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 2017

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Report on Review of 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 (the "Group") as of 30 June 2017 and the related condensed consolidated interim statements of income and comprehensive income for the three-month and six-month periods then ended, and cash flows and changes in equity for the six-month period then ended. 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 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 2017
Moscow, Russian Federation

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

Audited entity: PJSC RusHydro

Certificate of inclusion in the Unified State Register of Legal Entities issued on 26 December 2004 under registration № 1042401810494

Krasnoyarsk, Krasnoyarsk Region, Russian Federation, 660017

Independent auditor:
AO PricewaterhouseCoopers Audit

State registration certificate No. 008.890, issued by Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

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

ORNZ 11603050547 in the register of auditors and audit organizations

(in millions of Russian Rubles unless noted otherwise)

	Note	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	785,995	765,047
Investments in associates and joint ventures		20,137	20,278
Available-for-sale financial assets		21,137	21,181
Deferred income tax assets		6,701	6,640
Other non-current assets	7	21,401	21,847
Total non-current assets		**855,371**	**834,993**
Current assets			
Cash and cash equivalents	8	85,134	67,354
Income tax receivable		2,689	889
Accounts receivable and prepayments	9	49,085	47,076
Inventories	10	23,483	24,037
Other current assets	11	6,701	9,097
Total current assets		**167,092**	**148,453**
TOTAL ASSETS		**1,022,463**	**983,446**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	426,289	386,255
Treasury shares	12	(4,613)	(22,578)
Share premium		39,202	39,202
Retained earnings and other reserves		233,117	243,790
Equity attributable to the shareholders of PJSC RusHydro		**693,995**	**646,669**
Non-controlling interest		4,274	4,263
TOTAL EQUITY		**698,269**	**650,932**
Non-current liabilities			
Deferred income tax liabilities		41,324	39,086
Non-current debt	14	105,007	158,046
Non-deliverable forward contract for shares	15	14,665	-
Other non-current liabilities		20,993	18,726
Total non-current liabilities		**181,989**	**215,858**
Current liabilities			
Current debt and current portion of non-current debt	14	57,999	41,757
Accounts payable and accruals	16	69,868	58,784
Current income tax payable		342	858
Other taxes payable	17	13,996	15,257
Total current liabilities		**142,205**	**116,656**
TOTAL LIABILITIES		**324,194**	**332,514**
TOTAL EQUITY AND LIABILITIES		**1,022,463**	**983,446**

Chairman of Management Board – General Director N. G. Shulginov

Chief Accountant Y. G. Medvedeva

29 August 2017

Публичное акционерное общество «Федеральная гидрогенерирующая компания – РусГидро» 660017, Красноярский край, г. Красноярск, ул. Дубровинского, д.43, корпус 1 • ОГРН 1042401810494 • (ПАО «РусГидро») РусГидро

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June		Three months ended 30 June	
		2017	**2016**	**2017**	**2016**
Revenue	18	180,866	187,861	82,087	83,457
Government grants	19	6,788	6,479	2,208	3,176
Other operating income		-	2,055	-	1,814
Operating expenses (excluding impairment losses)	20	(147,736)	(158,830)	(68,867)	(71,879)
Operating profit excluding impairment losses		**39,918**	**37,565**	**15,428**	**16,568**
Impairment of accounts receivable, net		(2,633)	(3,144)	(1,658)	(1,782)
Impairment of property, plant and equipment	6	(1,244)	(1,879)	(373)	(1,102)
Operating profit		**36,041**	**32,542**	**13,397**	**13,684**
Finance income	21	5,196	5,519	2,343	2,929
Finance costs	21	(10,497)	(4,314)	(8,762)	(2,051)
Share of results of associates and joint ventures		149	558	(26)	74
Profit before income tax		**30,889**	**34,305**	**6,952**	**14,636**
Income tax expense	13	(8,586)	(8,830)	(3,455)	(4,208)
Profit for the period		**22,303**	**25,475**	**3,497**	**10,428**
Attributable to:					
Shareholders of PJSC RusHydro		22,052	26,714	4,870	12,546
Non-controlling interest		251	(1,239)	(1,373)	(2,118)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	22	0.0576	0.0728	0.0124	0.0341
Weighted average number of shares outstanding – basic and diluted (millions of shares)	22	382,546	366,871	393,401	367,403

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June		Three months ended 30 June	
		2017	**2016**	**2017**	**2016**
Profit for the period		**22,303**	**25,475**	**3,497**	**10,428**
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss					
Remeasurement of pension benefit obligations		(234)	(525)	(234)	(525)
Total items that will not be reclassified to profit or loss		**(234)**	**(525)**	**(234)**	**(525)**
Items that may be reclassified subsequently to profit or loss					
Profit / (loss) arising on available-for-sale financial assets	26	9	7,479	(391)	3,614
Reclassification of accumulated loss on available-for-sale financial assets to profit or loss		28	-	28	-
Other comprehensive income / (loss)		12	(35)	(3)	(766)
Total items that may be reclassified subsequently to profit or loss		**49**	**7,444**	**(366)**	**2,848**
Other comprehensive (loss) / income for the period		**(185)**	**6,919**	**(600)**	**2,323**
Total comprehensive income for the period		**22,118**	**32,394**	**2,897**	**12,751**
Attributable to:					
Shareholders of PJSC RusHydro		21,980	33,749	4,367	15,000
Non-controlling interest		138	(1,355)	(1,470)	(2,249)

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**30,889**	**34,305**
Depreciation of property, plant and equipment and amortisation of intangible assets	6, 20	11,408	12,061
Loss on disposal of property, plant and equipment, net	20	219	120
Share of results of associates and joint ventures		(149)	(558)
Other operating income		-	(2,055)
Finance income	21	(5,196)	(5,519)
Finance costs	21	10,497	4,314
Impairment of property, plant and equipment	6	1,244	1,879
Impairment of accounts receivable, net		2,633	3,144
Pension (income) / expenses		(33)	15
Other income		(52)	(170)
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		**51,460**	**47,536**
Working capital changes:			
Increase in accounts receivable and prepayments		(5,255)	(2,831)
Decrease in inventories		546	577
Decrease in other current assets		1,529	83
Decrease in accounts payable and accruals, excluding dividends payable		(6,910)	(5,136)
(Decrease) / increase in other taxes payable		(1,260)	580
Decrease / (increase) in other non-current assets		536	(740)
Increase / (decrease) in other non-current liabilities		285	(677)
Income tax paid		(8,659)	(7,873)
Net cash generated by operating activities		**32,272**	**31,519**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(26,416)	(24,558)
Proceeds from sale of property, plant and equipment		76	48
Investment in bank deposits and purchase of other investments		(10,859)	(9,620)
Redemption of bank deposits and proceeds from sale of other investments		11,459	22,175
Placement of special funds on special accounts	11	-	(6,998)
Purchase of shares of subsidiary	12	-	(414)
Interest received		4,062	3,875
Net cash used in investing activities		**(21,678)**	**(15,492)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share issue	12	40,000	-
Proceeds from sale of treasury shares	12	15,000	-
Prepayment for non-deliverable forward for shares	15	(1,799)	-
Proceeds from current debt	14	26,344	40,498
Proceeds from non-current debt	14	23,864	30,998
Repayment of debt	14	(87,505)	(59,255)
Interest paid		(8,100)	(9,628)
Finance lease payments		(235)	(273)
Dividends paid		(173)	(223)
Net cash generated by financing activities		**7,396**	**2,117**
Effect of foreign exchange differences on cash and cash equivalents balances		(210)	(316)
Increase in cash and cash equivalents		**17,780**	**17,828**
Cash and cash equivalents at the beginning of the period		**67,354**	**48,025**
Cash and cash equivalents at the end of the period	**8**	**85,134**	**65,853**

(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 remeasu-rement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2016		**386,255**	**(26,092)**	**39,202**	**(135,075)**	**(474)**	**188,552**	**1,952**	**689**	**147,470**	**602,479**	**11,440**	**613,919**
Profit for the period		-	-	-	-	-	-	-	-	26,714	26,714	(1,239)	25,475
Profit arising on available-for-sale financial assets	26	-	-	-	-	-	-	7,416	-	-	7,416	63	7,479
Remeasurement of pension benefit obligations		-	-	-	-	-	-	-	(330)	-	(330)	(195)	(525)
Other comprehensive loss		-	-	-	-	(67)	17	-	-	(1)	(51)	16	(35)
Total other comprehensive income		-	-	-	-	(67)	17	7,416	(330)	(1)	7,035	(116)	6,919
Total comprehensive income		**-**	**-**	**-**	**-**	**(67)**	**17**	**7,416**	**(330)**	**26,713**	**33,749**	**(1,355)**	**32,394**
Offer for shares of PJSC RAO ES East	12	-	3,514	-	-	-	-	-	-	4,872	8,386	(6,694)	1,692
Dividends	12	-	-	-	-	-	-	-	-	(14,278)	(14,278)	(238)	(14,516)
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	76	76
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(159)	-	-	159	-	-	-
As at 30 June 2016		**386,255**	**(22,578)**	**39,202**	**(135,075)**	**(541)**	**188,410**	**9,368**	**359**	**164,936**	**630,336**	**3,229**	**633,565**
As at 1 January 2017		**386,255**	**(22,578)**	**39,202**	**(135,075)**	**(538)**	**182,968**	**16,909**	**459**	**179,067**	**646,669**	**4,263**	**650,932**
Profit for the period		-	-	-	-	-	-	-	-	22,052	22,052	251	22,303
Remeasurement of pension benefit obligations		-	-	-	-	-	-	-	(138)	-	(138)	(96)	(234)
Profit arising on available-for-sale financial assets	26	-	-	-	-	-	-	30	-	-	30	(21)	9
Reclassification of accumulated loss on available-for-sale financial assets to profit or loss		-	-	-	-	-	-	28	-	-	28	-	28
Other comprehensive income		-	-	-	-	3	5	-	-	-	8	4	12
Total other comprehensive loss		-	-	-	-	3	5	58	(138)	-	(72)	(113)	(185)
Total comprehensive income		**-**	**-**	**-**	**-**	**3**	**5**	**58**	**(138)**	**22,052**	**21,980**	**138**	**22,118**
Share issue	12	40,034	-	-	-	-	-	-	-	-	40,034	-	40,034
Sale of treasury shares	12	-	17,965	-	-	-	-	-	-	(2,965)	15,000	-	15,000
Dividends	12	-	-	-	-	-	-	-	-	(19,696)	(19,696)	(127)	(19,823)
Non-deliverable forward contract for shares	15	-	-	-	-	-	-	-	-	(10,013)	(10,013)	-	(10,013)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(379)	-	-	379	-	-	-
Other movements		-	-	-	-	-	-	-	-	21	21	-	21
As at 30 June 2017		**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(535)**	**182,594**	**16,967**	**321**	**168,845**	**693,995**	**4,274**	**698,269**

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 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 six months ended 30 June 2017, there were no substantial changes to the rules of Russian wholesale and retail electricity and capacity markets, their functioning and price setting mechanisms (Note 27).

Relations with the Government and current regulation. As at 30 June 2017, the Russian Federation owned 60.56 percent of the total voting ordinary shares of the Company after taking into account the placement of additional Company's shares within the current share issue (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 were 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 estimated weighted average annual income tax rate (Note 13) and discount rate for pension benefit obligations as provided below as well as judgments in respect of the 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 imply 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 international financial reporting standards do not prescribe accounting treatment for the risks and rewards transfer procedure for treasury shares, the Group management concluded that the transaction should be presented on the basis that the Bank is the beneficial owner of the Company's shares.

In the Group management's opinion, 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 (for a 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 and also as both the issue of shares and the conclusion of the non-deliverable forward contract are carried out by decision and in the interests of the state as the ultimate controlling party, the initial recognition of the non-deliverable forward contract for these shares is also recorded in equity as a shareholder transaction.

(in millions of Russian Rubles unless noted otherwise)

Discount rate. Principal actuarial assumptions used in determining pension benefit obligations as at 30 June 2017 remained unchanged in comparison with 31 December 2016 except for the discount rate which decreased from 8.20 percent as at 31 December 2016 to 7.80 percent as at 30 June 2017.

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.

Apart from new standards and interpretations becoming effective from 1 January 2018 and after that date applicable to the Group as disclosed in the consolidated financial statements as at and for the year ended 31 December 2016, the following interpretation was issued which is apllicable to the Group:

- IFRIC 23 – Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019).

This new interpretation is not expected to affect significantly the Group's Consolidated Financial Statements.

Note 3. Principal subsidiaries

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

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

	30 June 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 June 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 30 June 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 at shareholders' meetings because the remaining part of the shares not owned by the Group are distributed among a large number of shareholders whose individual stakes are insignificant.*

(in millions of Russian Rubles unless noted otherwise)

Other segments

Other segments include:

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

Principal subsidiaries included in other segments are presented below:

	30 June 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 Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
JSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
JSC Zaramag HS	99.75%	99.75%	99.75%	99.75%
JSC Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
PJSC Kolimaenergo	98.76%	98.76%	98.76%	98.76%
JSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
JSC NIIES	100.00%	100.00%	100.00%	100.00%
JSC Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
JSC Sahalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC 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 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 based on quantitative indicators for the periods presented.

Management of operating activities of the 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 the segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Segment management bears responsibility for execution of the approved plan and management of operating activities at the level of segments.

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding insurance compensation, depreciation of property, plant and equipment and amortization of intangible assets, impairment of property, plant and equipment, impairment of accounts receivable, loss on disposal of property, plant and equipment, loss on disposal of subsidiaries, and other non-monetary items of operating income and expenses. This method of 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 the Group's operating segments, as it reflects the earnings trends excluding the impact of the charges listed above.

Segment information also contains capital expenditures and the amounts of borrowings as these indicators are analysed by the CODM. Intersegment borrowings balances are excluded.

All information provided to the CODM is consistent with the information presented in the consolidated financial statements as at and for the year ended 31 December 2016.

Intersegment sales are carried out at market prices.

Segment information for the three and six months ended 30 June 2017 and 30 June 2016 and as at 30 June 2017 and 31 December 2016 is presented below.

(in millions of Russian Rubles unless noted otherwise)

Six months ended 30 June 2017	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	**58,219**	**30,439**	**93,852**	**11,220**	**193,730**	**(12,864)**	**180,866**
including:							
from external companies	*53,884*	*30,431*	*93,674*	*2,877*	***180,866***	*-*	***180,866***
sales of electricity	*36,975*	*29,895*	*59,399*	*439*	***126,708***	*-*	***126,708***
sales of heat and hot water	*83*	*-*	*22,584*	*-*	***22,667***	*-*	***22,667***
sales of capacity	*16,757*	*-*	*2,931*	*152*	***19,840***	*-*	***19,840***
other revenue	*69*	*536*	*8,760*	*2,286*	***11,651***	*-*	***11,651***
from intercompany operations	*4,335*	*8*	*178*	*8,343*	***12,864***	*(12,864)*	***-***
Government grants	-	-	6,757	31	**6,788**	-	**6,788**
Operating expenses (excluding depreciation and other non-monetary items)	(19,070)	(29,562)	(89,330)	(10,467)	**(148,429)**	12,322	**(136,107)**
EBITDA	**39,149**	**877**	**11,279**	**784**	**52,089**	**(542)**	**51,547**
Depreciation of property, plant and equipment and amortization of intangible assets	(6,564)	(71)	(3,957)	(925)	**(11,517)**	109	**(11,408)**
Other non-monetary items of operating income and expenses	**(1,968)**	**(20)**	**(1,889)**	**(219)**	**(4,096)**	**(2)**	**(4,098)**
including:							
impairment of property, plant and equipment	*(843)*	*-*	*(298)*	*(103)*	***(1,244)***	*-*	***(1,244)***
impairment of accounts receivable, net	*(982)*	*(9)*	*(1,542)*	*(100)*	***(2,633)***	*-*	***(2,633)***
loss on disposal of property, plant and equipment, net	*(143)*	*(9)*	*(49)*	*(16)*	***(217)***	*(2)*	***(219)***
loss on disposal of subsidiaries, net	*-*	*(2)*	*-*	*-*	***(2)***	*-*	***(2)***
Operating profit / (loss)	**30,617**	**786**	**5,433**	**(360)**	**36,476**	**(435)**	**36,041**
Finance income							5,196
Finance costs							(10,497)
Share of results of associates and joint ventures							149
Profit before income tax							**30,889**
Total income tax expense							(8,586)
Profit for the period							**22,303**
Capital expenditure	**9,489**	**25**	**8,135**	**16,087**	**33,736**	**893**	**34,629**
30 June 2017							
Non-current and current debt	**109,472**	**1,411**	**47,043**	**5,080**	**163,006**	**-**	**163,006**

(in millions of Russian Rubles unless noted otherwise)

Six months ended 30 June 2016	**PJSC RusHydro**	**ESC RusHydro subgroup**	**RAO ES East subgroup**	**Other segments**	**Total segments**	**Unallocated adjustments and intercompany operations**	**TOTAL**
Revenue	**57,214**	**45,520**	**87,948**	**11,022**	**201,704**	**(13,843)**	**187,861**
including:							
from external companies	*51,999*	*45,504*	*87,793*	*2,565*	***187,861***	*-*	***187,861***
sales of electricity	*37,644*	*44,951*	*54,219*	*302*	***137,116***	*-*	***137,116***
sales of heat and hot water	*93*	*-*	*22,726*	*-*	***22,819***	*-*	***22,819***
sales of capacity	*13,909*	*-*	*3,107*	*207*	***17,223***	*-*	***17,223***
other revenue	*353*	*553*	*7,741*	*2,056*	***10,703***	*-*	***10,703***
from intercompany operations	*5,215*	*16*	*155*	*8,457*	***13,843***	*(13,843)*	***-***
Government grants	-	-	6,441	38	**6,479**	-	**6,479**
Other operating income	-	1	13	305	**319**	-	**319**
Operating expenses (excluding depreciation and other non-monetary items)	(17,779)	(43,947)	(85,862)	(11,935)	**(159,523)**	12,884	**(146,639)**
EBITDA	**39,435**	**1,574**	**8,540**	**(570)**	**48,979**	**(959)**	**48,020**
Insurance indemnity	-	-	-	1,736	**1,736**	-	**1,736**
Depreciation of property, plant and equipment and amortization of intangible assets	(6,681)	(403)	(3,992)	(1,101)	**(12,177)**	116	**(12,061)**
Other non-monetary items of operating income and expenses	**(2,140)**	**(911)**	**(2,075)**	**(24)**	**(5,150)**	**(3)**	**(5,153)**
including:							
impairment of property, plant and equipment	*(1,398)*	*-*	*(481)*	*-*	***(1,879)***	*-*	***(1,879)***
impairment of accounts receivable, net	*(786)*	*(902)*	*(1,437)*	*(19)*	***(3,144)***	*-*	***(3,144)***
profit / (loss) on disposal of property, plant and equipment, net	*44*	*(9)*	*(151)*	*(5)*	***(121)***	*1*	***(120)***
loss on disposal of subsidiaries and joint venture, net	*-*	*-*	*(6)*	*-*	***(6)***	*(4)*	***(10)***
Operating profit / (loss)	**30,614**	**260**	**2,473**	**41**	**33,388**	**(846)**	**32,542**
Finance income							5,519
Finance costs							(4,314)
Share of results of associates and joint ventures							558
Profit before income tax							**34,305**
Total income tax expense							(8,830)
Profit for the period							**25,475**
Capital expenditure	**12,471**	**17**	**8,283**	**12,481**	**33,252**	**1,379**	**34,631**
31 December 2016							
Non-current and current debt	**107,274**	**550**	**86,912**	**5,067**	**199,803**	**-**	**199,803**

(in millions of Russian Rubles unless noted otherwise)

Three months ended 30 June 2017	**PJSC RusHydro**	**ESC RusHydro subgroup**	**RAO ES East subgroup**	**Other segments**	**Total segments**	**Unallocated adjustments and intercompany operations**	**TOTAL**
Revenue	**30,542**	**13,140**	**39,003**	**6,545**	**89,230**	**(7,143)**	**82,087**
including:							
from external companies	*28,551*	*13,137*	*38,925*	*1,474*	***82,087***	*-*	***82,087***
sales of electricity	*20,820*	*12,879*	*26,134*	*276*	***60,109***	*-*	***60,109***
sales of heat and hot water	*22*	*-*	*6,977*	*-*	***6,999***	*-*	***6,999***
sales of capacity	*7,670*	*-*	*1,497*	*85*	***9,252***	*-*	***9,252***
other revenue	*39*	*258*	*4,317*	*1,113*	***5,727***	*-*	***5,727***
from intercompany operations	*1,991*	*3*	*78*	*5,071*	***7,143***	*(7,143)*	***-***
Government grants	-	-	2,194	14	**2,208**	-	**2,208**
Operating expenses (excluding depreciation and other non-monetary items)	(10,091)	(12,828)	(40,715)	(6,093)	**(69,727)**	6,745	**(62,982)**
EBITDA	**20,451**	**312**	**482**	**466**	**21,711**	**(398)**	**21,313**
Depreciation of property, plant and equipment and amortization of intangible assets	(3,329)	(36)	(1,957)	(468)	**(5,790)**	65	**(5,725)**
Other non-monetary items of operating income and expenses	**(831)**	**106**	**(1,405)**	**(59)**	**(2,189)**	**(2)**	**(2,191)**
including:							
impairment of property, plant and equipment	*(124)*	*-*	*(201)*	*(48)*	***(373)***	*-*	***(373)***
(impairment) / reversal of accounts receivable, net	*(567)*	*117*	*(1,193)*	*(15)*	***(1,658)***	*-*	***(1,658)***
(loss) / profit on disposal of property, plant and equipment, net	*(140)*	*(9)*	*(11)*	*4*	***(156)***	*(2)*	***(158)***
loss on disposal of subsidiaries, net	*-*	*(2)*	*-*	*-*	***(2)***	*-*	***(2)***
Operating profit / (loss)	**16,291**	**382**	**(2,880)**	**(61)**	**13,732**	**(335)**	**13,397**
Finance income							2,343
Finance costs							(8,762)
Share of results of associates and joint ventures							(26)
Profit before income tax							**6,952**
Total income tax expense							(3,455)
Profit for the period							**3,497**
Capital expenditure	**5,482**	**24**	**5,335**	**9,689**	**20,530**	**598**	**21,128**

(in millions of Russian Rubles unless noted otherwise)

Three months ended 30 June 2016	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	**30,117**	**19,294**	**35,191**	**6,248**	**90,850**	**(7,393)**	**83,457**
including:							
from external companies	*27,731*	*19,289*	*35,134*	*1,303*	***83,457***	*-*	***83,457***
sales of electricity	*21,010*	*19,013*	*22,677*	*148*	***62,848***	*-*	***62,848***
sales of heat and hot water	*25*	*-*	*6,998*	*-*	***7,023***	*-*	***7,023***
sales of capacity	*6,473*	*-*	*1,768*	*110*	***8,351***	*-*	***8,351***
other revenue	*223*	*276*	*3,691*	*1,045*	***5,235***	*-*	***5,235***
from intercompany operations	*2,386*	*5*	*57*	*4,945*	***7,393***	*(7,393)*	***-***
Government grants	-	-	3,159	17	**3,176**	-	**3,176**
Other operating income	-	1	13	64	**78**	-	**78**
Operating expenses (excluding depreciation and other non-monetary items)	(9,258)	(18,725)	(38,063)	(6,711)	**(72,757)**	6,854	**(65,903)**
EBITDA	**20,859**	**570**	**300**	**(382)**	**21,347**	**(539)**	**20,808**
Insurance indemnity	-	-	-	1,736	**1,736**	-	**1,736**
Depreciation of property, plant and equipment and amortization of intangible assets	(3,131)	(202)	(2,017)	(578)	**(5,928)**	61	**(5,867)**
Other non-monetary items of operating income and expenses	**(1,025)**	**(731)**	**(1,263)**	**25**	**(2,994)**	**1**	**(2,993)**
including:							
impairment of property, plant and equipment	*(794)*	*-*	*(308)*	*-*	***(1,102)***	*-*	***(1,102)***
impairment of accounts receivable, net	*(271)*	*(731)*	*(810)*	*30*	***(1,782)***	*-*	***(1,782)***
profit / (loss) on disposal of property, plant and equipment, net	*40*	*-*	*(145)*	*(5)*	***(110)***	*1*	***(109)***
Operating profit / (loss)	**16,703**	**(363)**	**(2,980)**	**801**	**14,161**	**(477)**	**13,684**
Finance income							2,929
Finance costs							(2,051)
Share of results of associates and joint ventures							74
Profit before income tax							**14,636**
Total income tax expense							(4,208)
Profit for the period							**10,428**
Capital expenditure	**6,035**	**3**	**5,147**	**6,614**	**17,799**	**236**	**18,035**

(in millions of Russian Rubles unless noted otherwise)

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.

Transactions with the Group's related parties for the six months ended 30 June 2017 and 30 June 2016 and as at 30 June 2017 and 31 December 2016 mainly included transactions with associates and joint ventures of the Group, as well as with government-related entities.

Joint ventures

The Group had the following balances with its joint ventures:

	30 June 2017	31 December 2016
Promissory notes (Note 7)	6,565	6,269
Advances to suppliers	3	800
Loans issued	15	15
Loans received	750	750

The Group had the following transactions with its joint ventures:

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	2017	2016
Sales of electricity and capacity	171	812	85	85
Other revenue	290	161	142	83
Purchased electricity and capacity	1,440	1,463	596	612

The Group also issued guarantees for liabilities of its joint ventures (Note 24).

Associates

The Group had the following balances with its associates:

	30 June 2017	31 December 2016
Trade and other receivables	290	491
Trade payables	1,026	781

The Group had the following transactions with its associates:

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	2017	2016
Sales of electricity and capacity	1,543	1,467	586	550
Other revenue	67	70	33	32
Rent	298	245	149	132
Purchased electricity and capacity	10	11	4	4

Government-related entities

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

The Group had transactions during the three and six months ended 30 June 2017 and 30 June 2016 and balances outstanding as at 30 June 2017 and 31 December 2016 with a number of government-related banks. All transactions with the banks are carried out on market terms. The Company entered into a non-deliverable forward transaction for own shares with PJSC Bank VTB (Note 15).

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 20 percent of the total sales of electricity, capacity and heat for the three and six months ended 30 June 2017 (for the three and six months ended 30 June 2016: approximately 30 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 (hereinafter referred to as "CFS"). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in the non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. At 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 2017, the Group received government subsidies of RR 6,788 million (for the six months ended 30 June 2016: RR 6,479 million). During the three months ended 30 June 2017, the Group received government subsidies of RR 2,208 million (for the three months ended 30 June 2016: RR 3,176 million) (Note 19).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 30 percent of the total expenses on purchased electricity, capacity and fuel for the three and six months ended 30 June 2017 (for the three and six months ended 30 June 2017: approximately 20 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 70 percent of the total electricity distribution expenses for the three and six months ended 30 June 2017 (for the three and six months ended 30 June 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 this capacity and for attending Board meetings is paid depending on the results for the year and is calculated based on the 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 is mostly short-term except for the accruals 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 2017 comprised RR 758 million (for the six months ended 30 June 2016: RR 614 million). Short-term remuneration paid to the key management of the Group for the three months ended 30 June 2017 comprised RR 541 million (for the three months ended 30 June 2016: RR 454 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
Balance as at 31 December 2016	**91,324**	**407,267**	**311,929**	**292,889**	**14,286**	**1,117,695**
Reclassification	551	4,774	(5,445)	244	(124)	-
Additions	17	7	382	33,858	365	34,629
Transfers	322	1,294	11,612	(13,232)	4	-
Disposals and write-offs	(92)	(129)	(1,345)	(322)	(248)	(2,136)
Balance as at 30 June 2017	**92,122**	**413,213**	**317,133**	**313,437**	**14,283**	**1,150,188**
Accumulated depreciation (including impairment)						
Balance as at 31 December 2016	**(35,459)**	**(143,461)**	**(133,736)**	**(32,224)**	**(7,768)**	**(352,648)**
Impairment charge	(21)	(113)	(128)	(982)	-	(1,244)
Charge for the period	(1,004)	(4,171)	(5,395)	-	(584)	(11,154)
Transfers	(167)	(2,666)	1,990	928	(85)	-
Disposals and write-offs	39	66	564	59	125	853
Balance as at 30 June 2017	**(36,612)**	**(150,345)**	**(136,705)**	**(32,219)**	**(8,312)**	**(364,193)**
Net book value as at 30 June 2017	**55,510**	**262,868**	**180,428**	**281,218**	**5,971**	**785,995**
Net book value as at 31 December 2016	**55,865**	**263,806**	**178,193**	**260,665**	**6,518**	**765,047**

Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2015	**83,887**	**398,693**	**268,513**	**285,292**	**13,646**	**1,050,031**
Reclassification	(30)	(103)	(2,508)	2,625	16	-
Additions	9	8	200	34,083	331	34,631
Transfers	509	1,985	19,572	(22,156)	90	-
Disposals and write-offs	(58)	(176)	(515)	(660)	(176)	(1,585)
Balance as at 30 June 2016	**84,317**	**400,407**	**285,262**	**299,184**	**13,907**	**1,083,077**
Accumulated depreciation (including impairment)						
Balance as at 31 December 2015	**(31,803)**	**(131,656)**	**(105,881)**	**(29,192)**	**(6,914)**	**(305,446)**
Impairment charge	(88)	(291)	(203)	(1,291)	(6)	(1,879)
Charge for the period	(1,034)	(4,103)	(6,258)	-	(653)	(12,048)
Transfers	(275)	(59)	(774)	1,135	(27)	-
Disposals and write-offs	11	17	361	170	108	667
Balance as at 30 June 2016	**(33,189)**	**(136,092)**	**(112,755)**	**(29,178)**	**(7,492)**	**(318,706)**
Net book value as at 30 June 2016	**51,128**	**264,315**	**172,507**	**270,006**	**6,415**	**764,371**
Net book value as at 31 December 2015	**52,084**	**267,037**	**162,632**	**256,100**	**6,732**	**744,585**

As at 30 June 2017, the net book value of the property, plant and equipment includes office buildings and plots of land owned by the Group in the amount of RR 7,522 million (31 December 2016: RR 7,745 million) which are stated at cost.

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including power plants under construction, as well as advances to construction companies and suppliers of property, plant and equipment. As at 30 June 2017, such advances amounted to RR 44,562 million (31 December 2016: RR 47,105 million).

Additions to assets under construction include capitalised borrowing costs in the amount of RR 6,017 million, the capitalisation rate was 9.68 percent (for the six months ended 30 June 2016: RR 7,109 million, the capitalisation rate was 10.54 percent).

Additions to assets under construction include capitalised depreciation in the amount of RR 111 million (for the six months ended 30 June 2016: RR 264 million).

(in millions of Russian Rubles unless noted otherwise)

Impairment. Management of the Group considered the market and economic environment in which the Group operates as well as other external and internal factors to assess whether any indicators of property, plant and equipment being impaired existed, or that an impairment loss recognised in prior periods may no longer exist or may have decreased. At the reporting date, no indicators of significant changes of management's assumptions used to determine the recoverable amounts of cash-generating units as at 31 December 2016 were identified as a result of this analysis.

Based on the same assumptions, the Group recognised an impairment loss in the amount of RR 1,244 million for the six months ended 30 June 2017 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 2016: RR 1,879 million) For the three months ended 30 June 2017, the impairment loss was RR 373 million (for the three months ended 30 June 2016: RR 1 102 million).

Note 7. Other non-current assets

	30 June 2017	31 December 2016
Long-term promissory notes	38,690	38,931
Discount	(15,950)	(16,415)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	8,715	8,491
Long-term advances to suppliers	2,905	3,173
VAT recoverable	1,974	2,036
Goodwill	481	481
Other non-current assets	7,326	7,666
Total other non-current assets	**21,401**	**21,847**

Note 8. Cash and cash equivalents

	30 June 2017	31 December 2016
Cash equivalents	74,857	52,594
Cash at bank	10,251	14,738
Cash in hand	26	22
Total cash and cash equivalents	**85,134**	**67,354**

Cash equivalents held as at 30 June 2017 and 31 December 2016 comprised short-term bank deposits with original contractual maturities of three months or less.

Note 9. Accounts receivable and prepayments

	30 June 2017	31 December 2016
Trade receivables	58,460	56,936
Provision for impairment of trade receivables	(25,919)	(23,900)
Trade receivables, net	**32,541**	**33,036**
VAT recoverable	**7,786**	**7,329**
Advances to suppliers and other prepayments	5,195	2,617
Provision for impairment of advances to suppliers and other prepayments	(672)	(629)
Advances to suppliers and other prepayments, net	**4,523**	**1,988**
Other receivables	8,096	8,485
Provision for impairment of other receivables	(3,861)	(3,762)
Other receivables, net	**4,235**	**4,723**
Total accounts receivable and prepayments	**49,085**	**47,076**

As at 30 June 2017 and 31 December 2016 the Group does not hold any accounts receivable pledged as collateral for borrowings.

(in millions of Russian Rubles unless noted otherwise)

Note 10. Inventories

	30 June 2017	31 December 2016
Fuel	12,677	14,825
Materials and supplies	7,766	6,402
Spare parts	2,683	2,539
Other materials	657	565
Total inventories before impairment	**23,783**	**24,331**
Impairment of inventories	**(300)**	**(294)**
Total inventories	**23,483**	**24,037**

There are no inventories pledged as collateral for borrowings as at 30 June 2017 and as at 31 December 2016.

Note 11. Other current assets

	30 June 2017	31 December 2016
Special funds	**2,945**	**3,507**
Deposits	**3,528**	**4,292**
Restricted cash	**-**	**826**
Loans issued	2,612	2,808
Provision for loans issued	(2,471)	(2,498)
Loans issued, net	**141**	**310**
Other short-term investments	**87**	**162**
Total other current assets	**6,701**	**9,097**

As at 30 June 2017 the balance of special funds in the amount of RR 2,945 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 2016: RR 3,507 million). These special funds may be used by the Group only upon approval by the Federal Treasury of Russia according to the 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 ordinary shares (Par value of RR 1.00)
As at 30 June 2017	426,288,813,551
As at 31 December 2016	386,255,464,890
As at 30 June 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 by open subscription. The placement price of the additional shares was determined at RR 1.00 per share. On 7 December 2016, the share issue was registered with the Bank of Russia.

In January 2017, as a result of certain shareholders exercising their pre-emptive right, the Company placed 33,348,661 additional shares, which were paid in December 2016.

In March 2017, PJSC Bank VTB purchased 40,000,000,000 additional shares under the agreement related to the purchase of 55 billion ordinary shares of the Company for a total amount of RR 55 billion (Note 2). The other 15 billion shares of quasy-treasury stock were sold to the bank by the Group`s subsidiaries. The full amount of cash received by the Group was used to repay the debts of RAO ES East subgroup.

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

On 5 June 2017, the results of the additional share issue were registered. 40,033,348,661 shares were placed as a result of the additional issue, which represents 99.02 percent of the additional issue's total number of shares registered. The shares issued were fully paid for in cash.

Treasury shares. As at 30 June 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 millions of Russian Rubles unless noted otherwise)

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 the agreement described above. Weighted average cost of these treasury shares was RR 17,965 million; the loss on disposal of RR 2,965 million was accounted for within equity.

Voluntary and obligatory offers to purchase shares of PJSC RAO ES East. During the six months ended 30 June 2016, the shareholders of PJSC RAO ES East that accepted the terms of the voluntary offer, transferred 4,715,738,904 ordinary shares and 346,195,762 preference shares of PJSC RAO ES East to LLC Vostok-Finance for a cash consideration of RR 34 million and in exchange for 2,934,258,766 shares of the Company in the amount of RR 3,514 million. Under the obligatory offer to purchase shares, LLC Vostok-Finance repurchased 887,217,472 ordinary shares and 312,687,580 preference shares of PJSC RAO ES East for a cash consideration of RR 380 million.

Effect of changes in non-controlling interest of subsidiaries. During the six months ended 30 June 2016, as a result of the voluntary and obligatory offers to purchase shares of PJSC RAO ES East as described above, non-controlling interest decreased by RR 6,694 million and retained earnings of the Group increased by RR 4,872 million as a result of the treasury shares disposal, decrease in non-controlling interest and derecognition of the remaining obligation to purchase shares after they were partly purchased for cash.

Dividends. On 26 June 2017, the Company declared dividends for the year ended 31 December 2016 of RR 0.0466 per share in the total amount of RR 19,876 million (RR 19,696 million excluding dividends to subsidiaries).

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

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to RR 127 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RR 238 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 2017, was 28 percent (for the six months ended 30 June 2016: 26 percent).

	Six months ended 30 June		Three months ended 30 June	
	2017	**2016**	**2017**	**2016**
Current income tax expense	6,343	6,677	2,430	2,771
Deferred income tax expense	2,243	2,153	1,025	1,437
Total income tax expense	**8,586**	**8,830**	**3,455**	**4,208**

(in millions of Russian Rubles unless noted otherwise)

Note 14. Current and non-current debt

Non-current debt

	Due date	30 June 2017	31 December 2016
PJSC Sberbank	2017–2028	48,207	56,491
Russian bonds (PJSC RusHydro) issued in Febrary 2013	2018*	20,641	20,645
Russian bonds (PJSC RusHydro) issued in July 2015	2018	15,855	15,857
Russian bonds (PJSC RusHydro) issued in April 2016	2019	15,348	15,347
PJSC Bank VTB	2017–2027	10,364	29,516
Russian bonds (PJSC RusHydro) issued in April 2015	2017*	10,220	10,222
Russian bonds (PJSC RusHydro) issued in June 2017	2020	10,008	-
UniCredit Bank Austria AG	2017–2026	5,283	5,242
Municipal authority of Kamchatka region	2017–2034	1,626	1,561
Bank GPB (JSC)	2018	1,591	6,171
EBRD	2017–2027	1,432	4,791
ASIAN Development bank	2017–2026	1,389	1,474
PJSC ROSBANK	2017–2018	1,379	8,136
Russian bonds (PJSC RusHydro) issued in April 2011	2021**	250	250
Crédit Agricole Corporate and Investment Bank Deutschland	-	-	4,920
Other non-current debt	-	804	1,776
Finance lease liabilities	-	1,777	1,973
Total		**146,174**	**184,372**
Less current portion of non-current debt		(40,736)	(25,758)
Less current portion of finance lease liabilities		(431)	(568)
Total non-current debt		**105,007**	**158,046**

** The bonds mature in 10 years with a put option to redeem them in 2018 and 2017 respectively.*
*** In April 2016, holders of the bonds issued in April 2011 partly redeemed the bonds under the put option. The rest of the bonds with nominal amount of RR 250 million will mature in 2021.*

Bonds issue. In June 2017 the Group placed non-convertible interest bearing market bonds of series BO-P05 with a nominal amount of RR 10,000 million. The term of the bonds is 3 years, the coupon rate is 8.2 percent per annum.

Current debt

	30 June 2017	31 December 2016
PJSC Sberbank	8,138	5,854
PJSC ROSBANK	4,809	4,755
Bank GPB (JSC)	1,308	3,031
BANK ROSSIYA	1,215	550
LLC AlstomRusHydroEnergy	750	750
Bank RRDB (JSC)	182	150
Current portion of non-current debt	40,736	25,758
Current portion of finance lease liabilities	431	568
Other current debt	430	341
Total current debt and current portion of non-current debt	**57,999**	**41,757**
Reference:		
Interest payable	2,785	3,044

Compliance with covenants. The Group is subject to certain covenants related to its debt. As at 30 June 2017 and 31 December 2016, the Group met all covenant clauses of the debt agreements.

(in millions of Russian Rubles unless noted otherwise)

Note 15. Non-deliverable forward contract for shares

In March 2017, the Company entered into a non-deliverable forward transaction for 55 billion shares with PJSC Bank VTB 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 amount of quarterly prepayments made by the Company to the Bank. The amounts of the prepayments are determined using a certain formula that *inter alia* reduces the prepayments by the amounts equivalent to the dividends received by the Bank over the 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 consideration received for the shares by the Bank, the Company will reimburse the difference to the Bank and, vice versa, if the proceeds from the sale of shares exceed 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 respect of recognition and recording of this derivative financial instrument.

At 30 June 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 14,665 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 a shareholder transaction. Deferred tax asset was not recognised based on management's probability estimate of its recoverability. Subsequent changes in the fair value of the non-deliverable forward contract is recorded within profit or loss.

A reconciliation of movements in the fair value of forward contract for the six months ended 30 June 2017 is as follows:

	The fair value of the forward contract
As at the initial recognition date (as at 03 March 2017)	**10,013**
Increase in the fair value of the non-deliverable forward contract (Note 21)	6,451
Prepayment	(1,799)
As at 30 June 2017	**14,665**

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	As at 30 June 2017	At the instrument's initial recognition date (as at 03 March 2017)
Expected term of the forward transaction	4.68 years	5 years
Market value of the share	RR 0.7953	RR 0.9752
CB RF key refinancing rate	9.00 percent	10.00 percent
Volatility of shares	34.76 percent	35.25 percent
Risk-free rate	8.00 percent	8.39 percent
Discount rate	11.90 percent	12.11 percent
Expected dividend yield	5.10 percent	5.10 percent

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

(in millions of Russian Rubles unless noted otherwise)

Note 16. Accounts payable and accruals

	30 June 2017	31 December 2016
Trade payables	30,380	31,451
Dividends payable	19,786	136
Advances received	8,117	9,712
Settlements with personnel	7,636	8,245
Accounts payable under factoring agreements	103	2,957
Liability for the PJSC RAO ES East shares purchase	3	3
Other accounts payable	3,843	6,280
Total accounts payable and accruals	**69,868**	**58,784**

All accounts payable and accruals are denominated in Russian Rubles.

Note 17. Other taxes payable

	30 June 2017	31 December 2016
VAT	7,934	9,833
Insurance contributions	3,160	2,925
Property tax	2,276	1,941
Other taxes	626	558
Total other taxes payable	**13,996**	**15,257**

Note 18. Revenue

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	2017	2016
Sales of electricity	126,708	137,116	60,109	62,848
Sales of heat and hot water	22,667	22,819	6,999	7,023
Sales of capacity	19,840	17,223	9,252	8,351
Other revenue	11,651	10,703	5,727	5,235
Total revenue	**180,866**	**187,861**	**82,087**	**83,457**

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 six months ended 30 June 2017, the Group received government subsidies of RR 6,788 million (for the six months ended 30 June 2016: RR 6,479 million). During the three months ended 30 June 2017, the Group received government subsidies of RR 2,208 million (for the three months ended 30 June 2016: RR 3,176 million). The subsidies were received in the following territories: Kamchatsky territory, Sakha Republic (Yakutiya), Magadan Region, Chukotka Autonomous Area and other Far East regions.

(in millions of Russian Rubles unless noted otherwise)

Note 20. Operating expenses (excluding impairment losses)

	Six months ended 30 June		Three months ended 30 June	
	2017	**2016**	**2017**	**2016**
Employee benefit expenses (including payroll taxes and pension benefit expenses)	36,377	35,986	17,715	17,699
Fuel expenses	29,969	30,262	12,069	10,830
Electricity distribution expenses	21,241	22,600	9,439	9,916
Purchased electricity and capacity	19,906	29,365	8,284	12,075
Depreciation of property, plant and equipment and amortisation of intangible assets	11,408	12,061	5,725	5,867
Taxes other than on income	5,409	5,042	2,729	2,567
Other materials	4,310	3,518	2,498	2,053
Third parties services, including:				
Purchase and transportation of heat	1,914	1,793	816	755
Provision of functioning of electricity and capacity market	1,818	1,825	909	910
Security expenses	1,691	1,698	856	867
Repairs and maintenance	1,524	1,538	963	1,029
Consulting, legal and information expenses	1,153	793	729	465
Rent	1,034	1,037	509	515
Insurance cost	990	1,031	445	511
Services of subcontractors	648	927	413	571
Transportation expenses	634	789	452	314
Other third parties services	3,817	3,841	1,922	2,143
Water usage expenses	1,678	1,609	881	828
Social infrastructure costs	731	727	593	622
Travel expenses	360	347	203	214
Loss on disposal of property, plant and equipment, net	219	120	158	109
Other expenses	905	1,921	559	1,019
Total operating expenses (excluding impairment losses)	**147,736**	**158,830**	**68,867**	**71,879**

Note 21. Finance income, costs

	Six months ended 30 June		Three months ended 30 June	
	2017	**2016**	**2017**	**2016**
Finance income				
Interest income	4,056	3,770	1,930	1,835
Foreign exchange gains	590	1,425	-	1,012
Income on discounting	245	131	137	38
Other income	305	193	276	44
Total finance income	**5,196**	**5,519**	**2,343**	**2,929**
Finance costs				
Change of fair value of non-deliverable forward contract for shares (Note 15)	(6,451)	-	(6,855)	-
Interest expense	(2,201)	(3,075)	(681)	(1,738)
Foreign exchange losses	(1,049)	(368)	(902)	-
Expense on discounting	(178)	(210)	(19)	(118)
Finance lease expense	(116)	(165)	(61)	(78)
Other costs	(502)	(496)	(244)	(117)
Total finance costs	**(10,497)**	**(4,314)**	**(8,762)**	**(2,051)**

(in millions of Russian Rubles unless noted otherwise)

Note 22. Earnings per share

	Six months ended 30 June		Three months ended 30 June	
	2017	**2016**	**2017**	**2016**
Weighted average number of ordinary shares issued (millions of shares)	382,546	366,871	393,401	367,403
Profit for the period attributable to the shareholders of PJSC RusHydro	22,052	26,714	4,870	12,546
Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	**0.0576**	**0.0728**	**0.0124**	**0.0341**

Note 23. Capital commitments

In accordance with investment programme of the Company and separate investment programmes of subsidiaries, the Group has to invest RR 216,829 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 30 June 2017 are as follows: for 2017: RR 88,645 million, for 2018: RR 77,133 million, for 2019: RR 51,051 million.

Future capital expenditures are mainly related to reconstruction of equipment of hydropower plants: Votkinskaya HPP in the amount of RR 8,403 million, Zhigulevskaya HPP in the amount of RR 8,006 million, Volzhskaya HPP in the amount of RR 7,095 million; and to construction of power plants: Zaramagskie HPP in the amount of RR 21,520 million, Sakhalin GRES-2 in the amount of RR 15,967 million, Nizhne-Bureiskaya HPP in the amount of RR 9,705 million, Ust'-Srednekanskaya HPP in the amount of RR 9,177 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 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 can not 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 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 six months ended 30 June 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. 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.

(in millions of Russian Rubles unless noted otherwise)

Tax liabilities arising from transactions between the Group's 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.

New provisions aimed at deoffshorisation of Russian economy have been added to the Russian tax legislation and are effective from 1 January 2015. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation, a concept of tax residency for foreign persons and taxation of indirect sale of Russian real estate assets.

The Group is currently assessing the effects of new tax rules on the Group's operations and takes necessary steps to comply with the new requirements of the Russian tax legislation. However, in view of the recent introduction of the above provisions and insufficient related administrative and court practice, at present the probability of claims from Russian tax authorities and probability of favourable outcome of tax disputes (if they arise) cannot be reliably estimated. Tax disputes (if any) may have an impact on the Group's financial position and results.

Management believes that as at 30 June 2017, its interpretation of the relevant legislation was appropriate and the Group's tax positions 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 1,094 million as at 30 June 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:

Counterparty	**30 June 2017**	**31 December 2016**
for PJSC Boguchanskaya HPP:		
State Corporation Vnesheconombank	26,335	26,749
for CJSC Boguchansky Aluminium Plant:		
ALSTOM Grid SAS	-	31
Total guarantees issued	**26,335**	**26,780**

Based on all the information available to the management, PJSC Boguchanskaya HPP performs and is able to perform in the foreseeable future its obligations under the loan agreement with the State Corporation Vnesheconombank, and the probability that the Group is required to settle these guarantees is not high.

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 2016.

There have been no changes in the Group's risk management policies during the six months ended 30 June 2017.

(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 IAS 39 Financial instruments: Recognition and Measurement and information about the rest of special funds on the accounts of the Federal Treasury as at 30 June 2017 and 31 December 2016:

As at 30 June 2017	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 7)	**9,135**	**-**	**9,135**
Promissory notes	8,715	-	8,715
Long-term loans issued	420	-	420
Available-for-sale financial assets	**-**	**21,137**	**21,137**
Trade and other receivables (Note 9)	**36,436**	**-**	**36,436**
Trade receivables	32,541	-	32,541
Other financial receivables	3,895	-	3,895
Other current assets (Note 11)	**6,614**	**-**	**6,614**
Special funds	2,945	-	2,945
Deposits	3,528	-	3,528
Short-term loans issued	141	-	141
Cash and cash equivalents (Note 8)	**85,134**	**-**	**85,134**
Total financial assets	**137,319**	**21,137**	**158,456**
Non-financial assets			**864,007**
Total assets			**1,022,463**
As at 31 December 2016			
Assets			
Other non-current assets (Note 7)	**8,838**	**-**	**8,838**
Promissory notes	8,491	-	8,491
Long-term loans issued	332	-	332
Net settled derivatives	15	-	15
Available-for-sale financial assets	**-**	**21,181**	**21,181**
Trade and other receivables (Note 9)	**37,376**	**-**	**37,376**
Trade receivables	33,036	-	33,036
Promissory notes receivable	4,340	-	4,340
Other current assets (Note 11)	**8,118**	**-**	**8,118**
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
Cash and cash equivalents (Note 8)	**67,354**	**-**	**67,354**
Total financial assets	**121,686**	**21,181**	**142,867**
Non-financial assets			**840,579**
Total assets			**983,446**

As at 30 June 2017 financial liabilities of the Group valued at fair value are represented by the non-deliverable forward contract for shares in the amount of RR 14,665 million (Note 15) (31 December 2016: there were no liabilities represented by a non-deliverable forward).

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).

(in millions of Russian Rubles unless noted otherwise)

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 categorized, are as follows:

30 June 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	20,661	-	476	**21,137**
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	497,255	**497,255**
Total assets recurring fair value measurements	**20,661**	**-**	**497,731**	**518,392**
Financial liabilities				
Non-deliverable forward contract for shares	**-**	**-**	14,665	**14,665**
Total liabilities recurring fair value measurements			**14,665**	**14,665**
31 December 2016				
Financial assets				
Available-for-sale financial assets	20,619	-	562	**21,181**
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	496,637	**496,637**
Total assets recurring fair value measurements	**20,619**	**-**	**497,199**	**517,818**

There were no changes in the valuation techniques, inputs and assumptions for recurring fair value measurements during the six months ended 30 June 2017.

Fair value of available-for-sale financial assets mainly consists of the market value of PJSC Inter RAO shares. Profit or loss arising on available-for-sale financial assets recorded within other comprehensive income was mainly affected by the change in market quotes of this company's shares.

At 30 June 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).

The valuation of the Level 3 financial liability and the related sensitivity to reasonably possible changes in unobservable inputs are as follows at 30 June 2017:

	Fair value	Valuation technique	Significant unobservable inputs	Reasonable possible change	Sensitivity of fair value measurement
Financial liability					
Non-deliverable forward contract for shares	14,665	Monte-Carlo model	Dividend yeild	3%	(323)
				7%	208

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

The fair value estimate of the non-deliverable forward contract is significantly influenced by observable inputs, in particular, by the market value of the shares.

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), 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 2017, the fair value of bonds exceeded their carrying value by RR 1,075 million (31 December 2016: by RR 92 million).

As at 30 June 2017, the carrying value of non-current fixed rate debt exceeded their fair value by RR 783 million (31 December 2016: by RR 4,705 million).

Note 27. Subsequent events

In July 2017, the Resolution of the Russian Government No. 895 “On reaching basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region (the “Far East”)” became effective, under which rates for consumers in the territories of the Far East should be reduced starting from 1 January 2017 to the basic level (RR 4,00 / kWh). According to the Resolution of the Russian Government No. 1614-r of 28 July 2017, PJSC RusHydro was appointed as the recipient of a premium to the price for capacity provided by the Company in the price zones of the wholesale market under CCS agreements. The premium to the price for capacity is set in order to achieve the basic level of rates (tariffs) for electricity (capacity) planned for the next regulation period in the Far East constituent regions. Within the amounts defined by Resolution No. 1615-r of the Russian Government dated 28 July 2017, the Company translates the collected amounts of margin in the form of free-of-charge targeted contributions to the budgets of the respective regions. The Group companies being guaranteeing suppliers will receive compensation for the shortage of income related to the reduction of rates, through subsidies from the Far East constituent regions.

The Group is currently assessing the impact of these changes on its Consolidated Financial Statements.