



**RUSHYDRO GROUP**

**Condensed Consolidated Interim  
Financial Information (Unaudited)  
prepared in accordance with IAS 34**

**As at and for the three and nine months ended 30 September 2020**

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	Note	30 September 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	692,297	677,862
Investments in associates and joint ventures		16,662	16,396
Financial assets at fair value through other comprehensive income		369	418
Deferred income tax assets		18,865	19,259
Other non-current assets	7	25,285	19,853
<b>Total non-current assets</b>		<b>753,478</b>	<b>733,788</b>
<b>Current assets</b>			
Cash and cash equivalents	8	74,113	41,047
Income tax receivable		4,230	2,558
Accounts receivable and prepayments	9	56,582	54,251
Inventories	10	39,052	34,386
Other current assets	11	47,937	55,983
		<b>221,914</b>	<b>188,225</b>
Non-current assets and assets of disposal group classified as held for sale	1	-	3,106
<b>Total current assets</b>		<b>221,914</b>	<b>191,331</b>
<b>TOTAL ASSETS</b>		<b>975,392</b>	<b>925,119</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	439,289	426,289
Treasury shares	12	(4,613)	(4,613)
Share premium		39,202	39,202
Retained earnings and other reserves		142,821	104,786
<b>Equity attributable to the shareholders of PJSC RusHydro</b>		<b>616,699</b>	<b>565,664</b>
Non-controlling interest	12	5,282	4,211
<b>TOTAL EQUITY</b>		<b>621,981</b>	<b>569,875</b>
<b>Non-current liabilities</b>			
Non-current debt	14	148,685	162,528
Non-deliverable forward contract for shares	15	14,654	28,510
Deferred income tax liabilities		17,050	15,255
Other non-current liabilities	16	26,787	22,366
<b>Total non-current liabilities</b>		<b>207,176</b>	<b>228,659</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	14	57,603	39,435
Accounts payable and accruals	17	69,962	59,645
Accounts payable in respect of share issue	12	-	7,000
Current income tax payable		383	785
Other taxes payable	18	18,287	16,439
		<b>146,235</b>	<b>123,304</b>
Liabilities of disposal group classified as held for sale	1	-	3,281
<b>Total current liabilities</b>		<b>146,235</b>	<b>126,585</b>
<b>TOTAL LIABILITIES</b>		<b>353,411</b>	<b>355,244</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>975,392</b>	<b>925,119</b>

**RusHydro Group**  
**Condensed Consolidated Interim Income Statement (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)



	Note	Nine months ended 30 September		Three months ended 30 September	
		2020	2019	2020	2019
Revenue	19	276,767	258,284	82,901	77,394
Government grants	20	34,466	29,336	10,275	10,092
Other operating income	1	911	614	50	144
Operating expenses (excluding impairment losses)	21	(242,395)	(236,621)	(77,782)	(74,218)
<b>Operating profit excluding impairment losses</b>		<b>69,749</b>	<b>51,613</b>	<b>15,444</b>	<b>13,412</b>
Impairment of financial assets, net		(3,017)	(1,503)	69	290
Impairment of property, plant and equipment	6	(1,074)	(2,414)	(382)	(469)
Impairment of other assets		-	(2,045)	-	-
<b>Operating profit</b>		<b>65,658</b>	<b>45,651</b>	<b>15,131</b>	<b>13,233</b>
Finance income	22	20,754	8,867	7,656	1,745
Finance costs	22	(11,399)	(7,022)	(5,072)	(4,849)
Share of results of associates and joint ventures		(198)	505	(304)	42
<b>Profit before income tax</b>		<b>74,815</b>	<b>48,001</b>	<b>17,411</b>	<b>10,171</b>
Income tax expense	13	(14,344)	(12,844)	(3,765)	(4,399)
<b>Profit for the period</b>		<b>60,471</b>	<b>35,157</b>	<b>13,646</b>	<b>5,772</b>
Attributable to:					
Shareholders of PJSC RusHydro		60,637	37,530	14,730	6,429
Non-controlling interest		(166)	(2,373)	(1,084)	(657)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)		0.1433	0.0888	0.0347	0.0152
Weighted average number of shares outstanding – basic and diluted (millions of shares)		423,196	422,437	424,697	422,437

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
Profit for the period	60,471	35,157	13,646	5,772
<b>Other comprehensive income, net of income tax:</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of pension benefit obligations	(414)	(947)	-	-
Loss arising on financial assets at fair value through other comprehensive income	(49)	(14)	(24)	(14)
<b>Total items that will not be reclassified to profit or loss</b>	<b>(463)</b>	<b>(961)</b>	<b>(24)</b>	<b>(14)</b>
<i>Items that may be reclassified subsequently to profit or loss</i>				
Accumulated loss on foreign translation reserve recycled to profit or loss	348	-	-	-
Other comprehensive income	50	7	-	46
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>398</b>	<b>7</b>	<b>-</b>	<b>46</b>
<b>Total other comprehensive (loss) / income</b>	<b>(65)</b>	<b>(954)</b>	<b>(24)</b>	<b>32</b>
<b>Total comprehensive income for the period</b>	<b>60,406</b>	<b>34,203</b>	<b>13,622</b>	<b>5,804</b>
Attributable to:				
Shareholders of PJSC RusHydro	60,664	36,837	14,706	6,461
Non-controlling interest	(258)	(2,634)	(1,084)	(657)

**RusHydro Group**  
**Condensed Consolidated Interim Statement of Cash Flows (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)



	Note	Nine months ended 30 September 2020	Nine months ended 30 September 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Profit before income tax</b>		<b>74,815</b>	<b>48,001</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	21	21,235	18,894
Loss on disposal of property, plant and equipment, net	21	473	261
Share of results of associates and joint ventures		198	(505)
Other operating income		(911)	(614)
Finance income	22	(20,754)	(8,867)
Finance costs	22	11,399	7,022
Impairment of property, plant and equipment	6	1,074	2,414
Impairment of financial assets, net		3,017	1,503
Impairment of other assets		-	2,045
Other loss		388	172
<b>Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities</b>		<b>90,934</b>	<b>70,326</b>
Working capital changes:			
Increase in accounts receivable and prepayments		(7,797)	(5,653)
Decrease in other current assets, net of deposits and special funds		1,231	580
Increase in inventories		(6,006)	(7,713)
Increase / (decrease) in accounts payable and accruals, net of dividends payable		1,875	(461)
Increase / (decrease) in other taxes payable		2,114	(708)
(Increase) / decrease in other non-current assets		(705)	1,348
Increase / (decrease) in other non-current liabilities		1,094	(1,722)
Income tax paid		(13,997)	(10,628)
<b>Net cash generated by operating activities</b>		<b>68,743</b>	<b>45,369</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(37,429)	(51,382)
Proceeds from sale of property, plant and equipment		422	62
Investment in bank deposits and purchase of other investments		(94,669)	(49,878)
Redemption of bank deposits and proceeds from sale of other investments		107,486	62,158
Placement of special funds on special accounts		(6,000)	(7,000)
Acquisition of shares of associate		(1,000)	-
Interest received		4,322	5,745
Disposals of subsidiaries		(435)	-
Contribution to the equity of disposed subsidiary due to the assets swap transaction		(575)	-
Proceeds from sale of investment in joint venture		-	450
Proceeds from sale of financial assets at fair value through profit or loss		-	232
Proceeds from sale of PJSC Inter RAO		-	3,240
<b>Net cash used in investing activities</b>		<b>(27,878)</b>	<b>(36,373)</b>

**RusHydro Group**  
**Condensed Consolidated Interim Statement of Cash Flows (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)



	Note	Nine months ended 30 September 2020	Nine months ended 30 September 2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from share issue	12	6,000	7,000
Payments for non-deliverable forward for shares	15	(2,072)	(3,731)
Proceeds from current debt		30,636	38,381
Proceeds from non-current debt		32,885	45,705
Repayment of debt		(63,079)	(83,577)
Interest paid		(10,996)	(11,348)
Dividends paid		(60)	(15,777)
Dividends paid by subsidiaries to non-controlling interest holders		(181)	(128)
Payments on cross-currency and interest rate swap		(67)	(227)
Repayment of lease liabilities		(841)	(528)
<b>Net cash used in financing activities</b>		<b>(7,775)</b>	<b>(24,230)</b>
Effect of foreign exchange differences on cash and cash equivalents balances		(24)	14
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>33,066</b>	<b>(15,220)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>41,047</b>	<b>65,432</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>74,113</b>	<b>50,212</b>

**RusHydro Group**  
**Condensed Consolidated Interim Statement of Changes in Equity (unaudited)**

(in millions of Russian Rubles unless noted otherwise)



	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve on financial assets	Reserve for remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
<b>As at 1 January 2019</b>		<b>426,289</b>	<b>(4,613)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(344)</b>	<b>529</b>	<b>833</b>	<b>249,519</b>	<b>576,340</b>	<b>9,818</b>	<b>586,158</b>
Profit for the period		-	-	-	-	-	-	-	37,530	37,530	(2,373)	35,157
Remeasurement of pension benefit obligations		-	-	-	-	-	-	(686)	-	(686)	(261)	(947)
Loss arising on financial assets at fair value through other comprehensive income		-	-	-	-	-	(14)	-	-	(14)	-	(14)
Other comprehensive income		-	-	-	-	5	-	-	2	7	-	7
Total other comprehensive loss		-	-	-	-	5	(14)	(686)	2	(693)	(261)	(954)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>(14)</b>	<b>(686)</b>	<b>37,532</b>	<b>36,837</b>	<b>(2,634)</b>	<b>34,203</b>
Dividends	12	-	-	-	-	-	-	-	(15,775)	(15,775)	(128)	(15,903)
Changes in non-controlling interest	12	-	-	-	-	-	-	-	706	706	(652)	54
Other changes		-	-	-	-	-	-	-	47	47	-	47
<b>As at 30 September 2019</b>		<b>426,289</b>	<b>(4,613)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(339)</b>	<b>515</b>	<b>147</b>	<b>272,029</b>	<b>598,155</b>	<b>6,404</b>	<b>604,559</b>
<b>As at 1 January 2020</b>		<b>426,289</b>	<b>(4,613)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(382)</b>	<b>358</b>	<b>187</b>	<b>239,698</b>	<b>565,664</b>	<b>4,211</b>	<b>569,875</b>
Profit for the period		-	-	-	-	-	-	-	60,637	60,637	(166)	60,471
Remeasurement of pension benefit obligations		-	-	-	-	-	-	(322)	-	(322)	(92)	(414)
Loss arising on financial assets at fair value through other comprehensive income		-	-	-	-	-	(49)	-	-	(49)	-	(49)
Accumulated loss on foreign translation reserve recycled to profit or loss	12	-	-	-	-	348	-	-	-	348	-	348
Other comprehensive income		-	-	-	-	34	-	-	16	50	-	50
Total other comprehensive loss		-	-	-	-	382	(49)	(322)	16	27	(92)	(65)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>382</b>	<b>(49)</b>	<b>(322)</b>	<b>60,653</b>	<b>60,664</b>	<b>(258)</b>	<b>60,406</b>
Share issue	12	13,000	-	-	-	-	-	-	-	13,000	-	13,000
Dividends	12	-	-	-	-	-	-	-	(15,537)	(15,537)	(181)	(15,718)
Changes in non-controlling interest due to disposal of the subsidiary	12	-	-	-	-	-	-	-	(24)	(24)	24	-
Changes in non-controlling interest due to asset swap transaction	1, 12	-	-	-	-	-	-	74	(7,196)	(7,122)	1,482	(5,640)
Other changes		-	-	-	-	-	-	-	54	54	4	58
<b>As at 30 September 2020</b>		<b>439,289</b>	<b>(4,613)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>-</b>	<b>309</b>	<b>(61)</b>	<b>277,648</b>	<b>616,699</b>	<b>5,282</b>	<b>621,981</b>

The accompanying notes are an integral part of this Condensed Consolidated Interim Financial Information



## **Note 1. The Group and its operations**

PJSC RusHydro (hereinafter referred to as “the Company”) was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by value of shares and was set up in accordance with Russian regulations.

The primary activities of the Company and its subsidiaries (hereinafter together referred to as “the Group”) are generation and sale of electricity, capacity and heat.

**Operating Environment of the Group** The Russian Federation displays certain characteristics of an emerging market. Russia’s 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. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

On 12 March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. In response to the pandemic, Russian authorities have taken a range of measures to curb the spread and mitigate the impact of COVID-19, such as bans and restrictions on movement, self-isolation, and restrictions on commercial activities, including the closure of businesses. These measures, in particular, have significantly limited economic activity in Russia and have already had and may still have a negative impact on the business, market participants, customers of the Group, as well as on the Russian and global economy for an indefinite period of time.

Management reviewed the impact of the pandemic on the Group’s financial performance, including the following key accounting estimates:

- measurement of expected credit losses for financial assets: for the measurement, the Group uses, among other things, forecasts of macroeconomic indicators, of which inflation forecasts have the greatest impact on the calculation. The Group’s management analysed the current economic forecasts in the expected credit losses model and concluded that they did not lead to a significant increase in expected credit losses;
- property, plant and equipment impairment assessment (Note 6);
- assessment of financial assets and liabilities measured at fair value (Level 3) (Notes 15, 26).

The Group’s management monitor the development of the economic situation and take necessary measures to ensure sustainability of the Group’s operations.

Future implications of the current economic situation and the measures mentioned above are difficult to predict, and current expectations and estimates of the management may differ from the actual results.

**Relations with the Government and current regulation.** As at 30 September 2020 the Russian Federation owned 61.73 percent of the total voting ordinary shares of the Company (31 December 2019: 61.20 percent). As at 30 September 2020 PJSC Bank VTB that is controlled by the Russian Federation owned 12.95 percent of the Company’s shares (31 December 2019: 13.13 percent).

The Group’s major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group’s fuel and other suppliers (Note 5).

In addition, the Government influences the Group’s operations through:

- participation of its representatives in the Company’s Board of Directors;
- regulation of tariffs for electricity, capacity and heating;
- approval and monitoring of the Group’s investment programme, including volume and sources of financing.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

**Changes in the Group Structure.** During the nine months ended 30 September 2020, the following changes took place in the structure of the Group, which have a significant impact on the condensed consolidated interim financial information.

**The sale of CJSC IEC’s shares.** In December 2019, an agreement was signed with OJSC Razdan Energy Company (RazTPP) on the sale of the Group’s 90 percent of share in CJSC International Energy Company (CJSC MEK) for a cash consideration of RR 173 million. The transaction was completed in March 2020 after the buyer repaid the loan obligations of CJSC MEK to the European Bank for Reconstruction and Development and the Asian Development Bank and removed the company’s guarantees for these loans.

(in millions of Russian Rubles unless noted otherwise)

CJSC MEK assets and liabilities as at 31 December 2019 are shown as assets and liabilities of the disposal group classified as held for sale. The gain on CJSC MEK disposal is recognised in other operating income.

*Asset swap between the Group and LLC IC Donalink.* During the nine months ended 30 September 2020, the Group completed the asset swap with LLC IC Donalink, which included the exchange of a 100 percent interest in JSC LUR and a 100 percent interest in the share capital of LLC Primorskaya GRES for a 41.98 percent interest in the Group's subsidiary PJSC DEK. The fair value of the assets transferred was determined as RR 5 640 million which is equivalent to the fair value of PJSC DEK shares received.

At the first stage the Group transferred 100 percent minus 1 share of JSC LUR and a 85.54 percent interest in LLC Primorskaya GRES in exchange for a 38.04 percent interest in PJSC DEK.

The carrying value of assets and liabilities of LLC Primorskaya GRES and JSC LUR that were disposed of as a result of the transaction is presented below:

	<b>Date of disposal</b>
<b>Non-current assets</b>	
Property, plant and equipment	4,578
Deferred income tax assets	110
Other non-current assets	75
<b>Total non-current assets</b>	<b>4,763</b>
<b>Current assets</b>	
Cash and cash equivalents	435
Income tax receivable	14
Accounts receivable and prepayments	1,559
Inventories	1,336
<b>Total current assets</b>	<b>3,344</b>
<b>Total assets of LLC Primorskaya GRES and JSC LUR</b>	<b>8,107</b>
<b>Non-current liabilities</b>	
Deferred income tax liabilities	242
Other non-current liabilities	592
<b>Total non-current liabilities</b>	<b>834</b>
<b>Current liabilities</b>	
Accounts payable and accruals	2,463
Other taxes payable	265
<b>Total current liabilities</b>	<b>2,728</b>
<b>Total liabilities of LLC Primorskaya GRES and JSC LUR</b>	<b>3,562</b>
<b>Net assets of LLC Primorskaya GRES and JSC LUR</b>	<b>4,545</b>

At the second (final) stage the Group transferred 1 share of JSC LUR and a 14.46 percent interest in the share capital of LLC Primorskaya GRES estimated at fair value in the amount of RR 530 million for a 3.94 percent interest in PJSC Far East Energy Company.

The difference between the fair value of received shares of PJSC Far East Energy Company and the carrying amount of disposed net assets of the subsidiaries and the fair value of 14.46 percent interest in the share capital of LLC Primorskaya GRES is recorded within other operating income.

The change in the non-controlling interest as a result of the swap is described in Note 12.

*Acquisition of shares of OJSC SEC.* In August 2020 the Company acquired a 7.68 percent interest in OJSC Sakhalin Energy Company (OJSC SEC), an associate of the Group, from PJSC NK Rosneft for a remuneration of RR 1,000 million. The Group's interest in OJSC SEC increased up to 42.31 percent.

**Overview of the electricity and capacity market.** During the nine months ended 30 September 2020, the following significant changes were made to the rules of the Russian electricity and capacity wholesale and retail markets, their operation procedures and pricing mechanisms:

- The collection of a penalty in the event of incomplete or untimely payment of utilities by consumers was suspended until January 1, 2021 by Decree of the Russian Government No.424 of 2 April 2020. The right of the utility contractor to suspend (restrict) the provision of utility services has also been suspended until the same date. The Group's management does not expect a significant impact of this Decree on the collection of receivables and on the assessment of expected credit losses;

- As part of business support measures in connection with COVID-19, Russian Government Decree No.440 of 3 April 2020 "On the extension of permits and other special aspects in relation to permitting activities in 2020" extended the licensing period for energy sales activities until 1 July 2021.

**Seasonality of business.** The demand for the Group's heat and electricity generation and supply depends on weather conditions and the season. In addition to weather conditions, the electricity production by hydro generation plants depends on water flow in the river systems. In spring and in summer (flood period) electricity production by hydro generation plants is significantly higher than in autumn and in winter. Heat and electricity production by the heat generation assets, to the contrary, is significantly higher in autumn and in winter than in spring and in summer. The seasonal nature of heat and electricity generation has a significant influence on the volumes of fuel consumed by heat generation assets and electricity purchased by the Group.

## **Note 2. Summary of financial reporting framework and new accounting pronouncements**

**Basis of preparation.** This Condensed Consolidated Interim Financial Information has been prepared in accordance with IAS 34, *Interim Financial Reporting* and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

This Condensed Consolidated Interim Financial Information is unaudited. Certain disclosures duplicating information included in the annual Consolidated Financial Statements as at and for the year ended 31 December 2019 have been omitted or condensed.

**Significant accounting policies.** The accounting policies followed in the preparation of this Condensed Consolidated Interim Financial Information are consistent with those applied in the annual Consolidated Financial Statements as at and for the year ended 31 December 2019 except for income tax which is accrued in the interim periods using the best estimate of the weighted average annual income tax rate that would be applicable to expected total annual profit or loss, revised composition of reporting segments (Note 3) and changes resulting from the adoption of new standards and interpretations, effective from 1 January 2020.

Certain reclassifications have been made to prior period data to conform to the current period presentation. These reclassifications are not material.

**Critical accounting estimates and judgements.** The preparation of Condensed Consolidated Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this Condensed Consolidated Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2019 with the exception of changes in estimates that are required in determining the expected weighted average annual income tax rate (Note 13) and judgements in respect of valuation of the non-deliverable forward contract for the shares (Note 15), and the discount rate used in determining pension benefit obligations which decreased from 6.40 percent as at 31 December 2019 to 5.80 percent as at 30 September 2020.

### **New standards and interpretations**

The Group has adopted all new standards and interpretations that were effective from 1 January 2020. The impact of the adoption of new standards and interpretations has not been significant with respect to this Condensed Consolidated Interim Financial Information.

Apart from new standards and interpretations becoming effective from 1 January 2020 and after that date applicable to the Group as disclosed in the consolidated financial statements as at and for the year ended 31 December 2019, the following interpretations and amendments were issued which are applicable to the Group:

- Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41 and IAS 16, IAS 37, IFRS 3 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

These amendments are not expected to affect significantly the Group's consolidated financial statements.

### **Note 3. Principal subsidiaries**

All principal subsidiaries are incorporated and operate in the Russian Federation. Differences between the ownership interest and voting interest held by some subsidiaries represent the effect of preference shares and / or effects of indirect ownership, or shares of limited liability companies (LLC).

The Group operates in the three main reportable segments – RusHydro generation, Supply companies, Far East energy companies (Note 4). Starting from 1 January 2020 the composition of subsidiaries in the reporting segments was revised in accordance with the changes made to improve management efficiency. Thus, the activities of individual Group subsidiaries are organised with the direct involvement of new segment managers. Comparative data have been revised accordingly. The revision of the segment composition did not have a significant impact on EBITDA by segment, on the basis of which the segments results are assessed.

The principal subsidiaries are presented below according to their allocation to the reportable segments as at 30 September 2020 and 31 December 2019, as well as major changes caused by segment composition revision.

#### ***RusHydro generation segment***

RusHydro generation segment is represented by the Group's parent company – PJSC RusHydro and its subsidiaries that produce and sell electricity and capacity, as well as hydroelectric power plants under construction.

The main subsidiaries included in RusHydro generation segment are presented below:

		30 September 2020		31 December 2019	
		% of ownership	% of voting	% of ownership	% of voting
JSC	Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
JSC	Zaramag HS	99.75%	99.75%	99.75%	99.75%
JSC	Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%

The RusHydro generation segment has replaced the PJSC RusHydro segment represented by the parent company of the Group. Other subsidiaries of the RusHydro generation segment were previously presented within other segments.

#### ***Supply companies segment***

Supply companies segment includes the Group's subsidiaries which sell electricity to final customers. All the entities included in this segment with the exception of JSC ESC RusHydro have the guaranteeing supplier status and are obliged to sign contracts on supplies with all final consumers of their region upon their request.

		30 September 2020		31 December 2019	
		% of ownership	% of voting	% of ownership	% of voting
JSC	Chuvashskaya Electricity Sales Company	100.00%	100.00%	100.00%	100.00%
JSC	ESC RusHydro	100.00%	100.00%	100.00%	100.00%
PJSC	DEK	89.81%	94.15%	52.11%	52.17%
PJSC	Krasnoyarskenergosbyt	65.81%	69.40%	65.81%	69.40%
PJSC	Ryazanenergosbyt	90.52%	90.52%	90.52%	90.52%

The Supply companies segment has replaced the ESC RusHydro subgroup segment. PJSC DEK was previously presented within RAO ES East subgroup segment.

### **Far East energy companies segment**

Far East energy companies segment consists of the Group's subsidiaries that generate and distribute electricity and generate, distribute and sell heat in the Far East region of the Russian Federation and render transportation, construction, repair and other services.

Principal subsidiaries of this segment are presented below:

		<b>30 September 2020</b>		<b>31 December 2019</b>	
		<b>% of ownership</b>	<b>% of voting</b>	<b>% of ownership</b>	<b>% of voting</b>
JSC	Blagoveschensk TPP	100.00%	100.00%	100.00%	100.00%
JSC	DGK	89.81%	100.00%	52.11%	100.00%
JSC	DRSK	89.81%	100.00%	52.11%	100.00%
JSC	RAO ES East	99.98%	99.98%	99.98%	99.98%
JSC	Sakhalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC	TPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
JSC	Ust'-Srednekanskaya HPP named after A. F. Dyakov	99.64%	100.00%	99.63%	100.00%
JSC	Yakutskaya GRES-2	100.00%	100.00%	100.00%	100.00%
PJSC	Kamchatskenergo	98.74%	98.76%	98.74%	98.75%
PJSC	Kolimaenergo	98.76%	98.76%	98.76%	98.76%
PJSC	Magadanenergo*	48.99%	49.00%	48.99%	49.00%
PJSC	Sakhalinenergo	76.60%	76.60%	76.59%	76.60%
PJSC	Yakutskenergo	79.15%	79.16%	79.15%	79.16%

\* Control over PJSC Magadanenergo is achieved by the majority of votes on the shareholders meeting because the remaining part of the shares not owned by the Group are distributed among a large number of shareholders the individual stakes of which are insignificant.

The Far East energy companies segment has replaced the RAO ES of East subgroup segment. JSC Blagoveschensk TPP, JSC Sakhalin GRES-2, JSC TPP in Sovetskaya Gavan, JSC Ust'-Srednekanskaya HPP named after A. F. Dyakov, JSC Yakutskaya GRES-2 were previously presented within other segments.

### **Other segments**

Other segments include:

- the Group's subsidiaries primarily engaged in research and development related to the utilities industry and construction of hydropower facilities;
- the Group's subsidiaries engaged in repair, upgrade and reconstruction of equipment and hydropower facilities;
- the Group's subsidiaries engaged primarily in hydropower plants construction;
- minor segments which do not have similar economic characteristics.

Principal subsidiaries included in other segments are presented below:

		<b>30 September 2020</b>		<b>31 December 2019</b>	
		<b>% of ownership</b>	<b>% of voting</b>	<b>% of ownership</b>	<b>% of voting</b>
JSC	VNIIG named after B. E. Vedeneev	100.00%	100.00%	100.00%	100.00%
JSC	Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
JSC	Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
JSC	Lenhydroproject	100.00%	100.00%	100.00%	100.00%
JSC	Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
JSC	Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%

#### **Note 4. Segment information**

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the operating segments, which based on the same principles as the present condensed consolidated interim financial information, is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated to the segments and the performance of the segments' operating activities.

The CODM analyses the information concerning the Group by the groups of operations which are aggregated in operating segments presented by the following separate reportable segments: RusHydro generation, Supply companies, Far East energy companies and other segments (Note 3). Transactions of other segments are not disclosed as reportable segments based on quantitative indicators for the periods presented.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

The segments' operational results are assessed on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment and amortisation of intangible assets, gains on changes in the carrying value of financial assets at fair value through profit or loss, impairment of property, plant and equipment, impairment of financial assets, gain / loss on disposal of property, plant and equipment and other non-monetary items of operating income and expenses. This definition of EBITDA may differ from the methods applied by other companies. Management believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Group's operating segments, as it reflects the earnings trends excluding the impact of the above charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt balances are eliminated from these disclosures.

Other information provided to the CODM is consistent with the information presented in the Group's condensed consolidated interim financial information.

Intersegment sales are carried out at market prices.

Segment information for the nine months and three months ended 30 September 2020 and 30 September 2019 and as at 30 September 2020 and 31 December 2019 is presented below.

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(in millions of Russian Rubles unless noted otherwise)



Nine months ended 30 September 2020	RusHydro generation	Supply companies	Far East energy companies	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>105,155</b>	<b>113,191</b>	<b>125,542</b>	<b>29,582</b>	<b>373,470</b>	<b>(96,703)</b>	<b>276,767</b>
<i>including:</i>							
<i>from third parties</i>	95,632	106,141	70,308	4,686	<b>276,767</b>	-	<b>276,767</b>
<i>sales of electricity and capacity in the retail market</i>	352	94,891	26,232	1	<b>121,476</b>	-	<b>121,476</b>
<i>sales of electricity in the wholesale market</i>	62,539	180	1,215	17	<b>63,951</b>	-	<b>63,951</b>
<i>sales of capacity in the wholesale market</i>	32,542	10,420	121	85	<b>43,168</b>	-	<b>43,168</b>
<i>sales of heat and hot water</i>	92	-	27,736	1	<b>27,829</b>	-	<b>27,829</b>
<i>other revenue</i>	107	650	15,004	4,582	<b>20,343</b>	-	<b>20,343</b>
<i>from intercompany operations</i>	9,523	7,050	55,234	24,896	<b>96,703</b>	<b>(96,703)</b>	<b>-</b>
Government grants	-	33	34,433	-	<b>34,466</b>	-	<b>34,466</b>
Operating expenses (excluding depreciation and other non-monetary items)	<b>(32,882)</b>	<b>(110,827)</b>	<b>(145,384)</b>	<b>(29,385)</b>	<b>(318,478)</b>	97,793	<b>(220,685)</b>
<b>EBITDA</b>	<b>72,273</b>	<b>2,397</b>	<b>14,591</b>	<b>197</b>	<b>89,458</b>	<b>1,090</b>	<b>90,548</b>
Other operating income	34	-	44	102	<b>180</b>	-	<b>180</b>
Depreciation of property, plant and equipment	<b>(10,736)</b>	<b>(225)</b>	<b>(9,487)</b>	<b>(1,017)</b>	<b>(21,465)</b>	230	<b>(21,235)</b>
Other non-monetary items of operating income and expenses	<b>(624)</b>	<b>(1,548)</b>	<b>(1,403)</b>	<b>(254)</b>	<b>(3,829)</b>	<b>(6)</b>	<b>(3,835)</b>
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	<b>(603)</b>	-	<b>(441)</b>	<b>(30)</b>	<b>(1,074)</b>	-	<b>(1,074)</b>
<i>reversal / (impairment) of financial assets, net</i>	8	<b>(1,529)</b>	<b>(1,427)</b>	<b>(69)</b>	<b>(3,017)</b>	-	<b>(3,017)</b>
<i>loss on disposal of property, plant and equipment, net</i>	<b>(249)</b>	<b>(19)</b>	<b>(40)</b>	<b>(159)</b>	<b>(467)</b>	<b>(6)</b>	<b>(473)</b>
<i>profit on disposal of subsidiaries, net</i>	220	-	505	4	<b>729</b>	-	<b>729</b>
<b>Operating profit / (loss)</b>	<b>60,947</b>	<b>624</b>	<b>3,745</b>	<b>(972)</b>	<b>64,344</b>	<b>1,314</b>	<b>65,658</b>
Finance income							20,754
Finance costs							(11,399)
Share of results of associates and joint ventures							(198)
<b>Profit before income tax</b>							<b>74,815</b>
Income tax expense							(14,344)
<b>Profit for the period</b>							<b>60,471</b>
<b>Capital expenditure</b>	<b>16,609</b>	<b>253</b>	<b>24,619</b>	<b>822</b>	<b>42,303</b>	-	<b>42,303</b>
<b>30 September 2020</b>							
<b>Non-current and current debt</b>	<b>125,643</b>	<b>7,385</b>	<b>71,879</b>	<b>1,381</b>	<b>206,288</b>	-	<b>206,288</b>

**RusHydro Group**  
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Nine months ended 30 September 2019 (revised)	RusHydro generation	Supply companies	Far East energy companies	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>88,830</b>	<b>108,701</b>	<b>121,454</b>	<b>30,209</b>	<b>349,194</b>	<b>(90,910)</b>	<b>258,284</b>
<i>including:</i>							
<i>from third parties</i>							
<i>sales of electricity and capacity in the retail market</i>	80,765	102,087	69,206	6,226	258,284	-	258,284
<i>sales of electricity in the wholesale market</i>	213	83,117	26,971	1	110,302	-	110,302
<i>sales of capacity in the wholesale market</i>	54,768	9,399	1,347	230	65,744	-	65,744
<i>sales of heat and hot water</i>	25,545	8,711	244	497	34,997	-	34,997
<i>other revenue</i>	95	-	27,017	1	27,113	-	27,113
<i>from intercompany operations</i>	144	860	13,627	5,497	20,128	-	20,128
Government grants	8,065	6,614	52,248	23,983	90,910	(90,910)	-
Operating expenses (excluding depreciation and other non-monetary items)	-	9	29,327	-	29,336	-	29,336
<b>EBITDA</b>	<b>(32,185)</b>	<b>(106,757)</b>	<b>(139,714)</b>	<b>(29,222)</b>	<b>(307,878)</b>	<b>90,687</b>	<b>(217,191)</b>
Other operating income	<b>56,645</b>	<b>1,953</b>	<b>11,067</b>	<b>987</b>	<b>70,652</b>	<b>(223)</b>	<b>70,429</b>
Depreciation of property, plant and equipment	27	-	382	23	432	-	432
Other non-monetary items of operating income and expenses	(9,683)	(202)	(8,184)	(1,002)	(19,071)	177	(18,894)
<i>including:</i>	<b>(808)</b>	<b>(1,522)</b>	<b>(4,009)</b>	<b>(121)</b>	<b>(6,460)</b>	<b>144</b>	<b>(6,316)</b>
<i>impairment of property, plant and equipment</i>	(1,227)	-	(1,083)	(104)	(2,414)	-	(2,414)
<i>impairment of other assets</i>	-	-	(2,045)	-	(2,045)	-	(2,045)
<i>reversal / (impairment) of financial assets, net</i>	407	(1,496)	(515)	101	(1,503)	-	(1,503)
<i>gain arising on financial assets at fair value through profit or loss</i>	-	-	-	182	182	-	182
<i>loss on disposal of other non-current assets</i>	-	-	-	(254)	(254)	-	(254)
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	15	(15)	(359)	(46)	(405)	144	(261)
<i>loss on disposal of subsidiaries, net</i>	(3)	(11)	(7)	-	(21)	-	(21)
<b>Operating profit / (loss)</b>	<b>46,181</b>	<b>229</b>	<b>(744)</b>	<b>(113)</b>	<b>45,553</b>	<b>98</b>	<b>45,651</b>
Finance income							8,867
Finance costs							(7,022)
Share of results of associates and joint ventures							505
<b>Profit before income tax</b>							<b>48,001</b>
Income tax expense							(12,844)
<b>Profit for the period</b>							<b>35,157</b>
<b>Capital expenditure</b>	<b>34,155</b>	<b>236</b>	<b>23,464</b>	<b>2,581</b>	<b>60,436</b>	<b>-</b>	<b>60,436</b>
<b>31 December 2019</b>							
<b>Non-current and current debt</b>	<b>132,280</b>	<b>7,432</b>	<b>61,451</b>	<b>800</b>	<b>201,963</b>	<b>-</b>	<b>201,963</b>



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Three months ended 30 September 2020	RusHydro generation	Supply companies	Far East energy companies	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>34,376</b>	<b>34,624</b>	<b>31,260</b>	<b>11,031</b>	<b>111,291</b>	<b>(28,390)</b>	<b>82,901</b>
<i>including:</i>							
<i>from external companies</i>	31,383	32,959	16,917	1,642	<b>82,901</b>	-	<b>82,901</b>
<i>sales of electricity and capacity in the retail market</i>	159	28,963	8,430	-	<b>37,552</b>	-	<b>37,552</b>
<i>sales of electricity in the wholesale market</i>	19,816	24	294	-	<b>20,134</b>	-	<b>20,134</b>
<i>sales of capacity in the wholesale market</i>	11,357	3,795	36	-	<b>15,188</b>	-	<b>15,188</b>
<i>sales of heat and hot water</i>	12	-	3,082	-	<b>3,094</b>	-	<b>3,094</b>
<i>other revenue</i>	39	177	5,075	1,642	<b>6,933</b>	-	<b>6,933</b>
<i>from intercompany operations</i>	2,993	1,665	14,343	9,389	<b>28,390</b>	<b>(28,390)</b>	<b>-</b>
Government grants	-	32	10,243	-	<b>10,275</b>	-	<b>10,275</b>
Operating expenses (excluding depreciation and other non-monetary items)	(11,753)	(33,942)	(42,565)	(10,278)	<b>(98,538)</b>	28,258	<b>(70,280)</b>
<b>EBITDA</b>	<b>22,623</b>	<b>714</b>	<b>(1,062)</b>	<b>753</b>	<b>23,028</b>	<b>(132)</b>	<b>22,896</b>
Other operating income	17	-	2	31	<b>50</b>	-	<b>50</b>
Depreciation of property, plant and equipment	(3,760)	(75)	(3,283)	(303)	<b>(7,421)</b>	105	<b>(7,316)</b>
Other non-monetary items of operating income and expenses	<b>(24)</b>	<b>(324)</b>	<b>(16)</b>	<b>(130)</b>	<b>(494)</b>	<b>(5)</b>	<b>(499)</b>
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(166)	-	(216)	-	<b>(382)</b>	-	<b>(382)</b>
<i>reversal of impairment / (impairment) of financial assets, net</i>	234	(336)	149	22	<b>69</b>	-	<b>69</b>
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(92)	12	51	(152)	<b>(181)</b>	(5)	<b>(186)</b>
<b>Operating profit / (loss)</b>	<b>18,856</b>	<b>315</b>	<b>(4,359)</b>	<b>351</b>	<b>15,163</b>	<b>(32)</b>	<b>15,131</b>
Finance income							7,656
Finance costs							(5,072)
Share of results of associates and joint ventures							(304)
<b>Profit before income tax</b>							<b>17,411</b>
Income tax expense							(3,765)
<b>Profit for the period</b>							<b>13,646</b>
<b>Capital expenditure</b>	<b>4,967</b>	<b>120</b>	<b>9,742</b>	<b>87</b>	<b>14,916</b>	<b>-</b>	<b>14,916</b>

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Three months ended 30 September 2019 (revised)	RusHydro generation	Supply companies	Far East energy companies	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>29,458</b>	<b>31,644</b>	<b>32,154</b>	<b>11,675</b>	<b>104,931</b>	<b>(27,537)</b>	<b>77,394</b>
<i>including:</i>							
<i>from third parties</i>							
<i>sales of electricity and capacity in the retail market</i>	27,002	30,216	17,184	2,992	77,394	-	77,394
<i>sales of electricity in the wholesale market</i>	183	24,043	7,865	1	32,092	-	32,092
<i>sales of capacity in the wholesale market</i>	18,481	2,880	641	79	22,081	-	22,081
<i>sales of heat and hot water</i>	8,275	3,015	69	197	11,556	-	11,556
<i>other revenue</i>	13	-	3,069	-	3,082	-	3,082
<i>from intercompany operations</i>	50	278	5,540	2,715	8,583	-	8,583
Government grants	2,456	1,428	14,970	8,683	27,537	(27,537)	-
Operating expenses (excluding depreciation and other non-monetary items)	-	2	10,090	-	10,092	-	10,092
	(10,687)	(31,013)	(42,416)	(11,144)	(95,260)	27,433	(67,827)
<b>EBITDA</b>	<b>18,771</b>	<b>633</b>	<b>(172)</b>	<b>531</b>	<b>19,763</b>	<b>(104)</b>	<b>19,659</b>
Other operating income	12	-	197	4	213	-	213
Depreciation of property, plant and equipment	(3,445)	(73)	(2,757)	(212)	(6,487)	53	(6,434)
Other non-monetary items of operating income and expenses	(67)	(100)	(69)	30	(206)	1	(205)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(300)	-	(155)	(14)	(469)	-	(469)
<i>reversal of impairment / (impairment) of financial assets, net</i>	99	(108)	197	102	290	-	290
<i>loss arising on financial assets at fair value through profit or loss</i>	-	-	-	(69)	(69)	-	(69)
<i>gain on disposal of other non-current assets</i>	-	-	-	2	2	-	2
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	134	8	(111)	9	40	1	41
<b>Operating profit / (loss)</b>	<b>15,271</b>	<b>460</b>	<b>(2,801)</b>	<b>353</b>	<b>13,283</b>	<b>(50)</b>	<b>13,233</b>
Finance income							1,745
Finance costs							(4,849)
Share of results of associates and joint ventures							42
<b>Profit before income tax</b>							<b>10,171</b>
Income tax expense							(4,399)
<b>Profit for the period</b>							<b>5,772</b>
<b>Capital expenditure</b>	<b>12,931</b>	<b>175</b>	<b>6,710</b>	<b>1,052</b>	<b>20,868</b>	<b>-</b>	<b>20,868</b>

## Note 5. Related party transactions

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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal related parties for the nine months ended 30 September 2020 and 30 September 2019 and as at 30 September 2020 and 31 December 2019 were associates and joint ventures of the Group, government-related entities.

Sales of electricity and capacity, as well as heat and hot water to associates and joint ventures of the Group are carried out at market prices or at established tariffs.

### Joint ventures

The Group had the following balances with its joint ventures:

	Note	30 September 2020	31 December 2019
Long-term promissory notes receivable	7	8,887	8,287

Long-term promissory notes receivable are represented by non-interest bearing notes with maturity on demand, but not earlier than 31 December 2029.

The Group had the following transactions with its joint ventures:

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
Sales of electricity and capacity	515	334	148	85
Other revenue	77	111	22	50
Purchased electricity and capacity	328	311	87	93

### Associates

The Group had the following balances with its associates:

	30 September 2020	31 December 2019
Trade and other receivables	332	500
Accounts payable	1,754	1,679
Short-term lease liabilities	981	613
Long-term lease liabilities	1,844	2,127

The Group had the following transactions with its associates:

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
Sales of electricity and capacity	1,086	1,271	268	281
Sales of heat and hot water	783	779	54	42
Other revenue	78	76	22	23
Interest expense on lease liabilities	163	157	63	54

### Government-related entities

In the normal course of business the Group enters into transactions with the entities related to the Government.

The Group had transactions during the three and nine months ended 30 September 2020 and 30 September 2019 and balances outstanding as at 30 September 2020 and 31 December 2019 with the government-related banks (Note 14). All transactions with the banks are carried out at market rates. The Company also entered into a non-deliverable forward contract for its treasury shares and cross-currency and interest rate swap arrangement with PJSC VTB Bank (Notes 7 and 15).

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 20 percent of total sales of electricity, capacity and heat for the three and nine months ended 30 September 2020 (for the three and nine months ended 30 September 2019: approximately 20 percent). Sales of electricity

and capacity under the regulated contracts are made directly to the consumers, within the day-ahead market (DAM) – through commission agreements with JSC Centre of Financial Settlements (CFS). Electricity and capacity supply tariffs under the regulated contracts and electricity and heat supply tariffs in the non-pricing zone of the Far East are approved by the Federal Antimonopoly Service and by regional regulatory authorities of the Russian Federation. On the DAM, the price is determined by balancing the demand and supply and such price is applied to all market participants.

During the nine months ended 30 September 2020 the Group received government subsidies of RR 34,466 million (for the nine months ended 30 September 2019: RR 29,336 million). During the three months ended 30 September 2020 the Group received government subsidies of RR 10,275 million (for the three months ended 30 September 2019: RR 10,092 million) (Note 20).

Government subsidies receivable comprised RR 1,238 million as at 30 September 2020 (31 December 2019: RR 652 million) (Note 9). Accounts payable on free-of-charge targeted contributions of the Group comprised RR 3,421 million as at 30 September 2020 (31 December 2019: no accounts payable on free-of-charge targeted contributions) (Note 17).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 30 percent of total expenses on purchased electricity, capacity and fuel for the three and nine months ended 30 September 2020 (for the three and nine months ended 30 September 2019: approximately 30 percent).

Grid companies services on electricity distribution provided to the Group by government-related entities comprised approximately 80 percent of total electricity distribution expenses for the three and nine months ended 30 September 2020 (for the three and nine months ended 30 September 2019: approximately 80 percent). The distribution of electricity is subject to tariff regulations.

**Key management of the Group.** Key management of the Group includes members of the Board of Directors of the Company, members of the Management Board of the Company, heads of the business subdivisions of the Company and their deputies, key management of subsidiaries of RAO ES East subgroup.

Remuneration to the members of the Board of Directors of the Company for their services in their capacity and for attending Board meetings is paid depending on the results for the period and is calculated based on specific remuneration policy approved by the Annual General Shareholders Meeting of the Company.

Remuneration to the members of the Management Board and to other key management of the Group is paid for their services in full time management positions and is made up of a contractual salary and performance bonuses depending on the results of the work for the period based on key performance indicators approved by the Board of Directors of the Company.

The compensation for key management of the Group - is mostly short-term except for future payments under pension plans with defined benefits. Pension benefits for key management of the Group are provided on the same terms as for the rest of employees.

Short-term remuneration paid to the key management of the Group for the nine months ended 30 September 2020 comprised RR 830 million (for the nine months ended 30 September 2019: RR 878 million). Short-term remuneration paid to the key management of the Group for the three months ended 30 September 2020 comprised RR 296 million (for the three months ended 30 September 2019: RR 219 million).

**Note 6. Property, plant and equipment**

Cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Right-of-use assets	Total
<b>Balance as at 31 December 2019</b>	<b>101,994</b>	<b>394,827</b>	<b>449,098</b>	<b>238,953</b>	<b>17,479</b>	<b>8,361</b>	<b>1,210,712</b>
Reclassification	(6,811)	6,628	64	-	119	-	-
Additions	24	-	61	39,957	1,693	568	42,303
Transfers	15,276	39,061	39,151	(93,694)	206	-	-
Disposals of subsidiaries	(1,451)	(3,749)	(5,093)	(158)	(2,662)	-	(13,113)
Disposals and write-offs	(606)	(1,291)	(478)	(1,066)	(281)	(436)	(4,158)
<b>Balance as at 30 September 2020</b>	<b>108,426</b>	<b>435,476</b>	<b>482,803</b>	<b>183,992</b>	<b>16,554</b>	<b>8,493</b>	<b>1,235,744</b>
<b>Accumulated depreciation (including impairment)</b>							
<b>Balance as at 31 December 2019</b>	<b>(45,078)</b>	<b>(235,045)</b>	<b>(216,480)</b>	<b>(22,675)</b>	<b>(11,502)</b>	<b>(2,070)</b>	<b>(532,850)</b>
Reclassification	113	(386)	344	-	(71)	-	-
Impairment charge	(1)	(29)	(91)	(945)	(8)	-	(1,074)
Depreciation charge	(1,245)	(5,806)	(11,607)	-	(911)	(850)	(20,419)
Transfers	(12)	(285)	(455)	756	(4)	-	-
Disposals of subsidiaries	460	3,328	2,802	46	1,899	-	8,535
Disposals and write-offs	481	658	478	232	181	331	2,361
<b>Balance as at 30 September 2020</b>	<b>(45,282)</b>	<b>(237,565)</b>	<b>(225,009)</b>	<b>(22,586)</b>	<b>(10,416)</b>	<b>(2,589)</b>	<b>(543,447)</b>
<b>Net book value as at 30 September 2020</b>	<b>63,144</b>	<b>197,911</b>	<b>257,794</b>	<b>161,406</b>	<b>6,138</b>	<b>5,904</b>	<b>692,297</b>
<b>Net book value as at 31 December 2019</b>	<b>56,916</b>	<b>159,782</b>	<b>232,618</b>	<b>216,278</b>	<b>5,977</b>	<b>6,291</b>	<b>677,862</b>

The carrying amounts of the Group's right-of-use assets and the movements during the reporting period are presented in the table below:

	Right-of-use assets				
	Buildings	Facilities	Plant and equipment	Other	Total
<b>Balance as at 31 December 2019</b>	<b>1,733</b>	<b>3,280</b>	<b>1,220</b>	<b>58</b>	<b>6,291</b>
Additions	343	180	19	26	568
Reclassification	(15)	190	(177)	2	-
Depreciation charge	(341)	(355)	(139)	(15)	(850)
Disposals and write-offs	(53)	(12)	(23)	(17)	(105)
<b>Balance as at 30 September 2020</b>	<b>1,667</b>	<b>3,283</b>	<b>900</b>	<b>54</b>	<b>5,904</b>

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including power plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 30 September 2020 such advances amounted to RR 31,207 million (31 December 2019: RR 34,850 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 4,501 million, the capitalisation rate was 7.30 percent (for the three months ended 30 September 2019: RR 7,205 million, the capitalisation rate was 7.84 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 151 million (for the three months ended 30 September 2019: RR 151 million).

**Impairment.** Management has analysed the impact of the COVID-19 pandemic on the current economic situation in which the Group operates, as well as other external and internal factors, in order to detect indicators of impairment of property, plant and equipment or that an impairment loss recognised in previous periods no longer exists or has decreased. The Group's management reviewed the key assumptions used to determine the recoverable amount of cash-generating units as at 31 December 2019 and concluded the following: the group's actual results for the nine months ended 30 September 2020 are in line with the planned indicators, the forecast for tariffs, electricity and capacity prices, the forecast for capital expenditures, and the discount rate have not changed significantly.

(in millions of Russian Rubles unless noted otherwise)

Based on the same assumptions, the Group recognised an impairment loss in the amount of RR 1,074 million for the three months ended 30 September 2020 in respect of additions of property, plant and equipment related to cash-generating units impaired in previous periods (for the three months ended 30 September 2019: 2,414 million). For the three months ended 30 September 2020, the impairment loss was RR 382 million (for the three months ended 30 September 2019: RR 469 million).

**Note 7. Other non-current assets**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Long-term promissory notes	38,419	39,527
Discount on long-term promissory notes	(12,743)	(13,724)
Expected credit loss allowance for long-term promissory notes	(14,025)	(14,025)
<b>Long-term promissory notes, net</b>	<b>11,651</b>	<b>11,778</b>
Cross-currency and interest rate swap	3,618	-
VAT recoverable	1,507	971
Long-term advances to suppliers	1,392	163
Goodwill	481	481
Other non-current assets	6,636	6,460
<b>Total other non-current assets</b>	<b>25,285</b>	<b>19,853</b>

As at 31 December 2019, a liability in the amount of RR 820 million in respect of the cross-currency and interest rate swap arrangement with PJSC VTB Bank is included in other non-current liabilities (Note 16).

**Note 8. Cash and cash equivalents**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Cash equivalents	57,758	25,559
Cash at bank	16,336	15,472
Cash in hand	19	16
<b>Total cash and cash equivalents</b>	<b>74,113</b>	<b>41,047</b>

Cash equivalents held as at 30 September 2020 and 31 December 2019 comprised short-term bank deposits with original maturities of three months or less.

**Note 9. Accounts receivable and prepayments**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Trade receivables	67,304	65,358
Expected credit loss allowance for trade receivables	(31,609)	(29,863)
<b>Trade receivables, net</b>	<b>35,695</b>	<b>35,495</b>
<b>VAT recoverable</b>	<b>10,679</b>	<b>9,570</b>
Advances to suppliers and other prepayments	5,237	5,172
Provision for impairment of advances to suppliers and other prepayments	(856)	(754)
<b>Advances to suppliers and other prepayments, net</b>	<b>4,381</b>	<b>4,418</b>
Other receivables	9,915	9,332
Expected credit loss allowance for other receivables	(5,326)	(5,216)
<b>Other receivables, net</b>	<b>4,589</b>	<b>4,116</b>
<b>Government grants receivables</b>	<b>1,238</b>	<b>652</b>
<b>Total accounts receivable and prepayments</b>	<b>56,582</b>	<b>54,251</b>

The Group does not hold any accounts receivable pledged as collateral.

**Note 10. Inventories**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Fuel	23,952	22,491
Materials and supplies	10,819	8,984
Spare parts	3,944	2,882
Other materials	486	223
<b>Total inventories before provision for impairment</b>	<b>39,201</b>	<b>34,580</b>
Provision for impairment of inventories	(149)	(194)
<b>Total inventories</b>	<b>39,052</b>	<b>34,386</b>

There are no inventories pledged as collateral for borrowings as at 30 September 2020 and as at 31 December 2019.

**Note 11. Other current assets**

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Deposits</b>	<b>34,021</b>	<b>46,801</b>
<b>Special funds</b>	<b>13,785</b>	<b>9,100</b>
Loans issued	3,565	2,764
Expected credit loss allowance for loans issued	(3,535)	(2,739)
<b>Loans issued, net</b>	<b>30</b>	<b>25</b>
<b>Other short-term investments</b>	<b>101</b>	<b>57</b>
<b>Total other current assets</b>	<b>47,937</b>	<b>55,983</b>

As at 30 September 2020 the balance of special funds in the amount of RR 13,785 million received by the Group to fund construction of generating facilities, is placed to the special accounts of the Federal Treasury of Russia (as at 31 December 2019 года: RR 9,100 million). These special funds may be used by the Group only upon approval by the Federal Treasury of Russia according to the authorisation procedure, prescribed by the Order of the Ministry of Finance of the Russian Federation No. 213n dated 25 December 2015.

**Note 12. Equity**

	<b>Number of issued and fully paid ordinary shares (Par value of RR 1.00)</b>
As at 30 September 2020	439 288 905 849
As at 31 December 2019	426,288,813,551

**Additional share issue 2018–2020.** On 21 June 2018, the Board of Directors of the Company adopted a resolution to make a placement of 14,013,888,828 ordinary shares by open subscription. The placement price of the additional shares was determined at RR 1.00 per share. On 27 August 2018, the Decision on additional issue of securities and the Prospectus were registered with the Bank of Russia. In April – May 2019 during the pre-emptive right period the Company placed 7,000,092,298 additional shares at the price of RR 1.00 per share, in May – June 2020 6,000,000,000 shares of this issue were placed.

On 14 September 2020 the results of the additional share issue were registered. 13,000,092,298 shares were placed as a result of the additional issue which represents 92.77 percent of the additional issue's total number of shares registered. Of the total number of placed additional shares including 13,000,000,000 shares were purchased by the Russian Federation, represented by the Federal Agency for State Property Management. The shares issued were fully paid for in cash.

**Treasury shares.** As at 30 September 2020 treasury shares were represented by 3,852,259,324 ordinary shares in the amount of RR 4,613 million (31 December 2019: 3,852,259,324 ordinary shares in the amount of RR 4,613 million).

**Changes in non-controlling interest.** The change in non-controlling interest for the nine months ended 30 September 2020 is due to changes in the Group's structure (Note 1). As a result of the asset swap transaction with LLC MK Donalink a negative non-controlling interest in the amount of RR 1,482 million was disposed of. The fair value of the Group assets transferred in exchange for 41.98 percent of PJSC DEK shares comprised RR 5,640 million. The difference between the carrying amount of the non-controlling interest disposed and the fair value of the assets transferred is recognised in retained earnings.

As a result of the sale of CJSC MEK a negative non-controlling interest in the amount of RR 24 million was disposed of.

For the nine months ended 30 September 2019 non-controlling interest decreased by RR 652 million. The decrease was due to changes in the Group structure which did not have a significant impact on the condensed consolidated interim financial information.

**Foreign currency translation reserve.** As a result of the sale of the subsidiary CJSC MEK (Note 1), the Accumulated loss on foreign translation reserve in amount of RR 348 million related to the translation to the reporting currency of the assets and liabilities of the subsidiary denominated in Armenian drams was recycled to profit or loss.

**Dividends.** On 30 September 2020, the Company declared dividends for the year ended 31 December 2019 of RR 0.0357 per share in the total amount of RR 15,674 million (RR 15,537 million excluding dividends to subsidiaries). On 28 June 2019, the Company declared dividends for the year ended 31 December 2018 of RR 0.0367 per share in the total amount of RR 15,919 million (RR 15,775 million excluding dividends to subsidiaries).

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to RR 181 million for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: RR 128 million).

### **Note 13. Income tax**

Income tax expense is recognised based on the management's best estimate as of the reporting date of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional, one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the nine months ended 30 September 2020 was 19 percent (for the nine months ended 30 September 2019: 27 percent).

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
Current income tax expense	11,924	10,784	2,839	3,074
Deferred income tax expense	2,420	2,060	926	1,325
<b>Total income tax expense</b>	<b>14,344</b>	<b>12,844</b>	<b>3,765</b>	<b>4,399</b>



**Note 14. Current and non-current debt**

*Non-current debt*

	Due date	30 September 2020	31 December 2019
PJSC Bank VTB	2020-2025	49,288	51,361
PJSC Sberbank	2020-2026	20,305	18,010
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	2021	20,164	20,492
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	2022	19,936	20,314
Eurobonds in Chinese Yuan (RusHydro Capital Markets DAC) issued in November 2018	2021	17,856	13,294
Eurobonds (RusHydro Capital Markets DAC) issued in November 2019	2024	15,237	14,962
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018	2022	15,180	15,485
PJSC ROSBANK	2020-2022	10,306	9,371
Bank GPB (JSC)	2020-2027	5,910	4,602
JSC Far East Development Fund	2020-2026	4,263	4,819
JSC Russian regional development bank	2020-2026	2,870	355
Russian bonds (PJSC RusHydro) issued in February 2013	2023	1,847	1,751
Municipal authority of Kamchatka region	2020–2034	1,657	1,559
Russian bonds (PJSC RusHydro) issued in June 2017	-	-	10,036
Other long-term debt	-	4,333	4,110
Lease liabilities	-	7,315	7,331
<b>Total</b>		<b>196,467</b>	<b>197,852</b>
Less current portion of non-current debt		(45,742)	(33,876)
Less current portion of lease liabilities		(2,040)	(1,448)
<b>Total non-current debt</b>		<b>148,685</b>	<b>162,528</b>

*Current debt*

	30 September 2020	31 December 2019
Bank GPB (JSC)	2,945	1,730
PJSC ROSBANK	2,156	-
JSC Russian regional development bank	1,800	-
Municipal authority of Kamchatka region	750	-
PJSC Sberbank	589	2,381
Other current debt	1,581	-
Current portion of non-current debt	45,742	33,876
Short term of lease liabilities	2,040	1,448
<b>Total current debt and current portion of non-current debt</b>	<b>57,603</b>	<b>39,435</b>
<i>Reference:</i>		
Interest payable	1,299	1,907

**Bonds redemption.** Interest-bearing non-convertible bonds with a nominal value of RR 10,000 million issued in June 2017 were repaid in June 2020.

**Compliance with covenants.** The Group is subject to certain covenants under its loan agreements. As at 30 September 2020 and 31 December 2019 and during the reporting period, the Group met all required covenant clauses of the loan agreements.

**Note 15. Non-deliverable forward contract for shares**

	<b>The fair value of the forward contract</b>
<b>As at 31 December 2019</b>	<b>28,510</b>
Change in the fair value of the non-deliverable forward contract for shares (Note 22)	(11,784)
Interim payments	(2,072)
<b>As at 30 September 2020</b>	<b>14,654</b>

The table below includes key assumptions made to determine the forward contract's fair value using the Monte-Carlo model:

<b>Key assumptions made to assess the forward contract's fair value</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
Expected term of the forward transaction	4.42 years	5.18 years
Market value of the share	RR 0.7605	RR 0.5601
CB RF key refinancing rate	4.25 percent	6.25 percent
Volatility of shares	29.39 percent	25.62 percent
Risk-free rate	5.48 percent	6.15 percent
Discount rate	6.02 percent	6.67 percent
Expected dividend yield	7.00 percent	7.00 percent

The sensitivity analysis of the fair value of the forward contract to the key assumptions is presented in Note 26.

**Note 16. Other non-current liabilities**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Pension benefit obligations	9,382	8,732
Non-current advances received	5,174	1,521
Cross-currency and interest rate swap	-	820
Other non-current liabilities	12,231	11,293
<b>Total other non-current liabilities</b>	<b>26,787</b>	<b>22,366</b>

As at 30 September 2020, an asset in the amount of RR 3,618 million in respect of the cross-currency and interest rate swap arrangement with PJSC VTB Bank is included in other non-current assets (Note 7).

**Note 17. Accounts payable and accruals**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Trade payables	28,853	28,935
Dividends payable	15,640	163
Advances received	10,373	14,884
Settlements with personnel	6,951	9,913
Accounts payable on free-of-charge targeted contributions	3,421	-
Accounts payable under factoring agreements	-	498
Other accounts payable	4,724	5,252
<b>Total accounts payable and accruals</b>	<b>69,962</b>	<b>59,645</b>

Accounts payable on free-of-charge targeted contributions as at 30 September 2020 represents the amounts payable to the constituent budgets of the Far East Federal region according to Russian Government Resolution No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region", which stipulates the application of a premium to the price of capacity provided by the Company in the price zones of the wholesale electricity and capacity market with subsequent transfer of the amounts collected to the constituent budgets of the Far East Federal region in the form of free-of-charge targeted contributions.

**Note 18. Other taxes payable**

	<b>30 September 2020</b>	<b>31 December 2019</b>
VAT	12,779	9,818
Insurance contributions	2,692	3,461
Property tax	2,242	2,484
Other taxes	574	676
<b>Total other taxes payable</b>	<b>18,287</b>	<b>16,439</b>

**Note 19. Revenue**

	<b>Nine months ended 30 September</b>		<b>Three months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Sales of electricity and capacity in the retail market	121,476	110,302	37,552	32,092
Sales of electricity in the wholesale market	63,951	65,744	20,134	22,081
Sales of capacity in the wholesale market	43,168	34,997	15,188	11,556
Sales of heat and hot water	27,829	27,113	3,094	3,082
Rendering services for electricity transportation	11,400	10,250	3,569	3,313
Rendering services for connections to the grid	1,625	2,086	910	1,799
Other revenue	7,318	7,792	2,454	3,471
<b>Total revenue</b>	<b>276,767</b>	<b>258,284</b>	<b>82,901</b>	<b>77,394</b>

Other revenue includes revenue earned from rendering of construction, repairs and other services.

For the nine months ended 30 September 2020 the Group's revenue recognised over time comprised RR 267,824 million (for the nine months ended 30 September 2019: RR 248,406 million), recognised at a point in time – RR 8,943 million (for the nine months ended 30 September 2019: RR 9,878 million).

For the three months ended 30 September 2020 the Group's revenue recognised over time comprised RR 79,537 million (for the three months ended 30 September 2019: RR 72,124 million), recognised at a point in time – RR 3,364 million (for the three months ended 30 September 2019: RR 5,270 million).

**Note 20. Government grants**

In accordance with legislation of the Russian Federation, several companies of the Group are entitled to government subsidies for compensation of the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel, purchased electricity and capacity.

During the nine months ended 30 September 2020, the Group received government subsidies of RR 34,466 million (for the nine months ended 30 September 2019: RR 29,336 million). During the three months ended 30 September 2020, the Group received government subsidies of RR 10,275 million (for the three months ended 30 September 2019: RR 10,092 million). The subsidies were received in the following territories: Kamchatsky territory, Sakha Republic (Yakutia), Magadan Region, Chukotka Autonomous Area and other Far East regions.

The total amount of government grants received by the Group companies – guaranteeing suppliers, under the Resolution of the Russian Government No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region", for the nine months ended 30 September 2020 was RR 21,696 million (for the nine months ended 30 September 2019: RR 18,263 million). For the three months ended 30 September 2020 these subsidies amounted to RR 7,232 million (for the three months ended 30 September 2019: RR 6,087 million).

**Note 21. Operating expenses (excluding impairment losses)**

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
Employee benefit expenses (including payroll taxes and pension benefit expenses)	57,898	57,383	18,293	18,308
Fuel expenses	48,372	49,905	11,269	11,871
Purchased electricity and capacity	37,815	33,957	13,615	9,385
Grid companies services on electricity distribution	27,044	27,548	8,553	8,725
Depreciation of property, plant and equipment and amortisation of intangible assets	21,235	18,894	7,316	6,434
Taxes other than on income	9,672	8,687	3,105	2,942
Other materials	8,295	7,788	3,856	3,626
Third parties services, including:				
Repairs and maintenance	4,497	5,136	2,224	2,436
Support of electricity and capacity market operation	3,196	2,981	1,115	1,019
Security expenses	2,898	2,674	977	906
Purchase and transportation of heat power	2,658	2,029	709	698
Insurance cost	1,711	1,746	534	555
Services of subcontracting companies	1,640	1,334	851	578
Consulting, legal and information expenses	1,351	991	479	345
Rent	656	678	237	243
Transportation expenses	581	932	273	591
Other third parties services	5,284	6,542	1,475	2,778
Water usage expenses	3,897	3,165	1,263	1,124
Social charges	783	744	198	235
Purchase of oil products for sale	649	789	300	754
Travel expenses	476	754	173	283
Loss / (profit) on disposal of property, plant and equipment, net	473	261	186	(41)
Other expenses	1,314	1,703	781	423
<b>Total operating expenses (excluding impairment losses)</b>	<b>242,395</b>	<b>236,621</b>	<b>77,782</b>	<b>74,218</b>

**Note 22. Finance income, costs**

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
<i>Finance income</i>				
Change of fair value of non-deliverable forward contract for shares (Note 15)	11,784	995	3,409	-
Change of fair value of cross-currency and interest rate swap	4,371	-	2,755	-
Interest income	3,883	4,607	1,149	1,222
Income on discounting	475	1,408	246	233
Foreign exchange gain	137	1,746	57	257
Other income	104	111	40	33
<b>Total finance income</b>	<b>20,754</b>	<b>8,867</b>	<b>7,656</b>	<b>1,745</b>
<i>Finance costs</i>				
Interest expense	(5,911)	(3,665)	(1,960)	(1,284)
Foreign exchange loss	(4,170)	(35)	(2,568)	-
Interest expense on lease liabilities	(428)	(422)	(149)	(143)
Expense on discounting	(273)	(216)	(165)	(41)
Change of fair value of cross-currency and interest rate swap	-	(2,065)	-	(372)
Change in fair value of the non-deliverable forward contract for shares	-	-	-	(2,817)
Other costs	(617)	(619)	(230)	(192)
<b>Total finance costs</b>	<b>(11,399)</b>	<b>(7,022)</b>	<b>(5,072)</b>	<b>(4,849)</b>

**Note 23. Capital commitments**

In accordance with consolidated investment programme approved under the consolidated business plan of the Group, as of 30 September 2020 the Group has to invest RR 492,716 million for the period 2020–2024 for reconstruction of the existing and construction of new power plants and grids, including capital commitments for 2020 in the amount of RR 62,681 million, for 2021 – RR 110,631 million, for 2022 – RR 117,644 million, for 2023 – RR 102,280 million, for 2024 – RR 99,479 million (31 December 2019: RR 343,747 million for the period 2020–2024).

**Note 24. Contingencies**

**Social commitments.** The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services and other social needs in the geographical areas in which it operates. Management believes that there are no material liabilities that should have been recognised at the reporting date.

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

**Legal proceedings.** The Group's subsidiaries are parties to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position and results of the Group.

**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, tax administration is gradually strengthening. Consequently, tax positions taken by management may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. The impact of this course of events cannot be assessed with sufficient reliability, but it can be significant in terms of the financial situation and / or the business of the Group.

In 2020 the Company joined the tax monitoring system (a new form of interaction with the tax authorities that does not involve in-house or on-site inspections, as a general rule). Nevertheless, an on-site inspection of the Company can be made with regard to open periods (2018 and 2019 years). Within the tax monitoring

framework, the Company may request a reasoned opinion of the tax authority on certain controversial tax issues. A reasoned opinion is binding on both the tax authorities and the Company.

In respect of subsidiaries of the Group fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions with related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

Management has implemented internal controls to be in compliance with this transfer pricing legislation. In case of receipt of a request from tax authorities, the management of the Group will provide documentation meeting the requirements of Art. 105.15 of the Tax Code for periods that are open for the review of the completeness of tax calculation and payment in accordance with the Chapter 14.5 of the Tax Code.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer 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 overall operations of the Group.

Changes aimed at countering tax evasions have been added to the Russian tax legislation and became effective from 1 January 2015. Specifically, they introduce rules for controlled foreign companies and the concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation. Also, the provisions introduce the rules for determining tax residency for foreign legal entities at the place of their actual management (if a foreign company is recognised as a Russian tax resident, the whole amount of such company's income will be subject to taxation in Russia).

The Group takes necessary steps to comply with these changes of the Russian tax legislation. However, there are no sustainable practices yet as to how to apply these rules; therefore, at present, it does not seem practicable to reliably estimate the probability of claims from Russian tax authorities in relation to the compliance of the Group's companies with these changes and the probability of positive outcome of tax disputes (if any). Tax disputes (if any) may have an impact on the Group's overall financial position and results of operations.

Management believes that as at 30 September 2020, its interpretation of the relevant legislation was appropriate and the Group's tax positions would be sustained.

**Environmental matters.** The Group companies and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group companies periodically evaluate their obligations under environmental regulations. The assets retirement obligation for ash dumps used by the Group comprised RR 1,710 million as at 30 September 2020 (31 December 2019: RR 1,779 million) and is recognised in other non-current liabilities.

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

## **Note 25. Financial instruments and financial risk management**

**Financial risks.** The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

This Condensed Consolidated Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements; it should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019.

There have been no changes in the Group's risk management policies during the nine months ended 30 September 2020.

**Presentation of financial instruments by measurement category.** The following table provides a reconciliation of classes of financial assets with the measurement categories of IFRS 9, Financial instruments and information about the balance of special funds held on the accounts at the Federal Treasury as at 30 September 2020 and 31 December 2019.

<b>As at 30 September 2020</b>	<b>Financial assets at amortised cost</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
<b>Assets</b>				
<b>Other non-current assets (Note 7)</b>	<b>12,456</b>	<b>3,618</b>	-	<b>16,074</b>
Promissory notes	11,651	-	-	11,651
Cross currency and interest rate swap	-	3,618	-	3,618
Long-term receivables	359	-	-	359
Long-term loans issued	446	-	-	446
<b>Financial assets at fair value through profit or loss</b>	<b>-</b>	<b>2</b>	-	<b>2</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>-</b>	-	<b>369</b>	<b>369</b>
<b>Trade and other receivables (Note 9)</b>	<b>39,841</b>	-	-	<b>39,841</b>
Trade receivables	35,695	-	-	35,695
Other financial receivables	4,146	-	-	4,146
<b>Other current assets (Note 11)</b>	<b>47,836</b>	-	-	<b>47,836</b>
Special funds	13,785	-	-	13,785
Deposits	34,021	-	-	34,021
Short-term loans issued	30	-	-	30
<b>Cash and cash equivalents (Note 8)</b>	<b>74,113</b>	-	-	<b>74,113</b>
<b>Total financial assets</b>	<b>174,246</b>	<b>3,620</b>	<b>369</b>	<b>178,235</b>
<b>Non-financial assets</b>				<b>797,157</b>
<b>Total assets</b>				<b>975,392</b>

As at 31 December 2019	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
<b>Assets</b>				
<b>Other non-current assets (Note 7)</b>	<b>12,616</b>	-	-	<b>12,616</b>
Promissory notes	11,778	-	-	11,778
Long-term receivables	364	-	-	364
Long-term loans issued	474	-	-	474
<b>Financial assets at fair value through profit or loss</b>	-	<b>3</b>	-	<b>3</b>
<b>Financial assets at fair value through other comprehensive income</b>	-	-	<b>418</b>	<b>418</b>
<b>Trade and other receivables (Note 9)</b>	<b>39,084</b>	-	-	<b>39,084</b>
Trade receivables	35,495	-	-	35,495
Other financial receivables	3,589	-	-	3,589
<b>Other current assets (Note 11)</b>	<b>55,926</b>	-	-	<b>55,926</b>
Special funds	9,100	-	-	9,100
Deposits	46,801	-	-	46,801
Short-term loans issued	25	-	-	25
<b>Cash and cash equivalents (Note 8)</b>	<b>41,047</b>	-	-	<b>41,047</b>
<b>Total financial assets</b>	<b>148,673</b>	<b>3</b>	<b>418</b>	<b>149,094</b>
<b>Non-financial assets</b>				<b>772,919</b>
<b>Assets of disposal group classified as held for sale</b>				<b>3,106</b>
<b>Total assets</b>				<b>925,119</b>

As at 30 September 2020 financial liabilities of the Group carried at fair value are represented by the non-deliverable forward contract for shares in the amount of RR 14,654 million (Note 15) (31 December 2019: RR 28,510 million) and by cross currency and interest rate swap in the amount of RR 820 million as at 31 December 2019.

All other financial liabilities of the Group are carried at amortised cost and are represented mainly by the current and non-current debt (Note 14), trade payables, accounts payable under factoring agreements and other accounts payable (Note 16, 17).



**Note 26. Fair value of assets and liabilities**

**a) Recurring fair value measurements**

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised, are as follows:

<b>30 September 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Equity investments: Financial assets at fair value through profit or loss	2	-	-	2
Equity investments: Financial assets at fair value through other comprehensive income	-	-	369	369
Cross currency and interest rate swap	-	-	3,618	3,618
<b>Total assets requiring recurring fair value measurements</b>	<b>2</b>	<b>-</b>	<b>3,987</b>	<b>3,989</b>
<b>Financial liabilities</b>				
Non-deliverable forward contract for shares	-	-	14,654	14,654
<b>Total liabilities requiring recurring fair value measurements</b>	<b>-</b>	<b>-</b>	<b>14,654</b>	<b>14,654</b>
<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Equity investments: Financial assets at fair value through profit or loss	3	-	-	3
Equity investments: Financial assets at fair value through other comprehensive income	-	-	418	418
<b>Total assets requiring recurring fair value measurements</b>	<b>3</b>	<b>-</b>	<b>418</b>	<b>421</b>
<b>Financial liabilities</b>				
Non-deliverable forward contract for shares	-	-	28,510	28,510
Cross currency and interest rate swap	-	-	820	820
<b>Total liabilities requiring recurring fair value measurements</b>	<b>-</b>	<b>-</b>	<b>29,330</b>	<b>29,330</b>

There were no changes in the valuation techniques, inputs and assumptions for recurring fair value measurements during the nine months ended 30 September 2020.

As at 30 September 2020 and 31 December 2019 the fair value of the non-deliverable forward contract for shares is determined based on the Monte-Carlo model, taking into account adjustments and using unobservable inputs, and is included in Level 3 of fair value hierarchy (Note 15).

The valuation of the Level 3 financial liability and the related sensitivity to reasonably possible changes in unobservable and observable inputs are as follows as at 30 September 2020 and 31 December 2019:

	Fair value	Valuation technique	Significant unobservable/observable inputs	Reasonably possible change	Reasonably possible values	Change of fair value measurement
<b>Financial liability</b>						
<b>As at 30 September 2020</b>						
Non-deliverable forward contract for shares	14,654	Monte-Carlo model	Dividend yield	-2%	5.00 percent	(901)
			Market value of the share	+2%	9.00 percent	795
				-20%	RR 0.6084	7,447
				+20%	RR 0.9126	(7,616)
<b>As at 31 December 2019</b>						
Non-deliverable forward contract for shares	28,510	Monte-Carlo model	Dividend yield	-2%	5.00 percent	(338)
			Market value of the share	+2%	9.00 percent	687
				-20%	RR 0.4481	5,713
				+20%	RR 0.6721	(5,481)

Based on management's assessment, possible changes of unobservable inputs do not have a significant impact on the fair value of the non-deliverable forward contract.

The estimated fair value of the non-deliverable forward contract is significantly influenced by observable inputs, in particular, by the market value of the shares which was RR 0.7605 as at 30 September 2020 (31 December 2019: RR 0.5601) (Note 15).

**b) Assets and liabilities not measured at fair value but for which fair value is disclosed**

**Financial assets carried at amortised cost.** The Group considers that the fair value of cash (Level 1 of the fair value hierarchy), cash equivalents and short-term deposits (Level 2 of the fair value hierarchy), short-term accounts receivable (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value of long-term accounts receivable, other non-current and current assets is estimated based on future cash flows expected to be received, discounted at current interest rates, including expected losses (Level 3 of the fair value hierarchy); the fair value of these assets approximates their carrying value.

**Liabilities carried at amortised cost.** The fair value of floating rate liabilities approximates their carrying value. The fair value of bonds is based on quoted market prices (Level 1 of the fair value hierarchy). Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy).

The fair value of current liabilities carried at amortised cost approximates their carrying value.

As at 30 September 2020 the fair value of bonds exceeded their carrying value by RR 2,474 million. As at 31 December 2019 the carrying value of bonds exceeded their fair value by RR 2,919 million.

As at 30 September 2020 the carrying value of non-current fixed rate debt was RR 71,169 million, which was less than its fair value by RR 214 million (31 December 2019: the carrying value of non-current fixed rate debt was RR 69,434 million and exceeded its fair value by RR 922 million).

**Note 27. Subsequent events**

There were no significant subsequent events that can influence the Group's financial position, cash flows or operating results which took place during the period between reporting date and date of signing of the Group's condensed consolidated interim financial information for the the three and nine months ended 30 September 2020 prepared in accordance to IFRS.