UNIPRO GROUP

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2019

Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Unipro:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Unipro (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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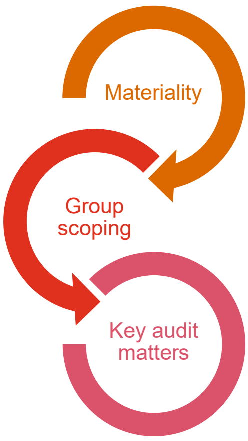
Our audit approach

Overview



Overall Group materiality: Russian Roubles (“RUB”) 1,153 million, which represents 5% of profit before tax.

- We conducted audit work at the Company in Russia, Moscow.
- Our audit scope addressed 99,8% of the Group’s revenues and 99,4% of the Group’s absolute value of underlying profit before tax.

- Impairment of Property, plant and equipment
- Assessment of expected credit losses in relation to trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 1,153 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment *Refer to Note 3 (Critical accounting estimates and assumptions) and Note 6 (Property, plant and equipment)* The Group performed an impairment test of non-current assets. The trigger for impairment testing of property, plant and equipment was the revision in the amount of capital expenditures required for certain assets and a change in the timing of placing the assets into operation. Given the materiality of property, plant and equipment, an impairment could have a significant impact on the consolidated financial statements. We also focused on this area due to significant judgements involved in performing the impairment test. Management determined Cash Generating Units (further CGUs) taking into account two factors: territorial and type of capacity supply conditions. The recoverable amount of each CGU was calculated as value in use. The value in use is based on discontinued future cash flow forecast over which management make judgements on certain key inputs including, for example, future productions volumes, electricity and capacity prices growth rates, natural gas and coal prices, discounts rates and long-term growth rates.	We performed an evaluation and critical analysis of the future cash flow forecasts made by management. Internal experts in valuation were involved in the analysis and gathering audit evidence in respect of assumptions used in the impairment test. We ensured that the future cash flow forecasts preparation process was controlled by management and corresponded with approved budgets. We performed the following audit procedures: • assessed the reasonableness of the methodology used in forecasting future cash flows, and its compliance with IAS 36 'Impairment of assets'; • compared key assumptions used in calculations (including future prices for gas and coal, macroeconomic measures, inflation rates) to available market data; • tested the mathematical accuracy of the calculations; • challenged the key assumptions for long-term growth rates by comparing them to economic and industry forecasts; • compared forecasted cash flows to approved budget and previous year financial model; • assessed the reasonableness of the discount rate by comparing the cost of capital for

Key audit matter	How our audit addressed the key audit matter
	the Group to comparable organisations and to our independent assessment. We have not found significant exceptions in the assumptions used by management for the impairment test, their inconsistent application or significant deviations from independent sources that could result in additional impairment loss. In addition, we assessed the adequacy of the disclosures made in Note 6 to the consolidated financial statements, for completeness and compliance with the requirements of IAS 36 'Impairment of assets'.
Assessment of expected credit losses in relation to trade receivables *Refer to Note 10 (Accounts receivable and prepayments) and Note 24 (Financial instruments and financial risk factors)* At 31 December 2019, the carrying amount of the Group's trade receivables was RUB 5,441 million (RUB 9,684 million less the credit loss allowance of RUB 4,243 million). Thus, at 31 December 2019, the allowance for credit losses is significant and accounts for 44% of the total trade receivables. In accordance with IFRS 9 'Financial Instruments', the Group management assesses expected credit losses in relation to trade receivables and recognises an allowance for credit losses at each reporting date. The estimate of expected credit losses represents an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and reflects all reasonable and supportable information that is available at each reporting date about past events, current conditions and forecasts of future economic conditions. The degree of accuracy of the management's estimate will be confirmed or rebutted depending on the future developments that are inherently uncertain. We focused on assessing the allowance for credit losses in relation to trade receivables as the estimation process is complicated and requires significant management's judgements, and the amount of allowance is significant.	Our audit procedures in respect of the management's assessment of expected credit losses in relation to trade receivables included: • evaluation of the methodology used by the Group's management to assess expected credit losses in relation to trade receivables; • examination, on a sample basis, of accuracy of management's classification of trade receivables for their further assessment on a collective or individual basis depending on the credit risk characteristics and the length of payment delinquency; • examination, on a sample basis, of the ageing of trade receivables to confirm the length of payment delinquency; • examination, on a sample basis, of the models and calculations used for the assessment of credit losses on a collective or individual basis; • examination, on a sample basis, of prior period payments, if the information on such payments was used in the calculation of expected credit losses; • analysis of external information from the regulators of the electricity (capacity) market, including the Supervisory Board of NP Market Council, which regularly makes decisions on excluding companies from the register of participants of the wholesale electricity (capacity) market; among these excluded companies there are buyers of the Group's electricity (capacity) whose balances of receivables bear an increased credit risk;

Key audit matter	How our audit addressed the key audit matter
	• obtaining and analysing written representations from the management with regard to the assessment of the allowance for credit losses in relation to trade receivables. In addition, we assessed compliance of the disclosures in Notes 10 and 24 to the consolidated financial statements with the presentation and disclosure requirements of IFRS 7 'Financial Instruments: Disclosures'. Acceptability of the current estimates of the Group management regarding the credit losses on trade receivables for the purpose of preparing the consolidated financial statements for the year ended 31 December 2019 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Based on our risk assessment, analysis of materiality of the Group entities' financial statements line items, we identified PJSC Unipro as the only material component of the Group and audited the financial information using ISA 600 "Special Considerations – Audits of Group Financial Statements (Including The Work of Component Auditors)".

We determined the other entities of the Group as immaterial components, in respect of which we performed procedures over significant financial statements line items, and analytical procedures.

Other information

Management is responsible for the other information. The other information comprises Issuer's Report for the 1 Quarter 2020 (but does not include the consolidated financial statements and our auditor's report thereon), which 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.

When we read the Issuer's Report for the 1 Quarter 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

Those charged with governance are 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 scepticism 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 those charged with governance 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.

We also provide those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 certified auditor responsible for the audit resulting in this independent auditor's report is Albina Faritovna Kamalova.

10 March 2020

Moscow, Russian Federation

A.F. Kamalova, certified auditor (licence No. 01-001621), AO PricewaterhouseCoopers Audit

Audited entity: PJSC Unipro

Record made in the Unified State Register of Legal Entities on 04 March 2005 under State Registration Number 1058602056985

Taxpayer Identification Number 8602067092

23 Energostroiteley Street, Building 34, Surgut 628406, Khanty-Mansi Autonomous District – Yugra, Tyumen Region, 628406

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

Consolidated Statement of Financial Position

(RUB thousand)

	Note	At 31 December 2019	At 31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	121,159,059	113,931,935
Intangible assets	7	307,966	349,446
Investments in joint ventures		226,200	110,256
Long-term financial assets		25,333	21,950
Other non-current assets	8	395,593	704,862
Total non-current assets		**122,114,151**	**115,118,449**
Current assets			
Cash and cash equivalents	24	3,093,529	4,788,075
Accounts receivable and prepayments	10,24	6,536,064	6,403,119
Inventories	9	3,333,909	3,423,869
Current income tax prepayments		366,476	328,287
Short-term financial assets	11	1,144,403	963,700
Total current assets		**14,474,381**	**15,907,050**
TOTAL ASSETS		**136,588,532**	**131,025,499**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	25,219,482	25,219,482
Share premium		40,052,405	40,052,405
Other reserves	12	233,441	678,482
Retained earnings		55,140,218	50,283,971
Total equity		**120,645,546**	**116,234,340**
Non-current liabilities			
Deferred income tax liabilities	16	4,461,608	5,331,646
Pension liabilities	13	716,931	594,086
Long-term lease liabilities	24	403,132	515,844
Asset retirement obligations		558,439	529,077
Total non-current liabilities		**6,140,110**	**6,970,653**
Current liabilities			
Current portion of long-term lease liabilities	24	237,238	237,238
Accounts payable and accruals	14	5,563,711	5,668,344
Short-term financial liabilities	5	2,505,653	-
Taxes payable other than income tax	15	1,496,274	1,914,924
Total current liabilities		**9,802,876**	**7,820,506**
Total liabilities		**15,942,986**	**14,791,159**
TOTAL EQUITY AND LIABILITIES		**136,588,532**	**131,025,499**

Approved and singed 10 March 2020

General Director M.G. Shirokov

Financial Director U. Backmeyer

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

Consolidated Statement of Comprehensive Income

(RUB thousand)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from contracts with customers	17	80,279,710	77,777,008
Operating expenses	18	(58,162,942)	(58,289,925)
Other operating income	19	377,141	458,970
Operating profit		**22,493,909**	**19,946,053**
Finance income	20	617,006	716,841
Finance expense	20	(169,031)	(288,733)
Share of results of the joint venture		115,944	70,265
Profit before income tax		**23,057,828**	**20,444,426**
Income tax charge	16	(4,201,581)	**(3,826,512)**
Profit for the period		**18,856,247**	**16,617,914**
Profit for the period attributable to:			
Shareholders of PJSC Unipro		**18,856,247**	**16,617,914**
Other comprehensive income/ (loss) after income tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of pension liabilities		(65,705)	128,371
Total items that will not be reclassified to profit or loss		**(65,705)**	**128,371**
Items that may be reclassified subsequently to profit or loss			
Loss from change in fair value of financial assets at fair value through other comprehensive income		3,383	-
(Loss)/ gain from cash flow hedge	24	(310,013)	175,704
Reclassification of cash flow hedge results to profit and loss	24	(72,706)	(223,267)
Total items that may be reclassified subsequently to profit or loss		**(379,336)**	**(47,563)**
Total other comprehensive (loss)/ income for the period		**(445,041)**	**80,808**
Total comprehensive income for the period		**18,411,206**	**16,698,722**
Total Comprehensive income attributable to:			
Shareholders of PJSC Unipro		**18,411,206**	**16,698,722**
Earnings per ordinary share for profit attributable to the shareholders of PJSC Unipro – basic and diluted (in Russian roubles)	21	**0.30**	**0.26**

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

Unipro Group
Consolidated Statement of Changes in Equity
(RUB thousand)

	Attributable to shareholders of PJSC Unipro					
	Share capital	Share premium	Other reserves	Retained earnings	Total	Total equity
At 1 January 2018	**25,219,482**	**40,052,405**	**597,674**	**47,666,057**	**113,535,618**	**113,535,618**
Profit for the period	-	-	-	16,617,914	**16,617,914**	**16,617,914**
Other comprehensive income/ (loss):						
Remeasurements of pension liabilities	-	-	128,371	-	**128,371**	**128,371**
Gain from cash flow hedge	-	-	175,704	-	**175,704**	**175,704**
Reclassification of cash flow hedge results to profit and loss	-	-	(223,267)	-	**(223,267)**	**(223,267)**
Total comprehensive income for the period	-	-	**80,808**	**16,617,914**	16,698,722	16,698,722
Dividends (Note 12)	-	-	**-**	(14,000,000)	**(14,000,000)**	**(14,000,000)**
At 31 December 2018	**25,219,482**	**40,052,405**	**678,482**	**50,283,971**	**116,234,340**	**116,234,340**
At 1 January 2019	**25,219,482**	**40,052,405**	**678,482**	**50,283,971**	**116,234,340**	**116,234,340**
Profit for the period	-	-	-	18 856 247	**18 856 247**	**18 856 247**
Other comprehensive income/ (loss):						
Financial assets at fair value through other comprehensive income	-	-	3,383	-	**3,383**	**3,383**
Remeasurements of pension liabilities	-	-	(65,705)	-	**(65,705)**	**(65,705)**
Loss from cash flow hedge	-	-	(310,013)	-	**(310,013)**	**(310,013)**
Reclassification of cash flow hedge results to profit and loss	-	-	(72,706)	-	**(72,706)**	**(72,706)**
Total comprehensive income for the period	**-**	**-**	**(445,041)**	**18,856,247**	**18,411,206**	**18,411,206**
Dividends (Note 12)	-	-	-	(14,000,000)	(14,000,000)	**(14,000,000)**
At 31 December 2019	**25,219,482**	**40,052,405**	**233,441**	**55,140,218**	**120,645,546**	**120,645,546**

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

(RUB thousand)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		**23,057,828**	**20,444,426**
Adjustments for non-cash items**:**			
Depreciation and amortisation of property, plant and equipment and intangible assets	18	5,909,496	6,059,304
Reclassification of hedge gain to profit or loss		(90,883)	(121,141)
Loss on impairment of property, plant and equipment and intangible assets	18	1,069,118	1,297,652
Credit loss allowance	18	421,751	150,946
Foreign exchange (gain)/ loss, net	20	(41,123)	128,692
Interest income	20	(575,883)	(716,841)
Interest expense and effect of discounting	20	169,031	160,041
Share of results of joint ventures		(115,944)	(70,265)
Other non-cash items		145,332	34,671
Operating cash flows before working capital changes and income tax paid		**29,948,723**	**27,367,485**
Working capital changes:			
Increase in accounts receivable and prepayments	10	(1,069,765)	(2,001,979)
Increase in VAT recoverable	10	(175,612)	(22,941)
Increase in inventories	9	(231,818)	(587,496)
Increase in accounts payable and accruals	14	329,035	522,664
(Decrease)/ increase in taxes payable other than income tax	15	(418,650)	722,597
Income tax paid		(5,008,656)	(493,842)
Net cash from operating activities		**23,373,257**	**25,506,488**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment and other non-current assets		(14,393,167)	(13,926,652)
Proceeds from the sale of the property, plant and equipment and other non-current assets		95,771	57,486
Repayment of promissory notes		752,935	831,122
Loans issued	5	(5,059,432)	(6,077,160)
Loans repaid	5	5,024,528	9,014,384
Interest received		304,845	606,248
Net cash used in investing activities		**(13,274,520)**	**(9,494,572)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Dividends paid to shareholders of PJSC Unipro	12	(14,000,000)	(14,000,000)
Loan received	5	2,500,000	-
Interests paid		(45,400)	(51,877)
Payments of lease liabilities		(240,413)	(237,238)
Net cash used in financing activities		**(11,785,813)**	**(14,289,115)**
Effect of exchange rate changes on cash and cash equivalents		(7,470)	6,948
(Decrease)/ increase in cash and cash equivalents		**(1,694,546)**	**1,729,749**
Cash and cash equivalents at the beginning of the year		4,788,075	3,058,326
Cash and cash equivalents at the end of the year	24	3,093,529	4,788,075

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

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(RUB thousand)

Note 1. The Group and its Operations

Public Joint-Stock Company Unipro (PJSC Unipro or the Company) was established on 4 March 2005.

The Company's principal activities are the generation and sale of electricity and heat.

The shares of PJSC Unipro are listed on the Moscow Exchange (MOEX).

The Company operates the following five power plants (GRES) as branches: Surgutskaya GRES-2, Shaturskaya GRES, Berezovskaya GRES, Smolenskaya GRES and Yayvinskaya GRES. All references to the «Group» refer to the Company, its branches and subsidiaries.

The structure of the Group, including all consolidated entities and joint ventures, is presented in the table below:

		Ownership, %	
	Principal activity	**At 31 December 2019**	**At 31 December 2018**
OOO Unipro Engineering	Engineering activities	100	100
OOO Agro-industrial Park «Siberia»	Wholesale of electricity and heat and management of the uninhabited fund	100	100
OOO E.ON Connecting Energies	Provision of distributed energy solutions to all types of customers	50	50

The Company is registered with the District Inspectorate of the Federal Tax Service of Surgut, Tyumen Region, Khanty-Mansiysk Autonomous District (Yugra). The Company's office is located at bld. 10, Block B, Presnenskaya nab., Moscow, Russia, 123112.

The Group sells electricity and capacity on the wholesale electricity and capacity market. The wholesale electricity market has a number of sectors varying in contractual terms, conditions and delivery time frames: sector of regulated contracts, day-ahead market, sector of unregulated bilateral contracts and the balancing market. The electricity traded in both pricing zones of the wholesale market is sold at unregulated prices except for volumes designated for delivery to the population, groups of customers equivalent to population and customers located in the Northern Caucasus and in the Republic of Tyva.

A part of electricity and capacity, as well as heat, is sold under regulated contracts. Tariffs for electricity (capacity) and heat for the Group's entities are mainly governed by normative documents on the state regulation of prices (tariffs).

For regulating prices (tariffs) both a cost-plus method and tariff indexation are used. When applying a cost-plus method costs are determined in accordance with Russian Accounting Rules (RAR), which significantly differ from International Financial Reporting Standards. In practice, tariff decisions are affected by social and political considerations causing significant delays in tariff increases required to compensate for increasing costs.

Uniper Group

Uniper SE (until June 2018 - Uniper Russia Holding GmbH – a wholly-owned subsidiary of the international energy company Uniper SE) owns 83.73% of shares of the Company.

Uniper SE, the major shareholder of PJSC Unipro, is a leader in the traditional power generation sector in Europe. The Company operates in European countries, Russia and several other countries of the world. Uniper's assets include hydroelectric power plants, gas-fired power plants and coal power plants with a total capacity of 34 GW. Due to these key assets and the use of different types of fuel, Uniper is a major and reliable supplier of electricity a large portion of which is produced using environmentally friendly technologies, such as hydroelectric power plants.

On 7 November 2017, Fortum Deutschland SE, a subsidiary of the Finnish energy company Fortum Oyi, published a voluntary public takeover bid to purchase all shares of Uniper SE. Overall, shareholders of Uniper SE with a stake totalling 47.12% in Uniper SE accepted Fortum Deutschland SE's offer to acquire the shares of Uniper SE. In particular, E.ON SE tendered its 46.65% stake in Uniper SE – indirectly held via E.ON Beteiligungen GmbH – for sale to Fortum Deutschland as part of the takeover offer. Fortum Deutschland SE's takeover bid was completed effective 26 June 2018.

According to public announcements by Fortum Oyj on 1 February 2019 (publication of Fortum Oyj's financial statements and operating and financial review for 2018), the share of voting rights in Uniper SE attributable to Fortum Oyj, Espoo, Finland, as of 31 December 2018, was 49.99%.

In a voting rights notification dated 9 October 2019, the Republic of Finland notified Uniper SE that its share of voting rights in Uniper SE, which is held directly by Fortum Deutschland SE and indirectly by Fortum Oyj, had increased to 73.40%.

The background to the increase is the agreements that Fortum signed on 8 October 2019, with the shareholders Elliott and Knight Vinke on the acquisition of more than 20.5% of the shares in Uniper SE. The closing of these agreements is subject to the approval of the regulatory authorities in Russia.

Elliott held 17.84% of the voting rights in Uniper SE in the entire reporting year.

Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 23). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure the sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses ("ECL") on the Group's loans, receivables and similar assets the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 24 provides more information on how the Group incorporated forward-looking information in the ECL models.

To varying degrees, the Group's operations and its profit depend on regulatory changes in the electricity market, financial, administrative and environmental legislation of the Russian Federation.

These consolidated financial statements reflect management's assessment of the manner in which the business environment in the Russian Federation has an effect on the Group's operations and financial position. Actual results may differ from the estimates made by management.

Changes in Industry

In 2018-2019, the following events took place in the sectoral regulation:

- Indexation of the Competitive Capacity Auction prices since 1 January 2019 by 4.2% in comparison with 2018 in accordance with the Capacity Price Index Regulation Rules approved by RF Government Decree No. 238 of 13 April 2010. The final increase in the Competitive Capacity Auction prices in 2019 in comparison with 2018, taking into account this indexation and changes in capacity supply and demand, was 3.6% in the European price zone and 6.7% in the Siberian price zone;
- Indexation of gas prices since 21 August 2018 by 3.4% on the order of the Federal Antimonopoly Service No. 1088/18 of 3 August 2018;
- Indexation of gas prices since 01 July 2019 by 1.4% on the order of the Federal Antimonopoly Service No. 583/19 of 13 May 2019.

The Resolution of the RF Government No. 43 dated 25 January 2019 changed the Competitive Capacity

Auction (CCA) procedure and determined rules for auctions for modernization projects (CCAMod) in the power-plant sector. According to the Resolution, CCA and CCAmod are to be held for 6 years ahead (previously 4 years ahead) and pricing parameters for CCA are increased by 15% relative to 2021 CCA for 2022-2023 CCA, by 20% for CCA from 2024 on. In 2019, CCAmod and CCA till 2025 inclusive were to be held.

The outcome of 2022-2024 CCAmod is approved by RF Government Decree No. 1713-p dated 2 August 2019. Projects selected include modernization projects for Unit 1 and 6 at Unipro's PP Surgutskaya-2 to be commissioned in 2022 and 2024. According to results CCA for 2022-2024 in August 2019, the average price for these years will growth relative to CCA 2021 by 29% in the First price zone and 20% in the Second price zone due to pricing parameters increase.

The outcome of CCAmod and CCA for 2025 was shifted to 2020 due to the lengthy process of the CCAmod outcome approval. The RF Government Decree No. 232-p with CCAmod outcome was issued 7 February 2020. Selected for 2025 was Unipro's PP Surgutskaya-2 Unit 4 modernization project. Also, a CCA for 2025 was held in February 2020, where the price grew up relative to CCA 2024 by 6 and 9% in Europe and Siberia respectively because of the used consumer price index for 2019 (3.04%), as well as increase in the capacity demand and disposal of nuclear power stations.

The accident at the branch Berezovskaya GRES

On 1 February 2016, a fire occurred in the boiler room of Power Unit 3 of Berezovskaya GRES Branch of PJSC Unipro, resulting in the destruction and the need for replacement of a significant part of the boiler room of the Power Unit 3.

Following the accident, the 800MW power unit was shut down for unscheduled repairs, and it will not be producing electric power and not be amortised during the performance thereof. According to current estimates, PJSC Unipro plans to recommission the unit and to restart receiving payments for the capacity of the Power Unit 3 of Berezovskaya GRES in the third quarter of 2020. According to the current market rules, no fines are expected for the failure to supply the capacity.

As a result of the dismantling after the accident at Power Unit 3 of Berezovskaya GRES materials and fixed assets in the amount of RUB 4,145,267 thousand (accumulated depreciation in the amount of RUB 43,331 thousand) were recognized for 2019 (for 2018: RUB 824,114 thousand) (Note 6). They were classified as construction in progress due to the intention to use them in the future for installation.

As of 31 December 2019, about RUB 38 billion were spent on refurbishment and elimination of the consequences of the accident (31 December 2018: RUB 28 billion) and the amount of the project budget on refurbishment including contingencies and risks amounts to about RUB 47 billion (as of 31 December 2018: about RUB 44 billion).

The Power Unit might be commissioned later than planned, resulting in a later start of receiving income. The delay in commissioning is one of the material individual risks of the Group.

Note 2. Significant Accounting Policies

Statement of compliance. These consolidated financial statements (hereinafter referred to as the "Reporting") have been prepared in accordance with International Financial Reporting Standards (IFRS).

Each enterprise within the Group individually maintains its own accounting records and prepares statutory financial statements in accordance with Russian accounting and reporting rules. The accompanying consolidated financial statements are based on the statutory records and adjusted and reclassified for fair presentation to meet IFRS requirements. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Predecessor accounting. In these consolidated financial statements, the formation of the Group was accounted for as a business combination of entities under common control. The predecessor accounting method was applied. Accordingly, the assets and liabilities of the combined entities (OAO Berezovskaya GRES-1, OAO Shaturskaya GRES-5, OAO Yayvinskaya GRES, OAO Smolenskaya GRES and OAO Surgutskaya GRES 2) were recorded at their historical cost as reflected in the IFRS consolidated financial statements of RAO UES. The formation of the Group was completed in June 2006.

Consolidated financial statements. Subsidiaries are those investees that the Group controls because the Group (i) has the power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than a majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition-related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies 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.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but the significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Transactions eliminated on consolidation. Inter-Group balances and transactions, and any unrealised gains arising from inter-Group transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Russian Federation, Russian Roubles ("RUB"). The consolidated financial statements are presented in Russian Roubles («RUB»), which is the Group's presentation currency.

At 31 December 2019, the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 61.9057 (at 31 December 2018: USD 1 = RUB 69.4706), and EUR 1=RUB 69.3406 (at 31 December 2018: EUR 1 = RUB 79.4605).

Transactions and balances. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Other operating income'. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Group companies. Loans between Group entities and related foreign exchange gains or losses are eliminated upon consolidation.

(RUB thousand)

Property, plant and equipment. Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment loss, where required. Property, plant and equipment include assets under construction for future use as property, plant and equipment. The deemed cost was initially determined by a third-party valuation as of 31 December 1997 and restated for the impact of inflation for the period until 31 December 2002.

Adjustments were made for additions, disposals and depreciation charges. The amounts determined by the third-party valuation represent an estimate of the depreciated replacement cost. Under paragraph 16 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, a third-party valuation was performed in order to determine a basis for cost because historical accounting records for PPE were not readily available. Therefore, this third-party valuation was not a recurring feature, since it was intended to determine the initial cost basis of PPE and the Group had not adopted a policy of PPE revaluation for subsequent measurement.

At each reporting date, the Group's management assesses whether there is any indication of impairment of PPE; this assessment is performed at the level of the cash generating unit (CGU). If any such indication exists, the Group's management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

Renewals, improvements and major capital maintenance costs are capitalised and the assets replaced are retired. Regular repair and maintenance costs are expensed as incurred. Gains and losses arising from the retirement of PPE are included in profit and loss as incurred.

Depreciation. The land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of the asset once it is available for use. The residual value of the Group's PPE is estimated to be close to zero. For those PPE items that were subject to the third-party valuation at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful lives at the valuation date. Remaining useful lives and residual value are reviewed annually.

The useful lives, in years, of assets by type of facility are as follows:

Type of facility	**Useful life**
Electricity and heat generation	6-50
Electricity distribution	8-25
Heating network	12-20
Other	3-10

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

Purchases of property, plant and equipment in the Consolidated Statement of Cash Flows do not include value-added tax (VAT).

Right-of-use assets. The Group leases various offices, equipment and vehicles.

Assets arising from a lease are initially measured on a present value basis.
Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

Type of facility	Useful life in years
Land	48
Equipment	38
Other	3

Intangible assets other than goodwill. The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, licences and expenses on connection to the grid. Intangible assets are stated at cost less accumulated amortization and impairment losses. Amortisation is calculated using a straight-line method. The useful lives of computer software are 5-16 years, licenses – 5-10 years, while for the grid connection fee useful life is 10 years.

At each reporting date, Group`s management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in profit or loss. An impairment loss recognised in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

Amortisation of intangible assets is included in operating expenses. Remaining useful lives are reviewed annually.

Impairment of non-financial assets. Property, plant and equipment and intangible assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units – CGU). Prior impairments of non-financial assets (other than goodwill) are reviewed for a possible reversal at each reporting date.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the Group's key management personnel; and (c) the market risks, including duration of the Group's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities, are substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure the fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating the interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments categorised at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depend on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

A business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objectives set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 24 for critical judgements applied by the Group in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL.The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 24 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 24. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 24 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Derivative financial instruments Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year.

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

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among others, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that is based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for consolidated financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. 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 written off to 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 the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of the consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded as a liability and deducted from the equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for the issue are disclosed in the subsequent events note.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Asset retirement obligations. An asset retirement obligation is recognized when the Group has a present legal or constructive obligation to dismantle, remove and restore items of property, plant and equipment whose construction is substantially completed. The obligation is recognized when incurred at the present value of the estimated costs of dismantling the assets, including abandonment and site restoration costs. Costs for this obligation are added to the cost of property, plant and equipment.

Changes in the asset retirement obligation relating to a change in the expected pattern of settlement of the obligation, or in the estimated amount of the obligation or in the discount rates, are treated as a change in an accounting estimate in the current period. Such changes are reflected as adjustments to the carrying value of the property, plant and equipment and the corresponding liability. Changes in the obligation resulting from the passage of time are recognized in the consolidated statement of comprehensive income as interest expense within finance expense.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation where the Group's respective operating assets are located and is subject to change because of modifications, revisions and changes in laws and regulations and their interpretation thereof. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Revenue recognition. Electricity sales are recognised when the generated electricity is supplied to the grid. In accordance with the regulation on the Russian wholesale electricity and capacity market, utility companies are required to conclude transactions for the sale and purchase back of electric energy (under bilateral contracts, for electricity for their own needs). Accordingly, these linked transactions are netted when revenue is recognised. Capacity sales are recognised when the capacity obligations have been fulfilled; heat energy sales are recorded when the heat is delivered to the customer. Other revenue is recognised when goods are shipped/delivered, or services are provided. Revenues are measured at the fair value of the consideration received or receivable. Revenue is recognised net of discounts and value added taxes.

Interest income. Interest income is recognised for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example, fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initially expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Pension and post-employment benefits. The Group makes all mandatory payments to the Pension Fund of the Russian Federation on behalf of its employees. Mandatory contributions to the state pension fund are expensed when incurred.

The Group provides a number of post-employment and other long-term benefits that have the nature of a defined benefit plan or a defined contribution plan. Defined benefit plans provide old-age and disability pensions, death in service and death in pension benefits, lump sum payment upon retirement, jubilee benefits to current and former employees retired from the Group as well as financial support after old-age retirement.

Defined benefit plans, except for old-age and disability pensions, are unfunded and paid on a pay-as-you-go basis, i.e. cost is met directly by the Group when due. With regard to old-age and disability pensions, the Group has an agreement with a non-state pension fund.

The defined benefit plan defines the pension allowance that an employee will receive upon retiring. The allowance generally depends on several factors such as age, length of employment and salary. The pension obligation is settled by the Group via a non-state pension fund when the employee retires.

Defined benefit obligations are calculated using the projected unit credit method. The present value of defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating the terms of the related pension liabilities.

The pension liability recognised in the consolidated statement of financial position is the present value of the obligation less plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial estimates of post-employment activities are reflected in full in other comprehensive income. Past-service costs are recognised immediately in profit or loss.

Share-based payments. The Group share-based compensation plans are classified as cash-settled share-based payments. A provision in the amount of the prorated fair value of the payment obligation is recognized as of the balance sheet date. Changes in the fair value are recognized in income. The fair value is determined using accepted financial-industry methods.

Hedge accounting. The Group applies hedge accounting to cash flow hedge of the currency risks related to cash outflows in foreign currencies under investment programme, lease contract in foreign currencies and service contracts entered into for new Combined Cycle Plants (CCPs). The Group uses foreign-currency bank deposits and derivative financial instrument transactions regarding currency risks (hedging instrument). As the amount of the hedging instrument matches the number of hedged items the effectiveness of the hedge is ensured.

The Group has applied the accounting policy to reclassify foreign exchange gains and losses that were recognised in other comprehensive income to profit or loss as a reclassification adjustment in the same periods during which the asset acquired affects profit or loss (that is in the periods when depreciation charge or a service charge is recognised). In the consolidated statement of cash flows, cash flows of the hedging instrument are classified similarly to cash flows related to the hedged item.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the parent company of the Group (PJSC Unipro) by the weighted average number of participating shares outstanding during the reporting year.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Amendment of the consolidated financial statements after issue. Any changes to these consolidated financial statements after issue require the approval of the Group's management who authorised these consolidated financial statements for an issue.

Note 3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

ECL measurement. Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") (Note 24).

Tax contingencies. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group's 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 accrued in these consolidated financial statements (Note 23).

Useful lives of property, plant and equipment. The estimation of the useful lives of an item of property, plant and equipment (PPE) is a matter of management judgement based on experience with similar assets. In determining the useful life of an asset, management considers existing industry practices, the expected usage, estimated technical obsolescence, physical wear and tear, and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2019 would be to increase it by RUB 691,854 thousand or decrease it by RUB 607,403 thousand (2018: increase by RUB 620,927 thousand or decrease by RUB 493,165 thousand).

The useful lives of property, plant and equipment are disclosed in Note 2. The carrying value of fixed assets and the amounts included in the consolidated statement of comprehensive income, including depreciation, are disclosed in Note 6.

Impairment of fixed assets. The Group assesses its PPE for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. Such indicators include changes in the Group's business plans, changes in market prices and regulated tariffs for electricity and capacity, as well as gas and other fuel prices, leading to sustained unprofitable performance, an increase in the discount rate, low plant utilisation, evidence of physical damage and significant downward revisions of estimated generation volumes or increases in estimated future production costs. The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. These calculations require the use of estimates and assumptions, including gas and electricity, expected generation volumes and inflation. It is reasonably possible that these assumptions may change and may then require a material adjustment to the carrying value of the Group's assets.

Information about the use of estimates and assumptions and impairment result recognised is presented in Note 6.

Disposal of assets. Information about the disposal of damaged assets recognised is presented in Note 1.

Note 4. Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective from 1 January 2019, but did not have a material impact on the Group:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued 7 June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalization in particular circumstances.
- Annual Improvements to IFRSs 2015-2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Standards, Interpretations and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular, the definition of liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in consolidated financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise the definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when the input and a substantive process are present, including for early-stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity.

Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

(RUB thousand)

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect the classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

Note 5. Related Parties

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions as defined by IAS 24, Related Party Disclosures.

Uniper SE is the Company's ultimate and immediate parent and ultimate controlling party.

Until 28 May 2018, the Group's immediate parent was Uniper Russia Holding GmbH. On 28 May 2018 Uniper SE became the owner of 83.73% of the Group, and thus starting from this date Uniper SE became the Group's immediate parent and ultimate controlling party. The change of shareholder occurred due to organizational changes within the Uniper SE group.

Due to the fact that Fortum Deutschland SE is the largest shareholder of Uniper SE since June 2018 (Note 1), Fortum Group companies are also related parties.

The Group had the following transactions and balances with the ultimate parent and other entities under common control:

	At 31 December 2019	At 31 December 2018
Accounts receivable	597	637
Accounts payable and accruals	280,913	288,335
Loan received	2,505,653	-
	Year ended 31 December 2019	**Year ended 31 December 2018**
Revenues (less VAT)	7,613	13,405
Services provided and works performed (less VAT)	4,500	11,005
Positive currency difference	41,636	26,246
Negative currency difference	11,578	53,807
Interest income (loan issued)	81,250	44,927
Interest expenses (loan received)	5,653	-

In 2019, the revenue includes the income from the lease of offices and cars in the amount of RUB 7,091 thousand (in 2018: RUB 11,227 thousand).

Accounts payable and accruals at 31 December 2019 include the Uniper & Technology GmbH's accrual of these consulting services and purchase of equipment in the amount of RUB 280,910 thousand (at 31 December 2018: RUB 282,194 thousand).

(RUB thousand)

Dividends paid

In 2019, the Group paid dividends in the amount of RUB 14,000,000 thousand (2018: RUB 14,000,000 thousand). The number of dividends paid directly to the parent Uniper SE in the amount of RUB 11,722,480 thousand (2018: RUB 11,722,480 thousand) (Note 12).

Loans issued

On 9 April 2019, the Group provided a loan to Uniper SE in the amount of RUB 5,000,000 thousand with interest rate of 7.5% due on 26 June 2019. On 26 June 2019, the loan was fully repaid in the amount of RUB 5,000,000 thousand. The amount of accrued interest for the period amounted to RUB 81,250 thousand. The Group did not provide a loan to Uniper SE in 2018.

Loans received

On 20 December 2019, the Group has received a loan from Uniper SE in the amount of RUB 2,500,000 thousand with an interest rate of 7.4% due on 31 March 2020. The amount of accrued interest for the period from 20 December 2019 until 31 December 2019 amounted to RUB 5,653 thousand.

Directors' and Management Board's compensation

Members of the Company's Management Board receive compensation for their services in full-time management positions. Compensation is made up of a contractual salary, non-cash benefits and a performance bonus depending on results of Uniper SE (long-term incentive plan (LTI) for the period.

Members of the Board of Directors receive fees and compensation for their services and for attending board meetings as well as a bonus depending on the results for the year.

Total remuneration in the form of salary and bonuses accrued to members of the Board of Directors and Management Board amounted to:

	Year ended 31 December 2019	**Year ended 31 December 2018**
Salary and bonuses, other benefits	287,896	268,258
Social insurance	52,358	111,144
Cash-settled share-based compensation	48,028	452,332
Total	**388,282**	**831,734**

As of 31 December 2019, the Group has payables to the Board of Directors and Management Board in the amount of RUB 116,685 thousand (31 December 2018: RUB 32,245 thousand).

(RUB thousand)

Note 6. Property, Plant and Equipment

	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
Cost							
Balance at 31 December 2018	**493,575**	**130,671,422**	**10,043,116**	**1,284,085**	**35,396,340**	**17,711,694**	**195,600,232**
Additions	-	-	-	-	14,086,003	147,710	**14,233,713**
Transfers	-	1,671,666	37,721	34,749	(2,384,290)	640,154	**-**
Disposals	-	(1,437,494)	(342)	-	-	(234,001)	**(1,671,837)**
Removing undamaged assets (Note 1)	-	(4,145,267)	-	-	4,145,267	-	**-**
Balance at 31 December 2019	**493,575**	**126,760,327**	**10,080,495**	**1,318,834**	**51,243,320**	**18,265,557**	**208,162,108**
Accumulated depreciation (including impairment)							
Balance at 31 December 2018	**128,590**	**62,599,500**	**6,189,259**	**1,016,972**	**339,282**	**11,394,694**	**81,668,297**
Charge for the period	6,602	4,600,142	413,776	26,922	-	801,824	**5,849,266**
Disposals	-	(1,417,442)	(342)	-	-	(141,257)	**(1,559,041)**
Impairment loss	-	564,517	-	-	83,609	396,401	**1,044,527**
Reclassification of impairment	(10,242)	96,164	(39,798)	(38,247)	(100,247)	92,370	**-**
Removing undamaged assets (Note 1)	-	(43,331)	-	-	43,331	-	**-**
Balance at 31 December 2019	**124,950**	**66,399,550**	**6,562,895**	**1,005,647**	**365,975**	**12,544,032**	**87,003,049**
Net book value at 31 December 2018	**364,985**	**68,071,922**	**3,853,857**	**267,113**	**35,057,058**	**6,317,000**	**113,931,935**
Net book value at 31 December 2019	**368,625**	**60,360,777**	**3,517,600**	**313,187**	**50,877,345**	**5,721,525**	**121,159,059**

(RUB thousand)

Note 6. Property, Plant and Equipment (continued)

	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
Cost							
Balance at 31 December 2017	**69,893**	**133,461,678**	**9,787,631**	**1,207,491**	**26,671,782**	**16,777,103**	**187,975,578**
IFRS 16	423,692	523,945	-	-	-	21,065	**968,702**
Opening balance as at 1 January 2018	**493,585**	**133,985,623**	**9,787,631**	**1,207,491**	**26,671,782**	**16,798,168**	**188,944,280**
Additions	-	-	-	-	13,890,268	-	**13,890,268**
Recognition of asset retirement obligations	-	509,529	-	-	-	-	**509,529**
Transfers	-	4,349,789	255,789	76,594	(5,661,902)	979,730	**-**
Disposals	(10)	(7,349,405)	(304)	-	(327,922)	(66,204)	**(7,743,845)**
Removing undamaged parts (Note 1)	-	(824,114)	-	-	824,114	-	**-**
Balance at 31 December 2018	**493,575**	**130,671,422**	**10,043,116**	**1,284,085**	**35,396,340**	**17,711,694**	**195,600,232**
Accumulated depreciation (including impairment)							
Balance at 31 December 2017	**15,222**	**64,346,072**	**5,690,266**	**927,684**	**512,387**	**10,270,436**	**81,762,067**
Charge for the period	-	4,743,307	422,819	26,620	-	657,068	**5,849,814**
Charge for the period IFRS 16	8,757	174,770	-	-	-	2,111	**185,638**
Disposals	(10)	(7,348,868)	(297)	-	-	(41,235)	**(7,390,410)**
Impairment loss	104,621	534,120	76,248	62,667	222,747	260,785	**1,261,188**
Reclassification of impairment	-	150,099	223	1	(395,852)	245,529	**-**
Balance at 31 December 2018	**128,590**	**62,599,500**	**6,189,259**	**1,016,972**	**339,282**	**11,394,694**	**81,668,297**
Net book value at 31 December 2017	**54,671**	**69,115,606**	**4,097,365**	**279,807**	**26,159,395**	**6,506,667**	**106,213,511**
Net book value at 31 December 2018	**364,985**	**68,071,922**	**3,853,857**	**267,113**	**35,057,058**	**6,317,000**	**113,931,935**

Note 6. Property, Plant and Equipment (continued)

Additions of assets in construction in progress for 2019 include objects for the restoration of unit 3 at Berezovskaya GRES (Note 1) in the amount of RUB 9,971,412 thousand (for 2018: RUB 10,004,608 thousand).

At 31 December 2019, the carrying amount of property, plant and equipment reflects an impairment and obsolescence loss of RUB 7,174,744 thousand (31 December 2018: RUB 7,062,476 thousand).

Other items of fixed assets include auxiliary production equipment, vehicles, computer equipment, and office equipment and others.

Due to updated assumptions regarding the future development of DAM pricing and due to the revision of the budget and terms of repair work of the Berezovskaya GRES (CSA), an asset impairment test was performed.

The recoverable amount of the assets was determined as their carrying value in use based on the model of discounted future cash flows (DCF) after income tax.

Future cash flows for 2020-2022 years are based on the budget of the Group. Cash flows in subsequent periods are projected on the basis of the main drivers: future prices on gas and electricity, expected volumes and generating inflation.

DCF model take into account several key assumptions: Discount rate and Terminal growth rate. For the purposes of determining the recoverable amount of the assets as at 31 December 2019 forecasted cash flows were discounted using the post-tax nominal weighted average cost of capital of 9.55% and terminal growth rate of 4%.

List of CGU’s:

1. Berezovskaya GRES (CSA),
2. Berezovskaya GRES (other equipment),
3. Smolenskaya GRES,
4. Surgutskaya GRES (CSA),
5. Surgutskaya GRES (other equipment),
6. Shaturskaya GRES (CSA),
7. Shaturskaya GRES (other equipment),
8. Yaivinskaya GRES (CSA),
9. Yaivinskaya GRES (other equipment).

As a result, in the 2019 year impairment loss was recognized in the amount of RUB 1,044,527 thousand including impairment of Shaturskaya GRES assets in the amount of RUB 381,930 thousand, Yaivinskaya GRES assets in the amount of RUB 383,630 thousand, Smolenskaya GRES assets in the amount of RUB 278,967 thousand.

The Group`s key assumptions in relation to the discounted cash flows are:

- The domestic market gas price forecast is based on the approach developed by IHS Markit (the approach is described in the report prepared in 1Q 2019). According to the IHS Markit approach, gas prices for the domestic market should be in the interval between the maximum prices that consumers are willing to pay without impairing their financial performance, and the minimum price required to launch new projects by gas producing companies.

  If the estimated future prices decrease by 5% on the long-term plan period then, assuming that electricity prices decrease by the same percentage and the other parameters remain unchanged, the value in use of the above CGUs would have decreased nevertheless the respective impairment loss would not have increased due to the sufficient size of the excess of the value in use of the CGUs over the carrying value.

(RUB thousand)

- The volume of electricity generation. The future generation forecast is based on the relationship between GDP growth and consumption. The distribution of electricity demand by region is similar to the Scheme and Development Program of the Unified Energy System for the period 2019-25 (SPD), published by the Ministries of Energy of the Russian Federation in February 2019.

  If the estimated electricity generation volumes decrease by 10% on the long-term plan period then assuming that the other parameters remain unchanged, the value in use of the CGUs would have decreased and the respective impairment loss would not have increased due to the sufficient size of the excess of the value in use of the CGUs over the carrying value.

- Discount rate was assumed to be 9.55%.

  If the discount rate would increased by 1pp (to 10.55%), then, assuming that the other parameters remain unchanged, the value in use of the above stations would have decreased as a result it would lead to the impairment of Berezovskaya GRES (CSA) assets in amount of RUB 3,934,486 thousand.

- Terminal growth rate 4%.

  If Terminal growth rate was decreased by 1pp (to 3%), then, assuming that the other parameters remain unchanged, the value in use of the above stations would have decreased and the respective impairment loss would not have increased due to the sufficient size of the excess of the value in use of the CGUs over the carrying value.

- Berezovskaya GRES (CSA) COD (first payment) expected in the third quarter of 2020.

  If Berezovskaya GRES (CSA) COD (first payment) would be postponed for 3 months, then, assuming that the other parameters remain unchanged, the value in use of the Berezovskaya GRES (CSA) would have decreased and the respective impairment loss would not have increased due to the sufficient size of the excess of the value in use of the CGU over the carrying value.

Lease. Property, plant and equipment as at 31 December 2019 and 2018 includes assets in the form of rights of use that relate mainly to long-term leases for land and real estate. The table below shows the movement of assets in the form of a right to use:

	Land	**Electricity and heat generation**	**Other**	**Total**
Balance at 01 January 2018	**423,692**	**523,945**	**21,065**	**968,702**
Additions	-	29,243	-	**29,243**
Charge for the period (depreciation)	(8,827)	(174,770)	(2,111)	**(185,708)**
Impairment loss	(104,551)	-	(8,559)	**(113,110)**
Balance at 31 December 2018	**310,314**	**378,418**	**10,395**	**699,127**
Additions	-	-	76,115	**76,115**
Charge for the period (depreciation)	(6,602)	(189,270)	(2,051)	**(197,923)**
Impairment loss	-	-	(17,560)	**(17,560)**
Balance at 31 December 2019	**303,712**	**189,148**	**66,899**	**559,759**

(RUB thousand)

Note 7. Intangible Assets

	Computer software	Licenses	Grid connection	Total
Cost				
Balance at 31 December 2018	**733,773**	**2,960**	**199,485**	**936,218**
Additions	199,807	-	-	**199,807**
Disposals	(182,393)	(64)	(2)	**(182,459)**
Balance at 31 December 2019	**751,187**	**2,896**	**199,483**	**953,566**
Accumulated depreciation (including impairment)				
Balance at 31 December 2018	**421,829**	**2,224**	**162,719**	**586,772**
Charge for the period	196,548	200	19,948	**216,696**
Disposals	(182,393)	(64)	(2)	**(182,459)**
Impairment loss	24,591	-	-	**24,591**
Balance at 31 December 2019	460,575	**2,360**	**182,665**	**645,600**
Net book value at 31 December 2018	**311,944**	**736**	**36,766**	**349,446**
Net book value at 31 December 2019	**290,612**	**536**	**16,818**	**307,966**

	Computer software	Licenses	Grid connection	Total
Cost				
Balance at 31 December 2017	**609,614**	**2,368**	**199,485**	**811,467**
Additions	244,018	743	-	**244,761**
Disposals	(119,859)	(151)	-	**(120,010)**
Balance at 31 December 2018	**733,773**	**2,960**	**199,485**	**936,218**
Accumulated depreciation (including impairment)				
Balance at 31 December 2017	**328,899**	**2,062**	**142,764**	**473,725**
Charge for the period	176,325	313	19,955	**196,593**
Disposals	(119,859)	(151)	-	**(120,010)**
Impairment loss	36,464	-	-	**36,464**
Balance at 31 December 2018	**421,829**	**2,224**	**162,719**	**586,772**
Net book value at 31 December 2017	**280,715**	**306**	**56,721**	**337,742**
Net book value at 31 December 2018	**311,944**	**736**	**36,766**	**349,446**

In 2019, the Group impaired intangible assets of the Shaturskaya GRES, Yaivinskaya GRES and Smolenskaya GRES in the total amount of RUB 24,591 thousand (2018: intangible assets of the Shaturskaya GRES, Yaivinskaya GRES and Smolenskaya GRES in the total amount of RUB 36,464 thousand).

Note 8. Other Non-current Assets

	At 31 December 2019	At 31 December 2018
Promissory notes	202,254	509,065
Loans issued to employees	193,339	195,797
Total	**395,593**	**704,862**

An analysis of the credit quality of the promissory notes is in note 24.

(RUB thousand)

Note 9. Inventories

	At 31 December 2019	At 31 December 2018
Materials and supplies	1,964,539	2,087,401
Fuel production supplies	1,381,522	1,348,620
Other inventory	4,602	4,602
Write-down of inventory	(16,754)	(16,754)
Total	**3,333,909**	**3,423,869**

Note 10. Accounts Receivable and Prepayments

	At 31 December 2019	At 31 December 2018
Trade and other receivables	9,684,407	9,669,189
Other financial receivables	679,341	390,559
Less credit loss allowance	(4,243,426)	(4,079,151)
Total financial assets within trade and other receivables	**6,120,322**	**5,980,597**
Prepayments to suppliers	105,919	273,592
VAT recoverable	286,539	133,869
Due from budget (excluding VAT)	23,284	15,061
Total accounts receivable and prepayments	**6,536,064**	**6,403,119**

The abovementioned accounts receivable and prepayments include amounts receivable from related parties (Note 5).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance for all trade and other receivables (Note 24). The total amount of undiscounted ECLs at initial recognition for POCI financial assets recognised during the period was RUB 421,751 thousand (2018: RUB 150 946 thousand).

The following table explains the changes in the credit loss allowance for trade and other receivables under the simplified ECL model during the respective year:

	2019	2018
Trade receivables		
Balance at 1 January	**4,079,151**	**3,995,020**
New originated or purchased	589,748	494,018
Changes in estimates and assumptions	(167,997)	(343,072)
Total credit loss allowance charge in profit or loss for the period	**421,751**	**150,946**
Amounts written off during the year as uncollectible	(257,476)	(66,815)
Balance at 31 December	**4,243,426**	**4,079,151**

Note 11. Short-term Financial Assets

	At 31 December 2019	At 31 December 2018
Promissory notes	1,144,403	963,700
Total	**1,144,403**	**963,700**

The movement of the promissory notes is described in note 24.

(RUB thousand)

Note 12. Equity

The Group was formed through the combination of a number of businesses under common control. As the predecessor`s basis of accounting (see Note 2) was applied, the majority of the net equity recognised for the Group is based on the historical carrying value of the net assets contributed, as recorded in the IFRS financial statements of the predecessor enterprises, rather than the fair values of those assets.

The actuarial gains and losses, cash flow hedges and fair value losses on financial assets at FVOCI are recorded in other reserves. Cash flow hedge was applied by the Group starting from 1 January 2009 (Note 2 and Note 24).

Each component of other reserves, including current and deferred tax effects, is represented in the table below:

	2019			2018		
	Pre-tax amount	**Income tax expense**	**Post-tax amount**	**Pre-tax amount**	**Income tax expense**	**Post-tax amount**
Financial assets at FVOCI	13,609	-	13,609	10,226	-	10,226
Actuarial gain/(loss)	713,297	(142,659)	570,638	795,428	(159,086)	636,342
Cash flow hedges	(438,507)	87,701	(350,806)	39,892	(7,978)	31,914
Total	**288,399**	**(54,958)**	**233,441**	845,546	**(167,064)**	**678,482**

Share capital. The share capital consists of 63,048,706,145 ordinary shares with a nominal value of RUB 0.40 totalling RUB 25,219,482 thousand. There were no changes in the share capital in 2019 and 2018. Each ordinary share carries one vote.

Dividends. In accordance with the Russian legislation, the Group distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. These financial statements are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

The Annual General Shareholder’s Meeting of PJSC Unipro decided on 14 June 2019 to pay dividends on the Group’s common stock based on the financial results for 2018 in the amount of RUB 7,000,000 thousand in the amount of RUB 0.111 per 1 ordinary share.

An Extraordinary General Shareholder`s Meeting of PJSC Unipro held on 3 December 2019, made the decision to pay dividends in the amount of RUB 7,000,000 thousand on the Group’s common stock based on the financial results of the nine months of 2019 in the amount of RUB 0.111 per 1 ordinary share.

At the date of approval of these consolidated financial statements by the Group’s management, funds for payment of these dividends have been paid to the depositary for further distribution to shareholders or have been directly paid to shareholders.

The Annual General Shareholder’s Meeting of PJSC Unipro decided on 14 June 2018 to pay dividends on the Group’s common stock based on the financial results for 2017 in the amount of RUB 7,000,000 thousand in the amount of RUB 0.111 per 1 ordinary share.

An Extraordinary General Shareholder`s Meeting of PJSC Unipro held on 7 December 2018, made the decision to pay dividends in the amount of RUB 7,000,000 thousand on the Group’s common stock based on the financial results of the nine months of 2018 in the amount of RUB 0.111 per 1 ordinary share.

(RUB thousand)

Note 13. Pension Liabilities

The tables below provide information on defined benefit obligations, pension expenses, plan assets and actuarial assumptions on 31 December 2019 and 2018.

Amounts recognised in the consolidated statement of financial position are:

	At 31 December 2019	At 31 December 2018
Present value of funded obligations	421,373	343,667
Fair value of plan assets	(36,308)	(38,395)
Total deficit of funded plans	**385,065**	**305,272**
Present value of unfunded obligations	331,866	288,814
Net liability in the consolidated statement of financial position	**716,931**	**594,086**

Amounts recognised as income and expense in the consolidated statement of comprehensive income:

	Year ended 31 December 2019	Year ended 31 December 2018
Interest cost	53,680	57,666
Current service cost	23,432	24,325
Actuarial losses/(gains), recognised in the current period	8,177	(12,692)
Past-service cost	-	3,228
Interest income on plan assets	(3,409)	(3,152)
Net expense/(gain) recognised in profit and loss	**81,880**	**69,375**

Movements in the net pension liability recognised in the consolidated statement of financial position are as follows:

	At 31 December 2019	At 31 December 2018
Net liability at the beginning of the year	594,086	723,627
Net expense recognised in profit and loss	81,880	69,375
Employer contributions (payments made directly by the Company)	(16,657)	(17,152)
Employer contributions (to plan assets)	(24,509)	(21,300)
Actuarial losses/(gains) recognised in other comprehensive income	82,131	(160,464)
Net liability at the end of the period	**716,931**	**594,086**

Changes in the present value of the Group's pension obligations are presented below:

	Year ended 31 December 2019	Year ended 31 December 2018
The present value of pension obligations at the beginning of the year	632,481	767,423
Interest cost	53,680	57,666
Actuarial losses/ (gain), arising from changes in financial assumptions	123,972	(164,456)
Current service cost	23,432	24,325
Past-service cost	-	3,228
Benefits paid (payments made directly by the Company)	(32,117)	(28,574)
Actuarial gains, arising of experience adjustments on plan liabilities	(31,552)	(9,979)
Benefits paid from plan assets	(16,657)	(17,152)
The present value of defined benefit obligations (DBO) at the end of the year	**753,239**	**632,481**

The duration of liabilities is on average 9 years (in 2018 – 9 years).

(RUB thousand)

Adjustments arose due to the actual results differing from assumptions for assets and obligations:

	At 31 December 2019	At 31 December 2018	At 31 December 2017	At 31 December 2016	At 31 December 2015
The present value of defined benefit obligations (DBO)	753,239	632,481	767,423	750,612	881,273
Fair value of pension plan assets	(36,308)	(38,395)	(43,798)	(40,503)	(79,951)
Net liability in the consolidated statement of financial position	716,931	594,086	723,627	710,109	801,322
Losses/(gains) arising from experience adjustments for plan liabilities	31,552	9,979	16,112	67,598	(1,225)
(Gains)/losses arising from experience adjustments for plan assets	2,112	(1,281)	11,659	(3,311)	5,976

The principal actuarial assumptions are as follows:

	At 31 December 2019	At 31 December 2018
Nominal discount rate	6,5%	8,5%
Inflation rate	4,0%	4,0%
Future salary increase	6,08%	6,08%
Future financial support increases	4,0%	4,0%
Staff turnover	2,5%	2,5%
Mortality	Russian population 1998	Russian population table for 1998

The Group assumes that the retirement age for women will increase from 55 years in 2018 to 60 years in 2028 and for men from 60 years in 2018 to 65 years in 2028 (60 years for men and 55 years for women at 31 December 2018).

The movements in the plan assets are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Fair value of plan assets at 1 January	**38,395**	**43,798**
Interest income on plan assets	3,409	3,152
Actual actuarial (gains)/losses excluding interest income on plan assets	2,112	(1,281)
Employer contributions	24,509	21,300
Benefits paid	(32,117)	(28,574)
The fair value of plan assets at 31 December	**36,308**	**38,395**

Employer contributions expected to be paid to the plan during the annual period starting from the reporting date are RUB 30,000 thousand. Furthermore, the Group plans to make about RUB 17,000 thousand in payments to beneficiaries directly.

Plan asset structure:

	At 31 December 2019	At 31 December 2018
State- and municipal bonds	46%	43%
Corporate bonds	32%	28%
Accounts receivable	9%	12%
Shares	8%	10%
Shares in mutual funds	5%	6%
Cash	1%	2%
Real estate	0%	0%

Sensitivity analysis of DBO as of 31 December 2019 is as follows:

(RUB thousand)

Assumptions	Changes in assumptions	DBO changes, %	
Discount rate 6.5% per annum	Decrease by 2%	Decrease	10,5%
Future wage increases	Increase by 2.5%	Increase	3,5%
Inflation	Increase by 0.5%	Increase	5,1%
Staff turnover	Increase by 5% for staff aged below 50	Decrease	-4,4%
Disability	Decrease by 10%	Decrease	-0,3%
Mortality	Decrease by 10%	Increase	2,6%

The sensitivity analysis was performed with respect to all benefits and with respect to both active and inactive participants.

Note 14. Accounts Payable and Accruals

	At 31 December 2019	At 31 December 2018
Financial liabilities	**4,470,597**	**4,540,993**
Trade payables	2,552,214	2,205,165
Accounts payable to capital construction contractors	1,727,316	2,009,518
Dividends payable	83,131	260,132
Other payables	107,936	66,178
Non-financial liabilities	**1,093,114**	**1,127,351**
Payables to employees	1,090,664	1,086,756
Advances from customers	2,450	40,595
Total	**5,563,711**	**5,668,344**

Note 15. Taxes Payable Other than Income tax

	At 31 December 2019	At 31 December 2018
VAT	1,238,046	1,482,453
Property tax	116,923	82,050
Social taxes	100,985	332,942
Other	40,320	17,479
Total	**1,496,274**	**1,914,924**

Note 16. Income Tax

Income tax charge

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax charge	(4,959,514)	(3,888,697)
Deferred income tax charge credit	757,933	62,185
Total	**(4,201,581)**	**(3,826,512)**

During the year ended 31 December 2019, the Group branches were subject to income tax on taxable profits at the following rates:

- 20% for such branches as Smolenskaya GRES, Shaturskaya GRES, Berezovskaya GRES and PJSC Unipro Russia’s Moscow head office, in 2018 – 20%;
- 18% for Surgutskaya GRES Branch (according to Article 2.5 of Khanty-Mansi Autonomous Area-Yugra Law No. 87-OZ of 30 September 2011 on corporate income tax rates payable to the Khanty-Mansi Autonomous Area-Yugra budget), in 2018 – 18%;

(RUB thousand)

- 18.77% for Yayvinskaya GRES Branch (according to Article 15, item 1,2, Perm Region Tax Law No. 1685-296 of 30 August 2001), in 2018 – 18.2%.

A reconciliation between the expected and actual tax charge is provided below:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit before income tax	**23,057,828**	**20,444,426**
Theoretical tax charge at the statutory tax rate (20% for the year ended 31 December 2019 and 2018)	(4,611,566)	(4,088,885)
Non-deductible expenses	(99,526)	(50,507)
Effect of a reduced tax rate	219,210	192,117
Other income tax income, net	290,301	120,763
Total income tax charge	**(4,201,581)**	**(3,826,512)**

Other income tax income for 2019 includes effects for RUB 264,000 thousand from the disposals of damaged assets from the accident unit 3 at Berezovskaya GRES in tax accounting.

The effective tax rate for the years 2019 and 2018 is 18.22% and 18.7% accordingly.

Deferred income tax. Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax assets and liabilities are measured at the actual local statutory tax rate, which is 20% as of 31 December 2019 and 31 December 2018.

The Group is taxed at lower tax rates in some regions of its operations, but because the Group has insufficient evidence that these declined tax rates will sustain in future, the Group has applied a statutory tax rate of 20% to record its deferred tax assets and liabilities.

Deferred tax assets and liabilities calculated on the temporary differences for balance sheet items are as follows:

	At 31 December 2019	Movement for 2019 recognised in the profit or loss	Movement for 2019 recognised in comprehensive income	At 31 December 2018
Deferred tax liabilities				
Property, plant and equipment	(5,028,935)	1,247,199	-	**(6,276,134)**
Intangible assets	(25,893)	11,625	-	**(37,518)**
	(5,054,828)	**1,258,824**	**-**	**(6,313,652)**
Deferred tax assets				
Accounts receivables	321,076	221,351	-	**99,725**
Pension liabilities	134,541	(701)	16,425	**118,817**
Inventories	85,411	(347,409)	-	**432,820**
Accounts payable and accruals	62,028	(231,586)	-	**293,614**
Short-term financial assets	42,777	(74,261)	95,679	**21,359**
Other non-current assets	(52,613)	(68,285)	-	**15,672**
	593,220	**(500,891)**	**112,104**	**982,007**
Netting deferred tax liabilities	(593,220)	500,891	(112,104)	(982,007)
Total deferred tax liability at the end of the year	**(4,461,608)**	**757,933**	**112,104**	**(5,331,645)**

(RUB thousand)

	At 31 December 2018	Movement for 2018 recognised in the income/loss	Movement for 2018 recognised in comprehensive income	At 31 December 2017
Deferred tax liabilities				
Property, plant and equipment	(6,276,134)	(301,786)	-	(5,974,348)
Intangible assets	(37,518)	(15,804)	-	(21,714)
Short-term financial assets	21,359	37,121	11,891	(27,653)
	(6,292,293)	**(280,469)**	**11,891**	**(6,023,715)**
Deferred tax assets				
Inventories	432,820	344,316	-	88,504
Accounts payable and accruals	293,613	196,627	-	96,986
Pension liabilities	118,817	6,185	(32,093)	144,725
Accounts receivables	99,725	(130,054)	-	229,779
Other non-current assets	15,672	(74,420)	-	90,092
	960,647	**342,654**	**(32,093)**	**650,086**
Total deferred tax liability at the end of the year	**(5,331,646)**	**62,185**	**(20,202)**	**(5,373,629)**

The settlement of the deferred tax liability for fixed assets in 2019 is largely due to the reduction in the temporary difference due to the disposal of the damaged assets from the accident unit 3 at Berezovskaya GRES in tax accounting and the impairment of fixed assets.

As of December 31, 2019, and December 31, 2018, the amount of long-term deferred liabilities and assets amounted to RUB - 4,972,900 thousand and RUB 6,179,163 respectively.

Note 17. Revenue from Contracts with Customers

	Year ended 31 December 2019	Year ended 31 December 2018
Electricity and capacity	78,286,366	75,782,322
Heat	1,433,157	1,402,918
Other revenue	560,187	591,768
Total	**80,279,710**	**77,777,008**

The Group sells electricity and capacity through the wholesale electricity and capacity market (“WECM”), under regulated contracts with predetermined volumes and tariffs approved by Federal Tariff Service, and at competitive (unregulated) prices.

Electricity and capacity are sold on the WECM directly to retail companies. At the same time, some WECM transactions are conducted on the day-ahead market or balancing electricity market, through commission agreements with AO Centre for Financial Settlements (“CFS”). CFS is the entity responsible for ensuring security and monitoring of financial settlements under all contracts involving WECM participants. Its principal function is to provide a range of services regarding the calculation of WECM participants’ receivables and liabilities, as well as those regarding the fulfilment of financial settlements between them.

The companies, industrial consumers or the generation companies which buy the electric power and power for ensuring own deliveries in the regulative sector are the actual contractors in transactions on WECM made through CFS who acts as the commission agent. Enterprises, which are under state control, act as contractors, too. Counterparties under bilateral agreements are not appointed by the commercial operator; wholesale market participants independently choose each other.

(RUB thousand)

The Group derives revenue at a point in time in the following geographical regions:

	Year ended 31 December 2019	Year ended 31 December 2018
Khanty-Mansi Autonomous Area-Yugra	44,878,210	42,883,221
Moscow Region	12,256,141	12,790,982
Perm Region	10,762,302	10,930,124
Krasnoyarsk Territory	9,309,388	7,876,510
Smolensk Region	3,060,200	3,220,202
Moscow	13,469	75,969
Total	**80,279,710**	**77,777,008**

Note 18. Operating Expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Fuel	34,305,826	34,533,681
Staff costs	6,646,281	7,124,223
Depreciation and amortisation of PPE and intangible assets (net of hedge results)	5,909,496	6,059,304
Repairs and maintenance	2,036,944	1,914,075
Purchase of electricity and heat	1,623,460	1,548,774
Operational dispatch management	1,351,324	1,299,198
Impairment of property, plant and equipment and intangible assets (Notes 6, 7)	1,069,118	1,297,652
Taxes other than income tax	986,186	1,671,528
Raw materials and supplies	563,218	608,547
Security	514,876	473,770
Credit loss allowance	421,751	150,946
Insurance cost	350,129	331,979
Water usage expenses	238,298	198,545
Transportation expenses	188,826	179,824
Loss on disposals of PPE	17,025	-
Other expenses	1,940,184	897,879
Total	**58,162,942**	**58,289,925**

Other expenses in 2019 include the cost associated with the accident of unit 3 at Berezovskaya GRES the 800 MW after the in the amount of RUB 850 million (in 2018 – RUB 0 million).

Staff costs include:

	Year ended 31 December 2019	Year ended 31 December 2018
Salaries and wages, including payroll taxes	5,477,274	6,019,448
Pension costs – defined contribution plans (including state pension fund)	1,105,551	1,067,953
Termination benefits	31,846	21,919
Pension costs – defined benefit plans	31,610	14,903
Total staff costs	**6,646,281**	**7,124,223**

The decrease in salaries and wages, including social payments, is due to the accrual and payment in 2018 of the bonus calculated on the basis of the results achieved by Uniper SE (long-term motivation program (LTI)) for 2015-2017.

Note 19. Other Operating Income

	Year ended 31 December 2019	Year ended 31 December 2018
Income from accounts payable write-off	99,234	99,790
Penalties from other market participants	91,197	46,900
Insurance compensation	64,019	-
Prior periods' gains	33,468	11,238
Income from inventory count	26,626	23,902
Gain on sale and disposal of inventories	24,179	79,590
Release of provision for bonuses and insurance provision	6,415	86,633
Gain on sale and disposal of property, plant and equipment	-	57,486
Other income	32,003	53,431
Total	**377,141**	**458,970**

Note 20. Finance Income and Expense

Finance income

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income (loan issued, deposits and cash)	450,361	585,642
Other interest income	125,522	131,199
Foreign exchange gains, net	41,123	-
Total	**617,006**	**716,841**

Finance expense

	Year ended 31 December 2019	Year ended 31 December 2018
Interest expenses	96,376	74,854
Interest of the pensions liabilities	46,322	51,089
Other expenses	26,333	34,098
Foreign exchange losses, net	-	128,692
Total	**169,031**	**288,733**

Interest expenses include interest expense in relation to leases accounted for under IFRS 16 of RUB 45,400 thousand (2018: RUB 51,807 thousand) and asset retirement obligations of RUB 41,374 thousand (2018: RUB 19,548 thousand).

Note 21. Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to the Group's shareholders by the weighted average number of outstanding ordinary shares, excluding treasury stock.

	Year ended 31 December 2019	Year ended 31 December 2018
Weighted average number of ordinary shares, outstanding during the year, net (shares)	63,048,706,145	63,048,706,145
Profit attributable to the shareholders of PJSC Unipro (RUB thousand)	18,856,247	16,617,914
Basic and diluted earnings per share attributable to shareholders of PJSC Unipro (in RUB)	0.30	0.26

Diluted earnings per share are equal to basic earnings as there were no contracts with a potential dilutive effect for 2019 and 2018 years.

Note 21. Commitments

Sales Commitments. The purchase and sale of electricity and capacity are carried out in accordance with the Rules of the wholesale electricity and capacity market and the Agreement on the accession to the trading system of the wholesale electricity and capacity market established by Decree of the Government of the Russian Federation dated December 27, 2010 No. 1172.

In accordance with the legislation, for each seller in the wholesale market, volumes of electricity and capacity are established, which must be contracted under regulated contracts for supply to the population and equivalent consumer categories.

The remaining volumes of generated electricity and capacity are supplied at free prices prevailing in the wholesale market and bilateral agreements.

Fuel commitments. The Group has concluded a number of fuel purchase contracts (natural gas, fuel oil and coal).

The principal natural gas suppliers are PAO NOVATEK, PAO NK Rosneft, OOO NOVATEK-Perm, PAO Surgutneftegaz, OOO LUKOIL-Rezervnefteproduct-Trading. Contracts with these suppliers have been concluded mid-term and long-term.

The main coal supplier is AO Sibirskaya ugolnaya energeticheskaya kompaniya. The Contract with it has been concluded up to 2025.

The contracts with suppliers of gas and coal allow changes in the volume purchase of fuel according to the actual needs of the Group with certain take-or-pay the conditions for contracts. Any significant change in fuel delivery volumes requires additional coordination with suppliers.

Some contracts for the purchase of gas include a conversion price in the event of consumption overruns or a significant shortage of gas consumption without coordination with suppliers, which could lead to an increase in the cost of fuel.

Cost of purchasing gas and coal in 2019 is RUB 31,398,206 thousand (in 2018 is RUB 32,109,512 thousand) and RUB 2,705,016 thousand (in 2018 is RUB 2,230,779 thousand), respectively (without VAT).

Purchase of fuel oil for the needs of power plants of the Group is performed periodically, as the need arises. Contracts for the purchase of fuel oil are concluded following appropriate procurement procedures. Cost of purchasing oil for 2019 is RUB 293,038 thousand (in 2018 is RUB 355,536 thousand).

All fuel purchase contracts of the Group were concluded for the purpose of fuel receipt in accordance with the Group's expected own usage requirements and are out of the scope of IFRS 9 "Financial Instruments".

Capital commitments. As of 31 December 2019, the Group had contractual capital expenditure commitments with respect to the property, plant and equipment totalling RUB 24,680,786 thousand (as of 31 December 2018: RUB 22,777,953 thousand).

The commitments with respect to property, plant and equipment include restoration commitments of unit 3 at Berezovskaya GRES 800 MW after the accident in February 2016 (Note 1) amounted to RUB 7,437,117 thousand (as of 31 December 2018: RUB 12,952,061 thousand).

Also, as of 31 December 2019, these obligations include contractual obligations for service contracts in the amount of RUB 7,104,507 thousand (as of 31 December 2018: RUB 6,782,117 thousand) and for the modernization of units at Surgutskaya GRES-2 in the amount of RUB 7,506,623 thousand (as of 31 December 2018: RUB 0 thousand).

Note 23. Contingencies

Political environment. The Group's operations and earnings continue, intermittently and to varying degrees, to feel the impact of Russian political, legislative, fiscal and regulatory developments, including those related to environmental protection.

Insurance. The Group holds limited insurance policies for its assets, operations, public liability and other insurable risks. Consequently, the Group is exposed to those risks for which it does not have insurance.

Sustainable Development. The Group is dedicated to sustainable development principles and undertakes the responsibility to create favourable living conditions for the population of the regions where it operates, to provide jobs and minimize damage to the environment.

In terms of corporate social responsibility, the Group is actively involved in funding social and charitable programs that deal with support to disadvantaged groups of the population, primarily children with special needs and elderly people. The Group is also involved in developing educational, cultural and sports programs.

Special attention is paid to cultural heritage restoration projects. The Group funded the main cultural event of the Universiade in Krasnoyarsk – an exhibition of works by the Great Russian artist V.I. Surikov. In addition, the unique initiative "Reviving the heritage of Russian composers" was developed. During yet another stage of the project, the works by Leonid Polovinkin, a Russian composer of the first half of the twentieth century, were restored. On 14 May 2019, a unique radio concert "The Tale of a Fairy Tale" was held at the Galina Vishnevskaya Opera Centre. The concert featured works by Leonid Alekseevich and was performed by the Orpheus Radio Symphony Orchestra under the management of Sergei Kondrashev. And in June, as part of the Golden Mask Festival in Sharypovo, the performances of the Moscow Trickster Theatre, Novosibirsk Globus and St. Petersburg Workshop were shown. The Group became the general sponsor of the event. In 2019, the Group became the first general partner of the international cello festival Vivacello. This is the only large-scale annual project in Russia dedicated to cello music.

Social responsibility plays an important role in the Group. The Ministry of Energy of the Russian Federation did not leave this unattended and in 2019 awarded the Group with diplomas for the active implementation of social policy.

The Group spent RUB 70,624 thousand on charitable aid in 2019 (in 2018: RUB 154,322 thousand).

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open for tax audit for three calendar years preceding the year when the decision to open a tax audit was made. Under certain circumstances, tax audits may cover longer periods.

Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arms-length basis. The Management has implemented internal controls to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of TP rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Group's operations.

Management believes that as of 31 December 2019 its interpretation of the relevant law is appropriate and that the Group's position is sustainable as it relates to the application of tax, currency and customs legislation.

Termination of the CSA. December 2018 – January 2019 companies of the RUSAL group (RUSAL Bratsk PJSC, RUSAL Sayanogorsk JSC, RUSAL Novokuznetsk JSC and RUSAL Energo LLC) filed lawsuits to the Commercial Court of Moscow against Unipro PJSC, the System Operator of the United Power System JSC (hereinafter - SO UPS), the Administrator of the Trading System JSC (hereinafter – ATS) and non-commercial partnership association Market Council on the termination of the capacity supply agreements concluded in respect of the Unit 3 Berezovskaya GRES, as well as demanding the return of unjust enrichment. The total amount of the claims is RUB 385,854 thousand rubles.

In the third and fourth quarters of 2019, the companies of the RUSAL group filed withdrawals of their claims. Courts accepted the filed withdrawals of the companies of the RUSAL group and terminated the proceedings.

Environmental matters. The Group has a long history of operating in the Russian electricity industry. The enforcement of Russian environmental regulation is evolving, and the position of government authorities on enforcing these regulations is continually being reconsidered.

Management believes that in the conditions of effective legislation on environmental protection the Group does not have material liabilities associated with environmental pollution.

Note 24. Financial Instruments and Financial Risk Factors

Offsetting financial assets and financial liabilities

No financial assets and liabilities were offset, as the Group has no legally enforceable rights to offset the recognised amounts. The Group has not entered into any arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances.

The main objectives of the risk management system are identification and assessment of risks, timely development of preventive measures, monitoring and reporting on risks. The Risk and Finance Committee includes managers and representatives of key functional areas who are responsible for operational, legal and financial activities. The Committee ensures the implementation of the strategy of credit and market (including currency) risk management, prepares recommendations for the Executive bodies on risk management, reviews and approves reports on risks and chances.

Among the risks associated with financial instruments and the financial condition of the Group, currency risk, credit risk, liquidity risk and interest rate risk should be noted. Currency and credit risks are managed by creating a system of limits and maintaining exposure to risks within the established limits.

Currency risk. Profit and cash flows from the Group’s current operations are largely independent of changes in the Russian rouble’s exchange rate. The Group sells capacity, the produced electricity and heat in Russia and receives payment in Russian roubles; hence associated operational expenses are also mainly denominated in roubles.

However, the Group has foreign-currency commitments as part of commitments in connection with the service contracts for maintenance of new Combine Circle Gas Turbines (CCGT`s) and other contracts, the number of obligations under which exceeds EUR 10 million excluding VAT.

A hedging strategy was developed and implemented against financial risks related to currency purchases for these commitments (hedged item).

Earlier the Group implemented a policy of cash flow hedging using foreign-currency bank deposits and derivative financial instrument transactions regarding currency risks related to foreign currencies cash outflows in the investment programme.

Gains and losses from reclassification are generally reported in that line item of the consolidated statement of comprehensive income, which also includes the respective, hedged transaction. Gains and losses from the ineffective portions of cash flow hedges are classified as the respective foreign exchange gains (losses).

(RUB thousand)

The fair values of the designated hedging instruments in cash flow hedges at 31 December 2019 totalled RUB (10,212) thousand (31 December 2018: RUB 22,136 thousand).

As of 31 December 2019, the hedged transactions could affect the consolidated statement of comprehensive income with maturities of up to 31 years (2018: up to 32 years).

Cash flow hedging proved effective, and correspondingly no inefficiency was recognized in profit or loss during the FY 2019 and 2018. As of 31 December 2019 and 2018, the following effects will accompany the reclassifications from accumulated other comprehensive income to the consolidated statement of comprehensive income in subsequent periods.

Timing of Reclassifications from other reserves in equity to the profit or loss on 31 December 2019:

	Carrying	Expected gains			
	amount	2020	2021	2022-2024	>2024
Currency cash flow hedges	(350,806)	(116,935)	(116,935)	(116,936)	-

Timing of Reclassifications from other reserves in equity to the profit or loss on 31 December 2018:

	Carrying	Expected gains			
	amount	2019	2020	2021-2023	>2023
Currency cash flow hedges	31,914	10,638	10,638	10,638	-

A loss of RUB 310,013 thousand (2018: a gain of RUB 175,704 thousand), net of income tax, was posted to other comprehensive income in 2019. In the same period, a loss of RUB 72,706 thousand (2018: a loss of RUB 223,267 thousand), net of income tax, was reclassified from other reserves in equity to the profit or loss.

The table below summarises the Group's exposure to foreign currency exchange rate risk:

	At 31 December 2019			At 31 December 2018		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Russian rouble	10,779,174	(7,548,031)	3,231,143	12,433,121	(5,290,763)	7,142,358
US Dollar	6	(1,963)	(1,957)	3,180	(2,076)	1,104
Euro	-	(66,626)	(66,626)	22,883	(1,236)	21,647
Total	**10,779,180**	**(7,616,620)**	**3,162,560**	**12,459,184**	**(5,294,075)**	**7,165,109**

The following table presents the Group's sensitivity to possible exchange rate changes applied at the reporting date relative to the Group entities' functional currency, with all other variables remaining constant:

	At 31 December 2019		At 31 December 2018	
	Impact on profit or loss	Impact on other comprehensive income	Impact on profit or loss	Impact on other comprehensive income
Incremental (loss) / profit from US Dollar strengthening by 10%	(196)	-	110	-
Incremental profit / (loss) from US Dollar weakening by 10%	196	-	(110)	-
Incremental (loss) / profit from Euro strengthening by 10%	(6,663)	-	(49)	2,214
Incremental profit / (loss) from Euro weakening by 10%	6,663	-	49	(2,214)

Exposure was only calculated for monetary balances denominated in currencies other than the Group's functional currency.

(RUB thousand)

The Group’s exposure to currency risk at the balance sheet date is representative of the typical exposure during the year.

Credit risk.

From financial risks, credit risk becomes one of the most significant risks, as a result of deterioration in the financial condition of counterparties.

The Group's actions in the event of negative impact on the issuer's credit risk activities:
- selection of reliable counterparties;
- whenever possible, the contracts provide for the counterparty to provide external (bank) guarantees;
- the system of establishing a credit rating of counterparties and setting limits on operations with them is applied depending on the rating;
- diversification of suppliers is applied;
- advance payments are limited.

The financial assets that are potentially subject to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, consist principally of the following items:

	At 31 December 2019	At 31 December 2018
Trade receivables	5,440,981	5,590,038
Cash and cash equivalents	3,093,417	4,787,777
Promissory notes	1,346,657	1,472,765
Other receivables	679,341	390,559
Loans issued to employees	193,339	195,797
Total	**10,753,735**	**12,437,234**

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the Credit loss allowance already recorded.

The following is an analysis of the credit quality of promissory notes:

	At 31 December 2019	At 31 December 2018
	Promissory notes	Promissory notes
Total	**1,346,657**	**1,472,765**
rating below A-	1,346,657	1,472,765

The rating was determined based on S&P and Moody’s credit ratings.

Expected credit loss (ECL) measurement. IFRS 9 introduced a impairment model for the following financial assets: financial assets that are debt instruments measured at amortized cost (AC) or at FVOCI.

Trade receivables and other financial assets belong to debt instruments measured at an amortized cost but a simplified impairment approach is applied.
According to the impairment model, expected credit losses are measured at either 12-month expected credit losses or lifetime expected credit losses. A credit loss is a difference between all contractual cash flows that are due to the Group and the cash flows that the Group expects to receive (i.e. all cash shortfalls) discounted at the original effective interest rate.

- Stage 1: If at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the Group shall recognize a loss allowance equal to 12-month expected credit losses.
- Stage 2: If at the reporting date, the credit risk on a financial asset has increased significantly since initial recognition, the Group shall recognize a loss allowance equal to lifetime expected credit losses.
- Stage 3: If there is objective evidence, that the asset is impaired, the Group shall recognize a loss

allowance equal to lifetime expected credit losses. In this case, the effective interest rate shall be applied to the net carrying amount of the financial asset.

The Group allocates the financial assets in scope to stage 1, 2 or 3 and calculates expected credit losses accordingly. The Group assess whether the credit risk of an asset has increased significantly since initial recognition.

The Group uses the following guidelines:

- Credit risk of an asset has not increased significantly if the financial instrument is determined to have a low credit risk at the reporting date.
- A financial asset that has a rating of “investment grade” or similar is considered to have low credit risk.
- If an asset loses its investment-grade rating, the credit risk has increased significantly since initial recognition.
- There is a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. The Group can rebut this presumption when it has reasonable information that credit risk has not increased significantly.
- If a financial instrument in the scope of the impairment model has a non-investment grade rating at initial recognition, a downgrade of two rating-classes indicates a significant increase of credit risk.

Stage 3 covers financial assets for which the Group has objective evidence of impairment at the reporting date. Those assets shall be impaired. The following indicators are used to assess whether a financial asset is impaired:

- a significant financial difficulty of the counterparty;
- a breach of contract (default or past due event);
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the asset or purchase/origination at a deep discount;
- rebuttable presumption: payments are more than 90 days past due.

For trade receivables always a loss allowance equal to the lifetime expected credit losses are calculated. The Group applies this simplified approach also to trade receivables.

Calculation of expected credit losses

The Group uses a probability of default approach like outlined in IFRS 9. The calculation uses the following factors:

- Exposure at default (EAD): exposure of a financial asset upon default of an obligor. The EAD of a financial asset which is it recognized at amortized cost is usually the carrying amount at the reporting date.
- Probability of default (PD): Likelihood that a borrower will be unable to meet its obligations.

Also, ratings of peer groups are taken if no other information is available without undue cost or effort. It is also used the ratings of parent companies if no particular rating for the subsidiary is available. For public companies, country-ratings are used.

- Loss given default (LGD): Share of an asset that is lost if a borrower defaults.

EAD is usually the present value of all contractual cash flows that are due to the Group under the contract.
As the effective interest method is mandatory for the amortised cost measurement, the carrying amount of a financial asset measured at amortised cost should always equal the EAD at a reporting date.
The Group uses a constant LGD of 45%.

For all trade and other receivables that have no individual PD, the internal rating allocation should be used, when the trade receivables and other receivables go into default when a payment is at least 90 days overdue.

(RUB thousand)

The Group did not recognise ECL in respect of cash and cash equivalents because ECL is immaterial.

Cash and cash equivalents

The Group regularly reviews and approves the list of banks and credit limits for placing deposits. The Group continuously assesses these banks' financial position and reviews ratings assigned by independent agencies, past practice and other factors. Cash and cash equivalents are not subject to restrictions.

The Group placed cash and cash equivalents in the following banks (ratings are given as of 31 December 2019):

Name	Rating	Rating agency	At 31 December 2019	At 31 December 2018
Bank GPB (JSC)	Ba1	Moody's	1,618,169	1,824,305
VTB Bank (public joint-stock company)	BBB-	Standart&Poor's	900,031	550,003
AO UniCredit Bank	BBB-	Standart&Poor's	500,041	1,400,053
Sberbank of Russia	BBB	Fitch	3,982	5,610
Bank "ROSSIYA"	-	-	937	7,806
Central Counterparty National Clearing Centre	BBB-	Fitch	-	1,000,000
Other banks and cash in hand	-	-	70,369	298
Total cash and cash equivalents			**3,093,529**	**4,788,075**

Liquidity risk. Reasonable liquidity risk management includes having sufficient funds to support the Group's continued operations. The part of the Group's accounts payable are of a short-term nature (less than one month) and stem from the Group's agreements with fuel suppliers and production-related service providers.

The Group has significant commitments as part of its investment programme and is planning to meet the associated expenditure from funds placed on deposit, credit facilities and cash flow from operating activity.

Also, the Group has non-current financial liabilities of lease liabilities. The amounts disclosed in the maturity table are the contractual undiscounted cash flows.

The table below shows an allocation of lease liabilities at 31 December 2019 by their remaining contractual maturity.

	To 12 months	From 12 months to 5 years	Over 5 years	Total
Lease liabilities	237,238	187,890	1,384,514	1,809,642
Total future payments, including future principal and interest payments	**237,238**	**187,890**	**1,384,514**	**1,809,642**

The table below shows an allocation of lease liabilities at 31 December 2018 by their remaining contractual maturity.

	To 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities				
Lease liabilities	237,237	337,691	1,406,313	**1,981,242**
Total future payments, including future principal and interest payments	**237,237**	**337,691**	**1,406,313**	**1,981,242**

Management controls its liquidity risk by preparing detailed cash flow forecasts.

(RUB thousand)

Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) financial assets at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

The following table provides a reconciliation of financial assets with these measurement categories:

	At 31 December 2019			At 31 December 2018		
	FVOCI	**AC**	**Total**	**FVOCI**	**AC**	**Total**
ASSETS						
Cash and cash equivalents	-	3,093,529	**3,093,529**	-	4,788,075	**4,788,075**
Investments in debt securities:	**-**	**1,346,657**	**1,346,657**	**-**	**1,472,765**	**1,472,765**
- Promissory notes	-	1,346,657	**1,346,657**	-	1,472,765	**1,472,765**
Investments in equity securities:	**25,333**	**-**	**25,333**	**21,950**	**-**	**21,950**
- Corporate shares	25,333	-	**25,333**	21,950	-	**21,950**
Other financial assets:	**-**	**6,313,661**	**6,313,661**	**-**	**6,176,394**	**6,176,394**
- Trade receivables	-	5,440,981	**5,440,981**	-	5,590,038	**5,590,038**
- Other	-	872,680	**872,680**	-	586,356	**586,356**
TOTAL FINANCIAL ASSETS	**25,333**	**10,753,847**	**10,779,180**	**21,950**	**12,437,234**	**12,459,184**

During 2019 the Group received non-interest bearing banking promissory notes from VTB Bank (public joint-stock company) (Standart&Poor’s credit rating BBB-) as a settlement of customer debt for electricity and capacity sold at the amount RUB 872,387 thousand (2018: RUB 875,170 thousand).

These promissory notes initially are recognized at their fair value as at the date of receipt. The fair values of these promissory notes were determined based on repayment dates and discount rates (using the average rate received on RUB deposits opened during 2019 and 2018).

Reconciliation of net debt. The following table provides an analysis of the amount of net debt and changes in the Group's liabilities arising from financing activities. The items of these liabilities are reflected in the consolidated statement of cash flows as a part of financial activities:

	Liabilities from financing activities			
	Loan	**Lease liabilities**	**Other liabilities from financing activities**	**Total**
Net debt as at 1 January 2018	**-**	**-**	**350,234**	**350,234**
Cash flows, net	-	(237,238)	(13,288,600)	**(13,525,838)**
Other non-cash movements, net	-	990,320	13,198,498	**14,188,818**
Net debt as at 31 December 2018	**-**	**753,082**	**260,132**	**1,013,214**
Cash flows, net	2,500,000	(240,413)	(13,471,820)	**(11,212,233)**
Other non-cash movements, net	5,653	127,701	13,294,819	**13,428,173**
Net debt as at 31 December 2019	**2,505,653**	**640,370**	**83,131**	**3,229,154**

Other liabilities from financing activities are represented by dividends payable. Movements were presented net of tax on dividends (RUB 614,808 thousand and RUB 711,400 thousand paid in 2019 and 2018 respectively).

Interest rate risk. The Group is not significantly exposed to fair value interest rate risk, as the Group does not have significant financial assets and liabilities with fixed interest rates. However, the Group has interest-bearing assets which are exposed to cash flow interest rate risk. The Group’s significant interest-bearing assets are disclosed in Notes 8 and 11 (loan issued and promissory notes).

Note 25. Management of Capital

When managing capital, the Group’s objectives are to safeguard the Group’s ability to continue as a going concern and provide returns to shareholders, and to maintain an optimal capital structure to reduce capital costs.

Russian law details the following capital requirements:

- Share capital in a public company must be at least 100,000 RUB;
- If the net asset value according to RAS of the company at the end of the second reporting year or each following reporting year is less than its authorised capital, the board of directors of the company shall be obliged to include a section dedicated to the state of its net assets in the annual report in the course of preparation for the annual general meeting of shareholders.
- If the net asset value of the company remains less than its authorised capital at the end of the reporting year following the second reporting year or any following reporting year, at the end of which the value of the net assets of the company is lower than its authorised capital, the company shall be obliged to take one of the decisions to decrease the company's authorised capital to a level that does not exceed the net asset value or to liquidate the company.

As of 31 December 2019 and 2018, PJSC Unipro's capital complied with these requirements.

The Group's capital ensures the Group's ability to continue operating, provide returns to shareholders and remuneration to other stakeholders, and to maintain an optimal structure for increasing return on capital.

To support or adjust the capital structure, the Group can regulate the amount of dividends that have been paid out, return capital to shareholders, issue new shares or sell assets to repay debts.

Note 26. Segment information

The Group's chief operating decision-maker is the General Director and Management Board (hereinafter «Chief operating decision-maker»), who review the Group's internal reporting forms prepared in accordance with Uniper Group's Accounting Manual in order to assess the Group's performance and allocate resources efficiently. Uniper Group's Accounting Manual is based on IFRS; however, the amounts may differ as the Company's internal reporting forms are intended for the purpose of preparing consolidated financial statements for the entire Uniper Group. Operating segments are determined based on the above internal reporting forms.

The Chief operating decision-maker assesses the performance on a plant-by-plant basis, i.e. the performance of each of the 5 power plants: Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Yayvinskaya GRES and Smolenskaya GRES. All GRES are combined into one operating segment, as they have similar economic and other characteristics. The other segments comprise costs of the Moscow office and subsidiaries.

The Chief operating decision-maker assesses the performance of the operating segments based on earnings before interest, tax, depreciation and amortization (EBITDA) before non-operating effects and revenue. In addition, the information on the amortization of non-current assets and earnings before interest and tax (EBIT) before non-operating effects is provided to the Chief operating decision-maker. Information regarding assets and liabilities of a segment base are not provided to the Chief operating decision-maker.

(RUB thousand)

	Year ended 31 December 2019	Year ended 31 December 2018
Earnings before interest, tax, depreciation and amortization (EBITDA) before non-operating effects for:		
5 power plants	32,512,194	29,693,577
Other segments	(3,227,970)	(1,932,138)
Total earnings before interest, tax, depreciation and amortization (EBITDA) before non-operating effects	**29,284,224**	**27,761,439**
Depreciation and amortization	(6,938,854)	(6,794,800)
Total earnings before interest and tax (EBIT) before non-operating effects	**22,345,370**	**20,966,639**

Reconciliation of earnings before interest and tax (EBIT) for operating segments provided to the Chief operating decision-maker, with profit before tax as in this consolidated financial statement of the Group, is provided below:

	Year ended 31 December 2019	Year ended 31 December 2018
Earnings before interest and tax (EBIT) before non-operating effects	**22,345,370**	**20,966,639**
Adjustment of non-operating expenses	(5,391,684)	(1,744,133)
Impairment non-current assets	*(5,391,684)*	*(1,187,726)*
Expenses (LTI)	-	*(556,407)*
EBIT for operating segments	**16,953,686**	**19,222,506**
Extraordinary effects	(41,141)	128,692
Finance income	617,006	716,841
Finance expense	(169,031)	(288,733)
Share of results of the joint venture	115,945	70,265
Other adjustments	5,581,363	594,855
Profit before income tax	**23,057,828**	**20,444,426**

Impairment of non-current assets in 2019 is reflected in the statement as non-operating expenses according to the Uniper Group’s Accounting Manual.

Other adjustments are mainly related to the following items:

	Year ended 31 December 2019	Year ended 31 December 2018
The difference in depreciation and impairment of property, plant and equipment and capitalised repair costs	5,417,578	33,994
The difference on disposal of property, plant and equipment	131,111	614,666
Other	32,674	(53,806)
Differences in amounts for the purposes of Uniper SE consolidated financial statements	**5,581,363**	**594,854**

Reconciliation of revenue from external customers for all 5 power plants to total revenue:

	Year ended 31 December 2019	Year ended 31 December 2018
External revenue of 5 power plants	80,125,887	77,612,764
Other segments	293,781	985,457
Intersegment revenue (eliminations)	(139,958)	(821,213)
Total revenues according to the Group`s financial statements	**80,279,710**	**77,777,008**

The Group’s revenues are analysed by products and services in Note 17.

(RUB thousand)

Revenues from customers representing 10% or more of the total revenues are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
AO CFS	37,000,782	35,404,889
PAO Mosenergosbyt	6,428,036	9,872,528
Others (mainly distribution companies, under 10% each)	36,850,892	32,499,591
Total	**80,279,710**	**77,777,008**

The Group operates and owns assets only in the Russian Federation.