RAO ENERGY SYSTEM OF EAST GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED), PREPARED IN ACCORDANCE WITH IAS 34

AS AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2016

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RAO Energy System of East Group

Condensed Consolidated Interim Statement of Financial Position (unaudited)

(in millions of Russian Rubles unless noted otherwise)

	Note	31 March 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	6	100,836	100,083
Investments in associates		1,106	1,113
Available-for-sale financial assets		304	262
Deferred tax assets		1,129	1,192
Other non-current assets		2,311	2,223
Total non-current assets		**105,686**	**104,873**
Current assets			
Cash and cash equivalents	7	10,578	10,970
Income tax receivable		314	218
Accounts receivable and prepayments	8	29,419	26,086
Inventories	9	17,693	20,287
Other current assets		87	77
Total current assets		**58,091**	**57,638**
TOTAL ASSETS		**163,777**	**162,511**
EQUITY AND LIABILITIES			
Equity			
Share capital	10	22,717	22,717
Treasury shares	10	(2,408)	(410)
Own shares purchase	10	(377)	(2,460)
Revaluation reserve		7,991	7,995
Retained losses and other reserves		(15,757)	(17,409)
Equity attributable to shareholders of parent company		**12,166**	**10,433**
Non-controlling interest		6,820	5,792
Total equity		**18,986**	**16,225**
Non-current liabilities			
Deferred tax liabilities		2,650	2,571
Non-current debt	11	51,754	48,312
Other non-current liabilities	12	7,300	6,885
Total non-current liabilities		**61,704**	**57,768**
Current liabilities			
Current debt and current portion of non-current debt	11	40,629	43,344
Accounts payable and accruals	13	33,387	34,923
Obligation to purchase own shares	10	385	2,482
Current income tax payable		672	612
Other taxes payable	14	8,014	7,157
Total current liabilities		**83,087**	**88,518**
Total liabilities		**144,791**	**146,286**
TOTAL EQUITY AND LIABILITIES		**163,777**	**162,511**

First Deputy General Director – Executive Director — N. L. Zapryagaeva

Chief Accountant — Y. G. Medvedeva

20 June 2016

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

	Note	Three months ended 31 March 2016	Three months ended 31 March 2015
Revenue	16	52,757	48,373
Government grants	17	3,282	3,048
Expenses (excluding impairment of property, plant and equipment losses)	18	(50,413)	(48,523)
Impairment of property, plant and equipment	6	(173)	-
Other operating income		-	780
Operating profit		**5,453**	**3,678**
Finance income	19	314	545
Finance expenses	19	(2,560)	(2,432)
Share of (loss)/income of associates		(7)	95
Profit before income tax		**3,200**	**1,886**
Total income tax expense	15	(630)	(337)
Profit for the period		**2,570**	**1,549**
Attributable to:			
Shareholders of the parent company		1,631	1,522
Non-controlling interest		939	27
Profit per ordinary and preferred share from profit attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	20	0.0400	0.0341
Weighted average number of ordinary shares (in millions)	20	38,911	42,538
Weighted average number of preference shares (in millions)	20	1,818	2,075

(in millions of Russian Rubles unless noted otherwise)

	Three months ended 31 March 2016	Three months ended 31 March 2015
Profit for the year	**2,570**	**1,549**
Other comprehensive income, net of tax:		
Items that will be reclassified to profit or loss		
Revaluation of available-for-sale investments	123	-
Reclassification of accumulated income on available-for-sale financial assets to the Income Statement	(90)	-
Total items that will be reclassified to profit or loss	**33**	**-**
Total other comprehensive income for the year	**33**	**-**
Total comprehensive income for the year	**2,603**	**1,549**
Attributable to:		
Shareholders of parent company	1,648	1,522
Non-controlling interest	955	27

(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2016	Three months ended 31 March 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**3,200**	**1,886**
Depreciation of property, plant and equipment	18	1,975	2,000
Impairment of property, plant and equipment	6	173	-
Loss/(profit) from disposal of property, plant and equipment	18	6	(23)
Finance expenses, net	19	2,246	1,887
Profit on disposal of subsidiaries		-	(780)
Impairment of accounts receivable	18	627	379
Share of loss/(income) of associates		7	(95)
Other expenses/(income)		9	(23)
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		**8,243**	**5,231**
Working capital changes:			
Increase in accounts receivable and prepayments		(4,102)	(4,918)
Decrease in inventories		2,529	3,503
Decrease in accounts payable and accruals		(1,809)	(1,708)
Increase in other taxes payable		895	877
Increase in other non-current assets		(80)	(19)
Increase in other non-current liabilities		317	55
Income tax (paid)/received		(544)	98
Net cash generated by operating activity		**5,449**	**3,119**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(2,015)	(2,155)
Purchase of shares of parent company within the offer	10	(1,846)	-
Proceeds from sale of property, plant and equipment		14	14
Interest received		295	390
Investment in loans issued and bank deposits		(1)	(2,602)
Redemption of loans issued and bank deposits		-	189
Proceeds from sale of shares in subsidiaries		-	60
Decrease in cash due to disposal of subsidiaries		-	(7)
Net cash used in investing activity		**(3,553)**	**(4,111)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt		16,100	9,401
Repayment of debt		(15,129)	(10,107)
Interest paid		(2,893)	(2,573)
Own shares purchase	10	(39)	-
Finance lease payments		(153)	(179)
Net cash used in financing activity		**(2,114)**	**(3,458)**
Foreign exchange (loss)/gain on cash balances		(174)	73
Decrease in cash and cash equivalents		**(392)**	**(4,377)**
Cash and cash equivalents at the beginning of the period	**7**	**10,970**	**12,572**
Cash and cash equivalents at the end of the period	**7**	**10,578**	**8,195**

RAO Energy System of East Group
Condensed Consolidated Interim Statement of Changes in Equity (unaudited)
(in millions of Russian Rubles unless noted otherwise)

	Share capital	Treasury shares	Own shares purchase	Available-for-sale investments	Revaluation reserve	Revaluation of pension benefit obligations	Retained earnings/ (retained losses)	Total	Non-controlling interest	Total equity
Balance as at 01 January 2015	**22 717**	**(410)**	**-**	**-**	**8 023**	**1 895**	**(15 109)**	**17 116**	**9 972**	**27 088**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**1 522**	**1 522**	**27**	**1 549**
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1 522**	**1 522**	**27**	**1 549**
Transfer of revaluation reserve to retained earnings	-	-	-	**-**	(6)	-	6	-	-	-
Balance as at 31 March 2015	**22 717**	**(410)**	**-**	**-**	**8 017**	**1 895**	**(13 581)**	**18 638**	**9 999**	**28 637**
Balance as at 01 January 2016	**22,717**	**(410)**	**(2,460)**	**-**	**7,995**	**1,394**	**(18,803)**	**10,433**	**5,792**	**16,225**
Loss for the year	-	-	-	-	-	-	1,631	1,631	939	2,570
Other comprehensive income/(loss)										
Revaluation of available-for-sale investments	-	-	-	107	-	-	-	107	16	123
Reclassification of accumulated income on available-for-sale financial assets to the Income Statement	-	-	-	(90)	-	-	-	(90)	-	(90)
Total other comprehensive *loss*	-	-	-	17	-	-	-	17	16	33
Total comprehensive loss for the year	**-**	**-**	**-**	**17**	**-**	**-**	**1,631**	**1,648**	**955**	**2,603**
Purchase of treasury shares	**-**	(1,998)	1,998	-	**-**	**-**	**-**	-	-	-
Obligation to own shares purchase	**-**	-	85	-	**-**	**-**	**-**	85	**-**	85
Transfer of revaluation reserve to retained earnings	-	-	-	-	(4)	-	4	-	-	-
Change in non-controlling interest related to acquired and disposed subsidiaries	-	-	-	-	-	-	-	-	73	73
Balance as at 31 March 2016	**22,717**	**(2,408)**	**(377)**	**17**	**7,991**	**1,394**	**(17,168)**	**12,166**	**6,820**	**18,986**

Note 1. RAO Energy System of East Group and its operations

The Public Joint Stock Company RAO Energy System of East (hereinafter referred to as “the Company”) was incorporated and is domiciled in the Russian Federation, is a joint responsibility of shareholders in the value of their shares and was incorporated under the laws of the Russian Federation.

As at 31 March 2016 and as at 31 December 2015 PJSC RusHydro owns 84.39 percent of the Company. The ultimate controlling party is the Russian Federation. Related party transactions are disclosed in Note 5.

The shares of the Company are traded on the Moscow Exchange.

The Company’s registered office is located at 46, Leningradskaya str., Khabarovsk, Russia, 680021.

The principal business activities of the Company and its subsidiaries (hereinafter referred to as “the Group”) are:

- electricity and heat generation;
- electricity and heat distribution;
- electricity and heat retail;
- electricity wholesale.

The Group operates in the Far East Federal region (hereinafter Far East), which comprises Republic of Sakha (Yakutiya), Kamchatka territory, Primorye territory, Khabarovsk territory, Amur region, Magadan region, Sakhalin region, Evreiskaya autonomous district and Chukotka autonomous district and also in the Khanty-Mansi and Yamalo-Nenets autonomous districts.

Principal subsidiaries are disclosed in Note 3.

Relations with the State and current regulation. Many consumers of electricity and heat supplied by the Group are controlled by or affiliated with the Russian Federation. Moreover, the Russian Federation controls a number of fuel suppliers and suppliers of other materials for the Group (Note 5).

The Government affects the Group’s operations through:

- electricity, capacity and heat tariff regulation;
- ratification of the Company and some of subsidiaries investment programs, including volume and sources of their financing, control over their implementation;
- existing antimonopoly regulation.

Tariffs on electricity and heat sold by the Group’s energy companies to the consumers on the retail market are set by regional regulating authorities based on maximum possible tariffs approved by FTS for the relevant period.

Operating environment. 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. During 2015, 2016 the 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 was downgraded to 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.

The Group’s accounts receivable are tested for impairment using the “incurred loss” model required by the International Financial Reporting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how probable those future events are. The final amount of the impairment of financial assets may be significantly differ from the current level of provisions.

Seasonality of business. The demand for the Group's heat and electricity generation and supply depends on weather conditions and the season. Heat and electricity production by the heat generation assets, 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.

The Group manages the liquidity risk of encountering difficulties in meeting its obligations under various scenarios covering both normal and more severe market conditions.

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

Statement of compliance. This Condensed Consolidated Interim Financial Information has been prepared in accordance with and complies 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).

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.

Accounting policy. 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 tax rate that would be applicable to expected total annual profit or loss, and new standards and interpretations 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.

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.

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.

Critical accounting estimates and judgements. The preparation of the Condensed Consolidated Interim Financial Information requires management to make judgements, 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 judgements 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 weighted average annual income tax rate (Note 15).

(in millions of Russian Rubles unless noted otherwise)

Note 3. Principal subsidiaries

All subsidiaries are incorporated and operate in the Russian Federation. The following are the principal subsidiaries as at 31 March 2016 and 31 December 2015:

	31 March 2016		31 December 2015	
Name	**Ownership %**	**Voting %**	**Ownership %**	**Voting %**
PJSC DEK	51.08	51.13	51.08	51.13
JSC DGK (subsidiary of PJSC DEK)	51.08	100.00	51.08	100.00
JSC DRSK (subsidiary of PJSC DEK)	51.08	100.00	51.08	100.00
Isolated energy systems:				
PJSC Kamchatskenergo	98.74	98.74	98.74	98.74
PJSC Magadanenergo*	49.00	49.00	49.00	49.00
PJSC Yakutskenergo*	49.37	49.37	49.37	49.37
OJSC Sakhalinenergo	57.82	57.82	57.82	57.82

* Control is based on the ability to secure a majority of votes on the shareholders meeting.

Changes in group structure

During 3 month ended 31 March 2016

14 January 2016 LLC Dom-21 century was recognised as a bankrupt. Loss on disposal was recorded in amount of RR 6 million. During 2016 году LLC Dom-21 century has no any operating activity. Previously LLC Dom-21 century provided maintenance services for apartment houses.

At 15 March 2016 JSC HRSK was engaged in bankrupt procedure in accordance with Russian Federation statutory law “About bankruptcy”. As at 31 March 2016 Group has outstanding balances of loans issued to JSC HRSK amounted RR 1,302 million. The final decision for insolvency court case expected on 15 August 2016.

During 3 month ended 31 March 2015

23 March 2015 the Group has sold share in OJSC Daltekhenergo. The contractual price is RR 210 million. The Group has received RR 35 million on the date of transaction. The disposal of the OJSC Daltekhenergo was carried out in accordance with the decision of the Board of Directors of the Company (minutes No. 113 dated 28 November 2014). The amount of net assets of the OJSC Daltekhenergo at the date of disposal was negative and equaled to RR 548 million, including borrowings received from the Group amounted RR 425 million. Gain on disposal was recorded in amount of RR 758 million in other operating income.

In second quarter of 2015, management of the Group decided accrual bad debt provision for borrowings issued to OJSC Daltekhenergo amounted RR 425 million, as insolvency court case was initiated, also Group accrual bad debt provision for the remain amount of consideration for the share in OJSC Daltekhenergo.

Also, 24 March 2015 the Group has sold share in OJSC Guberovskiy machinery and repair plant. The consideration was fully paid in cash and amounted to RR 25 million. The disposal of the OJSC Guberovskiy machinery and repair plant was carried out in accordance with the decision of the Board of Directors of OJSC DEK (minutes No. 230 dated 19 December 2014). The amount of net assets of the OJSC Guberovskiy machinery and repair plant at the date of disposal equaled to RR 3 million. Gain on disposal was recorded in amount of RR 22 million.

Up to the date of disposal loss from operating activities of subsidiaries disposed amounted to RR 52 million. As a result of disposal non-controlling interest was reduced by RR 2 million.

OJSC Daltehenergo and OJSC Guberovskiy machinery and repair plant provided repair and construction services.

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 segments is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated and the performance of segments' operating activities.

CODM analysed information about the Group in respect of five main reporting segments:

- Segment “Subgroup DEK” - PJSC DEK Group's segment includes JSC DGK and JSC DRSK that generate, transport, distribute electricity and heat in Amur region, Khabarovsk territory, Primorye territory and Evreiskaya autonomous district and southern part of the Republic of Sakha (Yakutia). Other PJSC DEK subsidiaries provide transportation and repair services, modernization and reconstruction of power equipment, and also engaged in the construction of energy facilities and performing service functions;
- Segment “Subgroup Kamchatskenergo” - PJSC Kamchatskenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Kamchatka territory;
- Segment “Subroup Magadanenergo” - PJSC Magadanenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Magadan region and Chukotka autonomous district;
- Segment “Subgroup Sakhalinenergo” - OJSC Sakhalinenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Sakhalin region;
- Segment “Subgroup Yakutskenergo” - PJSC Yakutskenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Republic of Sakha (Yakutiya).

The Group also includes entities supporting Group's operations which are not considered as separate segment by the CODM due to immaterial quantitative data for reporting periods.

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

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of available-for-sale financial assets, accounts receivable, long-term promissory notes, goodwill and intangible assets, loss on disposal of property, plant and equipment, curtailment in pension plan. 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.

Transactions between the operating segments are on normal commercial terms.

Segment information as at 31 March 2016 and 31 December 2015 and for the three months ended 31 March 2016 and 31 March 2015 is presented below:

(in millions of Russian Rubles unless noted otherwise)

Three months ended 31 March 2016	Subgroup DEK	Subgroup Kamchatskenergo	Subgroup Magadanenergo	Subgroup Sakhalinenergo	Subgroup Yakutskenergo	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	**55,783**	**4,031**	**3,480**	**2,838**	**11,130**	**975**	**78,237**	**(25,480)**	**52,757**
including:									
from external companies:	34,215	4,028	3,321	2,824	7,901	468	52,757	-	**52,757**
sales of electricity	20,134	1,542	2,022	2,211	5,526	196	31,631	-	**31,631**
sales of capacity	1,241	-	-	-	-	98	1,339	-	**1,339**
heat sales	9,696	2,463	1,252	515	1,802	-	15,728	-	**15,728**
other revenue	3,144	23	47	98	573	174	4,059	-	**4,059**
from intercompany operations	21,568	3	159	14	3,229	507	25,480	(25,480)	**-**
Government grants	117	1,594	83	260	1,145	83	3,282	-	**3,282**
Expenses (excluding depreciation and other non-monetary items)	(51,219)	(4,703)	(4,067)	(2,182)	(10,348)	(854)	(73,373)	25,574	**(47,799)**
including:									
from intercompany operations	(19,513)	(23)	(138)	(106)	(3,411)	(81)	(23,272)	23,272	**-**
EBITDA	**4,681**	**922**	**(504)**	**916**	**1,927**	**204**	**8,146**	**94**	**8,240**
Depreciation of property, plant and equipment	(1,332)	(18)	(96)	(59)	(362)	(134)	(2,001)	26	**(1,975)**
Other non-monetary items	(536)	(328)	146	(61)	(18)	(15)	(812)	-	**(812)**
including:									
reversal/(accrual) of impairment for accounts receivable, net	(512)	(192)	165	(61)	(22)	(5)	(627)	-	**(627)**
profit/(loss) from disposal of property, plant and equipment, net	(3)	5	(2)	-	4	(10)	(6)	-	**(6)**
loss from disposal of subsidiaries	(21)	(135)	(17)	-	-	-	(173)	-	**(173)**
loss from subsidiary disposal	-	(6)	-	-	-	-	(6)	-	**(6)**
Operating profit/(loss)	**2,813**	**576**	**(454)**	**796**	**1,547**	**55**	**5,333**	**120**	**5,453**
Finance income	-	-	-	-	-	-	-	-	**314**
Finance expenses	-	-	-	-	-	-	-	-	**(2,560)**
Share of loss of associates	-	-	-	-	-	-	-	-	**(7)**
Profit before income tax	-	-	-	-	-	-	-	-	**3,200**
Total income tax expense	-	-	-	-	-	-	-	-	**(630)**
Profit for the period	-	-	-	-	-	-	-	-	**2,570**
Capital expenditure	**949**	**163**	**83**	**60**	**478**	**1,403**	**3,136**	**-**	**3,136**
31 March 2016									
Non-current and current debt	**(59,924)**	**(5,958)**	**(3,185)**	**(3,268)**	**(7,857)**	**(12,191)**	**(92,383)**	**-**	**(92,383)**

(in millions of Russian Rubles unless noted otherwise)

Three months ended 31 March 2015	Subgroup DEK	Subgroup Kamchatskenergo	Subgroup Magadanenergo	Subgroup Sakhalinenergo	Subgroup Yakutskenergo	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	**51,598**	**3,331**	**3,022**	**2,409**	**10,855**	**1,033**	**72,248**	**(23,875)**	**48,373**
including:									
from external companies:	31,139	3,322	2,889	2,395	8,026	602	48,373	-	**48,373**
sales of electricity	18,263	1,277	1,736	1,877	6,128	284	29,565	-	**29,565**
sales of capacity	1,232	-	-	-	-	90	1,322	-	**1,322**
heat sales	8,598	2,010	1,104	454	1,622	-	13,788	-	**13,788**
other revenue	3,046	35	49	64	276	228	3,698	-	**3,698**
from intercompany operations	20,459	9	133	14	2,829	431	23,875	(23,875)	**-**
Government grants	102	1,243	201	260	1,117	82	3,005	43	**3,048**
Expenses (excluding depreciation and other non-monetary items)	(48,727)	(4,110)	(3,903)	(1,956)	(10,384)	(882)	(69,962)	23,795	**(46,167)**
including:									
from intercompany operations	(18,667)	(15)	(76)	(77)	(3,153)	(44)	(22,032)	22,032	**-**
Other operating income	25	-	-	-	-	210	235	-	**235**
EBITDA	**2,998**	**464**	**(680)**	**713**	**1,588**	**443**	**5,526**	**(37)**	**5,489**
Depreciation of property, plant and equipment	(1,309)	(10)	(87)	(176)	(336)	(114)	(2,032)	32	**(2,000)**
Other non-monetary items	-	(196)	73	(31)	(195)	530	181	8	**189**
including:									
reversal/(accrual) of impairment for accounts receivable, net	(3)	(198)	69	(31)	(199)	(17)	(379)	-	**(379)**
profit/(loss) from disposal of property, plant and equipment, net	6	2	4	-	4	(1)	15	8	**23**
profit/(loss) from disposal of subsidiaries	(3)	-	-	-	-	548	545	-	**545**
Operating profit/(loss)	**1,690**	**258**	**(694)**	**506**	**1,057**	**858**	**3,675**	**3**	**3,678**
Finance income	-	-	-	-	-	-	-	-	**545**
Finance expenses	-	-	-	-	-	-	-	-	**(2,432)**
Share of income of associates	-	-	-	-	-	-	-	-	**95**
Profit before income tax	-	-	-	-	-	-	-	-	**1,886**
Total income tax expense	-	-	-	-	-	-	-	-	**(337)**
Profit for the period	-	-	-	-	-	-	-	-	**1,549**
Capital expenditure	**1,253**	**63**	**57**	**65**	**440**	**1,572**	**3,450**	**-**	**3,450**
31 December 2015									
Non-current and current debt	**(60,329)**	**(6,009)**	**(2,591)**	**(3,489)**	**(9,391)**	**(9,847)**	**(91,656)**	**-**	**(91,656)**

(in millions of Russian Rubles unless noted otherwise)

Note 5. Related party transactions

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

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 2016 and 31 March 2015 and balances outstanding as at 31 March 2016 and 31 December 2015 with a number of government-related banks (Notes 7, 11). All transactions are carried out on market rates.

The Group sells electricity, capacity and heat to government-related entities. The Group’s sales to government-related entities comprised approximately 35 percent of total sales for the three months ended 31 March 2016 as well as for the three months ended 31 March 2015. The Group’s purchases from government-related entities comprised approximately 20 percent of total expenses on purchased goods and services for the three months ended 31 March 2016 as well as for the three months ended 31 March 2015.

Transactions with Key management of the Group. Remuneration is paid to the members of the Management Board of the Company and the major subsidiaries for their services in full time management positions. The remuneration is made up of a contractual salary and performance bonus depending on the results of the work for the period based on key performance indicators. The compensation and key performance indicators are approved by the Board of Directors.

Remuneration to the members of the Board of Directors of the Company and the major subsidiaries is paid for attending Board of Directors.

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.

Total remuneration paid to the General directors and the members of the Management Boards and Boards of Directors of the Company and the major subsidiaries for the three months ended 31 March 2016 was RR 87 million (for the three months ended 31 March 2015: RR 117 million).

Parent company and entities under common control. In the normal course of business the Group enters into transactions with the PJSC RusHydro and entities under common control.

At 31 March 2016 and at 31 December 2015 the outstanding balances with entities controlled by PJSC RusHydro were as follows:

	31 March 2016	31 December 2015
Accounts receivable and prepayments	68	62
Accounts payable and accruals	1,865	1,955
Non-current debt	24,068	21,279
Current debt	1,224	2,357

The income and expense items with PJSC RusHydro and entities controlled by it:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Sales of electricity	90	87
Other revenue	8	-
Expenses	2,466	2,271
Finance expenses	662	750

(in millions of Russian Rubles unless noted otherwise)

The above balances include the following amounts of transactions and balances with PJSC RusHydro:

	31 March 2016	31 December 2015
Accounts receivable and prepayments	4	2
Accounts payable and accruals	610	731
Non-current debt	24,068	21,279
Current debt	1,224	2,357

	Three months ended 31 March 2016	Three months ended 31 March 2015
Expenses	1,664	1,642
Finance expenses	662	750

Associates. Outstanding balances with associates were as follows:

	31 March 2016	31 December 2015
Accounts receivable and prepayments	573	440
Accounts payable and accruals	581	481

The income and expense items with associates:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Revenue	955	821
Expenses	120	84

(in millions of Russian Rubles unless noted otherwise)

Note 6. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

Cost	Production buildings	Facilities	Machinery and equipment	Construction in progress	Other	Total
Opening balance as at 31 December 2015	**28,388**	**63,120**	**59,239**	**26,367**	**7,351**	**184,465**
Additions	1	6	49	3,007	73	3,136
Transfers	18	302	247	(551)	(16)	-
Disposals	(5)	(16)	(26)	(184)	(39)	(270)
Closing balance as at 31 March 2016	**28,402**	**63,412**	**59,509**	**28,639**	**7,369**	**187,331**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2016	**(13,326)**	**(32,980)**	**(31,494)**	**(2,499)**	**(4,083)**	**(84,382)**
Depreciation charge	(1)	(3)	(45)	(124)	-	(173)
Impairment charge	(199)	(830)	(797)	-	(157)	(1,983)
Transfers	(1)	(13)	(76)	92	(2)	-
Disposals	1	2	13	10	17	43
Closing balance as at 31 March 2016	**(13,526)**	**(33,824)**	**(32,399)**	**(2,521)**	**(4,225)**	**(86,495)**
Net book value as at 31 March 2016	**14,876**	**29,588**	**27,110**	**26,118**	**3,144**	**100,836**
Net book value as at 31 December 2015	**15,062**	**30,140**	**27,745**	**23,868**	**3,268**	**100,083**
Opening balance as at 31 December 2014	**27,812**	**58,309**	**53,640**	**18,833**	**7,310**	**165,904**
Additions	-	11	182	3,215	42	3,450
Transfers	15	260	283	(562)	4	-
Disposals	(7)	-	(37)	(35)	(29)	(108)
Closing balance as at 31 March 2015	**27,820**	**58,580**	**54,068**	**21,451**	**7,327**	**169,246**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2014	**(12,612)**	**(28,895)**	**(27,907)**	**(2,080)**	**(3,520)**	**(75,014)**
Depreciation charge	(222)	(762)	(824)	-	(247)	(2,055)
Transfers	(13)	(44)	(25)	82	-	-
Disposals	5	-	37	1	23	66
Closing balance as at 31 March 2015	**(12,842)**	**(29,701)**	**(28,719)**	**(1,997)**	**(3,744)**	**(77,003)**
Net book value as at 31 March 2015	**14,978**	**28,879**	**25,349**	**19,454**	**3,583**	**92,243**
Net book value as at 31 December 2014	**15,200**	**29,414**	**25,733**	**16,753**	**3,790**	**90,890**

Included in the above carrying amount of RR 1,973 million (31 December 2015: RR 1,989 million) represents cost of assets relating to office buildings of the Group which are stated at non-revalued deemed cost.

Impairment as at 31 March 2016. 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 for each reporting date. As a result of this analysis as at 31 December 2015 such indicators were revealed.

(in millions of Russian Rubles unless noted otherwise)

Resulted from use of assumptions effective on 31 December 2015 the Group recognised impairment loss in amount of RR 173 million for the three months ended 31 March 2016 in respect for cash generating units impaired in previous periods.

Note 7. Cash and cash equivalents

	31 March 2016	31 December 2015
Cash at bank	4,912	4,983
Deposits less than three months	5,647	5,976
Cash in hand	19	11
Total cash and cash equivalents	**10,578**	**10,970**

Note 8. Accounts receivable and prepayments

	31 March 2016	31 December 2015
Trade receivables	35,316	30,340
Provision for impairment of trade receivables	(11,126)	(10,544)
Trade receivables, net	**24,190**	**19,796**
Other receivables	2,688	2,688
Provision for impairment of other receivables	(496)	(491)
Other receivables, net	**2,192**	**2,197**
Advances to suppliers and prepayments	1,573	2,086
Provision for impairment of advances to suppliers and other prepayments	(383)	(316)
Advances to suppliers and other prepayments, net	**1,190**	**1,770**
Value added tax recoverable	1,847	2,323
Total accounts receivable and advances given	**29,419**	**26,086**

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

Note 9. Inventories

	31 March 2016	31 December 2015
Fuel	11,064	14,285
Materials and supplies	4,739	4,415
Spare parts	1,356	1,303
Other materials	581	338
Total inventories, gross	**17,740**	**20,341**
Provision for inventory obsolescence	(47)	(54)
Total inventories	**17,693**	**20,287**

Note 10. Equity

Share capital. As at 31 March 2016 and 31 December 2015 share capital of the Company is RR 22,717 million and consists of 43,358,822,914 ordinary shares and 2,075,149,384 preference share with nominal value 0.5 RR each.

Dividends. In accordance with general annual shareholders meeting of the Company for the year ended 31 December 2015 the dividends were not declared and paid. Due to the non-payment of dividends on preferred shares their owners were given voting rights until the first payment of dividends on such shares will be made in full.

Treasury shares. Treasury shares as at 31 March 2016 amount to 5,550,208 thousand ordinary shares and 345,437 thousand preference shares in the amount of RR 2 408 million (31 December 2015: 820,851 thousand ordinary shares in the amount of RR 410 million). The shares were acquired during share purchase in accordance with voluntary offer PJSC RAO Energy System of East from subsidiary LLC Vostok-Finance*.*

(in millions of Russian Rubles unless noted otherwise)

During the first quarter of 2016, during the implementation of the voluntary offer to purchase shares of the Company, the Group acquired 4,729,357 thousand of ordinary shares and 345,437 thousand preference shares for a cash consideration in the amount of RR 39 million, and in exchange for shares in the parent company at fair value RR 1 959 million.

The shares of the parent company were acquired by LLC Vostok-Finance in the first quarter of 2016 for RR 1 846 million for later exchange for PJSC RAO Energy System of East shares.

Obligation to own shares purchase. LLC Vostok-Finance subsidiary of the Company on 03 November 2015 in accordance with decision of Board of Directors PJSC RusHydro sent a voluntary offer to PJSC RAO Energy System of East to purchase shares of the Company. As part of the voluntary offer the shareholders of the Company may choose between the sales of common and preferred shares of the Company owned by them or their exchange for ordinary shares of PJSC RusHydro. The Group has reflected the obligation to own shares purchase payable amounted RR 2,482 million as at 31 December 2015, the amount of obligation to own shares purchase in Group's equity comprised RR 2,460 million.

As at 31 March 2016 after Company's share purchase by LLC Vostok-Finance obligation to own shares purchase reduced to RR 385 million and the amount of obligation to own shares purchase in Group's equity reduced to RR 377 million. The amount of liabilities as at 31 March 2016 reflected the expected cash outflows for the implementation of the right to compulsory redemption of the Company's shares from all shareholders and to bring the share of RusHydro Group in the share capital of the Company up to 100% (Note 24).

Note 11. Current and non-current debt

Non-current borrowings

	Effective interest rate	Year of maturity	31 March 2016	31 December 2015
PJSC RusHydro	8.00-9.45%, MosPrime+2.33%, MosPrime+2.96%	2016-2026	25,292	23,636
PJSC Sberbank	7.99-13.10%	2016-2027	12,717	13,949
EBRD	MosPrime+1.50%, MosPrime+3.45%	2016-2025	7,288	7,380
PJSC ROSBANK	10.40-13.20%	2016-2018	5,579	4,909
PJSC Bank VTB	8.39-11.50%	2017-2027	4,838	4,522
Bank GPB (JSC)	12.49-13.25%	2016-2018	495	469
PJSC Bank Vozrozhdenie	15.00%	2017	440	440
Other	16.00-17.00%	2016-2036	459	497
Finance lease liabilities	9.00-14.10%		2,046	2,116
Total			**59,154**	**57,918**
Less current portion of loans and borrowings	7.70-20.36%		(6,982)	(9,069)
Less current finance lease liabilities			(418)	(537)
Total Non-current borrowings			**51,754**	**48,312**

(in millions of Russian Rubles unless noted otherwise)

Current borrowings

	Effective interest rate	31 March 2016	31 December 2015
PJSC Sberbank	11.64-15.20%	17,367	19,668
Bank GPB (JSC)	12.14-14.49%	7,212	5,692
PJSC ROSBANK	11.98-18.50%	4,749	6,776
JSC Raiffeisenbank	12.00%	1,876	-
Bank «RRDB» (JSC)	12.04-14.00%	879	966
JSC Rosselkhozbank	16.07-16.16%	230	252
PJSC Bank FK Otkritie	12.75-14.50%	158	154
Far Eastern Bank (PJSC)	12.40-13.70%	756	226
Other		2	4
Total		**33,229**	**33,738**
Current portion of loans and borrowings	7.70-20.36%	6,982	9,069
Current finance lease liabilities		418	537
Total current borrowings and current part of non-current borrowings		**40,629**	**43,344**

Currency of all non-current and current borrowings is Russian Rubles.

As at 31 March 2016 and 31 December 2015 some of the Group's credit contracts are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. The Group fulfilled all of the requirements as at 31 March 2016 and as at 31 December 2015.

Note 12. Other non-current liabilities

	31 March 2015	31 December 2014
Pension benefit obligations	5,373	5,276
Reserve for ash dump	668	668
Other non-current liabilities	1,259	941
Total other non-current liabilities	**7,300**	**6,885**

Principal actuarial assumptions at 31 December 2015 and on 31 March 2016 remained unchanged.

Other non-current liabilities include mainly non-current accounts payable under finance lease back agreements and non-current advances received under the contracts of technological connection to the grids.

Note 13. Accounts payable and accruals

	31 March 2016	31 December 2015
Trade payables	15,818	16,103
Accounts payable under factoring agreement	3,028	4,071
Other accounts payable	1,896	1,648
Total financial liabilities within accounts payable and accruals	**20,742**	**21,822**
Advances received	6,231	7,210
Settlements with personnel	6,408	5,885
Dividends payable	6	6
Total accounts payable and accruals	**33,387**	**34,923**

All accounts payable nominated in Russian Rubles.

Payables to suppliers of property, plant and equipment of RR 2,088 million (31 December 2015: RR 2,451 million) included in current accounts payable.

(in millions of Russian Rubles unless noted otherwise)

Note 14. Other taxes payable

	31 March 2016	31 December 2015
Value added tax	4,553	4,238
Insurance contribution	2,229	1,876
Property tax	797	483
Other taxes	435	560
Total other taxes payable	**8,014**	**7,157**

Note 15. Income taxes

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 2016 was 11 percent (for the three months ended 31 March 2015: 14 percent).

	Three months ended 31 March 2016	Three months ended 31 March 2015
Current income tax expense	(508)	(306)
Deferred income tax expense	(122)	(31)
Total income tax expense	**(630)**	**(337)**

Note 16. Revenue

	Three months ended 31 March 2016	Three months ended 31 March 2015
Sales of electricity and capacity	32,970	30,887
Heat and hot water sales	15,728	13,788
Other revenue	4,059	3,698
Total revenue	**52,757**	**48,373**

Other revenue includes mainly revenue from transportation of electricity and heat, repair and construction services, technological connection, resale of goods, rentals and communication services.

Note 17. Government grants

In accordance with law some subsidiaries are entitled to government subsidies, these government subsidies appropriated 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 three months ended 31 March 2016 the Group received government subsidies in amount of RR 3,282 million (for the three months ended 31 March 2015 in the amount of RR 3,048 million) in the following subsidised territories: Kamchatka territory, Republic of Sakha (Yakutiya), Magadan region and other Far East regions.

(in millions of Russian Rubles unless noted otherwise)

Note 18. Expenses

	Three months ended 31 March 2016	Three months ended 31 March 2015
Fuel expenses	19,414	18,479
Employee benefit expenses (including payroll taxes and pension benefit expenses)	14,126	13,346
Electricity distribution expenses	4,497	3,919
Purchased electricity and capacity	3,046	3,738
Depreciation of property, plant and equipment	1,975	2,000
Other materials	1,167	1,320
Purchase and transportation of heat power	1,038	962
Third parties services, including:		
Transportation expenses	432	152
Security expenses	344	329
Rent	342	313
Repairs and maintenance	339	322
Services of SO-CDU, NP Council Market, CFS	185	186
Consulting, legal and information expenses	107	143
Insurance cost	78	81
Services of subcontracting companies	49	232
Other third parties services	992	925
Accrual of impairment for accounts receivable, net	627	379
Taxes other than on income	602	625
Water usage expenses	496	488
Travel expenses	78	82
Purchase of oil products for sale	77	61
Social charges	60	139
Loss/(profit) on disposal of property, plant and equipment, net	6	(23)
Insurance indemnity	(3)	(34)
Other expenses	339	359
Total expenses	**50,413**	**48,523**

Note 19. Finance income, expenses

	Three months ended 31 March 2016	Three months ended 31 March 2015
Finance income		
Interest income	290	437
Foreign exchange gain	7	76
Finance gain related to discounting	13	6
Other finance income	4	26
Finance income	**314**	**545**
Finance expenses		
Interest expense	(2,268)	(2,122)
Finance expense related to discounting	(83)	(217)
Finance lease expense	(16)	(85)
Foreign exchange loss	(190)	(8)
Other finance expenses	(3)	-
Finance expenses	**(2,560)**	**(2,432)**

Note 20. Earnings per share

	Three months ended 31 March 2016	Three months ended 31 March 2015
Weighted average number of ordinary shares, in millions	38,911	42,538
Weighted average number of preference shares, in millions	1,818	2,075
Profit attributable to ordinary and preference shareholders, millions rubles	**1,631**	**1,522**
Basic and diluted profit per share for profit from operations attributable to the shareholders of parent Company (in rubles per share)	**0.0400**	**0.0341**

Note 21. Contingencies and commitments

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, currency and customs legislation are subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal 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. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

During the three months ended 31 March 2016 Group 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.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Management believes that as at 31 March 2016 its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

Environmental matters. The Group's subsidiaries and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group's subsidiaries periodically evaluate their obligations under environmental regulations.

(in millions of Russian Rubles unless noted otherwise)

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. The Group recognised environmental provision for land recultivation as at 31 March 2016 and 31 December 2015. The amount of environmental provision as at 31 March 2016 and as at 31 December 2015 RR 683 million, including short term part RR 15 million (Note 12).

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, recreation and other social needs in the geographical areas in which it operates.

Capital expenditure commitments. In accordance with separate investment programmes of subsidiaries the Group has to invest RR 80,280 million for the period 2016-2018 for reconstruction of the existing and construction of capacities.

Capital commitments of the Group as at 31 March 2016 were RR 76,887 million, including 2016 year – RR 30,491 million, 2017 year – RR 26,371 million, 2018 year – RR 20,025 million.

During the year the separate investment programs of subsidiaries could be revised. Corresponding changes are proposed to competent bodies for approval which as a rule is conducted at the year end.

Future capital expenditures are mainly related to reconstruction of existed equipment of power plants and grid.

Note 22. Financial instruments and financial risk management

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 31 March 2016 and 31 December 2015:

	Loans and receivables	Available-for-sale financial assets	Total
31 March 2016			
Assets			
Other non-current assets	**584**	**-**	**584**
Non-current accounts receivable	584	-	584
Available-for-sale financial assets	**-**	**304**	**304**
Trade and other receivables (Note 8)	**26,382**	**-**	**26,382**
Trade receivables	24,190	-	24,190
Other receivables	2,192	-	2,192
Cash and cash equivalents (Note 7)	**10,578**	**-**	**10,578**
Total financial assets	**37,544**	**304**	**37,848**
Total non-financial assets	**125,929**	**-**	**125,929**
Total assets	**163,473**	**304**	**163,777**
31 December 2015			
Assets			
Other non-current assets	**606**	**-**	**606**
Non-current accounts receivable	606	-	606
Available-for-sale financial assets	**-**	**262**	**262**
Trade and other receivables (Note 8)	**21,993**	**-**	**21,993**
Trade receivables	19,796	-	19,796
Other receivables	2,197	-	2,197
Cash and cash equivalents (Note 7)	**10,970**	**-**	**10,970**
Total financial assets	**33,569**	**262**	**33,831**
Total non-financial assets	**128,680**	**-**	**128,680**
Total assets	**162,249**	**262**	**162,511**

(in millions of Russian Rubles unless noted otherwise)

All of the Group's financial liabilities are carried at amortised cost. Financial liabilities represented mainly by current and non-current debt (Note 11), trade payables and other accounts payable (Note 13).

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

This Condensed Consolidated Interim Financial Information 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 annual financial statements as at 31 December 2015.

There have been no changes in the risk management department or in any risk management policies in the reporting period.

Note 23. Fair value of assets and liabilities

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

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 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Available-for-sale financial assets	222	-	82	**304**	181	-	81	**262**
Non-current accounts receivable	-	-	584	**584**	-	-	606	**606**
Non-financial assets								
Property, plant and equipment (excluding construction in progress, office buildings and land)	**-**	**-**	72,610	**72,610**	**-**	**-**	74,091	**74,091**
Total assets recurring fair value measurements	**222**	**-**	**73,276**	**73,498**	**181**	**-**	**74,778**	**74,959**

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

There were no changes in valuation techniques, inputs and assumptions for recurring fair value measurements during the three months ended 31 March 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, short term deposits and accounts receivable approximates their carrying value. 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. Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy).

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

As at 31 March 2016 fair value of non-current fixed rate loans and borrowings comprised RR 28 787 million, its carrying value comprised RR 30 731 million. As at 31 December 2015 fair value of non-current fixed rate loans and borrowings comprised RR 26 392 million, its carrying value comprised RR 27 970 million.

Note 24. Subsequent events

According to current Russian legislation repurchase of more than 10 percent and consolidation of more than 95 percent of RAO ES of East within voluntary offer to acquire shares (Note 10) allowed to RusHydro Group to send to the rest RAO ES of East ordinary and preference shareholders claim for compulsory repurchase of the shares.

Compulsory repurchase of RAO ES of East shares finished in June 2016 after LLC Vostok-Finance (100% subsidiary of RAO ES of East) has repurchased 887 234 thousand ordinary shares and 312 688 thousand preference shares. All settlements were completed on 08 June 2016.

Also after the end of the reporting period the Group has concluded loan agreements (including those on credit lines) with commercial banks. The agreements were concluded with PJSC Bank VTB in total amount of RR 9,530 million with annual interest rates of 10.86-11.50 percent; PJSC ROSBANK in total amount of RR 1,750 million with annual interest rates of 11.10 percent; Bank GPB (JSC) in total amount of RR 580 million with annual interest rate of 12.20 percent.