 million (release of provision (net of additional provision) for the year ended 31 December 2019: RUR 1,362 million) was recognised in Other provisions within Operating expenses in the consolidated statement of comprehensive income.

20. Other non-current liabilities

	31 December 2020	*31 December 2019*
Financial liabilities		
Other long-term liabilities	6,014	675
Total financial liabilities	**6,014**	**675**
Non-financial liabilities		
Pensions liabilities	4,436	4,152
Restoration provision	4,592	4,409
Government grants	9	12
Other long-term liabilities	3,033	679
Total non-financial liabilities	**12,070**	**9,252**
Total	**18,084**	**9,927**

As at 31 December 2020 other long-term liabilities included the fair value of the call and put option agreement in the amount of RUR 3,263 million recognized within the acquisition of the controlling interest in Rus Gas Turbines Holdings B.V. (Note 5).

(in millions of RUR)

20. Other non-current liabilities (continued)

Restoration provision relates to rehabilitation of land plots used for ash dumps by coal powered plants of the Group. The Group has recognised an obligation to restore the disturbed plots occupied by ash dumps on expiration of their useful lives.

Restoration provision at 31 December 2018	**3,611**
Reclass of short-term portion	(22)
Unwinding of discount	187
Changes in estimates of existing obligations	633
Restoration provision at 31 December 2019	**4,409**

Restoration provision at 31 December 2019	**4,409**
Reclass of short-term portion	(8)
Unwinding of discount	152
Changes in estimates of existing obligations	39
Restoration provision at 31 December 2020	**4,592**

Discount rate used to calculate net present value of future cash outflows for land rehabilitation was in the range from 4.62% to 7.35% per annum in 2019 (in 2019 – 6.21% to 7.35%).

Post-employment benefits

The Group provides certain post-employment benefits to their employees in accordance with labour agreements. Post-employment benefits consist of pension benefits via non-state fund, lump sum payments at retirement and towards, employees' jubilees, pension benefits to non-working pensioners-veterans and funeral compensation.

These benefits generally depend on the years of service, terminal salary and amount of benefits provided under labour agreements. The Group pays post-employment benefits when they fall due.

The tables below provide information about liabilities related to pension and other post-employment benefits, plan assets and actuarial assumptions used for current and previous reporting periods.

Amounts recognised in the consolidated statement of financial position:

	31 December 2020	*31 December 2019*
Present value of defined benefit obligations	4,436	4,152
Less: fair value of plan assets	–	–
Deficit in plan	**4,436**	**4,152**
Pension liabilities in the consolidated statement of financial position	**4,436**	**4,152**

Amounts recognised in the consolidated statement of comprehensive income:

	Year ended 31 December 2020	*Year ended 31 December 2019*
Current service cost	199	133
Interest cost	265	256
Recognised actuarial loss	42	973
Recognised past service cost	(17)	27
Total	**489**	**1,389**
Curtailment and settlement gain	13	(162)
Other	–	10
Total	**502**	**1,237**

(in millions of RUR)

20. Other non-current liabilities (continued)

Post-employment benefits (continued)

Changes in the present value of the Group's defined benefit obligation and plan assets are as follows:

	31 December 2020	*31 December 2019*
Present value of defined benefit obligations as at the beginning of the period	**4,152**	**3,158**
Current service cost	199	133
Interest cost	265	256
Actuarial loss	42	973
Past service cost	(17)	27
Benefits paid	(220)	(233)
Curtailment and settlement gain	13	(162)
Other	2	–
Present value of defined benefit obligations as at the end of the period	**4,436**	**4,152**

Plan assets:

	31 December 2020	*31 December 2019*
Employer contributions	220	233
Benefits paid	(220)	(233)

Changes in the pension liabilities are as follows:

	31 December 2020	*31 December 2019*
Pension liabilities at the beginning of the year	**4,152**	**3,158**
Net income recognised in the consolidated statement of comprehensive income	502	1,237
Benefits paid	(220)	(233)
Other income/(expense)	2	(10)
Pension liabilities at the end of the period	**4,436**	**4,152**

Principal actuarial assumptions are as follows:

	31 December 2020	*31 December 2019*
Discount rate	5.70%	6.40%
Salary increase	5.40%	6.00%
Inflation	3.90%	4.10%
Mortality	RUS 2018 mortality reduced by 20%	RUS 2016 mortality reduced by 20%

Staff turnover was assessed using an experience-based model.

The Group's best estimate of contributions to be paid in next year-long period is RUR 187 million (as at 31 December 2019: RUR 364 million).

Sensitivity analysis as of 31 December 2020 on principal actuarial assumptions is presented below:

	Change in assumption	*Effect on defined benefit obligation*
Discount rate	+/-0.75% p.a.	322
Salary increase	+/-0.75% p.a.	90
Inflation	+/-0.75% p.a.	155
Staff turnover	+/-1.5% p.a.	166

(in millions of RUR)

20. Other non-current liabilities (continued)

Post-employment benefits (continued)

Funded status of the pension and other post-employment and long-term obligations as well as gains arising from experience adjustments is as follows:

	31 December 2020	*31 December 2019*
Defined benefit obligation	4,436	4,152
Deficit in plan	4,436	4,152
Experience adjustments on plan liabilities, loss/(gain)	8	(9)

21. Other taxes payable

	31 December 2020	*31 December 2019*
Value added tax (VAT)	9,982	10,607
Social tax	572	896
Property tax	427	329
Personal income tax	74	255
Other taxes	66	50
	11,121	**12,137**

22. Revenue

	Year ended 31 December 2020	*Year ended 31 December 2019*
Electricity and capacity	913,101	954,188
Thermal energy sales	46,906	46,846
Other revenue	26,285	31,086
	986,292	**1,032,120**

Other revenue for the year ended 31 December 2020 included construction contract revenue of RUR 8,405 million (for the year ended 31 December 2019: RUR 14,009 million.) received by LLC INTER RAO Engineering for construction of Pregolskaya TPP and Primorskaya TPP.

23. Other operating income

	Year ended 31 December 2020	*Year ended 31 December 2019*
Penalties and fines receivable	5,213	6,189
Income from sale of securities (Note 10)	178	–
Electricity derivatives	1,623	2,082
Other	2,376	3,825
	9,390	**12,096**

(in millions of RUR)

24. Operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Purchased electricity and capacity	408,143	414,216
Electricity transmission fees	239,571	241,770
Fuel expense	109,273	124,092
Employee benefit expenses and payroll taxes	56,588	55,666
Depreciation and amortisation (Notes 6, 7)	28,969	28,002
Repairs and maintenance	10,532	10,929
Agency fees	5,792	5,481
Provision for impairment of account receivables, net	5,459	7,050
Other materials for production purposes	3,601	3,975
Transportation expenses	3,222	3,336
Water supply expenses	2,842	3,560
Taxes other than income tax	2,320	2,498
Impairment of property, plant and equipment (Note 6)	1,575	161
Thermal power transmission expenses	1,429	1,947
Consulting, legal and auditing services	1,384	1,454
Other provisions charge/(release)	1,343	(1,394)
Short-term lease	421	523
VAT provision	409	4
Loss/(gain) from disposal of Group entities, net (Note 5, 8)	129	(66)
Loss on sale or write-off of inventory	125	803
Expenses from derivatives trading operations on the electricity market	37	–
Lease of low value assets	19	21
Impairment of intangible assets (Note 7)	–	2,488
Impairment of investments in associate and joint venture (Note 8)	–	2,269
Loss from sale of asset classified as held-for-sale	–	148
Cost of equipment for resale	–	4
Impairment of securities (Note 10)	–	2
Other	31,959	36,970
	915,142	**945,909**

25. Finance income and expense

	Year ended 31 December 2020	Year ended 31 December 2019
Finance income		
Interest income	13,081	14,580
Foreign currency exchange gain, net	7,115	–
Dividend income	420	454
Unwind of discount of accounts receivable	107	221
Income on discount of accounts payable	37	3
Other finance income	403	344
	21,163	**15,602**

	Year ended 31 December 2020	Year ended 31 December 2019
Finance expenses		
Interest expense on lease liabilities	7,707	5,569
Foreign currency exchange loss, net	–	4,139
Unwind of discount of accounts payable	49	2,041
Interest expense	315	439
Loss on discount of accounts receivable	181	76
Other finance expenses	263	274
	8,515	**12,538**

(in millions of RUR)

26. Income tax expense

	Year ended 31 December 2020	*Year ended 31 December 2019*
Current tax expense	21,083	22,702
Deferred tax benefit	(160)	(183)
Amended tax declaration	(187)	(668)
Income tax expense	**20,736**	**21,851**

The Parent Company's applicable tax rate is the corporate income tax rate of 20% (31 December 2019: 20%). The corporate income tax rate in Finland is 20% (31 December 2019: 20%), in Georgia is 15% (31 December 2019: 15%), in Lithuania is 15% (31 December 2019: 15%). The tax system in Transdniestria Republic, Moldavia, where Moldavskaya GRES operates, is based on revenue at a rate of 7% (31 December 2019: 7%).

In accordance with tax legislation, tax losses in various Group entities in the countries where they operate may not be offset against taxable profit of other Group entities. Accordingly, profit tax may be accrued even where there is a net consolidated tax loss.

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

	Year ended 31 December 2020	*Year ended 31 December 2019*
Profit before tax	**(96,201)**	**(103,781)**
Theoretical profit tax charge at 20% – expense	**19,240**	**20,756**
Effect of different tax rates	(304)	(1,002)
Effect of different tax base	812	507
Utilisation of previously unrecognised tax losses	4	(7)
Tax effect of items which are not deductible or assessable for taxation purposes, net	1,683	1,706
Recognition of previously unrecognised temporary differences	(2)	(3)
Other	(697)	(106)
Income tax expense	**20,736**	**21,851**

27. Financial instruments and financial risk factors

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rates risk), credit risk and liquidity risk. Risk management is carried out in accordance with risk policy approved by the Management Board.

This risk policy provides principles of overall risk management and policies for specific areas, such as foreign exchange risk, and credit risk. Management considers these measures to be sufficient to control the risks within the Group's business activities.

(in millions of RUR)

27. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

Information on financial instruments in terms of categories is presented below:

As at 31 December 2020	*Note*	*Financial assets at amortised cost*	*Derivatives used for hedging*	*Securities*	*Total*
Assets as per consolidated statement of financial position					
Equity instruments	10	–	–	6,141	**6,141**
Debt instruments	10	–	–	3,450	**3,450**
Derivative financial instruments	11, 15	–	169	–	**169**
Trade and other receivables excluding prepayments	11, 13	91,032	–	–	**91,032**
Restricted cash	15	1,327	–	–	**1,327**
Bank deposits with maturity exceeding 3 months	11, 15	147,422	–	–	**147,422**
Cash and cash equivalents	14	181,116	–	–	**181,116**
Total assets		**420,897**	**169**	**9,591**	**430,657**

As at 31 December 2020	*Note*	*Liabilities at fair value through profit and loss*	*Other financial liabilities at amortised cost*	*Lease liabilities*	*Total*
Liabilities as per consolidated statement of financial position					
Loans and borrowings (excluding lease liabilities)	18	–	3,051	–	**3,051**
Lease liabilities	18	–	–	91,617	**91,617**
Derivative financial instruments	19	379	–	–	**379**
Trade and other payables excluding taxes	19, 20	–	72,114	–	**72,114**
Obligation to repurchase own equity instruments	19	763	–	–	**763**
Total liabilities		**1,142**	**75,165**	**91,617**	**167,924**

As at 31 December 2019	*Note*	*Financial assets at amortised cost*	*Derivatives used for hedging*	*Securities*	*Total*
Assets as per consolidated statement of financial position					
Equity instruments	10	–	–	5,573	**5,573**
Debt instruments	10, 15	–	–	3,456	**3,456**
Derivative financial instruments	15	–	242	–	**242**
Trade and other receivables excluding prepayments	11, 13	90,427	–	–	**90,427**
Restricted cash	15	727	–	–	**727**
Bank deposits with maturity exceeding 3 months	11, 15	161,511	–	–	**161,511**
Cash and cash equivalents	14	95,924	–	–	**95,924**
Total assets		**348,589**	**242**	**9,029**	**357,860**

(in millions of RUR)

27. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

As at 31 December 2019	*Note*	*Liabilities at fair value through profit and loss*	*Other financial liabilities at amortised cost*	*Lease liabilities*	*Total*
Liabilities as per consolidated statement of financial position					
Loans and borrowings (excluding lease liabilities)	18	–	3,316	–	**3,316**
Lease liabilities		–	–	57,295	**57,295**
Derivative financial instruments	19	1	–	–	**1**
Trade and other payables excluding taxes	19, 20	–	54,837	–	**54,837**
Obligation to repurchase own equity instruments	19	763	–	–	**763**
Total liabilities		**764**	**58,153**	**57,295**	**116,212**

(a) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will not be able to pay amounts in full when due. Credit risk is managed on the Group basis, as well as at the level of a particular Group entity. Financial assets which are potentially subject to credit risk are presented in the tables below net of provision for impairment and consist principally of trade and other receivables.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group's current arrangements include assessing customers' financial position, past experience and other relevant factors. Carrying amount of trade and other receivables, net of provision for impairment, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic and other factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment already recorded.

Cash is placed in financial institutions, which are considered to have minimal risk of default. Despite the fact that certain banks do not have international credit ratings they are considered as reliable counterparties that have stable positions in the financial market of the Russian Federation or other countries in which the Group entities operate. The Group has procedure for consideration and approval of the credit institutions, in which the Group can place free funds. On the basis of the analysis the list of credit institutions includes banks with a reliable credit rating. The Group believes that greater control over the placement of funds will reduce the exposure to credit risk.

As at 31 December 2020 receivables potentially involving credit risks for the Group consisted mainly of trade receivables in the amount of RUR 78,886 million (as at 31 December 2019: RUR 72,303 million), and other receivables in the amount of RUR 12,146 million (as at 31 December 2019: RUR 18,124 million). Total carrying value of receivables as at 31 December 2020 was RUR 91,032 million (as at 31 December 2019: RUR 90,427 million).

The Group's general objective in managing credit risk is to ensure continuous revenue collection and stable cash inflow as well as efficient financial assets utilisation.

Being mainly linked to trade receivables, the Group's exposure to credit risk is generally affected by quality of debtors. It is considered, that business activities among the diverse entities within the Group differ. Consequently, credit risks are specific for different types of trade receivables (residential sector, wholesale trading, etc.).

Due to impracticability of determining independent credit ratings for each customer and trade partner, as well as taking into account dissimilarity among different groups of them, the Group assesses credit risks allied with trade receivables based upon particular precedent experience and business relationship supported by other factors.

(in millions of RUR)

27. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

In order to obtain better credit risk monitoring the Group classifies receivables according to understanding of their credit risk rate. The Group makes sure that provision for impairment of accounts receivable reflects the credit risk classification in order to consistently grade and treat different groups of receivables in a similar manner.

As at 31 December 2020	*Nominal value*	*Provision for impairment*	*Carrying amount*	*Share in total, %*
A	70,555	–	70,555	59%
B’	14,452	(1,095)	13,357	12%
B’’	3,194	(898)	2,296	3%
B’’’	9,267	(6,035)	3,232	8%
C	21,231	(19,639)	1,592	18%
Total	**118,699**	**(27,667)**	**91,032**	**100%**

As at 31 December 2019	*Nominal value*	*Provision for impairment*	*Carrying amount*	*Share in total, %*
A	73,834	–	73,834	63%
B’	7,964	(647)	7,317	7%
B’’	7,017	(2,191)	4,826	6%
B’’’	10,792	(7,027)	3,765	9%
C	16,682	(15,997)	685	14%
Total	**116,289**	**(25,862)**	**90,427**	**100%**

The Group applies three main Credit risk Classes – A (premium), B (medium), C (low-grade).

Class A – parties with stable financial performance who have rarely allowed delayed settlement or defaulted on their financial obligations towards the Group. The credit risk related to those entities and individuals is considered minimal. No provision is applied for such receivables.

Class B – parties, whose capacity to clear their financial obligations towards the Group is to some extent affected by credit risk. This group is sequentially divided into three sub-classes:

- Class B’ – parties with satisfactory creditworthiness, where any delaying of payments has been only short-term and temporary in character, related agreements are put in place accordingly, credit risk related to those entities and individuals is considered low.
- Class B’’ – parties with poor creditworthiness, reasonably frequent delays in payments happen from time to time, there is reasonable uncertainty regarding their capacity to clear their financial obligations towards the Group. The credit risk related to those entities and individuals is considered acceptable.
- Class B’’’ – parties with unsatisfactory creditworthiness, frequent delay in payments happen or/and have systematic grounds (reasons), there is significant uncertainty regarding their capacity to clear their financial obligations towards the Group. The credit risk related to those entities and individuals is considered moderate.

The main reason behind dividing Class B into the three sub-classes is to develop a tool for more precise monitoring of the status of receivables and the outcome of credit risk-management measures employed.

Class C – parties with uncertain capacity to meet their financial obligations towards the Group. The credit risk related to those entities and individuals, mainly residential subscribers in the Russian Federation and Georgia, is considered high. The Group cannot switch off the debtors from electricity supply or reject potential debtors of this class due to social and political reasons.

Policies and procedures to address credit risk-management include participation in financial claims and court proceedings. Group entities also use a wide range of proactive credit risk-management procedures where they consider the rules of national energy markets. Such procedures include preliminary credit risk-assessment before setting up a contract or a deal.

(in millions of RUR)

27. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

(b) Market risk

(i) Foreign exchange risk

Individual subsidiaries and the Group as a whole are exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than their functional currency. The currencies giving rise to this risk are primarily USD and EUR.

The Group has the following foreign-currency denominated financial assets and liabilities (these are disclosed on stand-alone basis inclusive of intercompany balances and exclusive receivables considered as net investments and liabilities related to those assets):

At 31 December 2020	***USD***	***EUR***	***Other***	***Total***
Trade and other receivables (excluding prepayments)	4,065	1,156	415	**5,636**
Bank deposits with maturity of 3-12 months	–	1,855	1	**1,856**
Cash and cash equivalents	1,626	7,119	1,427	**10,172**
Restricted cash	–	–	62	**62**
Loans and borrowings (excluding lease liabilities)	(3)	(5)	(366)	**(374)**
Lease liabilities	(13)	(423)	–	**(436)**
Trade and other payables (excluding taxes)	(721)	(2,849)	(272)	**(3,842)**
Net foreign currency position	**4,954**	**6,853**	**1,267**	**13,074**

At 31 December 2019	***USD***	***EUR***	***Other***	***Total***
Trade and other receivables (excluding prepayments)	2,845	2,530	367	**5,742**
Bank deposits with maturity of 3-12 months	1,638	–	3	**1,641**
Cash and cash equivalents	19,531	20,031	947	**40,509**
Restricted cash	–	–	75	**75**
Loans and borrowings (excluding lease liabilities)	–	–	(350)	**(350)**
Lease liabilities	(544)	(12)	–	**(556)**
Trade and other payables (excluding taxes)	(838)	(580)	(206)	**(1,624)**
Net foreign currency position	**22,632**	**21,969**	**836**	**45,437**

For sensitivity analysis, management estimated the reasonably possible changes in currency exchange rates based on expectations on their volatility. If currency exchange rates had weakened/strengthened within the estimated levels (see table below), with all other variables held constant, the hypothetical effect on income/(loss) and equity for the year ended 31 December 2020 would have been increase of income by RUR 1,299 million or decrease of income by RUR 1,298 million (for the year ended 31 December 2019: increase of income by RUR 4,768 million or decrease of income by RUR 4,768 million) in accordance with positive and negative scenario, respectively.

At 31 December 2020	***USD/EUR***	***RUR/USD***	***RUR/EUR***	**RUR/CNY**	***GEL/JPY***
Upper level	3.15%	12.88%	13.81%	6.93%	(1.21)%
Lower level	(3.15)%	(12.88)%	(13.81)%	(6.93)%	1.21%

At 31 December 2019	***USD/EUR***	***RUR/USD***	***RUR/EUR***	**RUR/CNY**	***GEL/JPY***
Upper level	2.91%	12.88%	13.77%	5.22%	(0.61)%
Lower level	(2.91)%	(12.88)%	(13.77)%	(5.22)%	0.58%

Expected deviations are based on possible changes in exchange rates based on an analysis of recent trends.

(in millions of RUR)

27. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

(ii) Interest rate risk

The Group's income/(loss) and operating cash flows are substantially independent of changes in market interest rates. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group has formal policy to determine how much of the Group's exposure is attributable to fixed or variable rates.

Variable rate debt	*As at 31 December 2020*	*As at 31 December 2019*
EURIBOR	–	267
Bank of Georgia key rate	676	114

The hypothetical effect on income/(loss) for the period due to change in basic points (bp) in the floating interest rates, with all other variables held constant:

	Deviation of EURIBOR		*Deviation of Bank of Georgia key rate*	
Hypothetical effect on income/(loss) for the year ended 31 December 2020	18 bp decrease –	13 bp increase –	55 bp decrease 3	55 bp increase (3)
Hypothetical effect on income/(loss) for the year ended 31 December 2019	3 bp decrease 0.1	2 bp increase (0.1)	55 bp decrease 0.5	60 bp increase (0.5)

(c) Liquidity risk

The Group's approach to manage liquidity is to ensure, as far as possible, that it has sufficient liquidity to satisfy its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking to damage the Group's reputation. The Group adopts prudent approach to liquidity risk management which implies holding a reasonable level of cash and maintaining funding available through an adequate amount of committed borrowing facilities (Note 18).

The table below analyses the Group's financial liabilities allocated to relevant maturity groupings based on remaining contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

At 31 December 2020	*Less than 1 year*	*Between 1 and 2 years*	*Between 2 and 5 years*	*Between 5 and 20 years*	*Over 20 years*	*Total*
Loans and borrowings	2,804	159	225	–	2,975	**6,163**
Trade and other payables	66,101	955	2,505	7,158	–	**76,719**
Lease liabilities	13,831	12,553	36,780	214,726	2,033	**279,923**
Derivative financial liabilities	379	–	–	–	–	**379**
Obligation to repurchase own equity instruments	763	–	–	–	–	**763**
Total	**83,878**	**13,667**	**39,510**	**221,884**	**5,008**	**363,947**

At 31 December 2019	*Less than 1 year*	*Between 1 and 2 years*	*Between 2 and 5 years*	*Between 5 and 20 years*	*Over 20 years*	*Total*
Loans and borrowings	2,855	261	428	–	2,852	**6,396**
Trade and other payables	54,164	170	479	110	–	**54,923**
Lease liabilities	9,158	8,200	23,176	203,084	2,299	**245,917**
Derivative financial liabilities	1	–	–	–	–	**1**
Obligation to repurchase own equity instruments	763	–	–	–	–	**763**
Total	**66,941**	**8,631**	**24,083**	**203,194**	**5,151**	**308,000**

(in millions of RUR)

27. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

(d) Capital management

The Group's objective in managing capital is to safeguard the Group's ability to continue operations on a going concern basis and to provide returns to shareholders as well as to maintain a strong capital base to provide creditors and the market with confidence in operating with the Group.

The Company monitors capital based on ratios calculated based on the statutory financial statements of PJSC Inter RAO and management accounts of its subsidiaries prepared according to local statutory requirements. The Group analyses equity and debt financing (see Notes 16 and 18 respectively). As at 31 December 2020 and 31 December 2019 the Group was in compliance with the gearing ratios imposed by loan agreements held with certain banks.

Group entities registered in the Russian Federation are individually subject to the following externally imposed capital requirements that are relevant for joint stock companies only:

- Share capital cannot be lower than 1,000 minimum wages at the date of the company registration;
- If share capital is greater than its net assets, then share capital must be reduced to a value not exceeding net assets;
- If minimum allowed share capital is greater than net assets, then a liquidation procedure shall follow.

As at 31 December 2020 the Group entities registered in the Russian Federation were in compliance with the above capital requirements.

(e) Fair values

Fair value is determined either by reference to market or by discounting relevant cash flows using market interest rates for similar instruments. As a result of this exercise management believes that fair value of its financial assets and liabilities approximates their carrying amounts except for loans and borrowings. Fair value of loans and borrowings is disclosed in Note 18.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by observable current market transactions and assets and liabilities for which pricing is obtained via pricing services. In case prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. Non market observable inputs mean that fair values are determined in whole or partly using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions with the same instrument nor they are based on available market data. Main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, whereby allow situations in which there is little, if any, market activity for the financial instrument at the measurement date. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing of the financial instrument (including risk assumptions). These inputs are developed based on the best information available, which might include the Group's own data.

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(in millions of RUR)

27. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

The following table shows an analysis of financial instruments by level of the fair value hierarchy:

			Fair value hierarchy		
At 31 December 2020	***Note***	***Total fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Electricity derivatives	11, 15	**169**	169	–	–
Securities					
Equity instruments at FVOCI	10	**5,370**	5,370	–	–
Equity instruments at FVPL	10	**771**	–	–	771
Debt instruments at FVOCI	10, 15	**3,450**	3,450	–	–
Debt instruments at amortised cost					
Long-term bank deposits	11	**13**	–	–	13
Total financial assets		**9,773**	**8,989**	**–**	**784**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	19	**379**	379	–	–
Financial liabilities designated at fair value through profit or loss					
Call and put option agreement	20	**3,263**	–	3,263	–
Obligation to repurchase own equity instruments	19	**763**	–	763	–
Financial liabilities at amortised cost					
Loans and borrowings	18	**1,636**	–	1,636	–
Total financial liabilities		**6,041**	**379**	**5,662**	**–**

			Fair value hierarchy		
At 31 December 2019	***Note***	***Total fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Electricity derivatives	15	**242**	242	–	–
Securities					
Equity instruments at FVOCI	10	**4,008**	4,008	–	–
Equity instruments at FVPL	10	**1,565**	–	–	1,565
Debt instruments at FVOCI	10, 15	**3,456**	3,456	–	–
Debt instruments at amortised cost					
Long-term bank deposits	11	**64**	–	–	64
Total financial assets		**9,335**	**7,706**	**–**	**1,629**
Financial liabilities					
Derivative financial instruments					
Interest rate SWAP	19	**1**	–	1	–
Financial liabilities designated at fair value through profit or loss					
Obligation to repurchase own equity instruments	19	**763**	–	763	–
Financial liabilities at amortised cost					
Loans and borrowings	18	**2,130**	–	2,130	–
Total financial liabilities		**2,894**	**–**	**2,894**	**–**

(in millions of RUR)

28. Commitments

Investment and capital commitments

In accordance with the memorandum signed between the Group and the Government of Georgia in March 2013, the Group has to invest in projects aimed to improve the electricity network which belongs to the Group entity JSC Telasi. In accordance with memorandum the investment commitments as at 31 December 2020 are as follows:

Year	*Investments, GEL, million*
2021	28
2022-2023	44
2024-2025	49

As at 31 December 2020 realisation of investment commitments was in line with schedule for the year 2020. Exchange rate for Georgian lari to Russian rouble as at 31 December 2020 is set by National Bank of Georgia at GEL 4.40 for RUR 100.

As at 31 December 2020 capital commitments of subsidiaries of the Company, are as follows:

Subsidiary	*RUR, million*
Inter RAO − Electric Power Plants	15,739
LLC Bashkir Generation Company	2,601
Other	1,275
Total	**19,615**

Capital commitments of JSC Inter RAO − Electric Power Plants as at 31 December 2020 are mainly for modernisation of blocks of Kostromskaya GRES, Gusinoozerskaya GRES and Iriklinskaya GRES, modernisation of powersupply equipment of Cherepetskaya GRES, supply of equipment for Permskaya GRES, Ivanovskie PGU and development of information system for modernisation and maintenance of power equipment.

Capital commitments of LLC Bashkir Generation Company are mainly for the construction completion of Zatonskaya TEC and reconstruction of heating networks.

Guarantees

As at 31 December 2020 the Group has the following guarantees:

- In December 2017 and May 2016 the Group entered into the new guarantee agreements with State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” for the purpose of financial support of the agreement between the Group and Empresa Importadora de Objetivos Electroenergeticos for capacity increase of TPP “East Havana” and TPP “Maximo Gomes” (Cuba). As at 31 December 2020 the guarantees amounted to EUR 4.6 million, or RUR 418 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2020 (as at 31 December 2019: EUR 7.2 million, or RUR 499 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2019). The guarantees will expire in January 2024.
- In December 2010 the Group together with General Electric and State Corporation Russian Technologies established an associate entity, Rus Gas Turbines Holdings B.V. The entity was established to participate in production and sales of high-performance industrial gas turbines in the Russian Federation. The Group’s share in the entity was 25%. Since April 2019 the Group’s share in the company is 50%. In September 2020 the Group has acquired an additional 0.999% of the share capital of the company and thus obtained control over the company (Note 5). The Group has certain financial obligations to finance the entity.

  In September 2020 the Group entered into the standby letter of credit with Unicredit Bank in favour of GE ENERGY HOLDINGS VOSTOK B.V. (Beneficiary) with the of EUR 20.8 million in order to fulfill the Group’s investment obligations related to the entity.

  As at 31 December 2020 the standby letter of credit outstanding amount was EUR 20.8 million, or RUR 1,884 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2020. The standby letter of credit will expire in September 2025.
- In March 2018 the Group entered into the guarantee agreements with Unicredit Bank for the purpose of financial support of the agreement between the Group and Bangladesh Power Development Board for capital repair works at Ghorasal Thermal Power Station. As at 31 December 2020 the guarantee amounted to USD 1.5 million, or RUR 111 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2020 (as at 31 December 2019 the guarantee amounted to USD 1.5 million, or RUR 93 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2019). The guarantees will expire in March 2021.

(in millions of RUR)

28. Commitments (continued)

Guarantees (continued)

- In December 2019 − October 2020 the Group issued the letter of guarantees with Gazprom Bank for the purpose of financial support of the agreement between the Group and PJSC Unipro for modernization of the turbine units at Berezovskaya GRES. As at 31 December 2020 the guarantees amounted to RUR 128 million (as at 31 December 2019: RUR 58 million). The guarantees will expire in May 2021.
- In November 2020 the Group issued the letter of guarantee with Gazprom Bank for the purpose of financial support of the agreement between the Group and JSC Electric Power Plants (EPP) for participation in the tender. As at 31 December 2020 the guarantee amounted to USD 2.3 million or RUR 167 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2020.The guarantee will expire in March 2021.
- In November – December 2020 the Group issued the letter of guarantees with Gazprom Bank for the purpose of financial support of the agreement between the Group and LLC 8th Wind Farm FRV for construction, installation and commissioning works. As at 31 December 2020 the guarantee amounted to RUR 219 million. The last of the issued guarantees will expire in December 2021.
- In November 2020 the Group issued the letter of guarantee with Gazprom Bank for the purpose of financial support of the agreement between the Group and LLC 3rd Wind Farm FRV for construction, installation and commissioning works. As at 31 December 2020 the guarantee amounted to RUR 77 million. The guarantee will expire in June 2023.

The above guarantees do not require their fair value to be reflected in the financial statements at the recognition date. The Group has no additional liabilities in respect of the above guarantees.

29. Contingencies

(a) Operating environment

The operations and earnings of Group’s entities continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia, Georgia, Moldavia (including Transdniestria Republic) and Lithuania.

A significant drop in energy resources prices, as well as a devaluation of the Russian rouble and series of unilateral restrictive political and economic measures imposed on the Russian Federation by several countries, occurred over the past few years, to have a negative impact on the economy of the Russian Federation, primary jurisdiction of the Group, in 2020. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth in the Russian Federation, which could negatively affect the Group’s future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances.

Coronavirus pandemic

In the year 2020, the global economy was negatively affected by the coronavirus pandemic (COVID-19). The tightening of isolation measures aimed at combating the spread of COVID-19 in various countries caused a significant decrease in consumer spending and business activity. Social distance and isolation measures led to the cessation of companies in the field of retail, transport, travel and tourism, catering, entertainment and many other areas. The impact of the pandemic on the development of the economy at the level of individual countries and the world economy as a whole has no historical analogues with other periods when governments adopted packages of measures to save the economy. An additional risk lies in the possible protracted nature of the pandemic, in which the spread of the virus will continue before effective countermeasures are found.

The Russian economy is affected by the worsening situation with the spread of the pandemic. The Russian government has taken a number of unprecedented measures to support the economy, to provide liquidity and support the activities of Russian companies and the public, including Decree of the Government of the Russian Federation of 2 April 2020 № 424. According to the decree, until 1 January 2021, a moratorium on the payment of penalties for overdue debts under supply contracts with resource-supplying organizations is introduced. Against this background, uncertainty remains regarding the future business environment for the Group and its counterparties.

Such macroeconomic factors as the growth of unemployment in Russia, the reduction in liquidity and profitability of companies, as well as the growth of bankruptcy cases in a number of industries may affect the ability of some of the Group’s consumers to repay debts for electricity consumed.

These events, the effects of which are difficult to predict at present, may have a further significant impact on the future operations and financial position of the Group including the level of collection of future receivables.

The management of the Group believes that financial statements presented reflect all the best estimates with respect to possible consequences of all factors mentioned above as of 31 December 2020.

(in millions of RUR)

29. Contingencies (continued)

(b) Insurance

The unified corporate standards are established in the Group for insurance coverage, for insurance companies reliability requirements and insurance coverage procedures developed by Parent Company.

There are two types of insurance undertaken by the Group: obligatory (as required by the law or by agreement between parties) and voluntary.

Obligatory insurance includes public liability insurance of owners of dangerous facilities and public liability insurance of car owners. The Group is obligated to insure different types of property, plant and equipment under loan agreements provisions.

Voluntary insurance includes property insurance against certain risks and equipment breakdown insurance, vehicles insurance, insurance against construction and assembly risks, voluntary public liability insurance of owners of dangerous facilities against social and environmental harm risks. The Group also undertakes insurance of directors' and officials' of certain Group entities responsibilities to cover financial losses of third parties.

The Groups' assets are insured for its replacement value which is set by valuation reports for insurance purposes considering technical risks. Obligatory condition of the property insurance of foreign subsidiaries is the availability of reliable reinsurance protection, which is done by transferring part of the risk to the foreign reinsurers with high reliability ratings.

In order to optimise insurance protection management performs regular appraisal of efficiency of Group's insurance terms and rationale for new insurance products acquired.

(c) Litigation

In the normal course of business the Group is a party to legal actions and consequently had received a number of legal claims from customers and subcontractors with the likelihood of negative outcome for the Group as not probable, but only possible, and, consequently, no provision has been made in these financial statements:

	31 December 2020	*31 December 2019*
Legal claims, including:	**2,054**	**2,301**
Share in legal claims of joint ventures	11	–

Other than those litigations which have been accrued in the provisions (Note 24) and disclosed above, management of the Group is unaware of any actual, pending or threatened claims as at the date of approval of these consolidated financial statements, which would have a material impact on the Group.

(d) Tax contingencies

The taxation systems in the Russian Federation and in other countries in which the Group operates are relatively new and characterised by frequent changes in legislation, official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges.

A tax year remains open for review by the tax authorities during three to five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

In addition, tax and other legislation do not address specifically all the aspects of the Group's reorganisation related to reforming of the electric utilities industry in the Russian Federation. As such there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganisation and reform process.

These circumstances may create tax risks in the Russian Federation and in the other countries in which the Group operates. Management believes that it has adequately provided for tax liabilities based on its interpretations of applicable relevant tax legislation, official pronouncements and court decisions.

However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(in millions of RUR)

29. Contingencies (continued)

(d) Tax contingencies (continued)

The Parent Company and subsidiaries in the countries where they operate have various transactions with related parties. The pricing policy could give rise to transfer pricing risks. In management's opinion, the Group follows the tax laws of the countries where Group entities operate. However, relevant authorities could take different positions with regard to interpretive issues or court practice could develop adversely with respect to the positions taken by the Group and the effect could be significant.

The Group includes a number of operating and investment companies located in a number of different tax jurisdictions across Europe and the CIS. Those entities are subject to a complex variety of tax regimes and the nature of current and past trading and investment activities exposes them to areas of tax legislation involving considerable judgement and, consequently, uncertainty. The Group estimates that possible claims in respect of certain open tax positions of Group entities as at 31 December 2020 would be successfully challenged in the amount of RUR 91 million (31 December 2019: RUR 72 million).

Starting from 1 January 2019, the value added tax rate in Russian Federation has been increased from 18% to 20%.

The new Russian transfer pricing legislation, which came into force on 1 January 2012, allows the tax Russian tax authority to apply transfer pricing adjustments and impose additional profit tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices. The list of "controlled" transactions includes transactions performed with related parties and certain types of cross-border transactions. For domestic transactions the transfer pricing rules apply only if the amount of all transaction with related party exceeds RUR 1 billion starting 2014 and thereafter. In cases where the domestic transaction resulted in an accrual of additional tax liabilities for one party, another party could correspondingly adjust its profit tax liabilities according to the special notification issued by the authorised body in due course.

The current Russian transfer pricing rules have considerably increased the compliance burden for the taxpayers compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. These rules are applicable not only to the transactions taking place in 2012 but also to the prior transactions with related parties if related income and expenses were recognised in 2012. Special transfer pricing rules apply to transactions with securities and derivatives.

The new legislation concerning preparation of the multinational enterprise group (MNE) documentation applies to financial years starting on or after 1 January 2017, with a voluntary country-by-country report (CbCR) filing for financial years starting in 2016. The new law requires preparation of the three-tier transfer pricing documentation (master file, local file, CbCR) and a notification concerning participation in the MNE. These rules apply to the MNE with a consolidated revenue RUR 50 billion in a preceding financial year if an ultimate parent entity (UPE) is in Russia, or with the applicable CbCR threshold as established by the home country of the UPE if outside Russia.

In 2017 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices (or making appropriate transfer pricing adjustments (where applicable).

Due to the uncertainty and absence of current practice of application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the Company under the "controlled" transactions and assess additional tax liabilities unless the Company is able to demonstrate the use of market prices with respect to the "controlled" transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

(e) Environmental matters

Group's entities operate in the electric power industry in the Russian Federation, Georgia and Moldavia. The enforcement of environmental regulations in these countries is evolving and position of government authorities is continually being reconsidered. Group's entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage, except restoration provision.

Restoration provision liabilities relate to reclamation of land plots, used for ash dumps by generating entities, which use coal for production purposes (see Note 20).

(f) Ownership of land

The current legislation in Georgia is unclear in relation to ownership issues with regard to land over which the Company's (JSC Telasi) equipment for the transmission of electricity is located. On further clarification of the law, it is possible that the Company may be required to acquire ownership over certain land plots or to pay rentals to other parties for their use. At the date of approval of these financial statements, management considers that it is not possible to quantify any additional expense, if any, which JSC Telasi might incur and consequently, no provision has been made against such potential liabilities in these financial statements.

(in millions of RUR)

30. Related party transactions

(a) Parent Company and control relationships

The Russian Federation is the ultimate controlling party of PJSC Inter RAO and has a controlling interest in the Company of over 50%. Details of operations with entities controlled by the Russian Federation are provided in Note 30 (d).

(b) Transactions with key management personnel

The members of the Management Board and Board of Directors own 0.20793% of ordinary shares of PJSC Inter RAO as at 31 December 2020 (31 December 2019: 0.21092%).

Compensation paid to key management and members of the Board of Directors for their service in that capacity is made up of contractual salary and performance bonuses. Key management and members of the Board of Directors received the following remuneration during the period, which is included in employee benefit expenses and payroll taxes (Note 24):

	Year ended 31 December 2020	*Year ended 31 December 2019*
Salaries and bonuses	1,417	1,228

(c) Transactions with associates and joint ventures

Detailed list of the Group's joint ventures and associates is disclosed in Note 8. Sales to and purchases from joint ventures and associates are made at terms equivalent to those that prevail in arm's length transactions.

The Group's transactions with associates and joint ventures are disclosed below.

	Year ended 31 December 2020	*Year ended 31 December 2019*
Revenue		
Joint ventures	1,493	2,130
Associates	–	13
Other operating income		
Joint ventures	1	1
Associates	–	3
	1,494	**2,147**
Purchased power		
Joint ventures	338	76
Purchased capacity		
Joint ventures	2,784	2,699
Other expenses		
Joint ventures	3	287
	3,125	**3,062**
Capital expenditures		
Joint ventures	–	2

	31 December 2020	*31 December 2019*
Accounts receivable		
Joint ventures	185	245
Accounts payable		
Joint ventures	188	246

(in millions of RUR)

30. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation

Sales to and purchases from entities controlled by the Russian Federation are made at terms equivalent to those that prevail in arm's length transactions.

Information on transactions with entities controlled by the Russian Federation is presented below:

	Year ended 31 December 2020	*Year ended 31 December 2019*
Revenue		
Electricity and capacity	266,989	281,130
Other revenues	9,605	15,672
Other operating income	1,659	3,143
	278,253	**299,945**
Operating expenses		
Purchased power and capacity	142,701	137,589
Transmission fees	220,430	227,251
Fuel expense (gas)	83,173	97,736
Fuel expense (coal)	545	644
Other purchases	40	157
Other expenses	13,961	13,492
	460,850	**476,869**
Capital expenditures	**–**	**5,563**
Finance income/(expenses)		
Interest income	3,703	5,452
Dividend income	403	121
Interest expenses	(156)	(131)
Interest expenses on lease liabilities	(7,179)	(5,057)
	(3,229)	**385**
Financial transactions		
Loans and borrowings received	1,953	1,818
Loans and borrowings repaid	(492)	(2,362)
Repayment of leases	(8,410)	(6,555)
	(6,949)	**(7,099)**

	31 December 2020	*31 December 2019*
Securities	**7,350**	**6,067**
Long-term accounts receivable		
Other account receivables	381	90
Less impairment provision	(247)	(28)
Other receivables – net	**134**	**62**
Short-term accounts receivable		
Trade accounts receivable, gross	27,778	26,352
Less impairment provision	(5,074)	(7,455)
Trade receivables – net	**22,704**	**18,897**
Advances issued	1,456	66
Advances issued for capital construction	417	31
Accounts receivable on construction contracts	–	5,078
Other receivables	2,045	816
	26,622	**24,888**
Other current assets	**489**	**545**

(in millions of RUR)

30. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation (continued)

	31 December 2020	*31 December 2019*
Accounts payable		
Trade accounts payable	30,933	22,851
Payables for capital construction	71	36
Long-term accounts payable	419	511
Other accounts payable	260	491
Advances received	8,471	13,187
	40,154	**37,076**
Other long-term liabilities	**28**	**18**
Loans and borrowings		
Short-term loans and borrowings	1,971	309
Long-term loans and borrowings	–	194
Interest on loans and borrowings	1	2
	1,972	**505**
Lease liabilities		
Short-term portion of long-term lease liabilities	11,897	7,296
Long-term lease liabilities	74,740	44,832
	86,637	**52,128**
Cash and cash equivalents	8,281	23,985
Other current assets (bank deposits)	179,626	50,517

In July 2011 subsidiary of PJSC Inter RAO entered into an agreement with a state-controlled company for sale of electric power under the “take-or-pay” arrangement through 30 June 2026. The sales to and purchases from enterprises controlled by the Russian Federation are made at terms equivalent to those that prevail in arm’s length transactions.

(e) Transactions with other related parties

Sales to and purchases from other related parties are made at terms equivalent to those that prevail in arm’s length transactions. Amounts of transactions with other related parties (except for those controlled by the Russian Federation, associates and joint ventures), for each of the reporting periods are provided below:

	Year ended 31 December 2020	*Year ended 31 December 2019*
Revenue		
Electricity and capacity	34	27
Operating expenses		
Other expenses	3	4
Financial income and expenses		
Interest income	2,336	3,289
Interest expenses	–	(52)

	31 December 2020	*31 December 2019*
Short-term accounts receivable		
Trade and other accounts receivable	1	136
Short-term accounts payable		
Trade and other accounts payable	3	2
Cash and cash equivalents		
Cash in bank	12,112	12,183
Short-term bank deposits	45,960	36,011
	58,072	**48,194**

(in millions of RUR)

31. Significant subsidiaries

Significant subsidiaries consolidated in the Group's consolidated financial statements are disclosed in the table below:

	Country of incorporation	*31 December 2020 ownership/voting*	*31 December 2019 ownership/voting*
Trading entities			
RAO Nordic Oy[1]	Finland	100.00%	100.00%
AB INTER RAO Lietuva[2]	Lithuania	51.00%	51.00%
Distributing entities			
JSC Telasi	Georgia	75.11%	75.11%
Supply entities			
JSC Mosenergosbyt (group of companies)	The Russian Federation	100.00%	100.00%
JSC Saint Petersburg Power Supply Company	The Russian Federation	100.00%	100.00%
PJSC Tambov Energy Retailing Company (Note 5)	The Russian Federation	85.64%	85.04%
PJSC Saratovenergo	The Russian Federation	59.84%	59.84%
JSC Altayenergosbyt	The Russian Federation	100.00%	100.00%
LLC RN – Energo	The Russian Federation	100.00%	100.00%
JSC Tomskenergosbyt (Note 5)	The Russian Federation	100.00%	100.00%
LLC ESC Bashkortostan	The Russian Federation	100.00%	100.00%
Generating entities			
CJSC Moldavskaya GRES	Moldavia, Transdniestria Republic	100.00%	100.00%
JSC INTER RAO – Electric Power Plants	The Russian Federation	100.00%	100.00%
JSC Khramhesi GES I	Georgia	100.00%	100.00%
JSC Khramhesi GES II	Georgia	100.00%	100.00%
JSC TGC−11 (group of companies)	The Russian Federation	100.00%	100.00%
LLC Bashkir Generation Company	The Russian Federation	100.00%	100.00%
LLC Bashkir Heat Distribution Grid	The Russian Federation	100.00%	100.00%
Trakya Elektrik Uretim Ve Ticaret A.S.	Turkey	100.00%	100.00%
Other entities			
JSC Inter RAO Capital	The Russian Federation	100.00%	100.00%
LLC INTER RAO – Procurement Centre	The Russian Federation	100.00%	100.00%
JSC Eastern energy company	The Russian Federation	100.00%	100.00%
JSC Electrolutch	The Russian Federation	100.00%	100.00%
LLC Kvarz Group	The Russian Federation	100.00%	100.00%
Rus Gas Turbines Holdings B.V. (Note 5)	The Netherlands	100.00%	50.00%

[1] RAO Nordic Oy also acts as holding company for certain Group entities.

[2] AB INTER RAO Lietuva also acts as holding company for certain Group entities.

(in millions of RUR)

31. Significant subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations for the year ended 31 December 2020, including amounts related to both: shareholders and non-controlling interest:

	AB INTER RAO Lietuva	*JSC Telasi*	*PJSC Tambov Energy Retailing Company*	*PJSC Saratov-energo*	*LLC MosOblIERC*	*Other individually immaterial subsidiaries*	*Total*
Non-controlling interest (percentage)	**49.00%**	**24.89%**	**14.36%**	**40.16%**	**49.90%**	**–**	**–**
Non-current assets	1,100	6,874	162	450	767	2,562	**11,915**
Current assets	1,777	1,409	1,033	2,222	3,584	2,110	**12,135**
Non-current liabilities	(31)	(405)	(21)	(227)	(820)	(163)	**(1,667)**
Current liabilities	(1,448)	(5,127)	(878)	(2,999)	(3,288)	(1,375)	**(15,115)**
Net assets	**1,398**	**2,751**	**296**	**(554)**	**243**	**3,134**	**7,268**
Carrying amount of non-controlling interest at 31 December 2020	**(685)**	**(859)**	**(40)**	**(5)**	**(302)**	**(265)**	**(2,156)**
Revenue	10,612	9,928	6,122	19,746	4,185	10,953	**61,546**
Income/(loss) for the period	911	(1,700)	90	69	175	468	**13**
Total comprehensive income/(loss) for the year ended 31 December 2020	**911**	**(1,699)**	**94**	**67**	**175**	**468**	**16**
Income/(loss) allocated to non-controlling interest	**446**	**(425)**	**13**	**28**	**87**	**327**	**476**
Cash flows from operating activities	93	690	209	225	696	1,029	**2,942**
Cash flows from / (used for) investing activities	83	(684)	(10)	(58)	26	9	**(634)**
Cash flows used for financing activities before dividends to non-controlling interest	(1,173)	(78)	–	(167)	(179)	(386)	**(1,983)**
Net (decrease)/increase in cash and cash equivalents for the year ended 31 December 2020	**(997)**	**(72)**	**199**	**–**	**543**	**652**	**325**
Cash flows used for financing activities – cash dividends to non-controlling interest	(566)	–	–	–	–	–	**(566)**

(in millions of RUR)

31. Significant subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations for the year ended 31 December 2019, including amounts related to both: shareholders and non-controlling interest:

	AB INTER RAO Lietuva	*JSC Telasi*	*PJSC Tambov Energy Retailing Company*	*PJSC Saratov-energo*	*LLC MosOblIERC*	*JSC Tomsk-energosbyt*	*Other individually immaterial subsidiaries*	*Total*
Non-controlling interest (percentage)	**49.00%**	**24.89%**	**14.96%**	**40.16%**	**49.90%**	**–**	**–**	**–**
Non-current assets	837	6,294	138	457	734	361	1,011	**9,832**
Current assets	2,609	1,554	960	2,072	2,852	3,197	2,387	**15,631**
Non-current liabilities	(27)	(574)	(24)	(180)	(666)	(27)	(120)	**(1,618)**
Current liabilities	(1,984)	(3,055)	(873)	(2,970)	(2,878)	(1,500)	(829)	**(14,089)**
Net assets	**1,435**	**4,219**	**201**	**(621)**	**42**	**2,031**	**2,449**	**9,756**
Carrying amount of non-controlling interest at 31 December 2019	**(704)**	**(1,226)**	**(28)**	**21**	**(201)**	**92**	**106**	**(1,940)**
Revenue	20,456	10,834	5,992	19,845	3,837	12,877	9,300	**83,141**
Income/(loss) for the period	988	333	16	(45)	318	(59)	(2,231)	**(680)**
Total comprehensive income/(loss) for the year ended 31 December 2019	**988**	**338**	**6**	**(48)**	**318**	**(59)**	**(2,231)**	**(688)**
Income/(loss) allocated to non-controlling interest	**484**	**83**	**3**	**(18)**	**159**	**(92)**	**(320)**	**299**
Cash flows from operating activities	1,093	1,615	134	535	1,393	1	467	**5,238**
Cash flows from / (used for) investing activities	17	(967)	(61)	(32)	(32)	69	(35)	**(1,041)**
Cash flows used for financing activities before dividends to non-controlling interest	(859)	(705)	(1)	(513)	(159)	(42)	(293)	**(2,572)**
Net increase/(decrease) in cash and cash equivalents for the year ended 31 December 2019	**251**	**(57)**	**72**	**(10)**	**1,202**	**28**	**139**	**1,625**
Cash flows used for financing activities – cash dividends to non-controlling interest	(420)	–	–	–	–	–	–	**(420)**

(in millions of RUR)

32. Events after the reporting period

There were no significant events after the reporting period.