RUSHYDRO GROUP

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

As at and for the three months ended 31 March 2018

CONTENTS

Condensed Consolidated Interim Financial Information as at and for the three months ended 31 March 2018 (Unaudited)

Notes to the Condensed Consolidated Interim Financial Information

(in millions of Russian Rubles unless noted otherwise)

	Note	31 March 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	803,702	799,855
Investments in associates and joint ventures		20,286	20,097
Financial asset at fair value through profit or loss		20,307	-
Financial assets at fair value through other comprehensive income		539	-
Available-for-sale financial assets		-	18,495
Deferred income tax assets		8,934	9,354
Other non-current assets	7	25,494	25,331
Total non-current assets		**879,262**	**873,132**
Current assets			
Cash and cash equivalents	8	56,437	70,156
Income tax receivable		4,112	3,839
Accounts receivable and prepayments	9	61,716	51,201
Inventories	10	22,617	25,523
Other current assets	11	17,313	4,400
Total current assets		**162,195**	**155,119**
TOTAL ASSETS		**1,041,457**	**1,028,251**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	426,289	426,289
Treasury shares	12	(4,613)	(4,613)
Share premium		39,202	39,202
Retained earnings and other reserves		253,828	231,967
Equity attributable to the shareholders of PJSC RusHydro		**714,706**	**692,845**
Non-controlling interest		4,505	2,719
TOTAL EQUITY		**719,211**	**695,564**
Non-current liabilities			
Deferred income tax liabilities		41,788	41,695
Non-current debt	14	110,633	90,912
Non-deliverable forward contract for shares	15	18,854	20,716
Other non-current liabilities	16	28,207	28,116
Total non-current liabilities		**199,482**	**181,439**
Current liabilities			
Current debt and current portion of non-current debt	14	46,442	78,613
Accounts payable and accruals	17	57,700	55,625
Current income tax payable		1,032	976
Other taxes payable	18	17,590	16,034
Total current liabilities		**122,764**	**151,248**
TOTAL LIABILITIES		**322,246**	**332,687**
TOTAL EQUITY AND LIABILITIES		**1,041,457**	**1,028,251**

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

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

Chief Accountant Y. G. Medvedeva

07 June 2018

(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2018	Three months ended 31 March 2017
Revenue	19	99,699	98,779
Government grants	20	10,398	4,580
Other operating income	2	2,341	-
Operating expenses (excluding impairment losses)	21	(84,795)	(78,869)
Operating profit excluding impairment losses		**27,643**	**24,490**
Impairment of accounts receivable, net		(1,483)	(975)
Impairment of property, plant and equipment	6	(480)	(871)
Operating profit		**25,680**	**22,644**
Finance income	22	3,013	3,257
Finance costs	22	(1,753)	(2,139)
Share of results of associates and joint ventures		346	175
Profit before income tax		**27,286**	**23,937**
Income tax expense	13	(4,335)	(5,131)
Profit for the period		**22,951**	**18,806**
Attributable to:			
Shareholders of PJSC RusHydro		21,203	17,182
Non-controlling interest		1,748	1,624
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	23	0.0502	0.0462
Weighted average number of shares outstanding – basic and diluted (millions of shares)	23	422,437	371,570

(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2018	Three months ended 31 March 2017
Profit for the period		22,951	18,806
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Profit arising on financial assets at fair value through other comprehensive income		12	-
Total items that will not be reclassified to profit or loss		**12**	**-**
Items that may be reclassified subsequently to profit or loss			
Profit arising on available-for-sale financial assets	27	-	400
Other comprehensive (loss) / income		(2)	15
Total items that may be reclassified subsequently to profit or loss		**(2)**	**415**
Other comprehensive income for the period		**10**	**415**
Total comprehensive income for the period		**22,961**	**19,221**
Attributable to:			
Shareholders of PJSC RusHydro		21,213	17,613
Non-controlling interest		1,748	1,608

(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2018	Three months ended 31 March 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**27,286**	**23,937**
Depreciation of property, plant and equipment and amortisation of intangible assets	6, 21	6,624	5,683
Loss on disposal of property, plant and equipment, net		96	61
Share of results of associates and joint ventures		(346)	(175)
Other operating income	2	(2,341)	-
Finance income	22	(3,013)	(3,257)
Finance costs	22	1,753	2,139
Impairment of property, plant and equipment	6	480	871
Impairment of accounts receivable, net		1,483	975
Other income		(224)	(283)
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		**31,798**	**29,951**
Working capital changes:			
Increase in accounts receivable and prepayments		(11,639)	(5,969)
Decrease in other current assets		240	524
Decrease in inventories		3,003	2,386
Increase / (decrease) in accounts payable and accruals		3,911	(4,141)
Increase in other taxes payable		1,681	793
Increase in other non-current assets		(56)	(134)
(Decrease) / increase in other non-current liabilities		(695)	36
Income tax paid		(4,226)	(3,460)
Net cash generated by operating activities		**24,017**	**19,986**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(10,383)	(10,531)
Proceeds from sale of property, plant and equipment		38	35
Investment in bank deposits and purchase of other investments		(13,927)	(7,548)
Redemption of bank deposits and proceeds from sale of other investments		775	4,276
Interest received		1,240	2,032
Net cash used in investing activities		**(22,257)**	**(11,736)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share issue	12	-	40,000
Proceeds from sale of treasury shares	12	-	15,000
Payments for non-deliverable forward for shares	15	(406)	(275)
Proceeds from current debt	14	12,619	13,365
Proceeds from non-current debt	14	31,297	8,772
Repayment of debt	14	(54,601)	(70,344)
Interest paid		(4,346)	(4,492)
Finance lease payments		(53)	(93)
Net cash (used in) / generated by financing activities		**(15,490)**	**1,933**
Effect of foreign exchange differences on cash and cash equivalents balances		11	(158)
(Decrease) / increase in cash and cash equivalents		**(13,719)**	**10,025**
Cash and cash equivalents at the beginning of the period		**70,156**	**67,354**
Cash and cash equivalents at the end of the period	**8**	**56,437**	**77,379**

(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 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 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		-	-	-	-	-	-	-	-	17,182	17,182	1,624	18,806
Profit arising on available-for-sale financial assets	27	-	-	-	-	-	-	416	-	-	416	(16)	400
Other comprehensive income		-	-	-	-	15	-	-	-	-	15	-	15
Total other comprehensive income		-	-	-	-	15	-	416	-	-	431	(16)	415
Total comprehensive income		**-**	**-**	**-**	**-**	**15**	**-**	**416**	**-**	**17,182**	**17,613**	**1,608**	**19,221**
Sale of treasury shares	12	-	17,965	-	-	-	-	-	-	(2,965)	15,000	-	15,000
Non-deliverable forward contract for shares	15	-	-	-	-	-	-	-	-	(10,013)	(10,013)	-	(10,013)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(198)	-	-	198	-	-	-
Other movements		-	-	-	-	-	-	-	-	21	21	-	21
As at 31 March 2017		**386,255**	**(4,613)**	**39,202**	**(135,075)**	**(523)**	**182,770**	**17,325**	**459**	**183,490**	**669,290**	**5,871**	**675,161**
As at 1 January 2018		**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(547)**	**181,163**	**14,356**	**647**	**171,423**	**692,845**	**2,719**	**695,564**
Application of IFRS 9	2,12	-	-	-	-	-	-	(13,894)	-	14,542	648	38	686
As at 1 January 2018 (restated)		**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(547)**	**181,163**	**462**	**647**	**185,965**	**693,493**	**2,757**	**696,250**
Profit for the period		-	-	-	-	-	-	-	-	21,203	21,203	1,748	22,951
Profit arising on financial assets at fair value through other comprehensive income	27	-	-	-	-	-	-	12	-	-	12	-	12
Other comprehensive loss		-	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Total other comprehensive income		-	-	-	-	(2)	-	12	-	-	10	-	10
Total comprehensive income		**-**	**-**	**-**	**-**	**(2)**	**-**	**12**	**-**	**21,203**	**21,213**	**1,748**	**22,961**
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(49)	-	-	49	-	-	-
As at 31 March 2018		**426,289**	**(4,613)**	**39,202**	**(135,075)**	**(549)**	**181,114**	**474**	**647**	**207,217**	**714,706**	**4,505**	**719,211**

Note 1. The Group and its operations

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

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

Economic environment in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The tax, currency and customs legislation continue to develop and are subject to frequent changes and varying interpretations. The Russian economy showed signs of recovery in 2017, after the economic downturn of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile.

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

During the three months ended 31 March 2018 no substantial changes to the rules of Russian wholesale and retail electricity and capacity markets, their functioning and price setting mechanisms have been made.

Relations with the Government and current regulation. As at 31 March 2018 the Russian Federation owned 60.56 percent of the total voting ordinary shares of the Company (31 December 2017: 60.56 percent). As at 31 March 2018 PJSC Bank VTB that is controlled by the Russian Federation owned 13.34 percent of the Company’s shares (31 December 2017: 13.34 percent).

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

In addition, the Government 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 2017, 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 2017 have been omitted or condensed.

(in millions of Russian Rubles unless noted otherwise)

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 2017 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 2018.

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

Changes in accounting policies. The Group has changed its accounting policies from 1 January, 2018 due to the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9, Financial Instruments: Classification and Measurement – accounting policies and the impact of the adoption. The Group applies new accounting policies due to adoption of IFRS 9 Financial Instruments.

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact of classification and measurement on the Group's retained earnings as at 1 January 2018.

	RR, million
Retained earnings as at 31 December 2017	**171,423**
Non-controlling interest as at 31 December 2017	**2,719**
Reclassification of accumulated gains on available-for-sale financial assets to retained earnings	13,894
Reversal of impairment of financial assets measured at amortised cost in accounts receivable	749
Change in deferred taxes relating to impairment provisions of financial assets measured at amortised cost in accounts receivable	(63)
Total change in retained earnings	**14,542**
Total change in non-controlling interest	**38**
Retained earnings as at 1 January 2018	**185,965**
Non-controlling interest as at 1 January 2018	**2,757**

(in millions of Russian Rubles unless noted otherwise)

Reclassification of financial assets.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

	Available-for-sale financial assets / measured at fair value through OCI (FVOCI)	Financial assets / measured at fair value through PL (FVPL)	Total
As at 31 December 2017 - IAS 39	**18,495**	**-**	**18,495**
Reclassification of available-for-sale financial assets to FVPL	(17,953)	17,953	-
As at 1 January 2018 - IFRS 9	**542**	**17,953**	**18,495**

Investments in shares of listed companies are reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss, due to the fact that if there is a favorable commercial offer / favorable conjuncture of the securities market, management of the Group expects to sell them in the medium or short term. The gains from revaluation at fair value of the shares of listed companies accumulated as at 1 January 2018 in revaluation reserve on available-for-sale financial assets in the amount of RR 13,894 million ware transferred to retained earnings as at 1 January 2018. Subsequent revaluations of the fair value of these shares after reclassification are reported in profit or loss as “Other operating income”.

Other investments in shares of unquoted companies are reclassified to financial assets at fair value through other comprehensive income. The accumulated gains from their revaluation in the amount of RR 462 million as at January 1, 2018 is recognized in the revaluation reserve for financial assets.

Trade receivables. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For each company of the Group, the trade receivables were grouped on the above principles and for each group of counterparties, the shares of expected losses were determined in accordance with the credit risk for each duration of the delay in payment. As a result, the provision for impairment of accounts receivable as at January 1, 2018 reduced by RR 749 million (before income tax) and, accordingly, accounts receivable increased by the same amount.

IFRS 15, Revenue from Contracts with Customers. IFRS 15 introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. In accordance with the transition provisions in IFRS 15 the Group applies the simplified transition method with the effect of the transition to be recognised as at 1 January 2018.

The Group applies the practical expedient available for the simplified transition method. IFRS 15 applies retrospectively only to contracts that are outstanding at the date of initial recognition (1 January 2018). The Group analyzed the effect of the retrospective application of the standard in relation to such contracts and concluded that it was immaterial, and therefore no retrospective recalculation was carried out.

In accordance with IFRS 15, revenue is recognised in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for the transfer of goods or services promised to the customer.

Received compensation of losses in grids. From January 1, 2018 the Group recognises revenue from compensation of transmission losses and expenses on power distribution under contracts with grid companies on a net basis. Compensation of transmission losses that the Group receives from grid companies are not treated as separate performance obligations in accordance with IFRS 15. Therefore, this compensation cannot be recognised within revenues as the contract on compensation of losses is not a contract with customers in the context of IFRS 15 and is beyond the scope of IFRS 15. The compensation of transmission losses that entities of the Group received in the three months ended 31 March 2017 amounted to RR 1,396 million. Expenses on power distribution under contracts with grid companies totalled RR 4,038 million for the three months ended 31 March 2017.

Purchase of electricity for own needs. The cost of electricity that the Group buys at WEM to support the work process and for own needs, in accordance with IFRS 15 represents compensation to be paid to the customer. From January 1, 2018 this compensation is recognised as a reduction of the transaction price and, therefore, of revenue, unless the payment to the customer is in exchange for distinct goods or services that the customer transfers to the entity. The cost of electricity purchased to support the work process and for other own needs totalled RR 155 million for the three months ended 31 March 2017.

(in millions of Russian Rubles unless noted otherwise)

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 2017 with the exception of changes in estimates that are required in determining the estimate weighted average annual income tax rate (Note 13) as well as judgements in respect of the non-deliverable forward contract for the shares (Note 15).and recognition of a premium to the price of capacity with subsequent transfer of the collected amounts to the budgets of the respective regions.

New standards and interpretations

The Group has adopted all new standards and interpretations that were effective from 1 January 2018. 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 2019 and after that date applicable to the Group as disclosed in the consolidated financial statements as at and for the year ended 31 December 2017, the following interpretations and amendments was issued which is apllicable to the Group:

- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

This 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 31 March 2018 and 31 December 2017.

ESC RusHydro subgroup segment

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

	31 March 2018		31 December 2017	
	% of ownership	% of voting	% of ownership	% of voting
JSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
PJSC Krasnoyarskenergosbyt	65.81%	69.40%	65.81%	69.40%
PJSC Ryazanenergosbyt	90.52%	90.52%	90.52%	90.52%
JSC Chuvashskaya Electricity Sales Company	100.00%	100.00%	100.00%	100.00%

RAO ES East subgroup segment

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

(in millions of Russian Rubles unless noted otherwise)

Principal subsidiaries of this segment are presented below:

	31 March 2018		31 December 2017	
	% of ownership	% of voting	% of ownership	% of voting
JSC RAO ES East*	99.98%	99.98%	99.98%	99.98%
PJSC DEK	52.11%	52.17%	52.11%	52.17%
JSC DGK	52.11%	100.00%	52.11%	100.00%
JSC DRSK	52.11%	100.00%	52.11%	100.00%
PJSC Kamchatskenergo	98.72%	98.74%	98.72%	98.74%
PJSC Magadanenergo**	48.99%	49.00%	48.99%	49.00%
PJSC Sakhalinenergo	57.80%	57.82%	57.80%	57.82%
PJSC Yakutskenergo	79.15%	79.16%	79.15%	79.16%

** Voting and ownership percent interests in JSC RAO ES East as at 31 March 2018 and 31 December 2017 include 15.59 percent interest held by the Group's subsidiary LLC Vostok-Finance.*

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

Other segments

Other segments include:

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

Principal subsidiaries included in all other segments are presented below:

	31 March 2018		31 December 2017	
	% 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 Sakhalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC TPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
JSC Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
JSC Ust'-Srednekanskaya HPP named after A. F. Dyakov	99.63%	100.00%	99.63%	100.00%
JSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
JSC Yakutskaya GRES-2	100.00%	100.00%	100.00%	100.00%

Note 4. Segment information

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the operating segments, which based on the same principles as the 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 to the segments and the performance of the segments' operating activities.

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

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

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

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

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

Intersegment sales are carried out at market prices.

Segment information for the three months ended 31 March 2018 and 31 March 2017 and as at 31 March 2018 and 31 December 2017 is presented below.

(in millions of Russian Rubles unless noted otherwise)

Three months ended 31 March 2018	**PJSC RusHydro**	**ESC RusHydro subgroup**	**RAO ES East subgroup**	**Other segments**	**Total segments**	**Unallocated adjustments and intercompany operations**	**TOTAL**
Revenue	**30,123**	**16,869**	**54,441**	**6,958**	**108,391**	**(8,692)**	**99,699**
including:							
from external companies	*27,036*	*16,855*	*54,356*	*1,452*	***99,699***	*-*	***99,699***
sales of electricity	*18,324*	*16,523*	*30,955*	*232*	***66,034***	*-*	***66,034***
sales of heat and hot water sales	*69*	*-*	*16,600*	*1*	***16,670***	*-*	***16,670***
sales of capacity	*8,602*	*-*	*2,104*	*93*	***10,799***	*-*	***10,799***
other revenue	*41*	*332*	*4,697*	*1,126*	***6,196***	*-*	***6,196***
from intercompany operations	*3,087*	*14*	*85*	*5,506*	***8,692***	*(8,692)*	***-***
Government grants	-	-	10,332	66	**10,398**	-	**10,398**
Operating expenses (excluding depreciation and other non-monetary items)	(10,188)	(16,346)	(54,261)	(6,247)	**(87,042)**	8,967	**(78,075)**
EBITDA	**19,935**	**523**	**10,512**	**777**	**31,747**	**275**	**32,022**
Depreciation of property, plant and equipment and amortization of intangible assets	(3,657)	(46)	(2,237)	(725)	**(6,665)**	41	**(6,624)**
Other non-monetary items of operating income and expenses	**(192)**	**(111)**	**(753)**	**1,316**	**260**	**22**	**282**
including:							
profit arising on financial assets at fair value through profit or loss	*924*	*-*	*31*	*1,386*	***2,341***	*-*	***2,341***
impairment of property, plant and equipment	*(258)*	*-*	*(222)*	*-*	***(480)***	*-*	***(480)***
impairment of accounts receivable, net	*(795)*	*(108)*	*(536)*	*(44)*	***(1,483)***	*-*	***(1,483)***
loss on disposal of property, plant and equipment, net	*(63)*	*(3)*	*(26)*	*(26)*	***(118)***	*22*	***(96)***
Operating profit	**16,086**	**366**	**7,522**	**1,368**	**25,342**	**338**	**25,680**
Finance income							3,013
Finance costs							(1,753)
Share of results of associates and joint ventures							346
Profit before income tax							**27,286**
Total income tax expense							(4,335)
Profit for the period							**22,951**
Capital expenditure	**3,044**	**-**	**4,145**	**4,869**	**12,058**	**-**	**12,058**
31 March 2018							
Non-current and current debt	**110,437**	**2,430**	**39,517**	**4,691**	**157,075**	**-**	**157,075**

(in millions of Russian Rubles unless noted otherwise)

Three months ended 31 March 2017	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	**27,677**	**17,299**	**54,849**	**4,675**	**104,500**	**(5,721)**	**98,779**
including:							
from external companies	*25,333*	*17,294*	*54,749*	*1,403*	***98,779***	*-*	***98,779***
sales of electricity	*16,155*	*17,016*	*33,265*	*163*	***66,599***	*-*	***66,599***
sales of heat and hot water sales	*61*	*-*	*15,607*	*-*	***15,668***	*-*	***15,668***
sales of capacity	*9,087*	*-*	*1,434*	*67*	***10,588***	*-*	***10,588***
other revenue	*30*	*278*	*4,443*	*1,173*	***5,924***	*-*	***5,924***
from intercompany operations	*2,344*	*5*	*100*	*3,272*	***5,721***	*(5,721)*	***-***
Government grants	-	-	4,563	17	**4,580**	-	**4,580**
Operating expenses (excluding depreciation and other non-monetary items)	(9,279)	(16,734)	(48,615)	(4,374)	**(79,002)**	5,877	**(73,125)**
EBITDA	**18,398**	**565**	**10,797**	**318**	**30,078**	**156**	**30,234**
Depreciation of property, plant and equipment and amortisation of intangible assets	(3,235)	(35)	(2,000)	(457)	**(5,727)**	44	**(5,683)**
Other non-monetary items of operating income and expenses	**(1,137)**	**(126)**	**(484)**	**(160)**	**(1,907)**	**-**	**(1,907)**
including:							
impairment of property, plant and equipment	*(719)*	*-*	*(97)*	*(55)*	***(871)***	*-*	***(871)***
impairment of accounts receivable, net	*(415)*	*(126)*	*(349)*	*(85)*	***(975)***	*-*	***(975)***
loss on disposal of property, plant and equipment, net	*(3)*	*-*	*(38)*	*(20)*	***(61)***	*-*	***(61)***
Operating profit / (loss)	**14,026**	**404**	**8,313**	**(299)**	**22,444**	**200**	**22,644**
Finance income							3,257
Finance costs							(2,139)
Share of results of associates and joint ventures							175
Profit before income tax							**23,937**
Total income tax expense							(5,131)
Profit for the period							**18,806**
Capital expenditure	**4,007**	**1**	**2,800**	**6,693**	**13,501**	**-**	**13,501**
31 December 2017							
Non-current and current debt	**120,070**	**1,268**	**43,348**	**4,839**	**169,525**	**-**	**169,525**

(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 three months ended 31 March 2018 and 31 March 2017 and as at 31 March 2018 and 31 December 2017 were associates and joint ventures of the Group, government-related entities.

Joint ventures

The Group had the following balances with its joint ventures:

	31 March 2018	31 December 2017
Promissory notes	7,040	6,880
Advances to suppliers	169	172
Loans issued	9	8
Loans received	750	750

The Group had the following transactions with its joint ventures:

	Three months ended 31 March 2018	Three months ended 31 March 2017
Sales of electricity and capacity	77	86
Other revenue	150	149
Purchased electricity and capacity	161	843

Associates

The Group had the following balances with its associates:

	31 March 2018	31 December 2017
Trade and other receivables	526	456
Accounts payable	1,390	1,277

The Group had the following transactions with its associates:

	Three months ended 31 March 2018	Three months ended 31 March 2017
Sales of electricity and capacity	961	957
Other revenue	27	34
Rent	154	149
Purchased electricity and capacity	7	6

Government-related entities

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

The Group had transactions during the three months ended 31 March 2018 and 31 March 2017 and balances outstanding as at 31 March 2018 and 31 December 2017 with a number of government-related banks. All transactions are carried out on market rates. The Company also entered into a non-deliverable forward transaction of its treasury shares with PJSC VTB Bank (Note 15).

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 months ended 31 March 2018 (for the three months ended 31 March 2017: approximately 20 percent). Sales of electricity and capacity under the regulated contracts are conducted directly to the consumers, within the day-ahead market (DAM) – through commission agreements with JSC Centre of Financial Settlements (hereinafter referred to as "CFS"). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants.

During the three months ended 31 March 2018 the Group received government subsidies in amount of RR 10,398 million (for the three months ended 31 March 2017: RR 4,580 million) (Note 20).

Government subsidies receivable comprised RR 6,132 million as at 31 March 2018 (31 December 2017: RR 3,401 million) (Note 9). Accounts payable on free-of-charge targeted contributions of the Group comprised RR 3,185 million as at 31 March 2018 (31 December 2017: no accounts payable on free-of-charge targeted contributions) (Note 17).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 40 percent of total expenses on purchased electricity, capacity and fuel for the three months ended 31 March 2018 (for the three months ended 31 March 2017: approximately 40 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 90 percent of total grid companies services on electricity distribution for the three months ended 31 March 2018 (for the three months ended 31 March 2017: approximately 70 percent). The distribution of electricity is subject to tariff regulations.

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

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

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

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

Short-term remuneration paid to the key management of the Group for the three months ended 31 March 2018 comprised RR 186 million (for the three months ended 31 March 2017: RR 217 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 2017	**101,476**	**432,524**	**353,294**	**296,562**	**14,477**	**1,198,333**
Reclassification	(1)	(3)	(73)	(2)	79	-
Additions	111	313	562	10,829	243	12,058
Transfers	253	707	5,835	(6,810)	15	-
Disposals and write-offs	(251)	(815)	(227)	(139)	(115)	(1,547)
Balance as at 31 March 2018	**101,588**	**432,726**	**359,391**	**300,440**	**14,699**	**1,208,844**
Accumulated depreciation (including impairment)						
Balance as at 31 December 2017	**(41,595)**	**(162,870)**	**(153,722)**	**(31,556)**	**(8,735)**	**(398,478)**
Impairment charge	-	(17)	(11)	(452)	-	(480)
Charge for the period	(551)	(2,299)	(3,583)	-	(294)	(6,727)
Transfers	(4)	(146)	(2)	216	(64)	-
Disposals and write-offs	140	97	187	53	66	543
Balance as at 31 March 2018	**(42,010)**	**(165,235)**	**(157,131)**	**(31,739)**	**(9,027)**	**(405,142)**
Net book value as at 31 March 2018	**59,578**	**267,491**	**202,260**	**268,701**	**5,672**	**803,702**
Net book value as at 31 December 2017	**59,881**	**269,654**	**199,572**	**265,006**	**5,742**	**799,855**

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	213	(680)	490	265	(288)	-
Additions	9	5	284	13,128	75	13,501
Transfers	227	345	6,076	(6,648)	-	-
Disposals and write-offs	(60)	(109)	(537)	(79)	(142)	(927)
Balance as at 31 March 2017	**91,713**	**406,828**	**318,242**	**299,555**	**13,931**	**1,130,269**
Accumulated depreciation (including impairment)						
Balance as at 31 December 2016	**(35,459)**	**(143,461)**	**(133,736)**	**(32,224)**	**(7,768)**	**(352,648)**
Impairment charge	-	-	(48)	(822)	(1)	(871)
Charge for the period	(484)	(2,052)	(3,084)	-	(287)	(5,907)
Transfers	(17)	(237)	113	121	20	-
Disposals and write-offs	14	6	404	15	115	554
Balance as at 31 March 2017	**(35,946)**	**(145,744)**	**(136,351)**	**(32,910)**	**(7,921)**	**(358,872)**
Net book value as at 31 March 2017	**55,767**	**261,084**	**181,891**	**266,645**	**6,010**	**771,397**
Net book value as at 31 December 2016	**55,865**	**263,806**	**178,193**	**260,665**	**6,518**	**765,047**

As at 31 March 2018 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 7,437 million (31 December 2017: RR 7,486 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 equipment. As at 31 March 2018 such advances amounted to RR 35,413 million (31 December 2017: RR 36,577 million).

Additions to assets under construction include capitalised borrowing costs in the amount of RR 2,231 million, the capitalisation rate was 8.65 percent (for the three months ended 31 March 2017: RR 3,094 million, the capitalisation rate was 9.78 percent).

Additions to assets under construction include capitalised depreciation in the amount of RR 86 million (for the three months ended 31 March 2017: RR 205 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 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 2017 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 480 million for the three months ended 31 March 2018 in respect of additions of property, plant and equipment related to cash-generating units impaired in previous periods (for the three months ended 31 March 2017: RR 871 million).

Note 7. Other non-current assets

	31 March 2018	31 December 2017
Long-term promissory notes	39,549	39,549
Discount	(15,407)	(15,662)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	10,117	9,862
Long-term advances to suppliers	5,062	5,024
VAT recoverable	2,790	2,957
Goodwill	481	481
Other non-current assets	7,044	7,007
Total other non-current assets	**25,494**	**25,331**

Note 8. Cash and cash equivalents

	31 March 2018	31 December 2017
Cash equivalents	39,149	59,029
Cash at bank	17,263	11,106
Cash in hand	25	21
Total cash and cash equivalents	**56,437**	**70,156**

Cash equivalents held as at 31 March 2018 and 31 December 2017 comprised short-term bank deposits with original maturities of three months or less.

Note 9. Accounts receivable and prepayments

	31 March 2018	31 December 2017
Trade receivables	69,725	61,279
Provision for impairment of trade receivables	(27,237)	(26,571)
Trade receivables, net	**42,488**	**34,708**
VAT recoverable	**6,804**	**7,841**
Advances to suppliers and other prepayments	3,856	2,944
Provision for impairment of advances to suppliers and other prepayments	(702)	(837)
Advances to suppliers and other prepayments, net	**3,154**	**2,107**
Other receivables	7,911	7,959
Provision for impairment of other receivables	(4,773)	(4,815)
Other receivables, net	**3,138**	**3,144**
Government grants receivables	6,132	3,401
Total accounts receivable and prepayments	**61,716**	**51,201**

As at 1 January, 2018 the trade receivables were recounted according to IFRS 9 (Note 2).

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

(in millions of Russian Rubles unless noted otherwise)

Note 10. Inventories

	31 March 2018	31 December 2017
Fuel	12,249	16,162
Materials and supplies	7,517	6,782
Spare parts	2,671	2,466
Other materials	437	386
Total inventories before provision for impairment	**22,874**	**25,796**
Provision for impairment of inventories	(257)	(273)
Total inventories	**22,617**	**25,523**

There are no inventories pledged as collateral for borrowings as at 31 March 2018 and as at 31 December 2017.

Note 11. Other current assets

	31 March 2018	31 December 2017
Special funds	**3,202**	**3,429**
Deposits	**13,943**	**790**
Loans issued	2,475	2,472
Provision for loans issued	(2,451)	(2,447)
Loans issued, net	**24**	**25**
Other short-term investments	**144**	**156**
Total other current assets	**17,313**	**4,400**

As at 31 March 2018 the rest of special funds in the amount of RR 3,202 million received by the Group to fund construction of generating facilities are located on special accounts of the Federal Treasury of Russia (as at 31 December 2017: RR 3,429 million). These special funds may be used by the Group only after the due procedure of expenditure approval performed by the Federal Treasury of Russia according to the Order of Ministry of Finance of the Russian Federation No. 213n dated 25 December 2015.

Note 12. Equity

	Number of issued and fully paid ordinary shares (Par value of RR 1.00)
As at 31 March 2018	426,288,813,551
As at 31 December 2017	426,288,813,551
As at 31 March 2017	386,255,464,890
As at 31 December 2016	386,255,464,890

Changes in the equity as at 1 January 2018 due to changes in accounting policies. The Group recalculated capital as at 1 January 2018 due to adoption of IFRS 9 (Note 2). The revaluation reserve on available-for-sale financial assets for those financial assets reclassified to fair value through profit or loss in the amount of RR 13,894 million as at January 1, 2018 was transferred to retained earnings. As a result of the recalculation of the provision for impairment of trade receivables, retained earnings as at January 1, 2018 increased by RR 648 million and a non-controlling interest by RR 38 million.

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 billion 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.

(in millions of Russian Rubles unless noted otherwise)

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 31 March 2018 treasury shares were represented by 3,852,260,628 ordinary shares in the amount of RR 4,613 million (31 December 2017: 3,852,267,925 ordinary shares in the amount of RR 4,613 million).

In March 2017, 15 billion 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.

Note 13. Income tax

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the three months ended 31 March 2018 was 18 percent (for the three months ended 31 March 2017: 21 percent).

	Three months ended 31 March 2018	Three months ended 31 March 2017
Current income tax expense	3,885	3,913
Deferred income tax expense	450	1,218
Total income tax expense	**4,335**	**5,131**

Note 14. Current and non-current debt

Non-current debt

	Due date	31 March 2018	31 December 2017
PJSC Sberbank	2018–2028	43,577	54,790
Eurobonds (RusHydro Capital Markets DAC), issued in February 2018	2021	20,016	-
Eurobonds (RusHydro Capital Markets DAC), issued in September 2017	2022	19,833	20,235
Russian bonds (PJSC RusHydro) issued in April 2016	2019	15,562	15,357
Russian bonds (PJSC RusHydro) issued in July 2015	2018	15,422	15,868
Russian bonds (PJSC RusHydro) issued in June 2017	2020	10,399	10,016
PJSC ROSBANK	2018–2019	5,992	4,520
UniCredit Bank Austria AG	2018–2026	4,946	5,113
Russian bonds (PJSC RusHydro) issued in February 2013	2018*	2,180	20,650
PJSC Bank VTB	2018–2019	1,909	5,046
Bank GPB (JSC)	2018–2027	1,831	1,794
Municipal authority of Kamchatka region	2018–2034	1,592	1,560
EBRD	2018–2027	1,278	1,350
ASIAN Development bank	2018–2026	1,239	1,310
Russian bonds (PJSC RusHydro) issued in April 2015	2025	782	767
Russian bonds (PJSC RusHydro) issued in April 2011	2021	261	255
Other long-term debt	-	851	831
Finance lease liabilities	-	760	1,586
Total		**148,430**	**161,048**
Less current portion of non-current debt		(37,665)	(69,877)
Less current portion of finance lease liabilities		(132)	(259)
Total non-current debt		**110,633**	**90,912**

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

(in millions of Russian Rubles unless noted otherwise)

Eurobond issue. In February 2018 the Group placed Eurobonds, issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue was RR 20,000 million. The term of the bonds is 3 years, the coupon rate is 7.4 percent per annum. VTB Capital, JP Morgan, Gazprombank and Sberbank CIB acted as joint lead managers of the issue. The placement and listing of the Eurobonds took place on the Irish Stock Exchange under Reg S rule. Eurobonds could have been partly purchased by government-related entities.

Current debt

	31 March 2018	31 December 2017
PJSC Sberbank	4,405	5,428
BANK ROSSIYA	1,400	1,000
PJSC ROSBANK	1,268	930
LLC AlstomRusHydroEnergy	750	750
Bank GPB (JSC)	149	334
Current portion of non-current debt	37,665	69,877
Current portion of finance lease liabilities	132	259
Other current debt	673	35
Total current debt and current portion of non-current debt	**46,442**	**78,613**
Reference:		
Interest payable	2,074	3,012

Compliance with covenants. The Group is subject to certain covenants related primarily to its debt. As at 31 March 2018 and 31 December 2017 the Group met all required covenant clauses of the credit agreements.

Note 15. Non-deliverable forward contract for sharespayable

	The fair value of the forward contract
As at 31 December 2017	**20,716**
Decrease in the fair value of the non-deliverable forward contract (Note 22)	(1,456)
Interim payments	(406)
As at 31 March 2018	**18,854**

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 31 March 2018	As at 31 December 2017
Expected term of the forward transaction	3.93 years	4.17 years
Market value of the share	RR 0.7660	RR 0.7264
CB RF key refinancing rate	7.25 percent	7.75 percent
Volatility of shares	35.04 percent	34.85 percent
Risk-free rate	6.45 percent	7.01 percent
Discount rate	7.11 percent	7.84 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 27.

Note 16. Other non-current liabilities

	31 March 2018	31 December 2017
Non-current advances received	10,681	10,766
Pension benefit obligations	8,715	8,634
Other non-current liabilities	8,811	8,716
Total other non-current liabilities	**28,207**	**28,116**

(in millions of Russian Rubles unless noted otherwise)

Note 17. Accounts payable and accruals

	31 March 2018	31 December 2017
Trade payables	30,049	30,949
Settlements with personnel	9,871	8,880
Advances received	9,130	11,664
Accounts payable on free-of-charge targeted contributions (Note 2)	3,185	-
Accounts payable under factoring agreements	196	258
Dividends payable	150	159
Other accounts payable	5,119	3,715
Total accounts payable and accruals	**57,700**	**55,625**

All accounts payable and accruals are denominated in Russian Rubles.

Note 18. Other taxes payable

	31 March 2018	31 December 2017
VAT	9,611	10,236
Insurance contributions	3,713	3,160
Property tax	3,651	2,038
Other taxes	615	600
Total other taxes payable	**17,590**	**16,034**

Note 19. Revenue

	Three months ended 31 March 2018	Three months ended 31 March 2017
Sales of electricity	66,034	66,599
Sales of heat and hot water	16,670	15,668
Sales of capacity	10,799	10,588
Other revenue	6,196	5,924
Total revenue	**99,699**	**98,779**

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

Note 20. Government grants

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

During the three months ended 31 March 2018 the Group received government subsidies in the amount of RR 10,398 million (for the three months ended 31 March 2017: RR 4,580 million) The subsidies were received in the following territories: Kamchatsky territory, Sakha Republic (Yakutia), Magadan Region, Chukotka Autonomous Area and other Far East regions. The total amount of government grants received by the Group’s companies – guaranteeing suppliers, under the Resolution of the Russian Government No. 895 “On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region”, for the three months ended 31 March 2018 amounted to RR 6,596 million.

(in millions of Russian Rubles unless noted otherwise)

Note 21. Operating expenses (excluding impairment losses)

	Three months ended 31 March 2018	Three months ended 31 March 2017
Fuel expenses	21,239	17,900
Employee benefit expenses (including payroll taxes and pension benefit expenses)	19,006	18,662
Grid companies services on electricity distribution	12,293	11,802
Purchased electricity and capacity	11,401	11,622
Depreciation of property, plant and equipment and amortisation of intangible assets	6,624	5,683
Taxes other than on income	3,046	2,680
Other materials	1,499	1,812
Third parties services, including:		
Purchase and transportation of heat power	1,107	1,098
Provision of functioning of electricity and capacity market	897	909
Security expenses	840	835
Insurance cost	589	545
Repairs and maintenance	556	561
Consulting, legal and information expenses	462	424
Rent	452	525
Services of subcontracting companies	376	235
Transportation expenses	163	182
Other third parties services	2,151	1,895
Water usage expenses	903	797
Social charges	205	138
Travel expenses	192	157
Other expenses	794	407
Total operating expenses (excluding impairment losses)	**84,795**	**78,869**

Note 22. Finance income, costs

	Three months ended 31 March 2018	Three months ended 31 March 2017
Finance income		
Change of fair value of non-deliverable forward contract for shares (Note 15)	1,456	404
Interest income	1,241	2,126
Income on discounting	119	108
Foreign exchange gain	10	590
Other income	187	29
Total finance income	**3,013**	**3,257**
Finance costs		
Interest expense	(1,251)	(1,520)
Foreign exchange loss	(169)	(147)
Expense on discounting	(101)	(159)
Finance lease expense	(24)	(55)
Other costs	(208)	(258)
Total finance costs	**(1,753)**	**(2,139)**

(in millions of Russian Rubles unless noted otherwise)

Note 23. Earnings per share

	Three months ended 31 March 2018	Three months ended 31 March 2017
Weighted average number of ordinary shares issued (millions of shares)	422,437	371,570
Profit for the period attributable to the shareholders of PJSC RusHydro	21,203	17,182
Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	**0.0502**	**0.0462**

Note 24. Capital commitments

In accordance with consolidated investment programme approved under the consolidated business plan of the Group, as of 31 March 2018 the Group has to invest RR 380,043 million for the period 2018–2022 for reconstruction of the existing and construction of new power plants and grids, including capital commitments for 2018 year in the amount of RR 111,269 million, for 2019 year – RR 93,359 million, for 2020 year – RR 72,098 million, for 2021 year – RR 55,506 million, for 2022 year – RR 47,811 million (31 December 2017: RR 391,711 million for the period 2018–2022).

Note 25. Contingencies

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

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

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

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. The impact of this course of events cannot be assessed with sufficient reliability, but it can be significant in terms of the financial situation and / or the business of the Group. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax 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 generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions with related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

During the three months ended 31 March 2018, 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 this transfer pricing legislation. In case of receipt of a request from tax authorities, the management of the Group will provide documentation meeting the requirements of Art. 105.15 of the Tax Code.

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

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.

(in millions of Russian Rubles unless noted otherwise)

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 31 March 2018, 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 1,373 million as at 31 March 2018 (31 December 2017: RR 1,348 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. In February 2018 the Group signed an agreement on the termination of the surety agreement with SC Vnesheconombank with regard to performance by PJSC Boguchanskaya HPP of its obligations under the loan agreement:

Counterparty	**31 March 2018**	**31 December 2017**
for PJSC Boguchanskaya HPP:		
State Corporation Vnesheconombank	-	25,935
Total guarantees issued	**-**	**25,935**

Note 26. Financial instruments and financial risk management

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

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

There have been no changes in any risk management policies during the three months ended 31 March 2018.

(in millions of Russian Rubles unless noted otherwise)

Presentation of financial instruments by measurement category. The following table provides a reconciliation of classes of financial assets with the measurement categories of IFRS 9 Financial instruments and information about the rest of special funds on the accounts of the Federal Treasury as at 31 March 2018 and 31 December 2017. Reclassifications of financial assets by measurement categories are presented in Note 2.

As at 31 March 2018	Financial asset at amortised cost	Financial asset at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Assets				
Other non-current assets (Note 7)	**10,626**	**-**	**-**	**10,626**
Promissory notes	10,117	-	-	10,117
Long-term loans issued	509	-	-	509
Financial asset at fair value through profit or loss	**-**	**20,307**	**-**	**20,307**
Financial assets at fair value through other comprehensive income	**-**	**-**	**539**	**539**
Trade and other receivables (Note 9)	**45,170**	**-**	**-**	**45,170**
Trade receivables	42,488	-	-	42,488
Other financial receivables	2,682	-	-	2,682
Other current assets (Note 11)	**17,169**	**-**	**-**	**17,169**
Special funds	3,202	-	-	3,202
Deposits and promissory notes	13,943	-	-	13,943
Short-term loans issued	24	-	-	24
Cash and cash equivalents (Note 8)	**56,437**	**-**	**-**	**56,437**
Total financial assets	**129,402**	**20,307**	**539**	**150,248**
Non-financial assets				**891,209**
Total assets				**1,041,457**

As at 31 December 2017	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 7)	**10,394**	**-**	**10,394**
Promissory notes	9,862	-	9,862
Long-term loans issued	532	-	532
Available-for-sale financial assets	**-**	**18,495**	**18,495**
Trade and other receivables (Note 9)	**37,370**	**-**	**37,370**
Trade receivables	34,708	-	34,708
Other financial receivables	2,662	-	2,662
Other current assets (Note 11)	**4,244**	**-**	**4,244**
Special funds	3,429	-	3,429
Deposits and promissory notes	790	-	790
Short-term loans issued	25	-	25
Cash and cash equivalents (Note 8)	**70,156**	**-**	**70,156**
Total financial assets	**122,164**	**18,495**	**140,659**
Non-financial assets	**-**	**-**	**887,592**
Total assets	**-**	**-**	**1,028,251**

As at 31 March 2018 financial liabilities of the Group valued at fair value are represented by the non-deliverable forward contract for shares in the amount of RR 18,854 million (Note 15) (31 December 2017: RR 20,716 million).

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

(in millions of Russian Rubles unless noted otherwise)

Note 27. Fair value of assets and liabilities

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.
The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

31 March 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Financial asset at fair value through profit or loss	20,295	-	12	**20,307**
Financial assets at fair value through other comprehensive income	66	-	473	**539**
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	527,564	**527,564**
Total assets recurring fair value measurements	**20,361**	**-**	**528,049**	**548,410**
Financial liabilities				
Non-deliverable forward contract for shares	-	-	18,854	**18,854**
Total liabilities recurring fair value measurements	**-**	**-**	**18,854**	**18,854**

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	18,022	-	473	**18,495**
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	527,363	**527,363**
Total assets recurring fair value measurements	**18,022**	**-**	**527,836**	**545,858**
Financial liabilities				
Non-deliverable forward contract for shares	-	-	20,716	**20,716**
Total liabilities recurring fair value measurements	**-**	**-**	**20,716**	**20,716**

There were no changes in the valuation techniques, inputs and assumptions for recurring fair value measurements during the three months ended 31 March 2018.

Fair value of financial asset at fair value through profit or loss mainly consists of the market value of PJSC Inter RAO shares. Profit / (loss) arising on financial asset at fair value through profit or loss was mainly affected by the change in market quotes of this company's shares.

At 31 March 2018 and 31 December 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 and observable inputs are as follows at 31 March 2018:

	Fair value	Valuation technique	Significant unobservable /observable inputs	Reasonable possible change	Reasonable possible values	Sensitivity of fair value measurement
Financial liability						
Non-deliverable forward contract for shares	18,854	Monte-Carlo model	Dividend yield	-2%	3.10 percent	(620)
				+2%	7.10 percent	647
			Market value of the share	-20%	RR 0.6128	7,899
				+20%	RR 0.9192	(7,814)

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 which was RR 0.7660 as at 31 March 2018 (Note 15).

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

Financial assets carried at amortised cost. The Group considers that the fair value of cash (Level 1 of the fair value hierarchy), cash equivalents and short-term deposits (Level 2 of the fair value hierarchy), short-term accounts receivable (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value of long-term accounts receivable, other non-current and current assets is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy); the fair value of these assets approximates their carrying value.

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

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

At 31 March 2018 fair value of bonds exceeded their carrying value by RR 2,008 million (31 December 2017: RR 1,073 million).

At 31 March 2018 the carrying value of non-current fixed rate debt was RR 37,905 million and exceeded their fair value by RR 721 million. As at 31 December 2017 the carrying value of non-current fixed rate debt was RR 39,396 million and exceeded their fair value by RR 925 million.

Note 28. Subsequent events

Loan. In April, 2018 the Group signed the loan agreement with Far East Development Fund (FEDF) for RR 5,000 million to finance construction of Sakhalin GRES-2 infrastructure facilities. The term of the loan is 8 years, the interest rate is 5,0 percent per annum. The reduced interest rate offered by the FEDF will help lower project’s financing costs and optimize electricity tariffs.