



**RUSHYDRO GROUP**

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

**As at and for the three months ended 31 March 2017**

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



	Note	31 March 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	771,397	765,047
Investments in associates and joint ventures		20,311	20,278
Available-for-sale financial assets		21,531	21,181
Deferred income tax assets		6,688	6,640
Other non-current assets	7	22,085	21,847
<b>Total non-current assets</b>		<b>842,012</b>	<b>834,993</b>
<b>Current assets</b>			
Cash and cash equivalents	8	77,379	67,354
Income tax receivable		1,635	889
Accounts receivable and prepayments	9	51,754	47,076
Inventories	10	21,652	24,037
Other current assets	11	11,735	9,097
<b>Total current assets</b>		<b>164,155</b>	<b>148,453</b>
<b>TOTAL ASSETS</b>		<b>1,006,167</b>	<b>983,446</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	386,255	386,255
Treasury shares	12	(4,613)	(22,578)
Share premium		39,202	39,202
Retained earnings and other reserves		248,446	243,790
<b>Equity attributable to the shareholders of PJSC RusHydro</b>		<b>669,290</b>	<b>646,669</b>
Non-controlling interest		5,871	4,263
<b>TOTAL EQUITY</b>		<b>675,161</b>	<b>650,932</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		40,343	39,086
Non-current debt	14	121,701	158,046
Non-deliverable forward contract for shares	15	9,339	-
Other non-current liabilities		20,350	18,726
<b>Total non-current liabilities</b>		<b>191,733</b>	<b>215,858</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	14	28,697	41,757
Accounts payable and accruals	16	52,435	58,784
Accounts payable in respect of share issue	12	40,033	-
Current income tax payable		2,058	858
Other taxes payable	17	16,050	15,257
<b>Total current liabilities</b>		<b>139,273</b>	<b>116,656</b>
<b>TOTAL LIABILITIES</b>		<b>331,006</b>	<b>332,514</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,006,167</b>	<b>983,446</b>

Chairman of Management Board – General Director

N. G. Shulginov

Chief Accountant

Y. G. Medvedeva



07 June 2017

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

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



	Note	Three months ended 31 March 2017	Three months ended 31 March 2016
Revenue	18	98,779	104,404
Government grants	19	4,580	3,303
Other operating income		-	241
Operating expenses (excluding impairment losses)	20	(78,869)	(86,951)
<b>Operating profit excluding impairment losses</b>		<b>24,490</b>	<b>20,997</b>
Impairment of accounts receivable, net		(975)	(1,362)
Impairment of property, plant and equipment		(871)	(777)
<b>Operating profit</b>		<b>22,644</b>	<b>18,858</b>
Finance income	21	3,257	2,590
Finance costs	21	(2,139)	(2,263)
Share of results of associates and joint ventures		175	484
<b>Profit before income tax</b>		<b>23,937</b>	<b>19,669</b>
Income tax expense	13	(5,131)	(4,622)
<b>Profit for the period</b>		<b>18,806</b>	<b>15,047</b>
Attributable to:			
Shareholders of PJSC RusHydro		17,182	14,168
Non-controlling interest		1,624	879
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	22	0.0468	0.0387
Weighted average number of shares outstanding – basic and diluted (millions of shares)	22	367,403	366,339

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

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



	Three months ended 31 March 2017	Three months ended 31 March 2016
Profit for the period	18,806	15,047
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Profit arising on available-for-sale financial assets	400	3,865
Other comprehensive income	15	731
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>415</b>	<b>4,596</b>
<b>Other comprehensive income for the period</b>	<b>415</b>	<b>4,596</b>
<b>Total comprehensive income for the period</b>	<b>19,221</b>	<b>19,643</b>
Attributable to:		
Shareholders of PJSC RusHydro	17,613	18,749
Non-controlling interest	1,608	894

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



	Note	Three months ended 31 March 2017	Three months ended 31 March 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Profit before income tax</b>		<b>23,937</b>	<b>19,669</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	6, 20	5,683	6,194
Loss on disposal of property, plant and equipment, net		61	11
Share of results of associates and joint ventures		(175)	(484)
Other operating income		-	(241)
Finance income	21	(3,257)	(2,590)
Finance costs	21	2,139	2,263
Impairment of property, plant and equipment		871	777
Impairment of accounts receivable, net		975	1,362
Other (income) / expense		(283)	419
<b>Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities</b>		<b>29,951</b>	<b>27,380</b>
Working capital changes:			
Increase in accounts receivable and prepayments		(5,969)	(6,275)
Decrease in other current assets		524	-
Decrease in inventories		2,386	2,527
Decrease in accounts payable and accruals		(4,141)	(1,408)
Increase in other taxes payable		793	2,478
Decrease / (increase) in other non-current assets		(134)	(43)
Decrease in other non-current liabilities		(239)	(2,113)
Income tax paid		(3,460)	(2,100)
<b>Net cash generated by operating activities</b>		<b>19,711</b>	<b>20,446</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(10,531)	(10,065)
Proceeds from sale of property, plant and equipment		35	24
Investment in bank deposits and purchase of other investments		(7,548)	(7,732)
Redemption of bank deposits and proceeds from sale of other investments		4,276	13,584
Purchase of shares of subsidiary		-	(39)
Interest received		2,032	2,778
<b>Net cash used in investing activities</b>		<b>(11,736)</b>	<b>(1,450)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from share issue	12	40,000	-
Proceeds from sale of treasury shares	12	15,000	-
Proceeds from current debt	14	13,365	15,452
Proceeds from non-current debt	14	8,772	1,513
Repayment of debt	14	(70,344)	(17,084)
Interest paid		(4,492)	(5,189)
Finance lease payments		(93)	(155)
<b>Net cash generated by / (used in) financing activities</b>		<b>2,208</b>	<b>(5,463)</b>
Foreign exchange loss on cash balances		(158)	(393)
<b>Increase in cash and cash equivalents</b>		<b>10,025</b>	<b>13,140</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>67,354</b>	<b>48,025</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>77,379</b>	<b>61,165</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 on property, plant and equipment	Revaluation reserve on available-for-sale 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 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		-	-	-	-	-	-	-	-	14,168	14,168	879	15,047
Profit arising on available-for-sale financial assets		-	-	-	-	-	-	3,850	-	-	3,850	15	3,865
Other comprehensive income		-	-	-	-	731	-	-	-	-	731	-	731
Total other comprehensive income		-	-	-	-	731	-	3,850	-	-	4,581	15	4,596
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>731</b>	<b>-</b>	<b>3,850</b>	<b>-</b>	<b>14,168</b>	<b>18,749</b>	<b>894</b>	<b>19,643</b>
Offer for shares of PJSC RAO ES East	12	-	3,514	-	-	-	-	-	-	2,611	6,125	(4,433)	1,692
Effect of changes in non-controlling interest		-	-	-	-	-	-	-	-	-	-	76	76
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(64)	-	-	64	-	-	-
<b>As at 31 March 2016</b>		<b>386,255</b>	<b>(22,578)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>257</b>	<b>188,488</b>	<b>5,802</b>	<b>689</b>	<b>164,313</b>	<b>627,353</b>	<b>7,977</b>	<b>635,330</b>
<b>As at 1 January 2017</b>		<b>386,255</b>	<b>(22,578)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(538)</b>	<b>182,968</b>	<b>16,909</b>	<b>459</b>	<b>179,067</b>	<b>646,669</b>	<b>4,263</b>	<b>650,932</b>
Profit for the period		-	-	-	-	-	-	-	-	17,182	17,182	1,624	18,806
Profit arising on available-for-sale financial assets		-	-	-	-	-	-	416	-	-	416	(16)	400
Other comprehensive income		-	-	-	-	15	-	-	-	-	15	-	15
Total other comprehensive income		-	-	-	-	15	-	416	-	-	431	(16)	415
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>416</b>	<b>-</b>	<b>17,182</b>	<b>17,613</b>	<b>1,608</b>	<b>19,221</b>
Sale of treasury shares	12	-	17,965	-	-	-	-	-	-	(2,965)	15,000	-	15,000
Non-deliverable forward contract for shares	15	-	-	-	-	-	-	-	-	(10,013)	(10,013)	-	(10,013)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(198)	-	-	198	-	-	-
Other movements		-	-	-	-	-	-	-	-	21	21	-	21
<b>As at 31 March 2017</b>		<b>386,255</b>	<b>(4,613)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(523)</b>	<b>182,770</b>	<b>17,325</b>	<b>459</b>	<b>183,490</b>	<b>669,290</b>	<b>5,871</b>	<b>675,161</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 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.

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 three months ended 31 March 2017 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 31 March 2017 the Russian Federation owned 66.84 percent of the total voting ordinary shares of the Company without taking into account the placement of additional Company’s shares within the additional share issue 2016–2017 (Note 12) (31 December 2016: 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 has a significant influence on the volume 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 2016, 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 2016 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 2016 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 2017. 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 2016 with the exception of changes in estimates that are required in determining the estimate weighted average annual income tax rate (Note 14) and estimates in respect of a non-deliverable forward contract for the shares, as described below.

#### ***Sale of shares subject to entering into a non-deliverable forward contract for the shares.***

The management treats the transaction on acquisition by PJSC Bank VTB (the "Bank") of 55 billion of the Company's ordinary shares – 40 billion of additionally issued shares and 15 billion of treasury shares carried on the Group subsidiaries' balance sheet (Note 12) and entering into a non-deliverable forward contract for these shares (Note 15) as two separate transactions. The sale of shares is recorded in equity and a derivative financial instrument is recognised.

The terms and conditions of the share sale implies transfer of risks and rewards in connection with these shares, such as dividend payments received by the Bank and participation in the Company's management. No obligations for their repurchase and conversion into a different financial instrument, guarantees or binding agreements arise for the Company. Given the above and the fact that the financial reporting standards do not provide for the risks and rewards transfer procedure for treasury shares, the Group management concluded that the Bank is the beneficial owner of the Company's shares.

According to the management, the decrease in the prepaid forward value by the amounts equivalent to dividends received by the Bank does not directly represent return of dividends, and, therefore, does not limit the Bank in terms of obtaining rewards from share ownership. According to the forward contract, there will be significant delays in the offset of cash flows (during the period exceeding three months from the date when dividends are received by the Bank), and the Bank will be able to place the received dividends not only in cash and cash equivalents but other instruments for the period exceeding three months as well, and it will be able to receive income and subsequently reinvest it multiple times.

As the issue of shares is recorded in equity, the recognition of non-deliverable forward contract for these shares is also recorded in equity as a shareholder transaction.

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

The Group has adopted all new standards and interpretations that were effective from 1 January 2017. The impact of the adoption of these new standards and interpretations has not been significant with respect to this Condensed Consolidated Interim Financial Information.



### 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 31 March 2017 and 31 December 2016.

#### **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.

	31 March 2017		31 December 2016	
	% 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%

#### **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:

	31 March 2017		31 December 2016	
	% of ownership	% of voting	% of ownership	% of voting
PJSC RAO ES East*	99.98%	99.98%	99.98%	99.98%
PJSC DEK	52.11%	52.17%	52.11%	52.17%
JSC DGK	52.11%	100.00%	52.11%	100.00%
JSC DRSK	52.11%	100.00%	52.11%	100.00%
PJSC Kamchatskenergo	98.72%	98.74%	98.72%	98.74%
PJSC Magadanenergo**	48.99%	49.00%	48.99%	49.00%
PJSC Sakhalinenergo	57.80%	57.82%	57.80%	57.82%
PJSC Yakutskenergo	79.15%	79.16%	79.15%	79.16%

\* Voting and ownership percent interests in PJSC RAO ES East as at 31 March 2017 and 31 December 2016 include 15.59 percent interest held by the Group's subsidiary LLC Vostok-Finance.

\*\* 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.

#### **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.

**RusHydro Group**  
**Notes to the Condensed Consolidated Interim Financial Information**  
**as at and for the three months ended 31 March 2017 (unaudited)**

(in millions of Russian Rubles unless noted otherwise)



Principal subsidiaries included in all other segments are presented below:

	31 March 2017		31 December 2016	
	% of ownership	% of voting	% of ownership	% of voting
JSC Blagoveschensk TPP	100.00%	100.00%	100.00%	100.00%
JSC VNIIG named after B. E. Vedeneev	100.00%	100.00%	100.00%	100.00%
JSC Geotherm	99.65%	99.65%	99.65%	99.65%
JSC Hidroremont-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 HidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC TPP 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 named after A. F. Dyakov	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 depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property, plant and equipment, impairment of accounts receivable, loss on disposal of property, plant and equipment, gain on disposal of subsidiaries and associates 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 months ended 31 March 2017 and 31 March 2016 and as at 31 March 2017 and 31 December 2016 is presented below.



Three months ended 31 March 2017	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>27,677</b>	<b>17,299</b>	<b>54,849</b>	<b>4,675</b>	<b>104,500</b>	<b>(5,721)</b>	<b>98,779</b>
<i>including:</i>							
<i>from external companies</i>	25,333	17,294	54,749	1,403	98,779	-	98,779
<i>sales of electricity</i>	16,155	17,016	33,265	163	66,599	-	66,599
<i>sales of heat and hot water sales</i>	61	-	15,607	-	15,668	-	15,668
<i>sales of capacity</i>	9,087	-	1,434	67	10,588	-	10,588
<i>other revenue</i>	30	278	4,443	1,173	5,924	-	5,924
<i>from intercompany operations</i>	2,344	5	100	3,272	5,721	(5,721)	-
Government grants	-	-	4,563	17	4,580	-	4,580
Operating expenses (excluding depreciation and other non-monetary items)	(8,979)	(16,734)	(48,615)	(4,374)	(78,702)	5,577	(73,125)
<b>EBITDA</b>	<b>18,698</b>	<b>565</b>	<b>10,797</b>	<b>318</b>	<b>30,378</b>	<b>(144)</b>	<b>30,234</b>
Depreciation of property, plant and equipment and amortization of intangible assets	(3,235)	(35)	(2,000)	(457)	(5,727)	44	(5,683)
Other non-monetary items of operating income and expenses	(1,137)	(126)	(484)	(160)	(1,907)	-	(1,907)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(719)	-	(97)	(55)	(871)	-	(871)
<i>impairment of accounts receivable, net</i>	(415)	(126)	(349)	(85)	(975)	-	(975)
<i>loss on disposal of property, plant and equipment, net</i>	(3)	-	(38)	(20)	(61)	-	(61)
<b>Operating profit / (loss)</b>	<b>14,326</b>	<b>404</b>	<b>8,313</b>	<b>(299)</b>	<b>22,744</b>	<b>(100)</b>	<b>22,644</b>
Finance income							3,257
Finance costs							(2,139)
Share of results of associates and joint ventures							175
<b>Profit before income tax</b>							<b>23,937</b>
Total income tax expense							(5,131)
<b>Profit for the period</b>							<b>18,806</b>
<b>Capital expenditure</b>	<b>4,007</b>	<b>1</b>	<b>2,800</b>	<b>6,398</b>	<b>13,206</b>	<b>295</b>	<b>13,501</b>
<b>31 March 2017</b>							
<b>Non-current and current debt</b>	<b>106,300</b>	<b>998</b>	<b>38,280</b>	<b>4,820</b>	<b>150,398</b>	<b>-</b>	<b>150,398</b>

**RusHydro Group**
**Notes to the Condensed Consolidated Interim Financial Information as at and for the three months ended 31 March 2017 (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>Three months ended 31 March 2016</b>							
<b>Revenue</b>	<b>27,097</b>	<b>26,226</b>	<b>52,757</b>	<b>4,774</b>	<b>110,854</b>	<b>(6,450)</b>	<b>104,404</b>
<i>including:</i>							
from external companies	24,268	26,215	52,659	1,262	104,404	-	104,404
sales of electricity	16,634	25,938	31,542	154	74,268	-	74,268
sales of heat and hot water sales	68	-	15,728	-	15,796	-	15,796
sales of capacity	7,436	-	1,339	97	8,872	-	8,872
other revenue	130	277	4,050	1,011	5,468	-	5,468
from intercompany operations	2,829	11	98	3,512	6,450	(6,450)	-
Government grants	-	-	3,282	21	3,303	-	3,303
Other operating income (excluding non-monetary items)	-	-	-	241	241	-	241
Operating expenses (excluding depreciation and other non-monetary items)	(8,521)	(25,222)	(47,799)	(5,224)	(86,766)	6,030	(80,736)
<b>EBITDA</b>	<b>18,576</b>	<b>1,004</b>	<b>8,240</b>	<b>(188)</b>	<b>27,632</b>	<b>(420)</b>	<b>27,212</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	(3,550)	(201)	(1,975)	(523)	(6,249)	55	(6,194)
Other non-monetary items of operating income and expenses	(1,115)	(180)	(812)	(49)	(2,156)	(4)	(2,160)
<i>including:</i>							
impairment of property, plant and equipment	(604)	-	(173)	-	(777)	-	(777)
impairment of accounts receivable, net	(515)	(171)	(627)	(49)	(1,362)	-	(1,362)
profit / (loss) on disposal of property, plant and equipment, net	4	(9)	(6)	-	(11)	-	(11)
loss on disposal of subsidiaries and associates, net	-	-	(6)	-	(6)	(4)	(10)
<b>Operating profit / (loss)</b>	<b>13,911</b>	<b>623</b>	<b>5,453</b>	<b>(760)</b>	<b>19,227</b>	<b>(369)</b>	<b>18,858</b>
Finance income							2,590
Finance costs							(2,263)
Share of results of associates and joint ventures							484
<b>Profit before income tax</b>							<b>19,669</b>
Total income tax expense							(4,622)
<b>Profit for the period</b>							<b>15,047</b>
<b>Capital expenditure</b>	<b>6,436</b>	<b>14</b>	<b>3,136</b>	<b>5,867</b>	<b>15,453</b>	<b>1,143</b>	<b>16,596</b>
<b>31 December 2016</b>							
<b>Non-current and current debt</b>	<b>107,274</b>	<b>550</b>	<b>86,912</b>	<b>5,067</b>	<b>199,803</b>	<b>-</b>	<b>199,803</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 three months ended 31 March 2017 and 31 March 2016 and as at 31 March 2017 and 31 December 2016 were associates and joint ventures of the Group, government-related entities and key management of the Group.

**Joint ventures**

The Group had the following balances with its joint ventures:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Promissory notes	6,414	6,269
Advances to suppliers	239	800
Loans issued	14	15
Loans received	750	750

The Group had the following transactions with its joint ventures:

	<b>Three months ended 31 March 2017</b>	<b>Three months ended 31 March 2016</b>
Sales of electricity and capacity	86	727
Other revenue	149	78
Purchased electricity and capacity	843	851

**Associates**

The Group had the following balances with its associates:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Trade and other receivables	485	491
Accounts payable	903	781

The Group had the following transactions with its associates:

	<b>Three months ended 31 March 2017</b>	<b>Three months ended 31 March 2016</b>
Sales of electricity and capacity	957	917
Other revenue	34	38
Rent	149	113
Purchased electricity and capacity	6	7

**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 months ended 31 March 2017 and 31 March 2016 and balances outstanding as at 31 March 2017 and 31 December 2016 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 20 percent of total sales of electricity, capacity and heat for the three months ended 31 March 2017 (for the three months ended 31 March 2016: 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 three months ended 31 March 2017 the Group received government subsidies in amount of RR 4,580 million (for the three months ended 31 March 2016: RR 3,303 million) (Note 19).



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 months ended 31 March 2017 (for the three months ended 31 March 2016: approximately 20 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 70 percent of total electricity distribution expenses for the three months ended 31 March 2017 (for the three months ended 31 March 2016: approximately 60 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 three months ended 31 March 2017 comprised RR 217 million (for the three months ended 31 March 2016: RR 159 million).



(in millions of Russian Rubles unless noted otherwise)

**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 2016</b>	<b>91,324</b>	<b>407,267</b>	<b>311,929</b>	<b>292,889</b>	<b>14,286</b>	<b>1,117,695</b>
Reclassification	213	(680)	490	265	(288)	-
Additions	9	5	284	13,128	75	13,501
Transfers	227	345	6,076	(6,648)	-	-
Disposals and write-offs	(60)	(109)	(537)	(79)	(142)	(927)
<b>Balance as at 31 March 2017</b>	<b>91,713</b>	<b>406,828</b>	<b>318,242</b>	<b>299,555</b>	<b>13,931</b>	<b>1,130,269</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Balance as at 31 December 2016</b>	<b>(35,459)</b>	<b>(143,461)</b>	<b>(133,736)</b>	<b>(32,224)</b>	<b>(7,768)</b>	<b>(352,648)</b>
Impairment charge	-	-	(48)	(822)	(1)	(871)
Charge for the period	(484)	(2,052)	(3,084)	-	(287)	(5,907)
Transfers	(17)	(237)	113	121	20	-
Disposals and write-offs	14	6	404	15	115	554
<b>Balance as at 31 March 2017</b>	<b>(35,946)</b>	<b>(145,744)</b>	<b>(136,351)</b>	<b>(32,910)</b>	<b>(7,921)</b>	<b>(358,872)</b>
<b>Net book value as at 31 March 2017</b>	<b>55,767</b>	<b>261,084</b>	<b>181,891</b>	<b>266,645</b>	<b>6,010</b>	<b>771,397</b>
<b>Net book value as at 31 December 2016</b>	<b>55,865</b>	<b>263,806</b>	<b>178,193</b>	<b>260,665</b>	<b>6,518</b>	<b>765,047</b>
<b>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 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	(2)	(73)	(2,578)	2,774	(121)	-
Additions	208	25	558	15,697	108	16,596
Transfers	84	1,106	6,351	(7,600)	59	-
Disposals and write-offs	(241)	(25)	(144)	(810)	(98)	(1,318)
<b>Balance as at 31 March 2016</b>	<b>83,936</b>	<b>399,726</b>	<b>272,700</b>	<b>295,353</b>	<b>13,594</b>	<b>1,065,309</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	(1)	(4)	(56)	(716)	-	(777)
Charge for the period	(565)	(2,027)	(3,381)	-	(324)	(6,297)
Transfers	(8)	(69)	(235)	309	3	-
Disposals and write-offs	112	4	117	70	57	360
<b>Balance as at 31 March 2016</b>	<b>(32,265)</b>	<b>(133,752)</b>	<b>(109,436)</b>	<b>(29,529)</b>	<b>(7,178)</b>	<b>(312,160)</b>
<b>Net book value as at 31 March 2016</b>	<b>51,671</b>	<b>265,974</b>	<b>163,264</b>	<b>265,824</b>	<b>6,416</b>	<b>753,149</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>

As at 31 March 2017 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 7,553 million (31 December 2016: RR 7,745 million) which are stated at cost.

**Impairment.** Management of the Group considered the market and economic environment in which the Group operates 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 2016 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 871 million for the three months ended 31 March 2017 in respect of additions of property, plant and equipment related to cash-generating units impaired in previous periods (for the three months ended 31 March 2016: RR 777 million).



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

	<b>31 March 2017</b>	<b>31 December 2016</b>
Long-term promissory notes	38,931	38,931
Discount	(16,199)	(16,415)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	8,707	8,491
Long-term advances to suppliers	3,172	3,173
VAT recoverable	1,965	2,036
Goodwill	481	481
Other non-current assets	7,760	7,666
<b>Total other non-current assets</b>	<b>22,085</b>	<b>21,847</b>

**Note 8. Cash and cash equivalents**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Cash equivalents	60,415	52,594
Cash at bank	16,944	14,738
Cash in hand	20	22
<b>Total cash and cash equivalents</b>	<b>77,379</b>	<b>67,354</b>

Cash equivalents held as at 31 March 2017 and 31 December 2016 comprised short-term bank deposits with original maturities of three months or less.

**Note 9. Accounts receivable and prepayments**

	<b>31 March 2017</b>	<b>31 December 2015</b>
Trade receivables	63,065	56,936
Provision for impairment of trade receivables	(24,569)	(23,900)
<b>Trade receivables, net</b>	<b>38,496</b>	<b>33,036</b>
<b>VAT recoverable</b>	<b>6,067</b>	<b>7,329</b>
Advances to suppliers and other prepayments	4,116	2,617
Provision for impairment of advances to suppliers and other prepayments	(648)	(629)
<b>Advances to suppliers and other prepayments, net</b>	<b>3,468</b>	<b>1,988</b>
Other receivables	7,562	8,485
Provision for impairment of other receivables	(3,839)	(3,762)
<b>Other receivables, net</b>	<b>3,723</b>	<b>4,723</b>
<b>Total accounts receivable and prepayments</b>	<b>51,754</b>	<b>47,076</b>

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

**Note 10. Inventories**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Fuel	11,805	14,825
Materials and supplies	6,714	6,402
Spare parts	2,746	2,539
Other materials	692	565
<b>Total inventories before provision for impairment</b>	<b>21,957</b>	<b>24,331</b>
<b>Provision for impairment of inventories</b>	<b>(305)</b>	<b>(294)</b>
<b>Total inventories</b>	<b>21,652</b>	<b>24,037</b>

There are no inventories pledged as collateral for borrowings as at 31 March 2017 and as at 31 December 2016.



**Note 11. Other current assets**

	31 March 2017	31 December 2016
<b>Special funds</b>	<b>3,146</b>	<b>3,507</b>
<b>Deposits and promissory notes</b>	<b>7,561</b>	<b>4,292</b>
<b>Restricted cash</b>	<b>813</b>	<b>826</b>
Loans issued	2,478	2,808
Provision for loans issued	(2,344)	(2,498)
<b>Loans issued, net</b>	<b>134</b>	<b>310</b>
<b>Other short-term investments</b>	<b>81</b>	<b>162</b>
<b>Total other current assets</b>	<b>11,735</b>	<b>9,097</b>

As at 31 March 2017 the rest of special funds in the amount of RR 3,146 million received by the Group to fund construction of generating facilities are located on special accounts of the Federal Treasury of Russia (as at 31 December 2016: RR 3,507 million). These special funds may be used by the Group only after the due procedure of expenditure approval performed by the Federal Treasury of Russia according to the Order of 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 31 March 2017	386,255,464,890
As at 31 December 2016	386,255,464,890
As at 31 March 2016	386,255,464,890
As at 31 December 2015	386,255,464,890

**Additional share issue 2016–2017.** On 22 November 2016 the Board of Directors of the Company 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 was registered with the Bank of Russia.

In January 2017 during the pre-emptive right period the Company placed 33,348,661 additional shares.

In March 2017 PJSC Bank VTB purchased 40,000,000,000 additional shares due to agreement related to a purchase of 55 billion ordinary shares of the Company. The other 15 billion shares of quasi-treasury stock were sold to bank by the Group's subsidiaries. The cash received by the Group was transferred to repay the debts of RAO ES East subgroup.

As at 31 March 2017 the issue was not completed and the Group had an obligation of RR 40,033 million in respect of additional share issue including obligation of RR 40,000 million to the PJSC Bank VTB.

**Treasury shares.** As at 31 March 2017 treasury shares were represented by 3,852,353,167 ordinary shares in the amount of RR 4,613 million (31 December 2016: 18,852,353,167 ordinary shares in the amount of RR 22,578 million).

In March 2017 15,000,000,000 treasury shares were sold to PJSC Bank VTB at the price of RR 1,00 per share in accordance with agreement described above. Weighted average cost of sold treasury shares was RR 17,965 million.

**Voluntary and obligatory offers to purchase shares of PJSC RAO ES East.** During the three months ended 31 March 2016 under the voluntary offer shareholders of PJSC RAO ES East accepted terms of the voluntary offer, transferred 4,715,738,904 ordinary shares and 346,195,762 preference shares of PJSC RAO ES East 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.

**Effect of changes in non-controlling interest of subsidiaries.** In accordance with voluntary offer to purchase shares of PJSC RAO ES East, as described above, non-controlling interest for the three months ended 31 March 2016 decreased by RR 4,433 million and retained earnings of the Group increased by RR 2,611 million.

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**Note 13. 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 or 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 three months ended 31 March 2017 was 21 percent (for the three months ended 31 March 2016: 23 percent).

	Three months ended 31 March 2017	Three months ended 31 March 2016
Current income tax expense	3,913	3,906
Deferred income tax expense	1,218	716
<b>Total income tax expense</b>	<b>5,131</b>	<b>4,622</b>

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

*Non-current debt*

	Due date	31 March 2017	31 December 2016
PJSC Sberbank	2017–2028	46,601	56,491
Russian bonds (PJSC RusHydro) issued in February 2013	2018*	20,217	20,645
Russian bonds (PJSC RusHydro) issued in April 2016	2019	15,732	15,347
Russian bonds (PJSC RusHydro) issued in July 2015	2018	15,410	15,857
Russian bonds (PJSC RusHydro) issued in April 2015	2017*	10,537	10,222
PJSC Bank VTB	2017–2027	10,369	29,516
UniCredit Bank Austria AG	2017–2026	4,710	5,242
Crédit Agricole Corporate and Investment Bank Deutschland	2018–2029	4,661	4,920
PJSC ROSBANK	2017–2018	2,075	8,136
Municipal authority of Kamchatka region	2017–2034	1,593	1,561
Bank GPB (JSC)	2017–2023	1,516	6,171
EBRD	2017–2027	1,350	4,791
ASIAN Development bank	2017–2026	1,311	1,474
Russian bonds (PJSC RusHydro) issued in April 2011	2021	256	250
Other long-term debt	-	830	1,776
Finance lease liabilities	-	1,891	1,973
<b>Total</b>		<b>139,059</b>	<b>184,372</b>
Less current portion of non-current debt		(16,802)	(25,758)
Less current portion of finance lease liabilities		(556)	(568)
<b>Total non-current debt</b>		<b>121,701</b>	<b>158,046</b>

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

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*Current debt*

	31 March 2017	31 December 2016
PJSC Sberbank	4,244	5,854
PJSC ROSBANK	3,959	4,755
Bank GPB (JSC)	1,067	3,031
BANK ROSSIYA	998	550
LLC AlstomRusHydroEnergy	750	750
Current portion of non-current debt	16,802	25,758
Current portion of finance lease liabilities	556	568
Other current debt	321	491
<b>Total current debt and current portion of non-current debt</b>	<b>28,697</b>	<b>41,757</b>
<i>Reference:</i>		
Interest payable	2,635	3,044

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its debt. As at 31 March 2017 and 31 December 2016 the Group met all required covenant clauses of the credit agreements.

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

In March 2017 the Company entered into a non-deliverable forward transaction for 55 billion of shares with PJSC Bank VTB (the "Bank") for 5 years.

According to the forward contract, the forward value is determined as the purchase consideration paid by the Bank for the shares plus the accrued interest for the accounting period. The contract provides for quarterly prepayments of the forward value over its effective period. In addition, the forward value of shares and the amount of prepayment are determined excluding the amounts equivalent to dividends received by the Bank over the effective period of the forward contract.

The Bank is assumed to sell the Company's shares at the time of final settlement under the forward contract. The difference between the proceeds that the Bank will receive from the sale of these shares and their forward value is subject to cash settlement between the Company and the Bank. Thus, if the forward value is higher than the purchase consideration paid for the shares sold, the Company will reimburse the difference to the Bank and, vice versa, if the proceeds from the sale of shares are in excess of the forward value, the difference will be paid by the Bank to the Company. If, for any reason, the shares will not be sold by the Bank, they will continue to be held by the Bank. If this is the case, the amount of additional payment to be made when closing the forward transaction is calculated based on the quoted market price of the Company's shares.

Thus, the payments will be made upon expiry of the forward contract or earlier, if the Bank sells the shares held. The payment can be made both by the Company to the Bank or by the Bank to the Company, depending on the level of the market value of the Company's shares at the time of sale / expiry of the transaction term and their forward value.

Note 2 describes the key estimates and judgements made by the Group management in terms of recognition and recording of such derivative financial instrument.

At 31 March 2017, the liability under the forward contract is recorded as a long-term derivative financial instrument at fair value through profit or loss in the amount of RR 9,609 million. The fair value of the forward contract at the initial recognition of the instrument was RR 10,013 million and it was recorded within equity as the result of the shareholder transaction. Subsequent changes in the fair value of the non-deliverable forward contract is recorded within profit or loss.

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

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<b>Key assumptions made to assess the forward contract's fair value</b>	<b>At 31 March 2017</b>	<b>At the instrument's initial recognition date (as at 03 March 2017)</b>
Expected closing date of the forward transaction	4.93 years	5 years
Market value of the share	RR 0.9455	RR 0.9752
CB RF key refinancing rate	9.75 percent	10.00 percent
Volatility of shares	35.37 percent	35.25 percent
Risk-free rate	8.05 percent	8.39 percent
Discount rate	12.11 percent	12.11 percent
Expected dividend yield	5.10 percent	5.10 percent

In the consolidated financial statements of the Group, the fair value of the forward contract is decreased by the bank fee of RR 275 million, which is charged to profit or loss in proportion to the term of the forward contract.

The bank fee amortisation charge for the three months ended 31 March 2017 was RR 5 million.

**Note 16. Accounts payable and accruals**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Trade payables	29,108	31,451
Settlements with personnel	9,447	8,245
Advances received	7,242	9,712
Accounts payable under factoring agreements	1,253	2,957
Dividends payable	114	136
Obligation to PJSC RAO ES East shares purchase	3	3
Other accounts payable	5,268	6,280
<b>Total accounts payable and accruals</b>	<b>52,435</b>	<b>58,784</b>

All accounts payable and accruals are denominated in Russian Rubles.

**Note 17. Other taxes payable**

	<b>31 March 2017</b>	<b>31 December 2016</b>
VAT	8,642	9,833
Insurance contributions	3,617	2,925
Property tax	3,196	1,941
Other taxes	595	558
<b>Total other taxes payable</b>	<b>16,050</b>	<b>15,257</b>

**Note 18. Revenue**

	<b>Three months ended 31 March 2017</b>	<b>Three months ended 31 March 2016</b>
Sales of electricity	66,599	74,268
Sales of heat and hot water	15,668	15,796
Sales of capacity	10,588	8,872
Other revenue	5,924	5,468
<b>Total revenue</b>	<b>98,779</b>	<b>104,404</b>

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



**Note 19. 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 three months ended 31 March 2017 the Group received government subsidies in the amount of RR 4,580 million (for the three months ended 31 March 2016: RR 3,303 million) in the following subsidised territories: Kamchatsky territory, Sakha Republic (Yakutiya), Magadan Region, Chukotka Autonomous Area and other Far East regions.

During the three months ended 31 March 2017 the Group received government subsidy in the amount of RR 1,063 million in Chukotka Autonomous Area for compensation of the purchased electricity and capacity in 2016.

**Note 20. Operating expenses (excluding impairment losses)**

	Three months ended 31 March 2017	Three months ended 31 March 2016
Employee benefit expenses (including payroll taxes and pension benefit expenses)	18,662	18,287
Fuel expenses	17,900	19,432
Electricity distribution expenses	11,802	12,684
Purchased electricity and capacity	11,622	17,290
Depreciation of property, plant and equipment and amortisation of intangible assets	5,683	6,194
Taxes other than on income	2,680	2,475
Other materials	1,812	1,465
Third parties services, including:		
Purchase and transportation of heat power	1,098	1,038
Provision of functioning of electricity and capacity market	909	915
Security expenses	835	831
Repairs and maintenance	561	509
Insurance cost	545	520
Rent	525	522
Consulting, legal and information expenses	424	328
Services of subcontracting companies	235	356
Transportation expenses	182	475
Other third parties services	1,895	1,698
Water usage expenses	797	781
Travel expenses	157	133
Social charges	138	105
Other expenses	407	913
<b>Total operating expenses (excluding impairment losses)</b>	<b>78,869</b>	<b>86,951</b>



**Note 21. Finance income, costs**

	Three months ended 31 March 2017	Three months ended 31 March 2016
<i>Finance income</i>		
Interest income	2,126	1,935
Foreign exchange gain	590	413
Change of fair value of non-deliverable forward contract for shares (Note 15)	404	-
Income on discounting	108	93
Other income	29	149
<b>Total finance income</b>	<b>3,257</b>	<b>2,590</b>
<i>Finance costs</i>		
Interest expense	(1,520)	(1,337)
Expense on discounting	(159)	(92)
Foreign exchange loss	(147)	(368)
Finance lease expense	(55)	(87)
Other costs	(258)	(379)
<b>Total finance costs</b>	<b>(2,139)</b>	<b>(2,263)</b>

**Note 22. Earnings per share**

	Three months ended 31 March 2017	Three months ended 31 March 2016
Weighted average number of ordinary shares issued (millions of shares)	367,403	366,339
Profit for the period attributable to the shareholders of PJSC RusHydro	17,182	14,168
<b>Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted</b> (in Russian Rubles per share)	<b>0.0468</b>	<b>0.0387</b>

**Note 23. Capital commitments**

In accordance with investment programme of the Company and separate investment programmes of subsidiaries, the Group has to invest RR 235,297 million for the period 2017–2019 for reconstruction of the existing and construction of new power plants (31 December 2016: RR 243,975 million).

Capital commitments of the Group as at 31 March 2017 are as follows: 2017 year – RR 107,113 million, 2018 year – RR 77,133 million, 2019 year – RR 51,051 million.

Future capital expenditures are mainly related to reconstruction of equipment of power plants: Votkinskaya HPP in the amount of RR 8,561 million, Zhigulevskaya HPP in the amount of RR 8,448 million, Volzhskaya HPP in the amount of RR 7,743 million; and to construction of power plants: Zaramagskie HPP in the amount of RR 22,660 million, Sakhalin GRES-2 in the amount of RR 19,127 million, Nizhne-Bureiskaya HPP in the amount of RR 11,528 million, Ust'-Srednekanskaya HPP in the amount of RR 9,976 million.

**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.

**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



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 three months ended 31 March 2017 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 31 March 2017 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 1,069 million as at 31 March 2017 (31 December 2016: RR 1,048 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:

<b>Counterparty</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
<i>for PJSC Boguchanskaya HPP:</i>		
State Corporation Vnesheconombank	26,547	26,749
<i>for CJSC Boguchansky Aluminium Plant:</i>		
ALSTOM Grid SAS	-	31
<b>Total guarantees issued</b>	<b>26,547</b>	<b>26,780</b>

## **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.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

There have been no changes in any risk management policies during the three months ended 31 March 2017.



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**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 and information about the rest of special funds on the accounts of the Federal Treasury as at 31 March 2017 and 31 December 2016:

As at 31 March 2017	Loans and receivables	Available-for-sale financial assets	Total
<b>Assets</b>			
<b>Other non-current assets (Note 7)</b>	<b>9,142</b>	-	<b>9,142</b>
Promissory notes	8,707	-	8,707
Long-term loans issued	428	-	428
Net settled derivatives	7	-	7
<b>Available-for-sale financial assets</b>	-	<b>21,531</b>	<b>21,531</b>
<b>Trade and other receivables (Note 9)</b>	<b>41,852</b>	-	<b>41,852</b>
Trade receivables	38,496	-	38,496
Other financial receivables	3,356	-	3,356
<b>Other current assets (Note 11)</b>	<b>10,850</b>	-	<b>10,850</b>
Special funds	3,146	-	3,146
Deposits and promissory notes	7,561	-	7,561
Short-term loans issued	134	-	134
Net settled derivatives	9	-	9
<b>Cash and cash equivalents (Note 8)</b>	<b>77,379</b>	-	<b>77,379</b>
<b>Total financial assets</b>	<b>139,223</b>	<b>21,531</b>	<b>160,754</b>
<b>Non-financial assets</b>			<b>845,413</b>
<b>Total assets</b>			<b>1,006,167</b>
<b>As at 31 December 2016</b>			
<b>Assets</b>			
<b>Other non-current assets (Note 7)</b>	<b>8,838</b>	-	<b>8,838</b>
Promissory notes	8,491	-	8,491
Long-term loans issued	332	-	332
Net settled derivatives	15	-	15
<b>Available-for-sale financial assets</b>	-	<b>21,181</b>	<b>21,181</b>
<b>Trade and other receivables (Note 9)</b>	<b>37,376</b>	-	<b>37,376</b>
Trade receivables	33,036	-	33,036
Promissory notes receivable	4,340	-	4,340
<b>Other current assets (Note 11)</b>	<b>8,118</b>	-	<b>8,118</b>
Special funds	3,507	-	3,507
Deposits and promissory notes	4,292	-	4,292
Short-term loans issued	310	-	310
Net settled derivatives	9	-	9
<b>Cash and cash equivalents (Note 8)</b>	<b>67,354</b>	-	<b>67,354</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>Total assets</b>	-	-	<b>938,137</b>

Financial liabilities of the Group valued at fair value are represented by the non-deliverable forward contract for shares in the amount of RR 9,339 million (Note 15).

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 and other accounts payable (Note 16).



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

<b>31 March 2017</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	21,039	-	492	<b>21,531</b>
<b>Non-financial assets</b>				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	497,199	<b>497,199</b>
<b>Total assets recurring fair value measurements</b>	<b>21,039</b>	<b>-</b>	<b>497,691</b>	<b>518,730</b>
<b>31 December 2016</b>				
<b>Financial assets</b>				
Available-for-sale financial assets	20,619	-	562	<b>21,181</b>
<b>Non-financial assets</b>				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	496,637	<b>496,637</b>
<b>Total assets recurring fair value measurements</b>	<b>20,619</b>	<b>-</b>	<b>497,199</b>	<b>517,818</b>

At 31 March 2017 the fair value of the forward contract in line “Non-deliverable forward contract for shares” is determined based on the Monte-Carlo model, taking into account adjustments and using unobservable inputs, and included in Level 3 of fair value hierarchy (Note 15).

There were no changes in valuation techniques, inputs and assumptions for recurring fair value measurements during the three months ended 31 March 2017.

**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, short term deposits (Level 1 of the fair value hierarchy) and 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 financial assets 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 31 March 2017 fair value of bonds exceeded their carrying value by RR 283 million (31 December 2016: by RR 92 million).

As at 31 March 2017 the carrying value of non-current fixed rate debt exceeded their fair value by RR 2,791 million (31 December 2016: by RR 4,705 million).

**Note 27. Subsequent events**

**Additional share issue 2016–2017.** On 11 May 2017 the placement of ordinary shares of the Company under additional share issue 2016–2017 was completed.

40,033,348,661 shares were actually placed as a result of the additional issue, which represents 99.02 percent of the additional issue's total number of securities. The placed securities are paid by the cash.