



**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 2016**

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



	Note	30 September 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	774,180	744,585
Investments in associates and joint ventures		14,664	14,142
Available-for-sale financial assets	7	17,317	6,094
Deferred income tax assets		5,477	5,486
Other non-current assets	8	18,383	21,402
<b>Total non-current assets</b>		<b>830,021</b>	<b>791,709</b>
<b>Current assets</b>			
Cash and cash equivalents	9	54,383	48,025
Income tax receivable		1,412	1,396
Accounts receivable and prepayments	10	43,354	49,646
Inventories	11	27,683	23,999
Other current assets	12	19,387	22,574
		<b>146,219</b>	<b>145,640</b>
Non-current assets and assets of disposal group classified as held for sale	8,13	6,653	788
<b>Total current assets</b>		<b>152,872</b>	<b>146,428</b>
<b>TOTAL ASSETS</b>		<b>982,893</b>	<b>938,137</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	386,255	386,255
Treasury shares	14	(22,578)	(26,092)
Share premium		39,202	39,202
Retained earnings and other reserves		243,491	203,114
<b>Equity attributable to the shareholders of PJSC RusHydro</b>		<b>646,370</b>	<b>602,479</b>
Non-controlling interest	14	2,936	11,440
<b>TOTAL EQUITY</b>		<b>649,306</b>	<b>613,919</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		39,541	37,034
Non-current debt	16	162,882	135,179
Other non-current liabilities		14,113	14,551
<b>Total non-current liabilities</b>		<b>216,536</b>	<b>186,764</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	16	53,747	62,214
Accounts payable and accruals	17	46,339	60,307
Current income tax payable		123	898
Other taxes payable	18	12,137	14,035
		<b>112,346</b>	<b>137,454</b>
Liabilities of disposal group classified as held for sale	13	4,705	-
<b>Total current liabilities</b>		<b>117,051</b>	<b>137,454</b>
<b>TOTAL LIABILITIES</b>		<b>333,587</b>	<b>324,218</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>982,893</b>	<b>938,137</b>

Chairman of Management Board – General Director

N. G. Shulginov

Chief Accountant

Y. G. Medvedeva



15 December 2016

**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	
		2016	2015	2016	2015
Revenue	19	268,644	245,083	80,783	74,295
Government grants	20	10,214	8,188	3,735	2,668
Other operating income		2,132	6,792	77	5,033
Operating expenses (excluding impairment losses)	21	(226,954)	(226,069)	(68,124)	(71,500)
<b>Operating profit excluding impairment losses</b>		<b>54,036</b>	<b>33,994</b>	<b>16,471</b>	<b>10,496</b>
Impairment of impairment of accounts receivable, net		(4,244)	(148)	(1,100)	637
Impairment of property, plant and equipment, net		(2,983)	(2,240)	(1,104)	(904)
<b>Operating profit</b>		<b>46,809</b>	<b>31,606</b>	<b>14,267</b>	<b>10,229</b>
Finance income	22	7,237	9,837	1,718	2,561
Finance costs	22	(6,137)	(10,284)	(1,823)	(5,103)
Profit in respect of associates and joint ventures		928	1,896	370	447
<b>Profit before income tax</b>		<b>48,837</b>	<b>33,055</b>	<b>14,532</b>	<b>8,134</b>
Total income tax expense	15	(11,437)	(8,957)	(2,607)	(2,618)
<b>Profit for the period</b>		<b>37,400</b>	<b>24,098</b>	<b>11,925</b>	<b>5,516</b>
Attributable to:					
Shareholders of PJSC RusHydro		39,077	30,153	12,363	8,491
Non-controlling interest		(1,677)	(6,055)	(438)	(2,975)
Earnings per ordinary share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	23	0.1065	0.0827	0.0337	0.0233
Weighted average number of shares outstanding – basic and diluted (millions of shares)	23	367,050	364,469	367,403	364,469

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



	Note	Nine months ended 30 September		Three months ended 30 September	
		2016	2015	2016	2015
Profit for the period		37,400	24,098	11,925	5,516
<b>Other comprehensive income, net of tax:</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement of pension benefit obligations		(525)	(1,038)	-	-
Other comprehensive loss		(45)	(2)	(10)	(44)
<b>Total items that will not be reclassified to profit or loss</b>		<b>(570)</b>	<b>(1,040)</b>	<b>(10)</b>	<b>(44)</b>
<i>Items that may be reclassified subsequently to profit or loss</i>					
Gain / (loss) arising on available-for-sale financial assets	7	11,172	1,914	3,693	(782)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>11,172</b>	<b>1,914</b>	<b>3,693</b>	<b>(782)</b>
<b>Other comprehensive income / (loss) for the period</b>		<b>10,602</b>	<b>874</b>	<b>3,683</b>	<b>(826)</b>
<b>Total comprehensive income for the period</b>		<b>48,002</b>	<b>24,972</b>	<b>15,608</b>	<b>4,690</b>
Attributable to:					
Shareholders of PJSC RusHydro		49,783	31,367	16,034	7,665
Non-controlling interest		(1,781)	(6,395)	(426)	(2,975)

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



	Note	Nine months ended 30 September	
		2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Profit before income tax</b>		<b>48,837</b>	<b>33,055</b>
Depreciation of property, plant and equipment and intangible assets	6, 21	18,234	16,983
Loss on disposal of property, plant and equipment, net	21	307	2,463
Profit in respect of associates and joint ventures		(928)	(1,896)
Other operating income		(2,132)	(6,792)
Finance income	22	(7,237)	(9,837)
Finance costs	22	6,137	10,284
Impairment of property, plant and equipment, net		2,983	2,240
Impairment of accounts receivable, net		4,244	148
Pension expenses		15	227
Other expenses		125	5
<b>Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities</b>		<b>70,585</b>	<b>46,880</b>
Working capital changes:			
(Increase) / decrease in accounts receivable and prepayments		(456)	1,264
Increase in inventories		(3,873)	(4,629)
Increase in other current assets		(5,330)	(94)
Decrease in accounts payable and accruals		(8,092)	(536)
Decrease in other taxes payable		(1,604)	(578)
Decrease / (increase) in other non-current assets		975	(546)
(Decrease) / increase in other non-current liabilities		(1,369)	2,788
Income tax paid		(9,699)	(6,767)
<b>Net cash generated by operating activities</b>		<b>41,137</b>	<b>37,782</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(40,674)	(58,586)
Proceeds from sale of property, plant and equipment		81	722
Reclass of cash of disposal group	13	(253)	-
Investment in bank deposits and purchase of other investments		(10,382)	(48,985)
Redemption of bank deposits and proceeds from sale of other investments		25,118	50,036
Placement of special funds on special accounts	12	(6,998)	-
Purchase of shares of subsidiary		(414)	-
Purchase of subsidiaries from third parties, net of cash acquired		-	(651)
Proceeds from sale of investments in associates		-	81
Proceeds from sale of subsidiaries, net of disposed cash		-	60
Interest received		5,619	6,674
<b>Net cash used in investing activities</b>		<b>(27,903)</b>	<b>(50,649)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from current debt	16	57,499	58,874
Proceeds from non-current debt	16	45,630	34,269
Repayment of debt	16	(79,709)	(48,705)
Interest paid		(15,030)	(13,567)
Dividends paid to the shareholders of PJSC RusHydro		(14,226)	(5,685)
Dividends paid by subsidiaries to non-controlling interest holders		(242)	(30)
Finance lease payments		(405)	(505)
<b>Net cash (used in) / generated by financing activities</b>		<b>(6,483)</b>	<b>24,651</b>
Effect of foreign exchange differences on cash and cash equivalents balances		(393)	348
<b>Increase in cash and cash equivalents</b>		<b>6,358</b>	<b>12,132</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>48,025</b>	<b>34,394</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>54,383</b>	<b>46,526</b>

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

**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	Available-for-sale financial assets	Remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
<b>As at 1 January 2015</b>		<b>386,255</b>	<b>(26,092)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(362)</b>	<b>190,476</b>	-	<b>1,721</b>	<b>122,796</b>	<b>578,921</b>	<b>16,230</b>	<b>595,151</b>
Profit for the period		-	-	-	-	-	-	-	-	30,153	30,153	(6,055)	24,098
Gain arising on available-for-sale financial assets		-	-	-	-	-	-	1,912	-	-	1,912	2	1,914
Remeasurement of pension benefit obligations		-	-	-	-	-	-	-	(696)	-	(696)	(342)	(1,038)
Other comprehensive loss		-	-	-	-	1	(1)	-	-	(2)	(2)	-	(2)
Total other comprehensive income		-	-	-	-	1	(1)	1,912	(696)	(2)	1,214	(340)	874
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>(1)</b>	<b>1,912</b>	<b>(696)</b>	<b>30,151</b>	<b>31,367</b>	<b>(6,395)</b>	<b>24,972</b>
Dividends	14	-	-	-	-	-	-	-	-	(5,710)	(5,710)	(134)	(5,844)
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	138	138
Disposal of investments in associates		-	-	-	-	-	-	-	-	-	-	(8)	(8)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(488)	-	-	488	-	-	-
<b>As at 30 September 2015</b>		<b>386,255</b>	<b>(26,092)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(361)</b>	<b>189,987</b>	<b>1,912</b>	<b>1,025</b>	<b>147,725</b>	<b>604,578</b>	<b>9,831</b>	<b>614,409</b>
<b>As at 1 January 2016</b>		<b>386,255</b>	<b>(26,092)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(474)</b>	<b>188,552</b>	<b>1,952</b>	<b>689</b>	<b>147,470</b>	<b>602,479</b>	<b>11,440</b>	<b>613,919</b>
Profit for the period		-	-	-	-	-	-	-	-	39,077	39,077	(1,677)	37,400
Gain arising on available-for-sale financial assets		-	-	-	-	-	-	11,095	-	-	11,095	77	11,172
Remeasurement of pension benefit obligations		-	-	-	-	-	-	-	(330)	-	(330)	(195)	(525)
Other comprehensive loss		-	-	-	-	(73)	15	-	-	(1)	(59)	14	(45)
Total other comprehensive income		-	-	-	-	(73)	15	11,095	(330)	(1)	10,706	(104)	10,602
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73)</b>	<b>15</b>	<b>11,095</b>	<b>(330)</b>	<b>39,076</b>	<b>49,783</b>	<b>(1,781)</b>	<b>48,002</b>
Purchase of shares of PJSC RAO ES East	14	-	3,514	-	-	-	-	-	-	4,872	8,386	(6,694)	1,692
Dividends	14	-	-	-	-	-	-	-	-	(14,278)	(14,278)	(242)	(14,520)
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	213	213
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(472)	-	-	472	-	-	-
<b>As at 30 September 2016</b>		<b>386,255</b>	<b>(22,578)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(547)</b>	<b>188,095</b>	<b>13,047</b>	<b>359</b>	<b>177,612</b>	<b>646,370</b>	<b>2,936</b>	<b>649,306</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 referred to as “the Group”) are generation and sale of electricity and capacity on the Russian wholesale and retail markets, as well as generation and sale of heat energy.

**Economic environment in the 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. Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country’s economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia’s credit rating is still below investment grade.

This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure 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.

During the nine months ended 30 September 2016 no substantial changes to the rules of Russian wholesale and retail electricity and capacity markets, their functioning and price setting mechanisms have been made.

**Relations with the Government and current regulation.** As at 30 September 2016 the Russian Federation owned 66.84 percent of the total voting ordinary shares of the Company (31 December 2015: 66.84 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 affects 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.

**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 and procurement in the Group and the way accounts receivable are accrued and repaid has a significant influence on the interim financial statements.

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

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 2015, 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 2015 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 2015 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 and new standards and interpretations that are effective from 1 January 2016.

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 judgments, 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 judgments 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 2015 with the exception of changes in estimates that are required in determining the estimate weighted average annual income tax rate (Note 15) and discount rate for pension benefit obligations as provided below.

***Discount rate.*** Principal actuarial assumptions used in determining pension benefit obligations as at 30 September 2016 remained unchanged in comparison with 31 December 2015 except for the discount rate which decreased from 9.8 percent as at 31 December 2015 to 8.75 percent as at 30 September 2016.

### ***New standards and interpretations***

The Group has adopted all new standards and interpretations that were effective from 1 January 2016. The impact of the adoption of these 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 2017 and after that date applicable to the Group as disclosed in Consolidated Financial Statements as at and for the year ended 31 December 2015, amendments to IFRS 15 were issued in April.

***Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).*** The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the new standard on its 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 non-corporate partnership (LLC).

The Group operates in the three main reportable segments one of which is presented by the Group's parent company – PJSC RusHydro (Note 4). The principal subsidiaries are presented below according to their allocation to the reportable segments as at 30 September 2016 and 31 December 2015.



### **ESC RusHydro subgroup segment**

ESC RusHydro subgroup 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 2016		31 December 2015	
	% of ownership	% of voting	% of ownership	% of voting
JSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
PJSC Krasnoyarskenergosbyt	65.81%	69.40%	65.81%	69.40%
PJSC Ryazan Power Distributing Company	90.52%	90.52%	90.52%	90.52%
JSC Chuvashskaya energy retail company	100.00%	100.00%	100.00%	100.00%
LLC ESC Bashkortostan*	100.00%	-	100.00%	-

\* As at 30 September 2016 LLC ESC Bashkortostan is classified as disposal group (Note 13, 28).

### **RAO ES East subgroup segment**

RAO ES East subgroup segment consists of PJSC RAO ES East and its subsidiaries that generate, distribute and sell electricity and 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:

	30 September 2016		31 December 2015	
	% of ownership	% of voting	% of ownership	% of voting
PJSC RAO ES East*	99.98%	99.98%	85.92%	86.20%
PJSC DEK	52.11%	52.17%	44.92%	52.17%
JSC DGK	52.11%	100.00%	44.92%	100.00%
JSC DRSK	52.11%	100.00%	44.92%	100.00%
PJSC Kamchatskenergo	98.72%	98.74%	84.83%	98.74%
PJSC Magadanenergo**	48.99%	49.00%	42.10%	49.00%
PJSC Sakhalinenergo	57.80%	57.82%	49.67%	57.82%
PJSC Yakutskenergo	79.15%	79.16%	72.21%	79.16%

\* Voting and ownership percent interests in PJSC RAO ES East as at 30 September 2016 include 15.59 percent interest held by the Group's subsidiary LLC Vostok-Finance (31 December 2015: 1.81 percent).

\*\* 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.

Group's share in PJSC RAO ES East and its subsidiaries increased as a result of voluntary and obligatory offers to purchase shares of PJSC RAO ES East (Note 14).

### **Other segments**

Other segments include:

- the Group's subsidiaries with production and sale of electricity and capacity;
- 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 all other segments are presented below:

	30 September 2016		31 December 2015	
	% of ownership	% of voting	% of ownership	% of voting
JSC Blagoveschensk HPP	100.00%	100.00%	100.00%	100.00%
JSC VNIIG	100.00%	100.00%	100.00%	100.00%
JSC Geotherm	99.65%	99.65%	99.65%	99.65%
JSC Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
JSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
JSC Zaramag HS	99.75%	99.75%	99.75%	99.75%
JSC Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
PJSC Kolimaenergo	98.76%	98.76%	98.76%	98.76%
JSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
JSC NIIES	100.00%	100.00%	100.00%	100.00%
JSC Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
JSC Sahalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC HPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
JSC Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
JSC Ust'-Srednekanskaya HPP	99.63%	100.00%	99.63%	100.00%
JSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
JSC ESCO UES	100.00%	100.00%	100.00%	100.00%
JSC Yakutskaya GRES-2	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 consolidated financial statements, is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated and the performance of 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: PJSC RusHydro (the Group's parent company), ESC RusHydro subgroup, RAO ES East subgroup and other segments (Note 3). Transactions of other segments are not disclosed as reportable segments as the performance is 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 estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding insurance indemnity, depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of accounts receivable, loss on disposal of property, plant and equipment, profit / loss on disposal of subsidiary and other non-monetary items of operating expenses. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt's balances are excluded.

Other information provided to the CODM complies with the information presented in the consolidated financial statements.

Intersegment sales are carried out at market prices.

Segment information for the three and nine months ended 30 September 2016 and 30 September 2015 and as at 30 September 2016 and 31 December 2015 is presented below.

**RusHydro Group**
**Notes to the Condensed Consolidated Interim Financial Information as at and for the three and nine months ended 30 September 2016 (unaudited)**

(in millions of Russian Rubles unless noted otherwise)



	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Nine months ended 30 September 2016</b>							
<b>Revenue</b>	<b>86,770</b>	<b>64,946</b>	<b>121,021</b>	<b>17,804</b>	<b>290,541</b>	<b>(21,897)</b>	<b>268,644</b>
<i>including:</i>							
<i>from external companies</i>	79,109	64,921	120,392	4,222	268,644	-	268,644
<i>sales of electricity</i>	57,723	64,101	75,916	460	198,200	-	198,200
<i>sales of heat and hot water sales</i>	105	-	25,583	-	25,688	-	25,688
<i>sales of capacity</i>	20,780	-	6,077	320	27,177	-	27,177
<i>other revenue</i>	501	820	12,816	3,442	17,579	-	17,579
<i>from intercompany operations</i>	7,661	25	629	13,582	21,897	(21,897)	-
Government grants	-	-	10,164	50	10,214	-	10,214
Other operating income	4	1	81	310	396	-	396
Operating expenses (excluding depreciation and other non-monetary items)	(27,290)	(62,817)	(120,931)	(18,195)	(229,233)	20,424	(208,809)
<b>EBITDA</b>	<b>59,484</b>	<b>2,130</b>	<b>10,335</b>	<b>(31)</b>	<b>71,918</b>	<b>(1,473)</b>	<b>70,445</b>
Insurance indemnity	-	-	-	1,736	1,736	-	1,736
Depreciation of property, plant and equipment and intangible assets	(10,285)	(597)	(5,882)	(1,646)	(18,410)	176	(18,234)
Other non-monetary items of operating income and expenses	(3,245)	(1,295)	(2,498)	(96)	(7,134)	(4)	(7,138)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(1,806)	-	(1,177)	-	(2,983)	-	(2,983)
<i>impairment of accounts receivable, net</i>	(1,343)	(1,285)	(1,604)	(12)	(4,244)	-	(4,244)
<i>loss on disposal of property, plant and equipment, net</i>	(96)	(10)	(117)	(84)	(307)	-	(307)
<i>profit / (loss) on disposal of subsidiaries, net</i>	-	-	400	-	400	(4)	396
<b>Operating profit / (loss)</b>	<b>45,954</b>	<b>238</b>	<b>1,955</b>	<b>(37)</b>	<b>48,110</b>	<b>(1,301)</b>	<b>46,809</b>
Finance income							7,237
Finance costs							(6,137)
Profit in respect of associates and joint ventures							928
<b>Profit before income tax</b>							<b>48,837</b>
Total income tax expense							(11,437)
<b>Profit for the period</b>							<b>37,400</b>
<b>Capital expenditure</b>	<b>16,615</b>	<b>66</b>	<b>14,324</b>	<b>18,823</b>	<b>49,828</b>	<b>3,863</b>	<b>53,691</b>
<b>30 September 2016</b>							
<b>Non-current and current debt</b>	<b>120,072</b>	<b>650</b>	<b>90,440</b>	<b>5,467</b>	<b>216,629</b>	<b>-</b>	<b>216,629</b>



	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Nine months ended 30 September 2015</b>							
<b>Revenue</b>	<b>73,721</b>	<b>61,120</b>	<b>112,466</b>	<b>17,496</b>	<b>264,803</b>	<b>(19,720)</b>	<b>245,083</b>
<i>including:</i>							
<i>from external companies</i>	66,536	61,092	112,289	5,166	245,083	-	245,083
<i>sales of electricity</i>	47,208	60,334	72,474	331	180,347	-	180,347
<i>sales of heat and hot water sales</i>	94	-	22,887	-	22,981	-	22,981
<i>sales of capacity</i>	18,481	-	5,450	292	24,223	-	24,223
<i>other revenue</i>	753	758	11,478	4,543	17,532	-	17,532
<i>from intercompany operations</i>	7,185	28	177	12,330	19,720	(19,720)	-
Government grants	-	-	8,159	29	8,188	-	8,188
Other operating income	-	-	486	251	737	(4)	733
Operating expenses (excluding depreciation and other non-monetary items)	(29,355)	(59,154)	(117,998)	(18,145)	(224,652)	18,225	(206,427)
<b>EBITDA</b>	<b>44,366</b>	<b>1,966</b>	<b>3,113</b>	<b>(369)</b>	<b>49,076</b>	<b>(1,499)</b>	<b>47,577</b>
Insurance indemnity	-	-	-	5,591	5,591	-	5,591
Depreciation of property, plant and equipment and intangible assets	(9,622)	(113)	(5,862)	(1,116)	(16,713)	(270)	(16,983)
Other non-monetary items of operating income and expenses	(34)	(345)	(1,285)	(2,741)	(4,405)	(174)	(4,579)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(1,276)	-	(964)	-	(2,240)	-	(2,240)
<i>reversal / (impairment) of accounts receivable, net</i>	1,452	(335)	(965)	(300)	(148)	-	(148)
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(110)	(10)	8	(2,441)	(2,553)	90	(2,463)
<i>(loss) / profit on disposal of subsidiaries, associates and joint venture, net</i>	(100)	-	636	-	536	(264)	272
<b>Operating profit / (loss)</b>	<b>34,710</b>	<b>1,508</b>	<b>(4,034)</b>	<b>1,365</b>	<b>33,549</b>	<b>(1,943)</b>	<b>31,606</b>
Finance income							9,837
Finance costs							(10,284)
Profit in respect of associates and joint ventures							1,896
<b>Profit before income tax</b>							<b>33,055</b>
Total income tax expense							(8,957)
<b>Profit for the period</b>							<b>24,098</b>
<b>Capital expenditure</b>	<b>21,458</b>	<b>103</b>	<b>12,508</b>	<b>36,776</b>	<b>70,845</b>	<b>2,689</b>	<b>73,534</b>
<b>31 December 2015</b>							
<b>Non-current and current debt</b>	<b>121,861</b>	<b>1,847</b>	<b>68,019</b>	<b>5,666</b>	<b>197,393</b>	<b>-</b>	<b>197,393</b>



	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Three months ended 30 September 2016</b>							
<b>Revenue</b>	<b>29,556</b>	<b>19,426</b>	<b>33,073</b>	<b>6,782</b>	<b>88,837</b>	<b>(8,054)</b>	<b>80,783</b>
<i>including:</i>							
from external companies	27,110	19,417	32,599	1,657	80,783	-	80,783
sales of electricity	20,079	19,150	21,697	158	61,084	-	61,084
sales of heat and hot water sales	12	-	2,857	-	2,869	-	2,869
sales of capacity	6,871	-	2,970	113	9,954	-	9,954
other revenue	148	267	5,075	1,386	6,876	-	6,876
from intercompany operations	2,446	9	474	5,125	8,054	(8,054)	-
Government grants	-	-	3,723	12	3,735	-	3,735
Other operating income	4	-	68	5	77	-	77
Operating expenses (excluding depreciation and other non-monetary items)	(9,511)	(18,870)	(35,069)	(6,260)	(69,710)	7,540	(62,170)
<b>EBITDA</b>	<b>20,049</b>	<b>556</b>	<b>1,795</b>	<b>539</b>	<b>22,939</b>	<b>(514)</b>	<b>22,425</b>
Depreciation of property, plant and equipment and intangible assets	(3,604)	(194)	(1,890)	(545)	(6,233)	60	(6,173)
Other non-monetary items of operating income and expenses	(1,105)	(384)	(423)	(72)	(1,984)	(1)	(1,985)
<i>including:</i>							
impairment of property, plant and equipment	(408)	-	(696)	-	(1,104)	-	(1,104)
(impairment) / reversal of impairment of accounts receivable, net	(557)	(383)	(167)	7	(1,100)	-	(1,100)
(loss) / profit on disposal of property, plant and equipment, net	(140)	(1)	34	(79)	(186)	(1)	(187)
profit on disposal of subsidiaries, net	-	-	406	-	406	-	406
<b>Operating profit / (loss)</b>	<b>15,340</b>	<b>(22)</b>	<b>(518)</b>	<b>(78)</b>	<b>14,722</b>	<b>(455)</b>	<b>14,267</b>
Finance income							1,718
Finance costs							(1,823)
Profit in respect of associates and joint ventures							370
<b>Profit before income tax</b>							<b>14,532</b>
Total income tax expense							(2,607)
<b>Profit for the period</b>							<b>11,925</b>
<b>Capital expenditure</b>	<b>4,144</b>	<b>49</b>	<b>6,041</b>	<b>6,342</b>	<b>16,576</b>	<b>2,484</b>	<b>19,060</b>



	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Three months ended 30 September 2015</b>							
<b>Revenue</b>	<b>25,429</b>	<b>18,155</b>	<b>31,299</b>	<b>6,328</b>	<b>81,211</b>	<b>(6,916)</b>	<b>74,295</b>
<i>including:</i>							
from external companies	22,866	18,132	31,256	2,041	74,295	-	74,295
sales of electricity	16,704	17,881	21,467	113	56,165	-	56,165
sales of heat and hot water sales	13	-	2,826	-	2,839	-	2,839
sales of capacity	5,899	-	2,409	110	8,418	-	8,418
other revenue	250	251	4,554	1,818	6,873	-	6,873
from intercompany operations	2,563	23	43	4,287	6,916	(6,916)	-
Government grants	-	-	2,654	14	2,668	-	2,668
Other operating income	-	-	202	5	207	(4)	203
Operating expenses (excluding depreciation and other non-monetary items)	(10,751)	(17,743)	(35,220)	(5,660)	(69,374)	6,118	(63,256)
<b>EBITDA</b>	<b>14,678</b>	<b>412</b>	<b>(1,065)</b>	<b>687</b>	<b>14,712</b>	<b>(802)</b>	<b>13,910</b>
Insurance indemnity	-	-	-	4,830	4,830	-	4,830
Depreciation of property, plant and equipment and intangible assets	(3,324)	235	(2,025)	(339)	(5,453)	(373)	(5,826)
Other non-monetary items of operating income and expenses	257	3	(412)	(2,374)	(2,526)	(159)	(2,685)
<i>including:</i>							
impairment of property, plant and equipment	(315)	-	(589)	-	(904)	-	(904)
reversal / (impairment) of accounts receivable, net	528	9	181	(81)	637	-	637
profit / (loss) on disposal of property, plant and equipment, net	65	(6)	(12)	(2,294)	(2,247)	(6)	(2,253)
(loss) / profit on disposal of subsidiaries, associates and joint venture, net	(21)	-	8	1	(12)	(153)	(165)
<b>Operating profit / (loss)</b>	<b>11,611</b>	<b>650</b>	<b>(3,502)</b>	<b>2,804</b>	<b>11,563</b>	<b>(1,334)</b>	<b>10,229</b>
Finance income							2,561
Finance costs							(5,103)
Profit in respect of associates and joint ventures							447
<b>Profit before income tax</b>							<b>8,134</b>
Total income tax expense							(2,618)
<b>Profit for the period</b>							<b>5,516</b>
<b>Capital expenditure</b>	<b>5,378</b>	<b>63</b>	<b>5,699</b>	<b>10,485</b>	<b>21,625</b>	<b>3,127</b>	<b>24,752</b>



**Note 5. Related party transactions**

Parties are generally considered to be related if the parties 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 2016 and 30 September 2015 and as at 30 September 2016 and 31 December 2015 were associates and joint ventures of the Group, government-related entities and key management of the Group.

Disclosure of the Group's related party transactions is presented on an aggregate basis however there may be an additional disclosure of certain significant transactions (balances and turnovers) with certain related parties in each reporting period.

**Joint ventures**

The Group had the following balances with its joint ventures:

	<b>30 September 2016</b>	<b>31 December 2015</b>
Promissory notes	6,124	5,711
Advances to suppliers	5,692	-
Loans issued	2,364	2,725
Loans received	750	750

The Group had the following transactions with its joint ventures:

	<b>Nine months ended 30 September</b>		<b>Three months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Sales of electricity and capacity	878	167	66	81
Other revenue	292	535	131	272
Purchased electricity and capacity	(2,039)	(1,502)	(576)	(422)

**Associates**

The Group had the following balances with its associates:

	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade and other receivables	263	440
Trade payables	638	481

The Group had the following transactions with its associates:

	<b>Nine months ended 30 September</b>		<b>Three months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Sales of electricity and capacity	1,742	1,550	275	250
Other revenue	91	102	21	24
Purchased electricity and capacity	(13)	(13)	(2)	(1)
Rent	(368)	(336)	(123)	(111)





### **Government-related entities**

In the normal course of business the Group enters into transactions with the entities controlled by the Government.

The Group had transactions during the three and nine months ended 30 September 2016 and 30 September 2015 and balances outstanding as at 30 September 2016 and 31 December 2015 with a number of government-related banks. All transactions are carried out on market rates.

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 30 percent of total sales of electricity, capacity and heat for the three and nine months ended 30 September 2016 (for the three and nine months ended 30 September 2015: approximately 30 percent). Sales of electricity and capacity under the regulated contracts are conducted directly to the consumers, within the day-ahead market (DAM) – through commission agreements with JSC Centre of Financial Settlements (hereinafter referred to as "CFS"). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On 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 2016 the Group received government subsidies in amount of RR 10,214 million (for the nine months ended 30 September 2015: RR 8,188 million). During the three months ended 30 September 2016 the Group received government subsidies in amount of RR 3,735 million (for the three months ended 30 September 2015: RR 2,668 million) (Note 20).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 20 percent of total expenses on purchased electricity, capacity and fuel for the three and nine months ended 30 September 2016 (for the three and nine months ended 30 September 2016: approximately 20 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 60 percent of total electricity distribution expenses for the three and nine months ended 30 September 2016 (for the three and nine months ended 30 September 2015: approximately 40 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 segment.

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 year 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.

Main compensation for Key management of the Group generally is short-term excluding 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 2016 comprised RR 956 million (for the nine months ended 30 September 2015: RR 1,766 million). Short-term remuneration paid to the key management of the Group for the three months ended 30 September 2016 comprised RR 342 million (for the three months ended 30 September 2015: RR 323 million).



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

Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
<b>Balance as at 31 December 2015</b>	<b>83,887</b>	<b>398,693</b>	<b>268,513</b>	<b>285,292</b>	<b>13,646</b>	<b>1,050,031</b>
Reclassification	(29)	(23)	(2,476)	2,624	(96)	-
Additions	11	8	1,047	52,103	522	53,691
Reclassification to assets of disposal group classified as held for sale	(158)	(4)	(229)	(3)	(82)	(476)
Transfers	617	2,973	24,484	(28,191)	117	-
Disposals of subsidiaries	(194)	(125)	(223)	(29)	(51)	(622)
Disposals and write-offs	(66)	(210)	(3,628)	(830)	(311)	(5,045)
<b>Balance as at 30 September 2016</b>	<b>84,068</b>	<b>401,312</b>	<b>287,488</b>	<b>310,966</b>	<b>13,745</b>	<b>1,097,579</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Balance as at 31 December 2015</b>	<b>(31,803)</b>	<b>(131,656)</b>	<b>(105,881)</b>	<b>(29,192)</b>	<b>(6,914)</b>	<b>(305,446)</b>
Impairment charge	(98)	(318)	(316)	(2,243)	(8)	(2,983)
Charge for the period	(1,566)	(6,332)	(9,399)	-	(922)	(18,219)
Reclassification to assets of disposal group classified as held for sale	21	1	147	-	45	214
Transfers	(275)	(189)	(817)	1,291	(10)	-
Disposals of subsidiaries	25	52	191	28	48	344
Disposals and write-offs	18	38	2,256	122	257	2,691
<b>Balance as at 30 September 2016</b>	<b>(33,678)</b>	<b>(138,404)</b>	<b>(113,819)</b>	<b>(29,994)</b>	<b>(7,504)</b>	<b>(323,399)</b>
<b>Net book value as at 30 September 2016</b>	<b>50,390</b>	<b>262,908</b>	<b>173,669</b>	<b>280,972</b>	<b>6,241</b>	<b>774,180</b>
<b>Net book value as at 31 December 2015</b>	<b>52,084</b>	<b>267,037</b>	<b>162,632</b>	<b>256,100</b>	<b>6,732</b>	<b>744,585</b>
<b>Balance as at 30 September 2015</b>						
<b>Revalued amount / cost</b>	<b>Buildings</b>	<b>Facilities</b>	<b>Plant and equipment</b>	<b>Assets under construction</b>	<b>Other</b>	<b>Total</b>
<b>Balance as at 31 December 2014</b>	<b>81,110</b>	<b>378,702</b>	<b>226,137</b>	<b>256,121</b>	<b>14,925</b>	<b>956,995</b>
Reclassification	(120)	253	(1,939)	2,598	(792)	-
Additions	944	238	1,911	69,876	565	73,534
Reclassification to assets of disposal group classified as held for sale	(469)	(278)	(405)	(55)	(1,177)	(2,384)
Transfers	797	9,503	32,004	(42,460)	156	-
Disposals and write-offs	(73)	(40)	(847)	(2,519)	(743)	(4,222)
<b>Balance as at 30 September 2015</b>	<b>82,189</b>	<b>388,378</b>	<b>256,861</b>	<b>283,561</b>	<b>12,934</b>	<b>1,023,923</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Balance as at 31 December 2014</b>	<b>(29,504)</b>	<b>(116,411)</b>	<b>(89,161)</b>	<b>(29,062)</b>	<b>(6,667)</b>	<b>(270,805)</b>
Impairment charge	(10)	(11)	(229)	(1,980)	(10)	(2,240)
Charge for the period	(1,343)	(6,353)	(9,702)	-	(989)	(18,387)
Reclassification to assets of disposal group classified as held for sale	292	180	364	37	149	1,022
Transfers	(82)	(2,271)	(3,283)	5,070	566	-
Disposals and write-offs	73	34	847	124	680	1,758
<b>Balance as at 30 September 2015</b>	<b>(30,574)</b>	<b>(124,832)</b>	<b>(101,164)</b>	<b>(25,811)</b>	<b>(6,271)</b>	<b>(288,652)</b>
<b>Net book value as at 30 September 2015</b>	<b>51,615</b>	<b>263,546</b>	<b>155,697</b>	<b>257,750</b>	<b>6,663</b>	<b>735,271</b>
<b>Net book value as at 31 December 2014</b>	<b>51,606</b>	<b>262,291</b>	<b>136,976</b>	<b>227,059</b>	<b>8,258</b>	<b>686,190</b>



As at 30 September 2016 included in the net book value of the property, plant and equipment are office buildings and plots of land owned by the Group in the amount of RR 7,714 million (31 December 2015: RR 7,793 million) which are stated at cost.

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including hydropower plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 30 September 2016 such advances amounted to RR 50,601 million (31 December 2015: RR 59,531 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 10,989 million, the capitalisation rate was 10.54 percent (for the nine months ended 30 September 2015: RR 9,565 million, the capitalisation rate was 9.96 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 400 million (for the nine months ended 30 September 2015: RR 199 million).

**Impairment.** Management of the Group considered the market and economic environment in which the Group operates and other factors to assess whether any indicators of property, plant and equipment being impaired existed, or that an impairment loss recognised in prior periods may no longer exist or may have decreased.

At the reporting date no indicators of significant changes of management's assumptions used to determine the recoverable amounts of cash-generating units as at 31 December 2015 were identified as a result of this analysis.

Basing on the same assumptions the Group continued to recognise impairment loss in the amount of RR 2,983 million for the nine months ended 30 September 2016 in respect of additions of property, plant and equipment related to cash-generating units impaired in previous periods (for the nine months ended 30 September 2015: RR 2,240 million).

**Events on Zagorskaya GAES-2.** On 17 September 2013 there was a partial flooding at Zagorskaya GAES-2 which is under construction in the Moscow Region. The flooding of the GAES building originated from the lower reservoir via functional joints of the station block and a newly formed cavity in the right junction of the GAES-2 building foundation. Construction and assembly works as well as property, including equipment, were insured by PIJSC Ingosstrakh, JSC AlfaStrakhovanie and JSC SOGAZ. As at 30 September 2016 all insurance companies have finished all payments on the insured event.

Other operating income for the nine months ended 30 September 2016 include insurance indemnity received from JSC SOGAZ in the amount of RR 1,383 million (for the nine months ended 30 September 2015: RR 667 million) and from JSC AlfaStrakhovanie in the amount of RR 353 million (for the nine months ended 30 September 2015: RR 220 million). For the nine months ended 30 September 2015 insurance indemnity from PIJSC Ingosstrakh in the amount of RR 4,703 million was also recognised.

For the nine months ended 30 September 2016 a loss on disposal of damaged equipment and assets under construction which are not recoverable was recognised in Operating expenses in the amount of RR 13 million. Also for nine months ended 30 September 2016 the Group has carried expenses on recovery works in the total amount of RR 992 million which are recognized in the following items of Operating expenses: services of subcontracting companies, other third parties services, other materials, employee benefit expenses, rent expenses.

Currently management of the Group cannot reliably estimate future expenses that may be necessary to eliminate consequences of the technical incident. However, these expenses may be material for the Group.

Management of the Group believes that there are no indications of property, plant and equipment impairment as at 30 September 2016 there were capacity supply contracts concluded in respect of new power generation facilities of Zagorskaya GAES-2, that guarantee the payback period of 20 years for all capital expenses invested in construction in the period.



**Note 7. Available-for-sale financial assets**

	30 September 2016		31 December 2015	
	% of ownership	Fair value	% of ownership	Fair value
PJSC Inter RAO	4.92%	16,259	4.92%	5,606
PJSC Russian Grids	0.28%	524	0.28%	228
PJSC FGC UES	0.13%	297	0.13%	99
Other	-	237	-	161
<b>Total available-for-sale financial assets</b>		<b>17,317</b>		<b>6,094</b>

**Note 8. Other non-current assets**

	30 September 2016	31 December 2015
Long-term promissory notes	38,491	38,189
Discount	(16,524)	(16,946)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	7,942	7,218
VAT recoverable	2,567	2,546
Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs	-	2,164
Goodwill	481	481
Customer base of LLC ESC Bashkortostan	-	553
Other non-current assets	7,393	8,440
<b>Total other non-current assets</b>	<b>18,383</b>	<b>21,402</b>

As at 30 September 2016 dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs in the amount of RR 2,094 million were reclassified to non-current assets classified as held for sale (Note 28).

As at 30 September 2016 customer base of LLC ESC Bashkortostan in the amount of RR 138 million were represented as assets of disposal group classified as held for sale (Note 13).

**Note 9. Cash and cash equivalents**

	30 September 2016	31 December 2015
Cash equivalents	39,602	36,137
Cash at bank	14,757	11,857
Cash in hand	24	31
<b>Total cash and cash equivalents</b>	<b>54,383</b>	<b>48,025</b>

Cash equivalents held as at 30 September 2016 and 31 December 2015 comprised short-term bank deposits with original maturities of three months or less.

**Note 10. Accounts receivable and prepayments**

	30 September 2016	31 December 2015
Trade receivables	51,633	55,075
Provision for impairment of trade receivables	(22,552)	(20,158)
<b>Trade receivables, net</b>	<b>29,081</b>	<b>34,917</b>
<b>VAT recoverable</b>	<b>7,179</b>	<b>8,156</b>
Advances to suppliers and other prepayments	3,785	3,540
Provision for impairment of advances to suppliers and other prepayments	(697)	(1,021)
<b>Advances to suppliers and other prepayments, net</b>	<b>3,088</b>	<b>2,519</b>
Other receivables	7,554	7,248
Provision for impairment of other receivables	(3,548)	(3,194)
<b>Other receivables, net</b>	<b>4,006</b>	<b>4,054</b>
<b>Total accounts receivable and prepayments</b>	<b>43,354</b>	<b>49,646</b>

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



**Note 11. Inventories**

	30 September 2016	31 December 2015
Fuel	17,198	14,291
Materials and supplies	7,217	6,555
Spare parts	2,842	2,782
Other materials	654	606
<b>Total inventories before write-off</b>	<b>27,911</b>	<b>24,234</b>
<b>Write-off of inventories</b>	<b>(228)</b>	<b>(235)</b>
<b>Total inventories</b>	<b>27,683</b>	<b>23,999</b>

**Note 12. Other current assets**

	30 September 2016	31 December 2015
Special funds	6,998	-
Deposits and promissory notes	4,384	19,532
Loans issued	2,363	2,728
Other current assets	5,642	314
<b>Total other current assets</b>	<b>19,387</b>	<b>22,574</b>

As at 30 September 2016 the rest of special funds in the amount of RR 6,998 million received in the course of additional share issue to fund construction of generating facilities are located on special accounts of the Federal Treasury in Moscow.

**Note 13. Assets and liabilities of disposal group classified as held for sale**

As at 30 September 2016 assets and liabilities of LLC ESC Bashkortostan (the Group's subsidiary included in ESC RusHydro subgroup segment (Note 3)) are represented as assets and liabilities of disposal group classified as held for sale (Note 28).

Assets and liabilities of disposal group classified as held for sale are represented by:

	30 September 2016
<b>Non-current assets</b>	
Property, plant and equipment	262
Deferred income tax assets	75
Other non-current assets	391
<b>Total non-current assets</b>	<b>728</b>
<b>Current assets</b>	
Cash and cash equivalents	253
Income tax receivable	32
Accounts receivable and prepayments	3,535
Inventories	11
<b>Total current assets</b>	<b>3,831</b>
<b>Total assets of disposal group classified as held for sale</b>	<b>4,559</b>
<b>Non-current liabilities</b>	
Deferred income tax liabilities	45
Other non-current liabilities	188
<b>Total non-current liabilities</b>	<b>233</b>
<b>Current liabilities</b>	
Current debt and current portion of non-current debt	1,907
Accounts payable and accruals	2,487
Other taxes payable	78
<b>Total current liabilities</b>	<b>4,472</b>
<b>Total liabilities of disposal group classified as held for sale</b>	<b>4,705</b>

**RusHydro Group**  
**Notes to the Condensed Consolidated Interim Financial Information**  
**as at and for the three and nine months ended 30 September 2016 (unaudited)**



(in millions of Russian Rubles unless noted otherwise)

Assets and liabilities of disposal group classified as held for sale do not include intercompany balances eliminated in this consolidated financial information. These intercompany balances are represented by:

	<b>30 September 2016</b>
Intercompany accounts receivable and prepayments	1,615
Intercompany accounts payable and accruals	595

Revenue and operating expenses of disposal group classified as held for sale are represented by:

	<b>Note</b>	<b>Nine months ended 30 September</b>	
		<b>2016</b>	<b>2015</b>
Revenue	19	23,496	23,565
Operating expenses (excluding impairment losses)	21	(22,146)	(23,199)
<i>including:</i>			
<i>Purchased electricity and capacity</i>		(13,758)	(14,724)
<i>Electricity distribution expenses</i>		(6,847)	(6,956)
<i>Depreciation of property, plant and equipment and intangible assets</i>		(454)	(458)
(Impairment) / reversal of impairment of accounts receivable, net		(152)	19
<b>Operating profit</b>		<b>1,198</b>	<b>385</b>

Revenue and operating expenses of disposal group classified as held for sale do not include intercompany revenue and operating expenses eliminated in this consolidated financial information. This information is represented by:

	<b>Nine months ended 30 September</b>	
	<b>2016</b>	<b>2016</b>
Intercompany revenue	304	110
Intercompany operating expenses	(1,351)	(409)

**Note 14. Equity**

	<b>Number of issued ordinary shares (Par value of RR 1.00)</b>
As at 30 September 2016	386,255,464,890
As at 31 December 2015	386,255,464,890
As at 30 September 2015	386,255,464,890
As at 31 December 2014	386,255,464,890

**Treasury shares.** As at 30 September 2016 treasury shares were represented by 18,852,353,167 ordinary shares in the amount of RR 22,578 million (31 December 2015: 21,786,611,933 ordinary shares in the amount of RR 26,092 million).

During nine months ending 30 September 2016 2,934,258,766 treasury shares were transferred to shareholders of PJSC RAO ES East in exchange for purchased shares of the subsidiary under voluntary and obligatory offers to purchase shares of PJSC RAO ES East as described below.

**Voluntary and obligatory offers to purchase shares of PJSC RAO ES East.** On 3 November 2015 in accordance with decision of the Board of Directors of the Company subsidiary of the Group – LLC Vostok-Finance declared voluntary offer to purchase shares of PJSC RAO ES East. Under voluntary offer shareholders of PJSC RAO ES East could choose to sell their ordinary and preferred shares of PJSC RAO ES East for a cash consideration or exchange them for ordinary shares of the Company.

During nine months ended 30 September 2016 PJSC RAO ES East shareholders that accepted terms of the voluntary offer transferred 4,715,738,904 ordinary shares and 346,195,762 preference shares of PJSC RAO ES East to LLC Vostok-Finance for a cash consideration of RR 34 million and in exchange for 2,934,258,766 shares of the Company in the amount of RR 3,514 million.

According to current Russian legislation repurchase of more than 10 percent and consolidation of more than 95 percent of PJSC RAO ES East shares allowed the Group to claim the remaining shareholders for obligatory shares purchase.



(in millions of Russian Rubles unless noted otherwise)

Under obligatory offer to purchase shares LLC Vostok-Finance has repurchased 887,217,472 ordinary shares and 312,687,580 preference shares of PJSC RAO ES East for a cash consideration of RR 380 million.

**Effect of changes in non-controlling interest of subsidiaries.** As a result of the voluntary and obligatory offers to purchase shares of PJSC RAO ES East as described above non-controlling interest decreased by RR 6,694 million.

Retained earnings of the Group increased by RR 4,872 million as a result of treasury shares disposal, decrease in non-controlling interest and derecognition of the remaining obligation to purchase shares after they were partly purchased for cash.

**Dividends.** On 27 June 2016 the Company declared dividends for the year ended 31 December 2015 of RR 0.0389 per share in the total amount of RR 15,011 million (RR 14,278 million excluding dividends to subsidiaries).

On 26 June 2015 the Company declared dividends for the year ended 31 December 2014 of RR 0.0156 per share in the total amount of RR 6,033 million (RR 5,710 million excluding dividends to subsidiaries).

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to RR 242 million for the nine months ended 30 September 2016 (for the nine months ended 30 September 2015: RR 134 million).

**Note 15. Income tax**

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. 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 2016 was 24 percent (for the nine months ended 30 September 2015: 27 percent).

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Current income tax expense	8,877	6,569	2,200	1,556
Deferred income tax expense	2,560	2,388	407	1,062
<b>Total income tax expense</b>	<b>11,437</b>	<b>8,957</b>	<b>2,607</b>	<b>2,618</b>



**Note 16. Current and non-current debt**

*Non-current debt*

	<b>Due date</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
PJSC Sberbank of Russia	2016–2028	54,264	47,865
Russian bonds (PJSC RusHydro) issued in February 2013	2018*	20,217	20,635
EBRD	2016–2027	19,392	20,280
Russian bonds (PJSC RusHydro) issued in April 2016	2019	15,722	-
Russian bonds (PJSC RusHydro) issued in July 2015	2018	15,407	15,840
PJSC Bank VTB	2017–2027	12,875	4,522
Russian bonds (PJSC RusHydro) issued in April 2015	2017*	10,536	10,214
PJSC ROSBANK	2017–2018	8,260	4,909
Bank GPB (JSC)	2016–2023	6,329	469
UniCredit Bank Austria AG	2017–2026	5,845	6,585
Crédit Agricole Corporate and Investment Bank Deutschland	2018–2029	5,532	6,252
Municipal authority of Kamchatka region	2016–2034	1,622	1,535
ASIAN Development bank	2017–2026	1,483	1,787
Bayerische Landesbank	2016–2025	1,020	1,212
Bank «RRDB» (JSC)	2018	430	-
Russian bonds (PJSC RusHydro) issued in April 2011	2016/2021**	261	15,240
PJSC Bank Vozrozhdenie	2017	200	440
Other long-term debt	-	964	964
Finance lease liabilities	-	2,042	2,262
<b>Total</b>		<b>182,401</b>	<b>161,011</b>
Less current portion of non-current debt		(18,924)	(25,159)
Less current portion of finance lease liabilities		(595)	(673)
<b>Total non-current debt</b>		<b>162,882</b>	<b>135,179</b>

\*The bonds mature in 10 years with a put option to redeem them in 2018 and 2017 respectively.

\*\* On 22 April 2016 bonds issued in April 2011 were partially redeemed under put option exercised by bond holders. 14,750,061 bonds with a nominal value of RR 14,750 million were bought as a result. The bonds which were not redeemed mature in 2021 with a coupon set at 9.5 percent per annum.

**Bonds issue.** In April 2016 the Group placed non-convertible interest bearing market bonds of series BO-P04 with a nominal amount of RR 15,000 million. The term of the offer – 3 years, coupon rate is of 10.35 percent per annum.





*Current debt*

	<b>30 September 2016</b>	<b>31 December 2015</b>
PJSC Sberbank of Russia	11,939	19,668
Bank GPB (JSC)	7,951	7,038
PJSC ROSBANK	6,468	6,776
AO Raiffeisenbank	2,412	-
PJSC Bank VTB	2,269	-
Bank «RRDB» (JSC)	832	966
LLC AlstomRusHydroEnergy	750	750
BANK «ROSSIYA»	650	-
JSC Alfa-Bank	-	501
Current portion of non-current debt	18,924	25,159
Current portion of finance lease liabilities	595	673
Other current debt	957	683
<b>Total current debt and current portion of non-current debt</b>	<b>53 747</b>	<b>62,214</b>
<i>Reference:</i>		
Interest payable	2 951	2,942

**Compliance with covenants.** The Group is subject to certain covenants related to its debt. As at 30 September 2016 and 31 December 2015 the Group met all required covenant clauses of the credit agreements.

**Note 17. Accounts payable and accruals**

	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade payables	26,987	33,475
Advances received	7,544	9,849
Settlements with personnel	6,683	8,410
Accounts payable under factoring agreements	2,082	4,071
Dividends payable	138	86
Obligation to PJSC RAO ES East shares purchase	3	2,108
Other accounts payable	2,902	2,308
<b>Total accounts payable and accruals</b>	<b>46,339</b>	<b>60,307</b>

All accounts payable and accruals are denominated in Russian Rubles.

**Note 18. Other taxes payable**

	<b>30 September 2016</b>	<b>31 December 2015</b>
VAT	6,797	8,085
Insurance contributions	2,584	2,864
Property tax	2,129	2,159
Other taxes	627	927
<b>Total other taxes payable</b>	<b>12,137</b>	<b>14,035</b>

**Note 19. Revenue**

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Sales of electricity	198,200	180,347	61,084	56,165
Sales of capacity	27,177	24,223	9,954	8,418
Sales of heat and hot water	25,688	22,981	2,869	2,839
Other revenue	17,579	17,532	6,876	6,873
<b>Total revenue</b>	<b>268,644</b>	<b>245,083</b>	<b>80,783</b>	<b>74,295</b>

Other revenue includes revenue earned from transportation of electricity and heat, connections to the grid, rendering of construction, repair and other services.



**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. During the nine months ended 30 September 2016 the Group received government subsidies in the amount of RR 10,214 million (for the nine months ended 30 September 2015: RR 8,188 million). During the three months ended 30 September 2016 the Group received government subsidies in amount of RR 3,735 million (for the three months ended 30 September 2015: RR 2,668 million). The subsidies were received in the following territories: Kamchatka territory, Republic of Sakha (Yakutiya), Magadan region and other Far East regions.

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

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Employee benefit expenses (including payroll taxes and pension benefit expenses)	52,535	52,571	16,549	16,672
Purchased electricity and capacity	41,698	42,720	12,333	12,235
Fuel expenses	37,768	37,811	7,506	9,051
Electricity distribution expenses	33,435	30,238	10,835	9,514
Depreciation of property, plant and equipment and intangible assets	18,234	16,983	6,173	5,826
Taxes other than on income	7,505	7,306	2,463	2,452
Other materials	6,401	5,966	2,883	2,256
Third parties services, including:				
Repairs and maintenance	3,036	3,049	1,213	1,563
Provision of functioning of electricity and capacity market	2,730	2,761	905	952
Security expenses	2,546	2,414	848	784
Purchase and transportation of heat power	2,450	2,172	657	582
Services of subcontracting companies	1,916	3,295	947	1,487
Rent	1,565	1,603	528	537
Insurance cost	1,512	1,171	481	370
Consulting, legal and information expenses	1,343	1,781	550	647
Transportation expenses	887	764	98	368
Other third parties services	4,938	4,291	1,499	1,260
Water usage expenses	2,390	2,042	781	633
Social charges	958	1,066	231	339
Loss on disposal of property, plant and equipment, net	307	2,463	187	2,253
Other expenses	2,800	3,602	457	1,719
<b>Total operating expenses (excluding impairment losses)</b>	<b>226,954</b>	<b>226,069</b>	<b>68,124</b>	<b>71,500</b>



**Note 22. Finance income, costs**

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
<i>Finance income</i>				
Interest income	5,370	7,629	1,600	2,399
Foreign exchange gain	1,425	1,874	-	-
Income on discounting	234	143	103	-
Other income	208	191	15	162
<b>Total finance income</b>	<b>7,237</b>	<b>9,837</b>	<b>1,718</b>	<b>2,561</b>
<i>Finance costs</i>				
Interest expense	(4,574)	(5,498)	(1,499)	(2,174)
Foreign exchange loss	(418)	(2,349)	(50)	(1,924)
Finance lease expense	(237)	(173)	(72)	(58)
Expense on discounting	(216)	(1,407)	(6)	(660)
Other costs	(692)	(857)	(196)	(287)
<b>Total finance costs</b>	<b>(6,137)</b>	<b>(10,284)</b>	<b>(1,823)</b>	<b>(5,103)</b>

**Note 23. Earnings per share**

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Weighted average number of ordinary shares issued (millions of shares)	367,050	364,469	367,403	364,469
Profit for the period attributable to the shareholders of PJSC RusHydro	39,077	30,153	12,363	8,491
<b>Earnings per share attributable to the shareholders of PJSC RusHydro, – basic and diluted</b> (in Russian Rubles per share)	<b>0.1065</b>	<b>0.0827</b>	<b>0.0337</b>	<b>0.0233</b>

**Note 24. Capital commitments**

In accordance with the investment programme of the Company and separate investment programmes of subsidiaries, the Group has to invest RR 327,128 million for the period 2016–2018 for reconstruction of the existing and construction of new power plants (RR 341,208 million for the period 2015–2017).

Capital commitments of the Group as at 30 September 2016 were RR 276,068 million, including: 2016 year – RR 87,131 million, 2017 year – RR 113,580 million, 2018 year – RR 75,357 million.

Future capital expenditures are mainly related to reconstruction of equipment of power: Saratovskaya HPP in the amount of RR 19,810 million, Volzhskaya HPP in the amount of RR 16,767 million, Zhigulevskaya HPP in the amount of RR 10,556 million; and to construction of power plants: Sakhalin GRES-2 in the amount of RR 24,150 million, Zaramagskie HPP in the amount of RR 22,353 million, Ust'-Srednekanskaya HPP in the amount of RR 11,984 million, HPP in Sovetskaya Gavan in the amount of RR 7,881 million, Zagorskaya GAES-2 in the amount of RR 7,059 million.

**Note 25. 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.

**Insurance.** The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed for 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 position 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



(in millions of Russian Rubles unless noted otherwise)

the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions 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. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

During the nine months ended 30 September 2016 the Group's subsidiaries had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the period. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using 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.

Management believes that as at 30 September 2016 its interpretation of the relevant legislation was appropriate and the Group's tax position would be sustained.

**Environmental matters.** The Group's subsidiaries and their predecessor entities have operated in the utilities industry of 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's subsidiaries periodically evaluate their obligations under environmental regulations. Group accrued assets retirement obligation for ash dumps used by the Group which is included in other non-current liabilities and other accounts payable and comprised RR 705 million as at 30 September 2016 (31 December 2015: RR 683 million).

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

**Guarantees.** The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries and for PJSC Boguchanskaya HPP in favour of the State Corporation Vnesheconombank for the loan facility:

Counterparty	30 September 2016	31 December 2015
<i>for PJSC Boguchanskaya HPP:</i>		
State Corporation Vnesheconombank	26,908	27,398
<i>for CJSC Boguchansky Aluminium Plant:</i>		
ALSTOM Grid SAS	34	77
<b>Total guarantees issued</b>	<b>26,942</b>	<b>27,475</b>

## **Note 26. 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 2015.

There have been no changes in any risk management policies during the nine months ended 30 September 2016.



**Presentation of financial instruments by measurement category.** The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39 Financial instruments: Recognition and Measurement as at 30 September 2016 and 31 December 2015:

<b>As at 30 September 2016</b>	<b>Loans and receivables</b>	<b>Available-for-sale financial assets</b>	<b>Total</b>
<b>Assets</b>			
<b>Other non-current assets (Note 8)</b>	<b>8,569</b>	-	<b>8,569</b>
Promissory notes	7,942	-	7,942
Long-term loans issued	612	-	612
Net settled derivatives	15	-	15
<b>Available-for-sale financial assets (Note 7)</b>	-	<b>17,317</b>	<b>17,317</b>
<b>Trade and other receivables (Note 10)</b>	<b>32,624</b>	-	<b>32,624</b>
Trade receivables	29,081	-	29,081
Other financial receivables	3,543	-	3,543
<b>Other current assets (Note 12)</b>	<b>13,754</b>	-	<b>13,754</b>
Special funds	6,998	-	6,998
Deposits and promissory notes	4,384	-	4,384
Short-term loans issued	2,363	-	2,363
Net settled derivatives	9	-	9
<b>Cash and cash equivalents (Note 9)</b>	<b>54,383</b>	-	<b>54,383</b>
<b>Total financial assets</b>	<b>109,330</b>	<b>17,317</b>	<b>126,647</b>
<b>Non-financial assets</b>			<b>849,593</b>
<b>Non-current assets and assets of disposal group classified as held for sale</b>			<b>6,653</b>
<b>Total assets</b>			<b>982,893</b>
<b>As at 31 December 2015</b>			
<b>Assets</b>			
<b>Other non-current assets (Note 8)</b>	<b>7,896</b>	-	<b>7,896</b>
Promissory notes	7,218	-	7,218
Long-term loans issued	633	-	633
Net settled derivatives	45	-	45
<b>Available-for-sale financial assets (Note 7)</b>	-	<b>6,094</b>	<b>6,094</b>
<b>Trade and other receivables (Note 10)</b>	<b>38,383</b>	-	<b>38,383</b>
Trade receivables	34,917	-	34,917
Promissory notes receivable	9	-	9
Other financial receivables	3,457	-	3,457
<b>Other current assets (Note 12)</b>	<b>22,291</b>	-	<b>22,291</b>
Deposits and promissory notes	19,532	-	19,532
Short-term loans issued	2,728	-	2,728
Net settled derivatives	31	-	31
<b>Cash and cash equivalents (Note 9)</b>	<b>48,025</b>	-	<b>48,025</b>
<b>Total financial assets</b>	<b>116,595</b>	<b>6,094</b>	<b>122,689</b>
<b>Non-financial assets</b>			<b>814,660</b>
<b>Non-current assets and assets of disposal group classified as held for sale</b>			<b>788</b>
<b>Total assets</b>			<b>938,137</b>

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



**Note 27. 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 level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<b>30 September 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Available-for-sale financial assets	17,266	-	51	<b>17,317</b>
<b>Non-financial assets</b>				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	485,494	<b>485,494</b>
<b>Total assets recurring fair value measurements</b>	<b>17,266</b>	<b>-</b>	<b>485,545</b>	<b>502,811</b>
<b>31 December 2015</b>				
<b>Financial assets</b>				
Available-for-sale financial assets	6,057	-	37	<b>6,094</b>
<b>Non-financial assets</b>				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	479,427	<b>479,427</b>
<b>Total assets recurring fair value measurements</b>	<b>6,057</b>	<b>-</b>	<b>479,464</b>	<b>485,521</b>

The Group had no liabilities measured at fair value as at 30 September 2016 and 31 December 2015.

There were no changes in valuation techniques, inputs and assumptions for recurring fair value measurements during the nine months ended 30 September 2016.

**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 and cash equivalents, short-term deposits (Level 1 of the fair value hierarchy) and accounts receivable approximates their carrying value (Level 3 of the fair value hierarchy). The fair value of long term accounts receivable is estimated based on future cash flows expected to be received 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 2016 the fair value of bonds exceeded their carrying value by RR 464 million (31 December 2015: carrying value exceeded fair value by RR 763 million).

As at 30 September 2016 the carrying value of non-current fixed rate debt exceeded their fair value by RR 5,487 million (31 December 2015: by RR 7,121 million).

**Note 28. Subsequent events**

**Sale of dams of the Angara cascade.** In November 2016 the Group completed the transaction to sell dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs to EuroSibEnergo Group. These dams are part of technological complex of EuroSibEnergo's cascade of hydropower plants located on the Angara river. The dams were received by the Company in 2011 in course of additional share issue and were leased by EuroSibEnergo Group before the sale. The transaction amount is RR 10,950 million (including VAT) (Note 8).

**Sale of LLC ESC Bashkortostan.** In December 2016 the Group completed the transaction to sell 100 percent shares of LLC ESC Bashkortostan (electricity sales company, guaranteeing supplier of electricity in the Republic of Bashkortostan) to Inter RAO Group. The transaction amount is RR 4,100 million (Note 13).

**Additional share issue.** On 22 November 2016 the Board of Directors adopted a resolution to make a placement of 40,429,000,000 ordinary shares with a par value of RR 1.00 per share by open subscription.



The placement price of additional issue shares is determined at RR 1.00 per share. On 7 December 2016 the share issue of 40,429,000,000 ordinary shares was registered with the Bank of Russia.