



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 2016

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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 (the “Group”) as of 30 June 2016 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 2016

Moscow, Russian Federation

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



	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	6	764,371	744,585
Investments in associates and joint ventures		14,433	14,142
Available-for-sale financial assets	7	13,616	6,094
Deferred income tax assets		5,339	5,486
Other non-current assets	8	21,993	21,402
Total non-current assets		819,752	791,709
Current assets			
Cash and cash equivalents	9	65,853	48,025
Income tax receivable		1,972	1,396
Accounts receivable and prepayments	10	51,124	49,646
Inventories	11	23,364	23,999
Other current assets	12	16,274	22,574
		158,587	145,640
Non-current assets and assets of disposal group classified as held for sale		-	788
Total current assets		158,587	146,428
TOTAL ASSETS		978,339	938,137
EQUITY AND LIABILITIES			
Equity			
Share capital	13	386,255	386,255
Treasury shares	13	(22,578)	(26,092)
Share premium		39,202	39,202
Retained earnings and other reserves		227,457	203,114
Equity attributable to the shareholders of PJSC RusHydro		630,336	602,479
Non-controlling interest	13	3,229	11,440
TOTAL EQUITY		633,565	613,919
Non-current liabilities			
Deferred income tax liabilities		38,960	37,034
Non-current debt	15	160,447	135,179
Other non-current liabilities		14,821	14,551
Total non-current liabilities		214,228	186,764
Current liabilities			
Current debt and current portion of non-current debt	15	47,349	62,214
Accounts payable and accruals	16	68,283	60,307
Current income tax payable		278	898
Other taxes payable	17	14,636	14,035
Total current liabilities		130,546	137,454
TOTAL LIABILITIES		344,774	324,218
TOTAL EQUITY AND LIABILITIES		978,339	938,137

Chairman of Management Board – General Director



N. G. Shulginov

Acting Chief Accountant

K. V. Permyakov

29 August 2016

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	
		2016	2015	2016	2015
Revenue	18	187,861	170,788	83,457	76,174
Government grants	19	6,479	5,520	3,176	2,466
Other operating income		2,055	1,759	1,814	826
Operating expenses (excluding impairment losses)	20	(158,830)	(154,569)	(71,879)	(69,772)
Operating profit excluding impairment losses		37,565	23,498	16,568	9,694
Impairment of property, plant and equipment, net		(1,879)	(1,336)	(1,102)	(1,336)
Impairment of impairment of accounts receivable, net		(3,144)	(785)	(1,782)	506
Operating profit		32,542	21,377	13,684	8,864
Finance income	21	5,519	7,276	2,929	3,018
Finance costs	21	(4,314)	(5,181)	(2,051)	(2,770)
Profit in respect of associates and joint ventures		558	1,449	74	834
Profit before income tax		34,305	24,921	14,636	9,946
Total income tax expense	14	(8,830)	(6,339)	(4,208)	(3,226)
Profit for the period		25,475	18,582	10,428	6,720
Attributable to:					
Shareholders of PJSC RusHydro		26,714	21,662	12,546	9,898
Non-controlling interest		(1,239)	(3,080)	(2,118)	(3,178)
Earnings per ordinary share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	22	0.0728	0.0594	0.0341	0.0272
Weighted average number of shares outstanding – basic and diluted (millions of shares)	22	366,871	364,469	367,403	364,469

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



	Note	Six months ended 30 June		Three months ended 30 June	
		2016	2015	2016	2015
Profit for the period		25,475	18,582	10,428	6,720
Other comprehensive income, net of tax:					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement of pension benefit obligations		(525)	(1,038)	(525)	(1,038)
Other comprehensive (loss) / income		(35)	42	(766)	51
Total items that will not be reclassified to profit or loss		(560)	(996)	(1,291)	(987)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Gain arising on available-for-sale financial assets	7	7,479	2,696	3,614	741
Total items that may be reclassified subsequently to profit or loss		7,479	2,696	3,614	741
Other comprehensive income / (loss) for the period		6,919	1,700	2,323	(246)
Total comprehensive income for the period		32,394	20,282	12,751	6,474
Attributable to:					
Shareholders of PJSC RusHydro		33,749	23,702	15,000	9,995
Non-controlling interest		(1,355)	(3,420)	(2,249)	(3,521)

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



	Note	Six months ended 30 June	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		34,305	24,921
Depreciation of property, plant and equipment and intangible assets	6, 20	12,061	11,157
Loss on disposal of property, plant and equipment, net	20	120	210
Profit in respect of associates and joint ventures		(558)	(1,449)
Other operating income		(2,055)	(1,759)
Finance income	21	(5,519)	(7,276)
Finance costs	21	4,314	5,181
Impairment of property, plant and equipment, net		1,879	1,336
Impairment of accounts receivable, net		3,144	785
Pension loss		15	46
Other (income) / loss		(170)	93
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		47,536	33,245
Working capital changes:			
Increase in accounts receivable and prepayments		(2,831)	(4,843)
Decrease in inventories		577	852
Decrease in accounts payable and accruals		(5,053)	(1,072)
Increase in other taxes payable		580	224
Increase in other non-current assets		(740)	(355)
(Decrease) / increase in other non-current liabilities		(677)	694
Income tax paid		(7,873)	(5,595)
Net cash generated by operating activities		31,519	23,150
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(24,558)	(39,530)
Proceeds from sale of property, plant and equipment		48	615
Investment in bank deposits and purchase of other investments		(9,620)	(31,470)
Redemption of bank deposits and proceeds from sale of other investments		22,175	42,836
Placement of special funds on special accounts	12	(6,998)	-
Contribution to share capital of associates and joint ventures		-	60
Purchase of shares of subsidiary	13	(414)	-
Interest received		3,875	4,937
Net cash used in investing activities		(15,492)	(22,552)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt	15	40,498	36,423
Proceeds from non-current debt	15	30,998	11,418
Repayment of debt	15	(59,255)	(31,208)
Interest paid		(9,628)	(9,089)
Finance lease payments		(273)	(333)
Dividends paid		(223)	(6)
Net cash generated by financing activities		2,117	7,205
Effect of foreign exchange differences on cash and cash equivalents balances		(316)	(45)
Increase in cash and cash equivalents		17,828	7,758
Cash and cash equivalents at the beginning of the period		48,025	34,394
Cash and cash equivalents at the end of the period	9	65,853	42,152

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

(in millions of Russian Rubles unless noted otherwise)



	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve	Available-for-sale financial assets	Remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2015		386,255	(26,092)	39,202	(135,075)	(362)	190,476	-	1,721	122,796	578,921	16,230	595,151
Profit for the period		-	-	-	-	-	-	-	-	21,662	21,662	(3,080)	18,582
Gain arising on available-for-sale financial assets		-	-	-	-	-	-	2,693	-	-	2,693	3	2,696
Remeasurement of pension benefit obligations		-	-	-	-	-	-	-	(696)	-	(696)	(342)	(1,038)
Other comprehensive income		-	-	-	-	45	(1)	-	-	(1)	43	(1)	42
Total other comprehensive income		-	-	-	-	45	(1)	2,693	(696)	(1)	2,040	(340)	(1,700)
Total comprehensive income		-	-	-	-	45	(1)	2,693	(696)	21,661	23,702	(3,420)	20,282
Dividends	13	-	-	-	-	-	-	-	-	(5,897)	(5,897)	(8)	(5,905)
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	130	130
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(287)	-	-	287	-	-	-
As at 30 June 2015		386,255	(26,092)	39,202	(135,075)	(317)	190,188	2,693	1,025	138,847	596,726	12,932	609,658
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
Income arising on available-for-sale financial assets		-	-	-	-	-	-	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
Purchase of shares of PJSC RAO ES East	13	-	3,514	-	-	-	-	-	-	4,872	8,386	(6,694)	1,692
Dividends	13	-	-	-	-	-	-	-	-	(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

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



Note 1. The Group and its operations

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

The primary activities of the Company and its subsidiaries (hereinafter referred to as “the Group”) are generation and sale of electricity and capacity on the Russian wholesale and retail markets, as well as generation and sale of heat energy.

Economic environment in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country’s economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia’s credit rating is still below investment grade.

This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

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

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

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

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

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

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

Seasonality of business. The demand for the Group’s heat and electricity generation and supply depends on weather conditions and the season. In addition to weather conditions, the electricity production by hydro generation plants depends on water flow in the river systems. In spring and in summer (flood period) electricity production by hydro generation plants is significantly higher than in autumn and in winter. Heat and electricity production by the heat generation assets, to the contrary, is significantly higher in autumn and in winter than in spring and in summer. The seasonal nature of heat and electricity generation and procurement in the Group and the way accounts receivable are accrued and repaid has a significant influence on the interim financial statements.



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

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 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

This Condensed Consolidated Interim Financial Information is unaudited. Certain disclosures duplicating information included in the annual Consolidated Financial Statements as at and for the year ended 31 December 2015 have been omitted or condensed.

Significant accounting policies

The accounting policies followed in the preparation of this Condensed Consolidated Interim Financial Information are consistent with those applied in the annual Consolidated Financial Statements as at and for the year ended 31 December 2015 except for income tax which is accrued in the interim periods using the best estimate of the weighted average annual income tax rate that would be applicable to expected total annual profit or loss and new standards and interpretations that are effective from 1 January 2016.

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

Critical accounting estimates and judgements

The preparation of Condensed Consolidated Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this Condensed Consolidated Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2015 with the exception of changes in estimates that are required in determining the estimate weighted average annual income tax rate (Note 14) and discount rate for pension benefit obligations as provided below.

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

New standards and interpretations

The Group has adopted all new standards and interpretations that were effective from 1 January 2016. The impact of the adoption of these new standards and interpretations has not been significant with respect to this Condensed Consolidated Interim Financial Information.

Apart from new standards and interpretations becoming effective from 1 January 2017 and after that date applicable to the Group as disclosed in Consolidated Financial Statements as at and for the year ended 31 December 2015, amendments to IFRS 15 were issued in April.

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



Note 3. Principal subsidiaries

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

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

ESC RusHydro subgroup segment

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

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

RAO ES East subgroup segment

RAO ES East subgroup segment consists of PJSC RAO ES East and its subsidiaries that generate, distribute and sell electricity and heat in the Far East region of the Russian Federation and render transportation, construction, repair and other services.

Principal subsidiaries of this segment are presented below:

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

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

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

Group's share in PJSC RAO ES East and its subsidiaries increased as a result of voluntary and obligatory offers to purchase shares of PJSC RAO ES East (Note 13).

Other segments

Other segments include:

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

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

(in millions of Russian Rubles unless noted otherwise)



Principal subsidiaries included in all other segments are presented below:

	30 June 2016		31 December 2015	
	% of ownership	% of voting	% of ownership	% of voting
JSC Blagoveschensk HPP	100.00%	100.00%	100.00%	100.00%
JSC VNIIG	100.00%	100.00%	100.00%	100.00%
JSC Geotherm	99.65%	99.65%	99.65%	99.65%
JSC Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
JSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
JSC Zaramag HS	99.75%	99.75%	99.75%	99.75%
JSC Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
PJSC Kolimaenergo	98.76%	98.76%	98.76%	98.76%
JSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
JSC NIIES	100.00%	100.00%	100.00%	100.00%
JSC Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
JSC Sahalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC HPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
JSC Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
JSC Ust'-Srednekanskaya HPP	99.63%	100.00%	99.63%	100.00%
JSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
JSC ESCO UES	100.00%	100.00%	100.00%	100.00%
JSC Yakutskaya GRES-2	100.00%	100.00%	100.00%	100.00%

Note 4. Segment information

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

The CODM analyses the information concerning the Group by the groups of operations which are aggregated in operating segments presented by the following separate reportable segments: PJSC RusHydro (the Group's parent company), ESC RusHydro subgroup, RAO ES East subgroup and other segments (Note 3). Transactions of other segments are not disclosed as reportable segments as the performance is based on quantitative indicators for the periods presented.

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

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding insurance indemnity, depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of accounts receivable, loss on disposal of property, plant and equipment, profit / loss on disposal of subsidiary and other non-monetary items of operating expenses. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

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

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

Intersegment sales are carried out at market prices.

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



	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Six months ended 30 June 2016							
Revenue	57,214	45,520	87,948	11,022	201,704	(13,843)	187,861
<i>including:</i>							
<i>from external companies</i>	51,999	45,504	87,793	2,565	187,861	-	187,861
<i>sales of electricity</i>	37,644	44,951	54,219	302	137,116	-	137,116
<i>sales of heat and hot water sales</i>	93	-	22,726	-	22,819	-	22,819
<i>sales of capacity</i>	13,909	-	3,107	207	17,223	-	17,223
<i>other revenue</i>	353	553	7,741	2,056	10,703	-	10,703
<i>from intercompany operations</i>	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 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)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(1,398)	-	(481)	-	(1,879)	-	(1,879)
<i>impairment of accounts receivable, net</i>	(786)	(902)	(1,437)	(19)	(3,144)	-	(3,144)
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	44	(9)	(151)	(5)	(121)	1	(120)
<i>loss on disposal of subsidiaries and joint venture, net</i>	-	-	(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)
Profit in respect 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
30 June 2016							
Non-current and current debt	120,483	3,037	78,743	5,533	207,796	-	207,796



	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Six months ended 30 June 2015							
Revenue	48,292	42,965	81,167	11,168	183,592	(12,804)	170,788
<i>including:</i>							
from external companies	43,670	42,960	81,033	3,125	170,788	-	170,788
sales of electricity	30,504	42,453	51,007	218	124,182	-	124,182
sales of heat and hot water sales	81	-	20,061	-	20,142	-	20,142
sales of capacity	12,582	-	3,041	182	15,805	-	15,805
other revenue	503	507	6,924	2,725	10,659	-	10,659
from intercompany operations	4,622	5	134	8,043	12,804	(12,804)	-
Government grants	-	-	5,505	15	5,520	-	5,520
Other operating income	-	-	284	246	530	-	530
Operating expenses (excluding depreciation and other non-monetary items)	(18,604)	(41,411)	(82,778)	(12,485)	(155,278)	12,107	(143,171)
EBITDA	29,688	1,554	4,178	(1,056)	34,364	(697)	33,667
Insurance indemnity	-	-	-	760	760	-	760
Depreciation of property, plant and equipment and intangible assets	(6,298)	(348)	(3,837)	(777)	(11,260)	103	(11,157)
Other non-monetary items of operating income and expenses	(291)	(348)	(873)	(366)	(1,878)	(15)	(1,893)
<i>including:</i>							
impairment of property, plant and equipment	(961)	-	(375)	-	(1,336)	-	(1,336)
reversal / (impairment) of accounts receivable, net	924	(344)	(1,146)	(219)	(785)	-	(785)
(loss) / profit on disposal of property, plant and equipment, net	(175)	(4)	20	(147)	(306)	96	(210)
(loss) / profit on disposal of subsidiaries and joint venture, net	(79)	-	628	-	549	(111)	438
Operating profit / (loss)	23,099	858	(532)	(1,439)	21,986	(609)	21,377
Finance income							7,276
Finance costs							(5,181)
Profit in respect of associates and joint ventures							1,449
Profit before income tax							24,921
Total income tax expense							(6,339)
Profit for the period							18,582
Capital expenditure	16,080	40	6,809	26,291	49,220	(438)	48,782
31 December 2015							
Non-current and current debt	121,861	1,847	68,019	5,666	197,393	-	197,393



	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Three months ended 30 June 2016							
Revenue	30,117	19,294	35,191	6,248	90,850	(7,393)	83,457
<i>including:</i>							
<i>from external companies</i>	27,731	19,289	35,134	1,303	83,457	-	83,457
<i>sales of electricity</i>	21,010	19,013	22,677	148	62,848	-	62,848
<i>sales of heat and hot water sales</i>	25	-	6,998	-	7,023	-	7,023
<i>sales of capacity</i>	6,473	-	1,768	110	8,351	-	8,351
<i>other revenue</i>	223	276	3,691	1,045	5,235	-	5,235
<i>from intercompany operations</i>	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 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)
<i>including:</i>							
<i>impairment of property, plant and equipment (impairment) / reversal of accounts receivable, net</i>	(794)	-	(308)	-	(1,102)	-	(1,102)
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	(271)	(731)	(810)	30	(1,782)	-	(1,782)
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	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)
Profit in respect 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



	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Three months ended 30 June 2015							
Revenue	25,794	18,031	32,794	6,215	82,834	(6,660)	76,174
<i>including:</i>							
<i>from external companies</i>	23,685	18,029	32,746	1,714	76,174	-	76,174
<i>sales of electricity</i>	17,397	17,775	21,528	108	56,808	-	56,808
<i>sales of heat and hot water sales</i>	25	-	6,273	-	6,298	-	6,298
<i>sales of capacity</i>	5,798	-	1,719	95	7,612	-	7,612
<i>other revenue</i>	465	254	3,226	1,511	5,456	-	5,456
<i>from intercompany operations</i>	2,109	2	48	4,501	6,660	(6,660)	-
Government grants	-	-	2,457	9	2,466	-	2,466
Other operating income	-	-	49	16	65	1	66
Operating expenses (excluding depreciation and other non-monetary items)	(9,741)	(17,427)	(36,611)	(6,660)	(70,439)	6,288	(64,151)
EBITDA	16,053	604	(1,311)	(420)	14,926	(371)	14,555
Insurance indemnity	-	-	-	760	760	-	760
Depreciation of property, plant and equipment and intangible assets	(3,186)	(175)	(1,837)	(328)	(5,526)	52	(5,474)
Other non-monetary items of operating income and expenses	202	129	(1,062)	(227)	(958)	(19)	(977)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(961)	-	(375)	-	(1,336)	-	(1,336)
<i>reversal / (impairment) of accounts receivable, net</i>	1,341	133	(767)	(201)	506	-	506
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(99)	(4)	(3)	(26)	(132)	16	(116)
<i>(loss) / profit on disposal of subsidiaries and joint venture, net</i>	(79)	-	83	-	4	(35)	(31)
Operating profit / (loss)	13,069	558	(4,210)	(215)	9,202	(338)	8,864
Finance income							3,018
Finance costs							(2,770)
Profit in respect of associates and joint ventures							834
Profit before income tax							9,946
Total income tax expense							(3,226)
Profit for the period							6,720
Capital expenditure	10,481	20	3,359	13,518	27,378	122	27,500



(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.

The Group's principal related parties for the six months ended 30 June 2016 and 30 June 2015 and as at 30 June 2016 and 31 December 2015 were associates and joint ventures of the Group, government-related entities and key management of the Group.

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

Joint ventures

The Group had the following balances with its joint ventures:

	30 June 2016	31 December 2015
Promissory notes	5,982	5,711
Advances to suppliers	5,794	-
Loans issued	2,403	2,725
Loans received	750	750

The Group had the following transactions with its joint ventures:

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Sales of electricity and capacity	812	86	85	24
Other revenue	161	263	83	138
Purchased electricity and capacity	1,463	1,080	612	410

Associates

The Group had the following balances with its associates:

	30 June 2016	31 December 2015
Trade and other receivables	583	440
Trade payables	709	481

The Group had the following transactions with its associates:

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Sales of electricity and capacity	1,467	1,300	550	518
Other revenue	70	78	32	39
Purchased electricity and capacity	11	12	4	4
Rent	245	225	132	149



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 2016 and 30 June 2015 and balances outstanding as at 30 June 2016 and 31 December 2015 with a number of government-related banks. All transactions are carried out on market rates.

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 30 percent of total sales of electricity, capacity and heat for the three and six months ended 30 June 2016 (for the three and six months ended 30 June 2015: approximately 30 percent). Sales of electricity and capacity under the regulated contracts are conducted directly to the consumers, within the day-ahead market (DAM) – through commission agreements with JSC Centre of Financial Settlements (hereinafter referred to as "CFS"). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants. During the six months ended 30 June 2016 the Group received government subsidies in amount of RR 6,479 million (for the six months ended 30 June 2015: RR 5,520 million). During the three months ended 30 June 2016 the Group received government subsidies in amount of RR 3,176 million (for the three months ended 30 June 2015: RR 2,466 million) (Note 19).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 20 percent of total expenses on purchased electricity, capacity and fuel for the three and six months ended 30 June 2016 (for the three and six months ended 30 June 2015: approximately 20 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 60 percent of total electricity distribution expenses for the three and six months ended 30 June 2016 (for the three and six months ended 30 June 2015: approximately 55 percent). The distribution of electricity is subject to tariff regulations.

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

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

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

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

Short-term remuneration paid to the key management of the Group for the six months ended 30 June 2016 comprised RR 614 million (for the six months ended 30 June 2015: RR 1,443 million). Short-term remuneration paid to the key management of the Group for the three months ended 30 June 2016 comprised RR 454 million (for the three months ended 30 June 2015: RR 1,134 million).



Note 6. Property, plant and equipment

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 2015						
Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2014	81,110	378,702	226,137	256,121	14,925	956,995
Reclassification	(174)	133	(1,954)	2,401	(406)	-
Reclassification to assets of disposal group classified as held for sale	16	40	536	47,974	216	48,782
Additions	(469)	(278)	(404)	(72)	(170)	(1,393)
Transfers	670	8,888	15,263	(25,044)	223	-
Disposals and write-offs	(29)	(5)	(554)	(245)	(149)	(982)
Balance as at 30 June 2015	81,124	387,480	239,024	281,135	14,639	1,003,402
Accumulated depreciation (including impairment)						
Balance as at 31 December 2014	(29,504)	(116,411)	(89,161)	(29,062)	(6,667)	(270,805)
Impairment charge	(9)	(7)	(109)	(1,203)	(8)	(1,336)
Charge for the period	(713)	(4,122)	(5,587)	-	(334)	(10,756)
Reclassification to assets of disposal group classified as held for sale	290	179	326	72	153	1,020
Transfers	(78)	(2,250)	(1,038)	3,380	(14)	-
Disposals and write-offs	11	5	399	22	92	529
Balance as at 30 June 2015	(30,003)	(122,606)	(95,170)	(26,791)	(6,778)	(281,348)
Net book value as at 30 June 2015	51,121	264,874	143,854	254,344	7,861	722,054
Net book value as at 31 December 2014	51,606	262,291	136,976	227,059	8,258	686,190

As at 30 June 2016 included in the net book value of the property, plant and equipment are office buildings and plots of land owned by the Group in the amount of RR 7,741 million (31 December 2015: RR 7,793 million) which are stated at cost.

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including hydropower plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 30 June 2016 such advances amounted to RR 52,449 million (31 December 2015: RR 59,531 million).



(in millions of Russian Rubles unless noted otherwise)

Additions to assets under construction included capitalised borrowing costs in the amount of RR 7,109 million, the capitalisation rate was 10.54 percent (for the six months ended 30 June 2015: RR 6,188 million, the capitalisation rate was 9.91 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 264 million (for the six months ended 30 June 2015: RR 133 million).

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

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

Basing on the same assumptions the Group continued to recognise impairment loss in the amount of RR 1,879 million for the six months ended 30 June 2016 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 2015: RR 1,336 million).

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

Other operating income for the six months ended 30 June 2016 include insurance indemnity received from JSC SOGAZ in the amount of RR 1,383 million (for the six months ended 30 June 2015: RR 540 million) and from JSC AlfaStrakhovanie in the amount of RR 353 million (for the six months ended 30 June 2015: RR 220 million).

For the six months ended 30 June 2016 a loss on disposal of damaged equipment and assets under construction which are not recoverable was recognised in Operating expenses in the amount of RR 13 million. Also for six months ended 30 June 2016 the Group has carried expenses on recovery works in the total amount of RR 587 million which are recognized in the following items of Operating expenses: services of subcontracting companies, other third parties services, other materials, employee benefit expenses, rent expenses.

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

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

Note 7. Available-for-sale financial assets

	30 June 2016		31 December 2015	
	% of ownership	Fair value	% of ownership	Fair value
PJSC Inter RAO	4.92%	12,798	4.92%	5,606
PJSC Russian Grids	0.28%	348	0.28%	228
PJSC FGC UES	0.13%	260	0.13%	99
Other	-	210	-	161
Total available-for-sale financial assets		13,616		6,094

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

(in millions of Russian Rubles unless noted otherwise)



Note 8. Other non-current assets

	30 June 2016	31 December 2015
Long-term promissory notes	38,492	38,189
Discount	(16,725)	(16,946)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	7,742	7,218
VAT recoverable	2,440	2,546
Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs	2,117	2,164
Goodwill	481	481
Customer base of LLC ESC Bashkortostan	277	553
Other non-current assets	8,936	8,440
Total other non-current assets	21,993	21,402

Note 9. Cash and cash equivalents

	30 June 2016	31 December 2015
Cash equivalents	51,437	36,137
Cash at bank	14,391	11,857
Cash in hand	25	31
Total cash and cash equivalents	65,853	48,025

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

Note 10. Accounts receivable and prepayments

	30 June 2016	31 December 2015
Trade receivables	55,926	55,075
Provision for impairment of trade receivables	(22,786)	(20,158)
Trade receivables, net	33,140	34,917
VAT recoverable	8,052	8,156
Advances to suppliers and other prepayments	6,900	3,540
Provision for impairment of advances to suppliers and other prepayments	(980)	(1,021)
Advances to suppliers and other prepayments, net	5,920	2,519
Other receivables	7,424	7,248
Provision for impairment of other receivables	(3,412)	(3,194)
Other receivables, net	4,012	4,054
Total accounts receivable and prepayments	51,124	49,646

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

Note 11. Inventories

	30 June 2016	31 December 2015
Fuel	12,416	14,291
Materials and supplies	7,485	6,555
Spare parts	2,983	2,782
Other materials	711	606
Total inventories before write-off	23,595	24,234
Write-off of inventories	(231)	(235)
Total inventories	23,364	23,999



Note 12. Other current assets

	30 June 2016	31 December 2015
Special funds	6,998	-
Deposits and promissory notes	6,637	19,532
Loans issued	2,396	2,728
Other short-term investments	243	314
Total other current assets	16,274	22,574

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

Note 13. Equity

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

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

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

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

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

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

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

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

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

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

On 26 June 2015 the Company declared dividends for the year ended 31 December 2014 of RR 0.0156 per share in the total amount of RR 6,033 million (RR 5,897 million excluding dividends to subsidiaries).

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to RR 238 million for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RR 8 million).

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Note 14. Income tax

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional, one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six months ended 30 June 2016 was 26 percent (for the six months ended 30 June 2015: 25 percent).

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Current income tax expense	6,677	5,013	2,771	1,983
Deferred income tax expense	2,153	1,326	1,437	1,243
Total income tax expense	8,830	6,339	4,208	3,226

Note 15. Current and non-current debt

Non-current debt

	Due date	30 June 2016	31 December 2015
PJSC Sberbank of Russia	2016–2027	46,310	47,865
Russian bonds (PJSC RusHydro) issued in February 2013	2018*	20,635	20,635
EBRD	2016–2027	19,780	20,280
Russian bonds (PJSC RusHydro) issued in July 2015	2018	15,843	15,840
Russian bonds (PJSC RusHydro) issued in April 2016	2019	15,328	-
PJSC Bank VTB	2017–2027	12,420	4,522
Russian bonds (PJSC RusHydro) issued in April 2015	2017*	10,215	10,214
PJSC ROSBANK	2016–2018	7,291	4,909
UniCredit Bank Austria AG	2017–2026	5,867	6,585
Crédit Agricole Corporate and Investment Bank Deutschland	2018–2029	5,538	6,252
Bank GPB (JSC)	2016–2018	3,329	469
Municipal authority of Kamchatka region	2016–2034	1,583	1,535
ASIAN Development bank	2017–2026	1,512	1,787
Bayerische Landesbank	2016–2025	1,022	1,212
PJSC Bank Vozrozhdenie	2017	440	440
Russian bonds (PJSC RusHydro) issued in April 2011	2016/2021**	255	15,240
Other long-term debt	-	973	964
Finance lease liabilities	-	2,104	2,262
Total		170,445	161,011
Less current portion of non-current debt		(9,458)	(25,159)
Less current portion of finance lease liabilities		(540)	(673)
Total non-current debt		160,447	135,179

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

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

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

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Current debt

	30 June 2016	31 December 2015
PJSC Sberbank of Russia	13,092	19 668
Bank GPB (JSC)	11,366	7 038
PJSC ROSBANK	5,028	6 776
PJSC Bank VTB	2,547	-
AO Raiffeisenbank	2,412	-
LLC AlstomRusHydroEnergy	750	750
Bank «RRDB» (JSC)	681	966
BANK «ROSSIYA»	647	-
JSC Alfa-Bank	-	501
Current portion of non-current debt	9,458	25 159
Current portion of finance lease liabilities	540	673
Other current debt	828	683
Total current debt and current portion of non-current debt	47,349	62,214
<i>Reference:</i>		
Interest payable	3 120	2,942

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

Note 16. Accounts payable and accruals

	30 June 2016	31 December 2015
Trade payables	31,514	33,475
Dividends payable	14,379	86
Settlements with personnel	8,218	8,410
Advances received	8,086	9,849
Accounts payable under factoring agreements	3,058	4,071
Obligation to PJSC RAO ES East shares purchase	3	2,108
Other accounts payable	3,025	2,308
Total accounts payable and accruals	68,283	60,307

All accounts payable and accruals are denominated in Russian Rubles.

Note 17. Other taxes payable

	30 June 2016	31 December 2015
VAT	8,327	8,085
Insurance contributions	3,242	2,864
Property tax	2,204	2,159
Other taxes	863	927
Total other taxes payable	14,636	14,035

Note 18. Revenue

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Sales of electricity	137,116	124,182	62,848	56,808
Sales of heat and hot water	22,819	20,142	7,023	6,298
Sales of capacity	17,223	15,805	8,351	7,612
Other revenue	10,703	10,659	5,235	5,456
Total revenue	187,861	170,788	83,457	76,174

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



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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. During the six months ended 30 June 2016 the Group received government subsidies in the amount of RR 6,479 million (for the six months ended 30 June 2015: RR 5,520 million). During the three months ended 30 June 2016 the Group received government subsidies in amount of RR 3,176 million (for the three months ended 30 June 2015: RR 2,466 million). The subsidies were received in the following territories: Kamchatka territory, Republic of Sakha (Yakutiya), Magadan region and other Far East regions.

Note 20. Operating expenses (excluding impairment losses)

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Employee benefit expenses (including payroll taxes and pension benefit expenses)	35,986	35,899	17,699	18,065
Fuel expenses	30,262	28,760	10,830	10,269
Purchased electricity and capacity	29,365	30,485	12,075	12,622
Electricity distribution expenses	22,600	20,724	9,916	9,189
Depreciation of property, plant and equipment and intangible assets	12,061	11,157	5,867	5,474
Taxes other than on income	5,042	4,854	2,567	2,399
Other materials	3,518	3,710	2,053	2,034
Third parties services, including:				
Provision of functioning of electricity and capacity market	1,825	1,809	910	902
Repairs and maintenance	1,823	1,486	1,240	990
Purchase and transportation of heat power	1,793	1,590	755	628
Security expenses	1,698	1,630	867	865
Rent	1,037	1,066	515	557
Insurance cost	1,031	801	511	416
Services of subcontracting companies	969	1,808	591	1,025
Consulting, legal and information expenses	793	1,134	621	735
Transportation expenses	789	396	314	194
Other third parties services	3,439	3,031	1,869	1,448
Water usage expenses	1,609	1,409	828	723
Social charges	727	727	622	500
Purchase of oil products for sale	157	141	80	80
Loss on disposal of property, plant and equipment, net	120	210	109	116
Other expenses	2 186	1 742	1 040	541
Total operating expenses (excluding impairment losses)	158,830	154,569	71,879	69,772

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Note 21. Finance income, costs

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
<i>Finance income</i>				
Interest income	3,770	5,230	1,835	2,439
Foreign exchange gain	1,425	1,874	1,012	552
Income on discounting	131	143	38	25
Other income	193	29	44	2
Total finance income	5,519	7,276	2,929	3,018
<i>Finance costs</i>				
Interest expense	(3,075)	(3,324)	(1,738)	(1,642)
Foreign exchange loss	(368)	(425)	-	(256)
Expense on discounting	(210)	(747)	(118)	(327)
Finance lease expense	(165)	(116)	(78)	(29)
Other costs	(496)	(569)	(117)	(516)
Total finance costs	(4,314)	(5,181)	(2,051)	(2,770)

Note 22. Earnings per share

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Weighted average number of ordinary shares issued (millions of shares)	366,871	364,469	367,403	364,469
Profit for the period attributable to the shareholders of PJSC RusHydro	26,714	21,662	12,546	9,898
Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.0728	0.0594	0.0341	0.0272

Note 23. Capital commitments

In accordance with the investment programme of the Company and separate investment programmes of subsidiaries, the Group has to invest RR 325,764 million for the period 2016–2018 for reconstruction of the existing and construction of new power plants (RR 341,208 million for the period 2015–2017).

Capital commitments of the Group as at 30 June 2016 were RR 292,416 million, including: second half of 2016 year – RR 105,178 million, 2017 year – RR 111,827 million, 2018 year – RR 75,411 million.

Future capital expenditures are mainly related to reconstruction of equipment of power plants and construction of new power plants: Saratovskaya HPP in the amount of RR 20,376 million, Volzhskaya HPP in the amount of RR 17,611 million, Zhigulevskaya HPP in the amount of RR 11,267 million; and to construction of power plants: Sakhalin GRES-2 in the amount of RR 24,968 million, Zaramagskie HPP in the amount of RR 22,753 million, Ust'-Srednekanskaya HPP in the amount of RR 13,355 million, HPP in Sovetskaya Gavan in the amount of RR 8,360 million, Zagorskaya GAES-2 in the amount of RR 7,248 million.

Note 24. Contingencies

Social commitments. The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services and other social needs in the geographical areas in which it operates.

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

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

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of



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the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax 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 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 2016 the Group's subsidiaries had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the period. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

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

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

Environmental matters. The Group's subsidiaries and their predecessor entities have operated in the utilities industry of the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group's subsidiaries periodically evaluate their obligations under environmental regulations. Group accrued assets retirement obligation for ash dumps used by the Group which is included in other non-current liabilities and other accounts payable and comprised RR 705 million as at 30 June 2016 (31 December 2015: RR 683 million).

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

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

Counterparty	30 June 2016	31 December 2015
<i>for PJSC Boguchanskaya HPP:</i>		
State Corporation Vnesheconombank	27,067	27,398
<i>for CJSC Boguchansky Aluminium Plant:</i>		
ALSTOM Grid SAS	34	77
Total guarantees issued	27,101	27,475

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 2015.

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

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

As at 30 June 2016	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 8)	8,362	-	8,362
Promissory notes	7,742	-	7,742
Long-term loans issued	606	-	606
Net settled derivatives	14	-	14
Available-for-sale financial assets (Note 7)	-	13,616	13,616
Trade and other receivables (Note 10)	36,657	-	36,657
Trade receivables	33,140	-	33,140
Other financial receivables	3,517	-	3,517
Other current assets (Note 12)	16,045	-	16,045
Special funds	6,998	-	6,998
Deposits and promissory notes	6,637	-	6,637
Short-term loans issued	2,396	-	2,396
Net settled derivatives	14	-	14
Cash and cash equivalents (Note 9)	65,853	-	65,853
Total financial assets	126,917	13,616	140,533
Non-financial assets			837,806
Total assets			978,339
As at 31 December 2015			
Assets			
Other non-current assets (Note 8)	7,896	-	7,896
Promissory notes	7,218	-	7,218
Long-term loans issued	633	-	633
Net settled derivatives	45	-	45
Available-for-sale financial assets (Note 7)	-	6,094	6,094
Trade and other receivables (Note 10)	38,383	-	38,383
Trade receivables	34,917	-	34,917
Promissory notes receivable	9	-	9
Other financial receivables	3,457	-	3,457
Other current assets (Note 12)	22,291	-	22,291
Deposits and promissory notes	19,532	-	19,532
Short-term loans issued	2,728	-	2,728
Net settled derivatives	31	-	31
Cash and cash equivalents (Note 9)	48,025	-	48,025
Total financial assets	116,595	6,094	122,689
Non-financial assets			814,660
Non-current assets and assets of disposal group classified as held for sale			788
Total assets			938,137

All financial liabilities of the Group are carried at amortised cost. Financial liabilities are represented mainly by the current and non-current debt (Note 15), trade payables and other accounts payable (Note 16).



Note 26. Fair value of assets and liabilities

a) Recurring fair value measurements

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

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

30 June 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	13,567	-	49	13,616
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	485,954	485,954
Total assets recurring fair value measurements	13,567	-	486,003	499,570
31 December 2015				
Financial assets				
Available-for-sale financial assets	6,057	-	37	6,094
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	479,427	479,427
Total assets recurring fair value measurements	6,057	-	479,464	485,521

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

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

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

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

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

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

As at 30 June 2016 the fair value of bonds exceeded their carrying value by RR 138 million (31 December 2015: carrying value exceeded fair value by RR 763 million).

As at 30 June 2016 the carrying value of non-current fixed rate debt exceeded their fair value by RR 7,798 million (31 December 2015: by RR 7,121 million).

Note 27. Subsequent events

There were no significant subsequent events that can influence the Group's financial position, cash flows or operating results which took place during the period between reporting date and date of signing of the Group's condensed consolidated interim financial information for the six months ended 30 June 2016 prepared in accordance to IFRS.