



RUSHYDRO GROUP

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

As at and for the three and six months ended 30 June 2019

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Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders and Board of Directors of Public Joint Stock Company Federal Hydro-Generating Company – RusHydro:

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Public Joint Stock Company Federal Hydro-Generating Company – RusHydro and its subsidiaries (together – the “Group”) as at 30 June 2019 and the related condensed consolidated interim statements of income and comprehensive income for the three-month and six-month periods then ended, condensed consolidated interim statements of cash flows and changes in equity for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

AO PricewaterhouseCoopers Audit

29 August 2019
Moscow, Russian Federation



A. S. Ivanov, certified auditor (licence no. 01-000531), AO PricewaterhouseCoopers Audit

Audited entity: Public joint stock company Federal Hydro-Generating Company – RusHydro

Record made in the Unified State Register of Legal Entities on 26 December 2004 under State Registration Number 1042401810494

660017, Russian Federation, Krasnoyarsk Region, Krasnoyarsk, Dubrovinskogo str. 43, bld. 1

Independent auditor:
AO PricewaterhouseCoopers Audit

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

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

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

	Note	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	698,804	669,424
Investments in associates and joint ventures		19,943	19,828
Financial assets at fair value through profit or loss		673	656
Financial assets at fair value through other comprehensive income		594	594
Deferred income tax assets		10,908	9,999
Other non-current assets	7	21,434	22,028
Total non-current assets		752,356	722,529
Current assets			
Cash and cash equivalents	8	61,840	65,432
Income tax receivable		4,004	3,737
Accounts receivable and prepayments	9	80,484	75,189
Inventories	10	29,315	30,721
Other current assets	11	28,420	33,873
		204,063	208,952
Non-current assets classified as held for sale		214	450
Total current assets		204,277	209,402
TOTAL ASSETS		956,633	931,931
EQUITY AND LIABILITIES			
Equity			
Share capital	12	426,289	426,289
Treasury shares	12	(4,613)	(4,613)
Share premium		39,202	39,202
Retained earnings and other reserves		130,443	115,523
Equity attributable to the shareholders of PJSC RusHydro		591,321	576,401
Non-controlling interest		7,398	9,818
TOTAL EQUITY		598,719	586,219
Non-current liabilities			
Non-current debt	14	144,981	157,948
Non-deliverable forward contract for shares	15	25,591	31,896
Deferred income tax liabilities		15,211	13,803
Other non-current liabilities	16	21,196	21,987
Total non-current liabilities		206,979	225,634
Current liabilities			
Current debt and current portion of non-current debt	14	45,949	38,899
Accounts payable and accruals	17	81,153	64,633
Accounts payable in respect of share issue	12	7,000	-
Current income tax payable		379	1,191
Other taxes payable	18	16,454	15,355
Total current liabilities		150,935	120,078
TOTAL LIABILITIES		357,914	345,712
TOTAL EQUITY AND LIABILITIES		956,633	931,931

Chairman of Management Board – General Director

N.G. Shulginov

Chief Accountant

IU.G. Medvedeva

29 August 2019



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



	Note	Six months ended 30 June		Three months ended 30 June	
		2019	2018 (restated)	2019	2018 (restated)
Revenue	19	181,604	181,261	82,063	82,750
Government grants	20	19,244	20,024	9,021	9,626
Other operating income		470	4,896	192	2,270
Operating expenses (excluding impairment losses)	21	(163,117)	(152,198)	(76,459)	(69,465)
Operating profit excluding impairment losses		38,201	53,983	14,817	25,181
Impairment of property, plant and equipment	6	(1,945)	(1,122)	(471)	(639)
Impairment of financial assets, net		(1,793)	(2,404)	(322)	(921)
Impairment of other assets		(2,045)	-	(2,045)	-
Operating profit		32,418	50,457	11,979	23,621
Finance income	22	9,939	2,763	6,235	1,206
Finance costs	22	(4,990)	(5,869)	(2,271)	(5,572)
Share of results of associates and joint ventures		463	687	305	339
Profit before income tax		37,830	48,038	16,248	19,594
Income tax expense	13	(8,445)	(9,458)	(3,375)	(4,931)
Profit for the period		29,385	38,580	12,873	14,663
Attributable to:					
Shareholders of PJSC RusHydro		31,101	37,312	15,192	15,293
Non-controlling interest		(1,716)	1,268	(2,319)	(630)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)					
		0.0736	0.0883	0.0360	0.0362
Weighted average number of shares outstanding – basic and diluted (millions of shares)					
		422,437	422,437	422,437	422,437

	Six months ended 30 June		Three months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Profit for the period	29,385	38,580	12,873	14,663
Other comprehensive income, net of income tax:				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of pension benefit obligations	(947)	197	(947)	197
Gain / (loss) arising on financial assets at fair value through other comprehensive income	-	7	1	(5)
Total items that will not be reclassified to profit or loss	(947)	204	(946)	192
<i>Items that may be reclassified subsequently to profit or loss</i>				
Other comprehensive loss	(39)	(6)	(5)	(4)
Total items that may be reclassified subsequently to profit or loss	(39)	(6)	(5)	(4)
Total other comprehensive (loss) / income	(986)	198	(951)	188
Total comprehensive income for the period	28,399	38,778	11,922	14,851
Attributable to:				
Shareholders of PJSC RusHydro	30,376	37,479	14,502	15,450
Non-controlling interest	(1,977)	1,299	(2,580)	(599)

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



	Note	Six months ended 30 June 2019	Six months ended 30 June 2018 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		37,830	48,038
Depreciation of property, plant and equipment and amortisation of intangible assets	21	12,460	10,933
Loss / (profit) on disposal of property, plant and equipment, net	21	302	(66)
Share of results of associates and joint ventures		(463)	(687)
Other operating income		(470)	(4,896)
Finance income	22	(9,939)	(2,763)
Finance costs	22	4,990	5,869
Impairment of property, plant and equipment	6	1,945	1,122
Impairment of financial assets, net		1,793	2,404
Impairment of other assets		2,045	-
Other loss		105	4
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		50,598	59,958
Working capital changes:			
Increase in accounts receivable and prepayments		(9,831)	(10,358)
Decrease / (increase) in other current assets, net of deposits and special funds		634	(270)
Decrease in inventories		1,505	361
Decrease in accounts payable and accruals, net of dividends payable		(939)	(1,740)
Increase / (decrease) in other taxes payable		1,121	(291)
Increase in other non-current assets		(635)	(484)
(Decrease) / increase in other non-current liabilities		(287)	406
Income tax paid		(8,788)	(6,633)
Net cash generated by operating activities		33,378	40,949
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(33,200)	(27,985)
Proceeds from sale of property, plant and equipment		27	154
Investment in bank deposits and purchase of other investments		(32,750)	(14,410)
Redemption of bank deposits and proceeds from sale of other investments		44,756	10,707
Placement of special funds on special accounts		(7,000)	-
Proceeds from sale of investment in joint venture		450	871
Proceeds from sale of financial assets at fair value through profit or loss		232	-
Interest received		3,848	2,958
Net cash used in investing activities		(23,637)	(27,705)

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



	Note	Six months ended 30 June 2019	Six months ended 30 June 2018 (restated)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share issue	12	7,000	-
Payments for non-deliverable forward for shares	15	(2,493)	(1,613)
Proceeds from current debt		25,001	23,809
Proceeds from non-current debt		14,438	42,473
Repayment of debt		(49,703)	(68,574)
Interest paid		(6,962)	(6,851)
Repayment of lease liabilities		(385)	-
Finance lease payments		-	(94)
Payments on cross-currency and interest rate swap		(227)	-
Dividends paid		-	(27)
Net cash used in financing activities		(13,331)	(10,877)
Effect of foreign exchange differences on cash and cash equivalents balances		(2)	(122)
(Decrease) / increase in cash and cash equivalents		(3,592)	2,245
Cash and cash equivalents at the beginning of the period		65,432	70,156
Cash and cash equivalents at the end of the period	8	61,840	72,401

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

(in millions of Russian Rubles unless noted otherwise)



	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve on financial assets	Reserve for remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2018		426,289	(4,613)	39,202	(135,075)	(415)	459	647	234,676	561,170	9,161	570,331
Profit for the period		-	-	-	-	-	-	-	37,312	37,312	1,268	38,580
Remeasurement of pension benefit obligations		-	-	-	-	-	-	166	-	166	31	197
Gain arising on financial assets at fair value through other comprehensive income		-	-	-	-	-	7	-	-	7	-	7
Other comprehensive loss		-	-	-	-	(7)	-	-	1	(6)	-	(6)
Total other comprehensive income		-	-	-	-	(7)	7	166	1	167	31	198
Total comprehensive income		-	-	-	-	(7)	7	166	37,313	37,479	1,299	38,778
Dividends	12	-	-	-	-	-	-	-	(11,129)	(11,129)	(219)	(11,348)
As at 30 June 2018		426,289	(4,613)	39,202	(135,075)	(422)	466	813	260,860	587,520	10,241	597,761
As at 1 January 2019		426,289	(4,613)	39,202	(135,075)	(344)	529	833	249,580	576,401	9,818	586,219
Application of IFRS 16	2	-	-	-	-	-	-	-	(61)	(61)	-	(61)
As at 1 January 2019 (restated)		426,289	(4,613)	39,202	(135,075)	(344)	529	833	249,519	576,340	9,818	586,158
Profit for the period		-	-	-	-	-	-	-	31,101	31,101	(1,716)	29,385
Remeasurement of pension benefit obligations		-	-	-	-	-	-	(686)	-	(686)	(261)	(947)
Other comprehensive loss		-	-	-	-	(41)	-	-	2	(39)	-	(39)
Total other comprehensive loss		-	-	-	-	(41)	-	(686)	2	(725)	(261)	(986)
Total comprehensive income		-	-	-	-	(41)	-	(686)	31,103	30,376	(1,977)	28,399
Dividends	12	-	-	-	-	-	-	-	(15,775)	(15,775)	(117)	(15,892)
Changes in non-controlling interest		-	-	-	-	-	-	-	380	380	(326)	54
As at 30 June 2019		426,289	(4,613)	39,202	(135,075)	(385)	529	147	265,227	591,321	7,398	598,719

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

Note 1. The Group and its operations

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

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

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 tax, currency and customs legislation continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

This economic 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 six months ended 30 June 2019 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 June 2019 the Russian Federation owned 61.20 percent of the total voting ordinary shares of the Company inclusive of additional share issue (Note 12) (31 December 2018: 60.56 percent). As at 30 June 2019 PJSC Bank VTB that is controlled by the Russian Federation owned 13.13 percent of the Company’s shares (31 December 2018: 13.34 percent).

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

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

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

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

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

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

Basis of preparation. This Condensed Consolidated Interim Financial Information has been prepared in accordance with IAS 34, *Interim Financial Reporting* and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2018, 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 2018 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 prepared in accordance with IFRS as at and for the year ended 31 December 2018 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 changes resulting from the adoption of IFRS 16, Leases, effective from 1 January 2019.

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

IFRS 16, Leases – adoption and summary of significant accounting policies. On adoption of IFRS 16, Leases, as at 1 January 2019 the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases in accordance with IAS 17, Leases. The Group applied transition requirements and practical expedients, which has been provided for in the standard.

The Group applied the modified retrospective method without restatement of comparatives which presumes recognition of cumulative effect of initial application at the date of the initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted as at 1 January 2019 using the lessee's incremental borrowing rate, that was 8,31 percent. The Group applied unified approach to all classes of lease contracts excluding short-term leases and leases of low-value assets.

Right-of-use assets were recognised in an amount equal to the lease liability, adjusted by the amount of lease payments made or accrued in advance in connection with such lease, which is recognised in the Statement of Financial Position immediately prior to the date of initial application. In addition, impairment of right-of-use assets in the amount of RR 61 million was recognised in respect of cash-generating units with negative discounted cash flows.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirements of IFRS 16, Leases, were applied to these leases from 1 January 2019.

The Group did not recognise assets and liabilities under operating lease agreements for which the rental payment depends on the cadastral value of the land and is variable.

Reconciliation of lease liabilities as at 1 January 2019 to the non-cancelable operating lease commitments as at 31 December 2018 is presented below:

Operating lease commitments as at 31 December 2018	37,322
Adjusted at:	
Commitments relating to land lease agreements with variable payments	(26,564)
Commitments relating to short-term leases	(110)
Commitments relating to leases of low-value assets	(82)
Commitments relating to rendering service contracts previously classified as leases	(1,545)
Revised lease terms and other adjustments	(2,274)
Adjusted operating lease commitments as at 31 December 2018	6,747
Present value of operating lease commitments as at 1 January 2019	5,190
Commitments relating to leases previously classified as finance leases	729
Lease liabilities as at 1 January 2019	5,919

The carrying amount of the right-of-use assets recognised due to implementation of IFRS 16, Leases, relates to the following groups of property, plant and equipment:

	1 January 2019
Buildings	1,402
Facilities	2,575
Plant and equipment	1,075
Other	77
Total right-of-use assets due to adoption of IFRS 16	5,129

Changes in right-of-use assets are disclosed in Note 6.

The effect of adoption of IFRS 16, Leases, on certain types of assets, liabilities and equity as at 1 January 2019 is as follows:

	31 December 2018	Change	1 January 2019
Assets			
Property, plant and equipment	669,424	5,129	674,553
TOTAL ASSETS	669,424	5,129	674,553
Equity and liabilities			
Non-current debt	157,948	4,107	162,055
Current debt and current portion of non-current debt	38,899	1,083	39,982
Retained earnings and other reserves	115,523	(61)	115,462
TOTAL EQUITY AND LIABILITIES	312,370	5,129	317,499

Information about lease liabilities is disclosed in Note 14.

New accounting policies applied by the Group upon adoption of IFRS 16, Leases from 1 January 2019 are set out below.

Right-of-use assets. The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a renewal option if it is reasonably certain that the Group will exercise this option, and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the lease commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Group applies recognition exemption to its short-term leases with a lease term of 12 months or less from the commencement date and without renewal option. The Group also applies recognition exemption to leases of assets with a low value of less than RR 300 thousand. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, considers all relevant factors that create an economic incentive for the Group to exercise the renewal option or not to exercise an option to terminate a lease.

Change of comparative data

With effect from 1 January 2018, the Group changed its accounting policy to measuring property, plant and equipment at cost less accumulated depreciation and not at revalued amounts. This change was first applied in the Group's Consolidated Financial Statements for the year ended 31 December 2018. As a result of the retrospective application of this accounting policy the comparatives of this Condensed Consolidated Interim Financial Information have been changed from those reported during 2018 in the interim financial information. Impact of this change on the figures of the Condensed Consolidated Interim Income Statement, Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Cash Flows are presented below.

RusHydro Group
Notes to the Condensed Consolidated Interim Financial Information
as at and for the three and six months ended 30 June 2019 (unaudited)

(in millions of Russian Rubles unless noted otherwise)



	Six months ended 30 June 2018			Three months ended 30 June 2018		
	As reported	Changes in accounting policies in respect of property, plant and equipment	Restated	As reported	Changes in accounting policies in respect of property, plant and equipment	Restated
Operating expenses (excluding impairment losses), including	(154,485)	2,285	(152,198)	(70,591)	1,126	(69,465)
Depreciation of property, plant and equipment and amortisation of intangible assets	(13,131)	2,198	(10,933)	(6,507)	1,051	(5,456)
Loss on disposal of property, plant and equipment, net	(21)	87	66	75	75	150
Operating profit excluding impairment losses	51,698	2,285	53,983	24,055	1,126	25,181
Impairment of property, plant and equipment	(1,144)	22	(1,122)	(664)	25	(639)
Operating profit	48,150	2,307	50,457	22,470	1,151	23,621
Share of results of associates and joint ventures	681	6	687	335	4	339
Profit before income tax	45,725	2,313	48,038	18,439	1,155	19,594
Income tax expense	(9,037)	(421)	(9,458)	(4,702)	(229)	(4,931)
Profit for the period	36,688	1,892	38,580	13,737	926	14,663
Attributable to:						
Shareholders of PJSC RusHydro	35,660	1,652	37,312	14,457	836	15,293
Non-controlling interest	1,028	240	1,268	(720)	90	(630)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.0844	0.0039	0.0883	0.0342	0.0020	0.0362
Total comprehensive income for the period	36,886	1,892	38,778	13,925	926	14,851
Attributable to:						
Shareholders of PJSC RusHydro	35,827	1,652	37,479	14,614	836	15,450
Non-controlling interest	1,059	240	1,299	(689)	90	(599)

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 2018 with the exception of changes due to IFRS 16, Leases effective from 1 January 2019, as described above, changes in estimates that are required in determining the expected weighted average annual income tax rate (Note 13), judgements in respect of the non-deliverable forward contract for the shares (Note 15), and the discount rate used in determining pension benefit obligations which decreased from 8.50 percent as at 31 December 2018 to 7.40 percent as at 30 June 2019.

New standards, amendments and interpretations

The Group has adopted all new standards, amendments and interpretations that were effective from 1 January 2019. Apart from IFRS 16, Leases, the impact of which is described above, the impact of the adoption of other new standards, amendments and interpretations has not been significant with respect to this Condensed Consolidated Interim Financial Information.

New standards, amendments and interpretations effective for the annual periods beginning on or after 1 January 2020 and applicable to the Group, were disclosed in Consolidated Financial Statements for the year ended 31 December 2018.

Note 3. Principal subsidiaries

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

The Group operates in the three main reportable segments one of which is represented 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 June 2019 and 31 December 2018.

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 June 2019		31 December 2018	
		% 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	Ryazanenergosbyt	90.52%	90.52%	90.52%	90.52%
JSC	Chuvashskaya Electricity Sales Company	100.00%	100.00%	100.00%	100.00%

RAO ES East subgroup segment

RAO ES East subgroup segment consists of JSC 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.

(in millions of Russian Rubles unless noted otherwise)

Principal subsidiaries of this segment are presented below:

		30 June 2019		31 December 2018	
		% of ownership	% of voting	% of ownership	% of voting
JSC	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%

* 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 engaged in 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 other segments are presented below:

		30 June 2019		31 December 2018	
		% 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	99.74%	99.74%	99.74%	99.74%
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	Sakhalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC	Sulak GidroKaskad	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	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 consolidated financial statements prepared in accordance with IFRS, is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated to the segments and the performance of the segments' operating activities.

The CODM analyses the information concerning the Group by the groups of operations which are aggregated in operating segments presented by the following separate reportable segments: 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 based on quantitative indicators for the periods presented.

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

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

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

Other information provided to the CODM is consistent with the information presented in the Group's consolidated financial statements prepared in accordance with IFRS.

Intersegment sales are carried out at market prices.

Segment information for the three and six months ended 30 June 2019 and 30 June 2018 and as at 30 June 2019 and 31 December 2018 is presented below.

RusHydro Group
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(in millions of Russian Rubles unless noted otherwise)

Six months ended 30 June 2019	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	59,337	30,563	94,417	16,270	200,587	(18,983)	181,604
<i>including:</i>							
<i>from third parties</i>	53,736	30,531	94,118	3,219	181,604	-	181,604
<i>sales of electricity</i>	36,318	30,023	54,984	548	121,873	-	121,873
<i>sales of capacity</i>	17,270	-	5,871	300	23,441	-	23,441
<i>sales of heat and hot water</i>	82	-	24,662	1	24,745	-	24,745
<i>other revenue</i>	66	508	8,601	2,370	11,545	-	11,545
<i>from intercompany operations</i>	5,601	32	299	13,051	18,983	(18,983)	-
Government grants	-	7	18,997	240	19,244	-	19,244
Operating expenses (excluding depreciation and other non-monetary items)	(21,021)	(30,177)	(102,915)	(15,416)	(169,529)	19,451	(150,078)
EBITDA	38,316	393	10,499	1,094	50,302	468	50,770
Other operating income	15	-	189	15	219	-	219
Depreciation of property, plant and equipment	(6,170)	(72)	(4,710)	(1,620)	(12,572)	112	(12,460)
Other non-monetary items of operating income and expenses	(752)	(789)	(4,479)	(91)	(6,111)	-	(6,111)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(927)	-	(1,018)	-	(1,945)	-	(1,945)
<i>impairment of other assets</i>	-	-	(2,045)	-	(2,045)	-	(2,045)
<i>reversal of impairment / (impairment) of financial assets, net</i>	319	(782)	(1,283)	(47)	(1,793)	-	(1,793)
<i>gain arising on financial assets at fair value through profit or loss</i>	-	-	-	251	251	-	251
<i>loss on disposal of other non-current assets</i>	-	-	-	(256)	(256)	-	(256)
<i>loss on disposal of property, plant and equipment, net</i>	(141)	(7)	(115)	(39)	(302)	-	(302)
<i>loss on disposal of subsidiaries</i>	(3)	-	(18)	-	(21)	-	(21)
Operating profit / (loss)	31,409	(468)	1,499	(602)	31,838	580	32,418
Finance income							9,939
Finance costs							(4,990)
Share of results of associates and joint ventures							463
Profit before income tax							37,830
Income tax expense							(8,445)
Profit for the period							29,385
Capital expenditure	15,850	29	10,477	13,212	39,568	-	39,568
30 June 2019							
Non-current and current debt	128,037	2,450	54,420	6,023	190,930	-	190,930

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(in millions of Russian Rubles unless noted otherwise)

Six months ended 30 June 2018	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	63,703	29,729	90,536	16,422	200,390	(19,129)	181,261
<i>including:</i>							
<i>from third parties</i>	58,104	29,702	90,359	3,096	181,261	-	181,261
<i>sales of electricity</i>	41,017	29,103	52,636	391	123,147	-	123,147
<i>sales of capacity</i>	16,908	-	4,263	249	21,420	-	21,420
<i>sales of heat and hot water</i>	94	-	23,998	1	24,093	-	24,093
<i>other revenue</i>	85	599	9,462	2,455	12,601	-	12,601
<i>from intercompany operations</i>	5,599	27	177	13,326	19,129	(19,129)	-
Government grants	-	-	19,909	115	20,024	-	20,024
Operating expenses (excluding depreciation and other non-monetary items)	(20,242)	(29,638)	(96,070)	(14,737)	(160,687)	19,351	(141,336)
EBITDA	43,461	91	14,375	1,800	59,727	222	59,949
Other operating income	295	-	32	896	1,223	-	1,223
Depreciation of property, plant and equipment	(5,935)	(70)	(3,510)	(1,516)	(11,031)	98	(10,933)
Other non-monetary items of operating income and expenses	(341)	(272)	(1,322)	2,129	194	24	218
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(695)	-	(427)	-	(1,122)	-	(1,122)
<i>impairment of financial assets, net</i>	(1,111)	(233)	(1,035)	(25)	(2,404)	-	(2,404)
<i>gain arising on financial assets at fair value through profit or loss</i>	1,449	-	43	2,181	3,673	-	3,673
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	13	(8)	64	(27)	42	24	66
<i>profit / (loss) on disposal of subsidiaries and joint ventures, net</i>	3	(31)	33	-	5	-	5
Operating profit / (loss)	37,480	(251)	9,575	3,309	50,113	344	50,457
Finance income							2,763
Finance costs							(5,869)
Share of results of associates and joint ventures							687
Profit before income tax							48,038
Income tax expense							(9,458)
Profit for the period							38,580
Capital expenditure	8,290	8	9,374	12,587	30,259	-	30,259
31 December 2018							
Non-current and current debt	144,751	1,769	44,759	5,568	196,847	-	196,847

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(in millions of Russian Rubles unless noted otherwise)

Three months ended 30 June 2019	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	30,352	13,604	39,099	8,840	91,895	(9,832)	82,063
<i>including:</i>							
<i>from external companies</i>	27,860	13,578	39,004	1,621	82,063	-	82,063
<i>sales of electricity</i>	19,544	13,348	23,990	282	57,164	-	57,164
<i>sales of capacity</i>	8,249	-	2,962	167	11,378	-	11,378
<i>sales of heat and hot water</i>	24	-	7,729	1	7,754	-	7,754
<i>other revenue</i>	43	230	4,323	1,171	5,767	-	5,767
<i>from intercompany operations</i>	2,492	26	95	7,219	9,832	(9,832)	-
Government grants	-	2	8,896	123	9,021	-	9,021
Operating expenses (excluding depreciation and other non-monetary items)	(11,333)	(13,465)	(46,175)	(8,917)	(79,890)	10,012	(69,878)
EBITDA	19,019	141	1,820	46	21,026	180	21,206
Other operating income	4	-	10	2	16	-	16
Depreciation of property, plant and equipment	(3,195)	(36)	(2,113)	(803)	(6,147)	71	(6,076)
Other non-monetary items of operating income and expenses	(94)	(291)	(2,664)	(118)	(3,167)	-	(3,167)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(276)	-	(195)	-	(471)	-	(471)
<i>impairment of other assets</i>	-	-	(2,045)	-	(2,045)	-	(2,045)
<i>reversal of impairment / (impairment) of financial assets, net</i>	344	(290)	(351)	(25)	(322)	-	(322)
<i>gain arising on financial assets at fair value through profit or loss</i>	-	-	-	176	176	-	176
<i>loss on disposal of other non-current assets</i>	-	-	-	(256)	(256)	-	(256)
<i>loss on disposal of property, plant and equipment, net</i>	(159)	(1)	(55)	(13)	(228)	-	(228)
<i>loss on disposal of subsidiaries</i>	(3)	-	(18)	-	(21)	-	(21)
Operating profit / (loss)	15,734	(186)	(2,947)	(873)	11,728	251	11,979
Finance income							6,235
Finance costs							(2,271)
Share of results of associates and joint ventures							305
Profit before income tax							16,248
Income tax expense							(3,375)
Profit for the period							12,873
Capital expenditure	8,165	27	6,782	7,714	22,688	-	22,688

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(in millions of Russian Rubles unless noted otherwise)

Three months ended 30 June 2018	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	33,207	13,071	37,444	9,464	93,186	(10,436)	82,750
<i>including:</i>							
<i>from external companies</i>	30,695	13,058	37,352	1,645	82,750	-	82,750
<i>sales of electricity</i>	22,693	12,791	23,030	159	58,673	-	58,673
<i>sales of capacity</i>	7,933	-	2,159	156	10,248	-	10,248
<i>sales of heat and hot water</i>	25	-	7,398	-	7,423	-	7,423
<i>other revenue</i>	44	267	4,765	1,330	6,406	-	6,406
<i>from intercompany operations</i>	2,512	13	92	7,819	10,436	(10,436)	-
Government grants	-	-	9,577	49	9,626	-	9,626
Operating expenses (excluding depreciation and other non-monetary items)	(10,049)	(13,131)	(43,155)	(8,209)	(74,544)	10,380	(64,164)
EBITDA	23,158	(60)	3,866	1,304	28,268	(56)	28,212
Other operating income	295	-	32	611	938	-	938
Depreciation of property, plant and equipment	(2,926)	(35)	(1,745)	(808)	(5,514)	58	(5,456)
Other non-monetary items of operating income and expenses	(166)	(161)	(566)	813	(80)	7	(73)
<i>including:</i>							
<i>impairment of property, plant and equipment (impairment) / reversal of impairment of financial assets, net</i>	(437)	-	(202)	-	(639)	-	(639)
<i>gain arising on financial assets at fair value through profit or loss</i>	(316)	(125)	(499)	19	(921)	-	(921)
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	525	-	12	795	1,332	-	1,332
<i>profit / (loss) on disposal of subsidiaries and joint ventures, net</i>	59	(5)	90	(1)	143	7	150
<i>profit / (loss) on disposal of subsidiaries and joint ventures, net</i>	3	(31)	33	-	5	-	5
Operating profit / (loss)	20,361	(256)	1,587	1,920	23,612	9	23,621
Finance income							1,206
Finance costs							(5,572)
Share of results of associates and joint ventures							339
Profit before income tax							19,594
Income tax expense							(4,931)
Profit for the period							14,663
Capital expenditure	5,247	8	5,229	7,718	18,202	-	18,202

Note 5. Related party transactions

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal related parties for the six months ended 30 June 2019 and 30 June 2018 and as at 30 June 2019 and 31 December 2018 were associates and joint ventures of the Group, government-related entities.

Joint ventures

The Group had the following balances with its joint ventures:

	30 June 2019	31 December 2018
Long term promissory notes receivable	7,908	7,551

The Group had the following transactions with its joint ventures:

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
Sales of electricity and capacity	250	167	166	90
Other revenue	62	232	33	81
Purchased electricity and capacity	218	272	86	111

Associates

The Group had the following balances with its associates:

	30 June 2019	31 December 2018
Trade and other receivables	363	513
Accounts payable	1,635	1,593

The Group had the following transactions with its associates:

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
Sales of electricity and capacity	1,727	1,551	682	590
Other revenue	53	57	27	30
Rent	309	308	154	154

Government-related entities

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

The Group had transactions during the three and six months ended 30 June 2019 and 30 June 2018 and balances outstanding as at 30 June 2019 and 31 December 2018 with the government-related banks (Note 14). All transactions with the banks are carried out at market rates. The Company also entered into a non-deliverable forward contract for its treasury shares and cross-currency and interest rate swap arrangement with PJSC VTB Bank (Notes 7 and 15).

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 20 percent of total sales of electricity, capacity and heat for the three and six months ended 30 June 2019 (for the three and six months ended 30 June 2018: approximately 20 percent). Sales of electricity and capacity under the regulated contracts are made directly to the consumers, within the day-ahead market (DAM) – through commission agreements with JSC Centre of Financial Settlements (CFS). Electricity and capacity supply tariffs under the regulated contracts and electricity and heat supply tariffs in the non-pricing zone of the Far East are approved by the Federal Antimonopoly Service and by regional regulatory authorities of the Russian Federation. On the DAM, the price is determined by balancing the demand and supply and such price is applied to all market participants.

During the six months ended 30 June 2019 the Group received government subsidies of RR 19,244 million (for the six months ended 30 June 2018: RR 20,024 million). During the three months ended 30 June 2019 the Group received government subsidies of RR 9,021 million (for the three months ended 30 June 2018: RR 9,626 million) (Note 20).

Government subsidies receivable comprised RR 2,001 million as at 30 June 2019 (31 December 2018: RR 2,539 million) (Note 9). Accounts payable on free-of-charge targeted contributions of the Group comprised RR 2,916 million as at 30 June 2019 (31 December 2018: no accounts payable on free-of-charge targeted contributions) (Note 17).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 30 percent of total expenses on purchased electricity, capacity and fuel for the three and six months ended 30 June 2019 (for the three and six months ended 30 June 2018: approximately 30 percent).

Grid companies services on electricity distribution provided to the Group by government-related entities comprised approximately 80 percent of total electricity distribution expenses for the three and six months ended 30 June 2019 (for the three and six months ended 30 June 2018: approximately 80 percent). The distribution of electricity is subject to tariff regulations.

Key management of the Group. Key management of the Group includes members of the Board of Directors of the Company, members of the Management Board of the Company, heads of the business subdivisions of the Company and their deputies, key management of subsidiaries of the 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 period and is calculated based on specific remuneration policy approved by the Annual General Shareholders Meeting of the Company.

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

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

Short-term remuneration paid to the key management of the Group for the six months ended 30 June 2019 comprised RR 659 million (for the six months ended 30 June 2018: RR 487 million). Short-term remuneration paid to the key management of the Group for the three months ended 30 June 2019 comprised RR 476 million (for the three months ended 30 June 2018: RR 301 million).

(in millions of Russian Rubles unless noted otherwise)

Note 6. Property, plant and equipment

Cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2018	87,468	322,228	396,499	308,999	15,343	1,130,537
Recalculation due to adoption of IFRS 16	1,431	2,601	1,075	-	83	5,190
Balance as at 1 January 2019 (restated)	88,899	324,829	397,574	308,999	15,426	1,135,727
Reclassification	54	(130)	61	(1)	16	-
Additions	228	751	498	37,449	642	39,568
Transfers	1,331	18,084	19,191	(38,672)	66	-
Disposals of subsidiaries	(16)	(93)	(5)	-	(3)	(117)
Disposals and write-offs	(233)	(421)	(763)	(496)	(240)	(2,153)
Balance as at 30 June 2019	90,263	343,020	416,556	307,279	15,907	1,173,025
Accumulated depreciation (including impairment)						
Balance as at 31 December 2018	(40,838)	(184,544)	(185,341)	(39,933)	(10,457)	(461,113)
Recalculation due to adoption of IFRS 16	(29)	(26)	-	-	(6)	(61)
Balance as at 1 January 2019 (restated)	(40,867)	(184,570)	(185,341)	(39,933)	(10,463)	(461,174)
Reclassification	(17)	147	(144)	-	14	-
Impairment charge	(3)	(789)	(149)	(1,002)	(2)	(1,945)
Depreciation charge	(969)	(3,416)	(7,549)	-	(587)	(12,521)
Transfers	(415)	(9,396)	(3,274)	13,108	(23)	-
Disposals of subsidiaries	16	93	3	-	3	115
Disposals and write-offs	100	290	700	77	137	1,304
Balance as at 30 June 2019	(42,155)	(197,641)	(195,754)	(27,750)	(10,921)	(474,221)
Net book value as at 30 June 2019	48,108	145,379	220,802	279,529	4,986	698,804
Net book value as at 31 December 2018	46,630	137,684	211,158	269,066	4,886	669,424

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

	Right-of-use assets				
	Buildings	Facilities	Plant and equipment	Other	Total
Lease assets previously classified as finance leases as at 1 January 2019	-	388	62	-	450
Recalculation due to adoption of IFRS 16	1,402	2,575	1,075	77	5,129
Balance as at 1 January 2019	1,402	2,963	1,137	77	5,579
Additions	193	859	340	3	1,395
Depreciation charge	(188)	(215)	(195)	(18)	(616)
Impairment charge	-	(778)	-	-	(778)
Disposals and write-offs	(75)	(1)	-	(1)	(77)
Balance as at 30 June 2019	1,332	2,828	1,282	61	5,503

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including power plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 30 June 2019 such advances amounted to RR 37,223 million (31 December 2018: RR 33,281 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 4,783 million, the capitalisation rate was 7.81 percent (for the six months ended 30 June 2018: RR 4,181 million, the capitalisation rate was 8.62 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 140 million (for the six months ended 30 June 2018: RR 136 million).

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 2018 were identified as a result of this analysis.

Based on the same assumptions, the Group recognised an impairment loss in the amount of RR 1,945 million for the six months ended 30 June 2019 in respect of additions of property, plant and equipment related to cash-generating units impaired in previous periods (for the six months ended 30 June 2018: RR 1,122 million). For the three months ended 30 June 2019, the impairment loss was RR 471 million (for the three months ended 30 June 2018: RR 639 million).

Note 7. Other non-current assets

	30 June 2019	31 December 2018
Long-term promissory notes	39,867	40,475
Discount on long-term promissory notes	(14,226)	(14,826)
Expected credit loss allowance for long-term promissory notes	(14,025)	(14,025)
Long-term promissory notes, net	11,616	11,624
VAT recoverable	1,796	2,115
Long-term advances to suppliers	1,442	44
Goodwill	481	481
Cross-currency and interest rate swap	-	1,238
Other non-current assets	6,099	6,526
Total other non-current assets	21,434	22,028

Cross-currency and interest rate swap. As at 30 June 2019, a liability in the amount of RR 228 million in respect of the cross-currency and interest rate swap arrangement with PJSC VTB Bank is included in other non-current liabilities (Note 16).

Note 8. Cash and cash equivalents

	30 June 2019	31 December 2018
Cash equivalents	48,213	45,451
Cash at bank	13,603	19,961
Cash in hand	24	20
Total cash and cash equivalents	61,840	65,432

Cash equivalents held as at 30 June 2019 and 31 December 2018 comprised short-term bank deposits with original maturities of three months or less.

Note 9. Accounts receivable and prepayments

	30 June 2019	31 December 2018
Trade receivables	66,611	65,147
Expected credit loss allowance for trade receivables	(29,878)	(28,891)
Trade receivables, net	36,733	36,256
VAT recoverable	9,662	8,175
Advances to suppliers and other prepayments	16,629	11,400
Provision for impairment of advances to suppliers and other prepayments	(849)	(834)
Advances to suppliers and other prepayments, net	15,780	10,566
Other receivables	21,757	22,720
Expected credit loss allowance for other receivables	(5,449)	(5,067)
Other receivables, net	16,308	17,653
Government grants receivables	2,001	2,539
Total accounts receivable and prepayments	80,484	75,189

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

Note 10. Inventories

	30 June 2019	31 December 2018
Fuel	16,147	20,146
Materials and supplies	10,059	7,915
Spare parts	2,847	2,438
Other materials	361	368
Total inventories before provision for impairment	29,414	30,867
Provision for impairment of inventories	(99)	(146)
Total inventories	29,315	30,721

There are no inventories pledged as collateral for borrowings as at 30 June 2019 and as at 31 December 2018.

Note 11. Other current assets

	30 June 2019	31 December 2018
Deposits	17,973	29,967
Special funds	10,347	3,821
Loans issued	2,823	3,072
Expected credit loss allowance for loans issued	(2,802)	(3,050)
Loans issued, net	21	22
Other short-term investments	79	63
Total other current assets	28,420	33,873

As at 30 June 2019, the balance of special funds in the amount of RR 10,347 million received by the Group to fund construction of generating facilities, is placed to the special accounts of the Federal Treasury of Russia (as at 31 December 2018: RR 3,821 million). These special funds may be used by the Group only upon approval by the Federal Treasury of Russia according to the authorisation procedure, prescribed by the Order of the Ministry of Finance of the Russian Federation No. 213n dated 25 December 2015.

Note 12. Equity

	Number of issued and fully paid ordinary shares (Par value of RR 1.00)
As at 30 June 2019	426,288,813,551
As at 31 December 2018	426,288,813,551

Additional share issue 2018–2019. On 21 June 2018, the Board of Directors of the Company adopted a resolution to make a placement of 14,013,888,828 ordinary shares by open subscription. The placement price of the additional shares was determined at RR 1.00 per share. On 27 August 2018, the Decision on additional issue of securities and the Prospectus were registered with the Bank of Russia. In April – May 2019 during the pre-emptive right period the Company placed 7,000,092,298 additional shares (49.95 percent of the total volume of additional issue) at the price of RR 1.00 per share including 7,000,000,000 shares purchased by the Russian Federation, represented by the Federal Agency for State Property Management. The placement of the remaining shares of this issue will be held by open subscription.

As the additional share issue was not completed as at 30 June 2019, the Company recorded a respective liability in the amount of RR 7,000 million.

Treasury shares. As at 30 June 2019, treasury shares were represented by 3,852,259,324 ordinary shares in the amount of RR 4,613 million (31 December 2018: 3,852,259,680 ordinary shares in the amount of RR 4,613 million).

Changes in non-controlling interest. In the first half of 2019, non-controlling interest decreased by RR 326 million. The decrease was due to changes in the Group structure which did not have a significant impact on the interim financial information, as well as the recognition of a subsidiary JSC ZhKU as a bankrupt.

Dividends. On 28 June 2019, the Company declared dividends for the year ended 31 December 2018 of RR 0.0367 per share in the total amount of RR 15,919 million (RR 15,775 million excluding dividends to subsidiaries). On 27 June 2018, the Company declared dividends for the year ended 31 December 2017 of RR 0.0263 per share in the total amount of RR 11,226 million (RR 11,129 million excluding dividends to subsidiaries).

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to

(in millions of Russian Rubles unless noted otherwise)

RR 117 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RR 219 million).

Note 13. Income tax

Income tax expense is recognised based on the management's best estimate as of the reporting date of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional, one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six months ended 30 June 2019 was 22 percent (for the six months ended 30 June 2018: 20 percent).

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
Current income tax expense	7,710	6,849	2,987	2,964
Deferred income tax expense	735	2,609	388	1,967
Total income tax expense	8,445	9,458	3,375	4,931

Note 14. Current and non-current debt

Non-current debt

	Due date	30 June 2019	31 December 2018
PJSC Sberbank	2019–2021	44,109	45,487
PJSC Bank VTB	2019–2025	24,197	24,045
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	2021	20,457	20,434
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	2022	20,288	20,275
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018	2022	15,457	14,993
Eurobonds in Chinese Yuan (RusHydro Capital Markets DAC) issued in November 2018	2021	13,759	15,121
Russian bonds (PJSC RusHydro) issued in June 2017	2020	10,027	10,205
PJSC ROSBANK	2019–2022	9,419	9,172
JSC Far East and Baikal Region Development Fund	2019–2026	5,003	5,004
Bank GPB (JSC)	2020–2027	4,356	1,428
Municipal authority of Kamchatka region	2019–2034	1,625	1,560
EBRD	2019–2027	1,316	1,509
ASIAN Development bank	2019–2027	1,274	1,461
Russian bonds (PJSC RusHydro), issued in April 2016	-	-	15,191
Other long-term debt	-	3,673	4,124
Lease liabilities	-	7,028	729
Total		181,988	190,738
Less current portion of non-current debt		(35,569)	(32,688)
Less current portion of lease liabilities		(1,438)	(102)
Total non-current debt		144,981	157,948

Current debt

	30 June 2019	31 December 2018
PJSC Sberbank	4,129	21
Bank GPB (JSC)	3,184	381
JSC Raiffeisenbank	931	7
PJSC ROSBANK	-	3,899
BANK ROSSIYA	-	1,762
Other current debt	698	39
Current portion of non-current debt	35,569	32,688
Short term of lease liabilities	1,438	102
Total current debt and current portion of non-current debt	45,949	38,899
<i>Reference:</i>		
Interest payable	2,261	2,216

Compliance with covenants. The Group is subject to certain covenants under its loan agreements. As at 30 June 2019 and 31 December 2018 and during the reporting period, the Group met all required covenant clauses of the loan agreements.

Note 15. Non-deliverable forward contract for shares

	The fair value of the forward contract
As at 31 December 2018	31,896
Change in the fair value of the non-deliverable forward contract for shares (Note 22)	(3,812)
Interim payments	(2,493)
As at 30 June 2019	25,591

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

Key assumptions made to assess the forward contract's fair value	30 June 2019	31 December 2018
Expected term of the forward transaction	2.68 years	3.17 years
Market value of the share	RR 0.6045	RR 0.4871
CB RF key refinancing rate	7.50 percent	7.75 percent
Volatility of shares	26.22 percent	28.82 percent
Risk-free rate	7.15 percent	8.06 percent
Discount rate	8.00 percent	9.05 percent
Expected dividend yield	7.00 percent	7.00 percent

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

Note 16. Other non-current liabilities

	30 June 2019	31 December 2018
Pension benefit obligations	8,553	7,418
Non-current advances received	4,744	6,743
Other non-current liabilities	7,899	7,826
Total other non-current liabilities	21,196	21,987

Note 17. Accounts payable and accruals

	30 June 2019	31 December 2018
Trade payables	27,458	31,119
Advances received	20,555	17,909
Dividends payable	16,062	170
Settlements with personnel	7,892	9,156
Accounts payable on free-of-charge targeted contributions	2,916	-
Accounts payable under factoring agreements	2,229	2,753
Other accounts payable	4,041	3,526
Total accounts payable and accruals	81,153	64,633

Accounts payable on free-of-charge targeted contributions as at 30 June 2019 represents the amounts payable to the constituent budgets of the Far East Federal region according to Russian Government Resolution No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region", which stipulates the application of a premium to the price of capacity provided by the Company in the price zones of the wholesale electricity and capacity market with subsequent transfer of the amounts collected to the constituent budgets of the Far East Federal region in the form of free-of-charge targeted contributions.

Note 18. Other taxes payable

	30 June 2019	31 December 2018
VAT	10,584	9,185
Insurance contributions	2,974	2,996
Property tax	2,255	2,526
Other taxes	641	648
Total other taxes payable	16,454	15,355

Note 19. Revenue

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
Sales of electricity and capacity in the retail market	78,210	76,087	34,248	34,219
Sales of electricity in the wholesale market	43,663	47,060	22,916	24,454
Sales of heat and hot water	24,745	24,093	7,754	7,423
Sales of capacity in the wholesale market	23,441	21,420	11,378	10,248
Rendering services for electricity transportation	6,937	7,264	3,416	3,474
Rendering services for connections to the grid	287	431	195	199
Other revenue	4,321	4,906	2,156	2,733
Total revenue	181,604	181,261	82,063	82,750

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

For the six months ended 30 June 2019 the Group's revenue recognised over time comprised RR 176,996 million (for the six months ended 30 June 2018: RR 175,924 million), recognised at a point in time – RR 4,608 million (for the six months ended 30 June 2018: RR 5,337 million).

For the three months ended 30 June 2019 the Group's revenue recognised over time comprised RR 79,712 million (for the three months ended 30 June 2018: RR 79,818 million), recognised at a point in time – RR 2,352 million (for the three months ended 30 June 2018: RR 2,932 million).

Note 20. Government grants

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

During the six months ended 30 June 2019, the Group received government subsidies of RR 19,244 million (for the six months ended 30 June 2018: RR 20,024 million). During the three months ended 30 June 2019, the Group received government subsidies of RR 9,021 million (for the three months ended 30 June 2018: RR

9,626 million). The subsidies were received in the following territories: Kamchatsky territory, Sakha Republic (Yakutia), Magadan Region, Chukotka Autonomous Area and other Far East regions.

The total amount of government grants received by the Group companies – guaranteeing suppliers, under the Resolution of the Russian Government No. 895 “On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region”, for the six months ended 30 June 2019 was RR 12,176 million (for the six months ended 30 June 2018 RR 13,196 million). For the three months ended 30 June 2019 these subsidies amounted to RR 6,105 million (for the three months ended 30 June 2018: RR 6,600 million).

Note 21. Operating expenses (excluding impairment losses)

	Six months ended 30 June		Three months ended 30 June	
	2019	2018 (restated)	2019	2018 (restated)
Employee benefit expenses (including payroll taxes and pension benefit expenses)	39,075	37,158	19,886	18,152
Fuel expenses	38,034	34,260	14,350	13,021
Purchased electricity and capacity	24,572	20,010	10,712	8,393
Grid companies services on electricity distribution	18,823	20,071	8,759	9,182
Depreciation of property, plant and equipment and amortisation of intangible assets	12,460	10,933	6,076	5,456
Taxes other than on income	5,745	6,077	2,980	3,031
Other materials	4,162	4,008	2,605	2,509
Third parties services, including:				
Repairs and maintenance	2,700	1,786	1,841	1,230
Purchase and transportation of heat power	2,045	1,933	867	826
Support of electricity and capacity market operation	1,962	1,827	977	930
Security expenses	1,768	1,670	902	830
Insurance cost	1,191	1,091	568	502
Services of subcontracting companies	756	843	582	467
Consulting, legal and information expenses	646	806	369	344
Rent	435	969	122	517
Transportation expenses	341	473	117	310
Other third parties services	3,764	4,324	1,826	2,173
Water usage expenses	2,041	1,996	1,049	1,093
Social charges	791	506	460	301
Travel expenses	471	425	269	233
Loss / (profit) on disposal of property, plant and equipment, net	302	(66)	228	(150)
Other expenses	1,033	1,098	914	115
Total operating expenses (excluding impairment losses)	163,117	152,198	76,459	69,465

Note 22. Finance income, costs

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
<i>Finance income</i>				
Change of fair value of non-deliverable forward contract for shares (Note 15)	3,812	-	3,126	-
Interest income	3,385	2,376	1,525	1,135
Foreign exchange gain	1,489	60	729	50
Income on discounting	1,175	119	855	-
Other income	78	208	-	21
Total finance income	9,939	2,763	6,235	1,206
<i>Finance costs</i>				
Interest expense	(2,381)	(2,525)	(928)	(1,274)
Change of fair value of cross-currency and interest rate swap	(1,693)	-	(936)	-
Interest expense on lease liabilities	(279)	(49)	(112)	(25)
Expense on discounting	(175)	(152)	(131)	(51)
Foreign exchange loss	(35)	(305)	-	(136)
Change in fair value of the non-deliverable forward contract for shares	-	(2,433)	-	(3,889)
Other costs	(427)	(405)	(164)	(197)
Total finance costs	(4,990)	(5,869)	(2,271)	(5,572)

Note 23. Capital commitments

In accordance with consolidated investment programme approved under the consolidated business plan of the Group, as of 30 June 2019 the Group has to invest RR 337,929 million for the period 2019–2023 for reconstruction of the existing and construction of new power plants and grids, including capital commitments for 2019 in the amount of RR 82,146 million, for 2020 – RR 71,363 million, for 2021 – RR 69,284 million, for 2022 – RR 56,418 million, for 2023 – RR 58,718 million (31 December 2018: RR 378,241 million for the period 2019–2023).

Note 24. Contingencies

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

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

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. The impact of this course of events cannot be assessed with sufficient reliability, but it can be significant in terms of the financial situation and / or the business of the Group. 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 non-compliant 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 generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions with related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis. Management has implemented internal controls to be in compliance with this transfer pricing legislation. In case of receipt of a request from tax authorities, the management of the Group will provide documentation meeting the requirements of Art. 105.15 of the Tax Code for periods that are open for the review of the completeness of tax calculation and payment in accordance with the Chapter 14.5 of the Tax Code.

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

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

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

Management believes that as at 30 June 2019, its interpretation of the relevant legislation was appropriate and the Group's tax positions would be sustained.

Environmental matters. The Group companies and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group companies periodically evaluate their obligations under environmental regulations. The assets retirement obligation for ash dams used by the Group comprised RR 1,366 million as at 30 June 2019 (31 December 2018: RR 1,324 million).

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

Note 25. Financial instruments and financial risk management

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

This Condensed Consolidated Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements; it should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018.

There have been no changes in the Group's risk management policies during the six months ended 30 June 2019.

(in millions of Russian Rubles unless noted otherwise)

Presentation of financial instruments by measurement category. The following table provides a reconciliation of classes of financial assets with the measurement categories of IFRS 9, Financial instruments and information about the balance of special funds held on the accounts at the Federal Treasury as at 30 June 2019 and 31 December 2018.

As at 30 June 2019	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Assets				
Other non-current assets (Note 7)	12,257	-	-	12,257
Promissory notes	11,616	-	-	11,616
Long-term receivables	165	-	-	165
Long-term loans issued	476	-	-	476
Financial assets at fair value through profit or loss	-	673	-	673
Financial assets at fair value through other comprehensive income	-	-	594	594
Trade and other receivables (Note 9)	52,633	-	-	52,633
Trade receivables	36,733	-	-	36,733
Other financial receivables	15,900	-	-	15,900
Other current assets (Note 11)	28,341	-	-	28,341
Special funds	10,347	-	-	10,347
Deposits	17,973	-	-	17,973
Short-term loans issued	21	-	-	21
Cash and cash equivalents (Note 8)	61,840	-	-	61,840
Total financial assets	155,071	673	594	156,338
Non-financial assets				800,081
Non-current assets classified as held for sale				214
Total assets				956,633

RusHydro Group
Notes to the Condensed Consolidated Interim Financial Information
as at and for the three and six months ended 30 June 2019 (unaudited)



(in millions of Russian Rubles unless noted otherwise)

As at 31 December 2018	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Assets				
Other non-current assets (Note 7)	12,370	1,238	-	13,608
Promissory notes	11,624	-	-	11,624
Cross currency and interest rate swap	-	1,238	-	1,238
Long-term receivables	250	-	-	250
Long-term loans issued	496	-	-	496
Financial assets at fair value through profit or loss	-	656	-	656
Financial assets at fair value through other comprehensive income	-	-	594	594
Trade and other receivables (Note 9)	53,426	-	-	53,426
Trade receivables	36,256	-	-	36,256
Other financial receivables	17,170	-	-	17,170
Other current assets (Note 11)	33,810	-	-	33,810
Special funds	3,821	-	-	3,821
Deposits	29,967	-	-	29,967
Short-term loans issued	22	-	-	22
Cash and cash equivalents (Note 8)	65,432	-	-	65,432
Total financial assets	165,038	1,894	594	167,526
Non-financial assets				763,955
Non-current assets classified as held for sale				450
Total assets				931,931

As at 30 June 2019, financial liabilities of the Group carried at fair value are represented by the non-deliverable forward contract for shares in the amount of RR 25,591 million (Note 15) (31 December 2018: RR 31,896 million) and by the cross-currency and interest rate swap in the amount of RR 228 million (31 December 2018: asset for cross-currency and interest rate swap of RR 1,238 million) (Note 7).

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

Note 26. Fair value of assets and liabilities

a) Recurring fair value measurements

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

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

30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Equity investments: Financial assets at fair value through profit or loss	673	-	-	673
Equity investments: Financial assets at fair value through other comprehensive income	-	-	594	594
Total assets requiring recurring fair value measurements	673	-	594	1,267
Financial liabilities				
Non-deliverable forward contract for shares	-	-	25,591	25,591
Cross currency and interest rate swap	-	-	228	228
Total liabilities requiring recurring fair value measurements	-	-	25,819	25,819
31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Equity investments: Financial assets at fair value through profit or loss	656	-	-	656
Equity investments: Financial assets at fair value through other comprehensive income	-	-	594	594
Cross currency and interest rate swap	-	-	1,238	1,238
Total assets requiring recurring fair value measurements	656	-	1,832	2,488
Financial liabilities				
Non-deliverable forward contract for shares	-	-	31,896	31,896
Total liabilities requiring recurring fair value measurements	-	-	31,896	31,896

There were no changes in the valuation techniques, inputs and assumptions for recurring fair value measurements during the six months ended 30 June 2019.

As at 30 June 2019 and 31 December 2018, the fair value of the non-deliverable forward contract for shares is determined based on the Monte-Carlo model, taking into account adjustments and using unobservable inputs, and is included in Level 3 of fair value hierarchy (Note 15).

The valuation of the Level 3 financial liability and the related sensitivity to reasonably possible changes in unobservable and observable inputs are as follows as at 30 June 2019 and 31 December 2018:

	Fair value	Valuation technique	Significant unobservable/observable inputs	Reasonably possible change	Reasonably possible values	Change of fair value measurement
Financial liability						
As at 30 June 2019						
Non-deliverable forward contract for shares	25,591	Monte-Carlo model	Dividend yield	-2%	5.00 percent	(583)
			Market value of the share	+2%	9.00 percent	594
				-20%	RR 0.4836	6,074
				+20%	RR 0.7254	(5,969)
As at 31 December 2018						
Non-deliverable forward contract for shares	31,896	Monte-Carlo model	Dividend yield	-2%	5.00 percent	(157)
			Market value of the share	+2%	9.00 percent	254
				-20%	RR 0.3897	5,048
				+20%	RR 0.5845	(5,040)

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

The estimated fair value of the non-deliverable forward contract is significantly influenced by observable inputs, in particular, by the market value of the shares which was RR 0.6045 as at 30 June 2019 (31 December 2018: RR 0.4871) (Note 15).

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

Financial assets carried at amortised cost. The Group considers that the fair value of cash (Level 1 of the fair value hierarchy), cash equivalents and short-term deposits (Level 2 of the fair value hierarchy), short-term accounts receivable (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value of long-term accounts receivable, other non-current and current assets is estimated based on future cash flows expected to be received 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 June 2019 the fair value of bonds exceeded their carrying value by RR 1,224 million. As at 31 December 2018 the carrying value of bonds exceeded their fair value by RR 1,243 million.

As at 30 June 2019 the carrying value of non-current fixed rate debt was RR 64,094 million and exceeded its fair value by RR 3,271 million (31 December 2018: the carrying value of non-current fixed rate debt was RR 69,901 million and exceeded its fair value by RR 3,263 million).