PJSC Inter RAO

Interim condensed consolidated financial statements

for the three months ended 31 March 2016 (unaudited)

Contents

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Report on review of interim condensed consolidated financial statements

To the shareholders and Board of Directors of
PJSC Inter RAO

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC Inter RAO and its subsidiaries (the "Group"), which comprise the interim consolidated statement of financial position as at 31 March 2016 and the related interim consolidated statements of comprehensive income for the three-month period then ended, interim consolidated statements of changes in equity and cash flows for the three-month period then ended and explanatory notes. Management of PJSC Inter RAO is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLC

30 May 2016

Moscow, Russia

Interim consolidated statement of financial position

(in millions of RUR)

	Note	31 March 2016	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	6	277,083	277,565
Intangible assets		11,804	12,868
Investments in associates and joint ventures	7	31,978	31,125
Deferred tax assets		4,430	4,412
Available-for-sale financial assets	8	5,945	5,865
Other non-current assets	9	8,934	8,721
Total non-current assets		**340,174**	**340,556**
Current assets			
Inventories		15,987	15,898
Accounts receivable and prepayments	10	87,572	81,841
Income tax prepaid		2,076	1,925
Cash and cash equivalents	11	61,054	65,840
Other current assets	12	19,033	19,131
		185,722	**184,635**
Assets classified as held-for-sale		38,252	38,048
Total current assets		**223,974**	**222,683**
Total assets		**564,148**	**563,239**
Equity and liabilities			
Equity			
Share capital	13	293,340	293,340
Treasury shares	13	(59,117)	(56,184)
Share premium		69,312	69,312
Hedge reserve		(21)	(12)
Actuarial reserve		(91)	(91)
Fair value reserve		1,092	865
Foreign currency translation reserve		5,569	7,041
Retained earnings		66,694	48,392
Total equity attributable to shareholders of the Company		**376,778**	**362,663**
Non-controlling interest		2,346	2,705
Total equity		**379,124**	**365,368**
Non-current liabilities			
Loans and borrowings	14	44,931	42,617
Deferred tax liabilities		13,666	12,911
Other non-current liabilities	16	6,199	6,032
Total non-current liabilities		**64,796**	**61,560**
Current liabilities			
Loans and borrowings		21,946	33,712
Accounts payable and accrued liabilities	15	88,331	95,143
Amounts payable to non-controlling shareholders for shares of subsidiary	5	193	–
Other taxes payable		7,105	6,586
Income tax payable		2,653	870
Total current liabilities		**120,228**	**136,311**
Total liabilities		**185,024**	**197,871**
Total equity and liabilities		**564,148**	**563,239**

Chairman of the Management Board — Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer — Palunin D.N.

30 May 2016

The interim consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-26.

Interim consolidated statement of comprehensive income

(in millions of RUR)

	Note	For the three months ended 31 March 2016	2015
Revenue	17	224,382	216,462
Other operating income	18	1,418	3,184
Operating expenses, net	19	(204,506)	(202,268)
Operating income		**21,294**	**17,378**
Finance income	20	1,962	2,849
Finance expenses	20	(3,192)	(3,047)
Share of profit of associates and joint ventures, net	7	1,624	889
Income before income tax		**21,688**	**18,069**
Income tax expense	21	(4,704)	(2,027)
Income for the period		**16,984**	**16,042**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met			
Gain/(loss) on available-for-sale financial assets, net of tax	8	227	(423)
Net loss on hedge instruments, net of tax		(20)	–
Exchange loss on translation to presentation currency		(1,575)	(512)
Other comprehensive loss, net of tax		**(1,368)**	**(935)**
Total comprehensive income for the period		**15,616**	**15,107**
Income attributable to:			
Shareholders of the Company		17,147	15,343
Non-controlling interest		(163)	699
		16,984	**16,042**
Total comprehensive income attributable to:			
Shareholders of the Company		15,893	14,583
Non-controlling interest		(277)	524
		15,616	**15,107**
Basic and diluted income per ordinary share for income attributable to the shareholders of the Company		**RUR 0.203**	**RUR 0.182**

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30 May 2016

The interim consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-26.

Interim consolidated statement of cash flows

(in millions of RUR)

	Note	*For the three months ended 31 March* 2016	2015
Operating activities			
Income before income tax		**21,688**	**18,069**
Adjustments to reconcile income before tax to net cash flows from operating activities:			
Depreciation and amortisation	19	5,491	5,752
Provision for impairment of accounts receivable	19	2,282	1,248
Other provisions charge	19	938	403
Impairment of available-for-sale financial assets	8, 19	–	2
Release of impairment of property, plant and equipment	19	–	(8)
Share of profit of associates and joint ventures	7	(1,624)	(889)
Loss/(income) from electricity derivatives, net	18, 19	10	(14)
Foreign exchange loss/(gain), net	20	1,116	(433)
Interest income	20	(1,887)	(2,025)
Other finance income	20	(75)	(391)
Interest expenses	20	2,019	2,971
Other finance expenses	20	57	76
Income from sale of available-for-sale financial assets	8, 18	–	(819)
Gain from disposal of controlling interest	5, 18	–	(17)
Other non-cash operations/items		198	(179)
Operating cash flows before working capital adjustments and income tax paid		**30,213**	**23,746**
Increase in inventories		(349)	(904)
Increase in accounts receivable and prepayments		(9,216)	(10,501)
Decrease in value added tax recoverable		739	649
Increase in other current assets		(460)	(516)
Decrease in accounts payable and accrued liabilities		(7,348)	(3,972)
Decrease in taxes other than income tax prepaid/payable, net		(229)	(151)
Other working capital adjustments		3	(3)
		13,353	**8,348**
Income tax paid		(2,313)	(2,084)
Net cash flows from operating activities		**11,040**	**6,264**

The interim consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-26.

Interim consolidated statement of cash flows (continued)

(in millions of RUR)

	Note	For the three months ended 31 March 2016	2015
Investing activities			
Proceeds from disposal of property, plant and equipment		21	70
Purchase of property, plant and equipment and intangible assets		(5,990)	(4,458)
Purchase of controlling interest, net of cash acquired		–	94
Proceeds from disposal of available-for-sale financial assets	8	–	2,730
Proceeds from repayment of loans issued		426	8
Bank deposits placed		(2,712)	(2,762)
Bank deposits returned and proceeds from promissory notes repayment		3,298	3,299
Interest proceeds for bank deposits placed		1,685	1,623
Dividends received		6	–
Cash flows (used for)/from other investing activities		(77)	253
Net cash flows (used for)/from investing activities		**(3,343)**	**857**
Financing activities			
Proceeds from loans and borrowings		14,263	10,743
Repayment of loans and borrowings		(20,849)	(13,119)
Repayment of finance leases		(148)	(222)
Interest paid		(3,760)	(2,390)
Prepayment for the purchase of non-controlling interest in subsidiary		–	(1,973)
Acquisition of treasury shares	13	(1,667)	–
Net cash flows used for financing activities		**(12,161)**	**(6,961)**
Effect of exchange rate fluctuations on cash and cash equivalents		(322)	(203)
Net decrease in cash and cash equivalents		**(4,786)**	**(43)**
Cash and cash equivalents at the beginning of the period		65,840	75,599
Cash and cash equivalents at the end of the period	11	**61,054**	**75,556**

Chairman of the Management Board — Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer — Palunin D.N.

30 May 2016

The interim consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-26.

Interim consolidated statement of changes in equity

(in millions of RUR)

		Attributable to shareholders of the Company										
	Note	***Share capital***	***Treasury shares***	***Share premium***	***Foreign currency translation reserve***	***Fair value reserve***	***Hedge reserve***	***Actuarial reserve***	***Retained earnings***	***Total***	***Non-controlling interest***	***Total equity***
Balance at 1 January 2015		**293,340**	**(56,229)**	**69,312**	**8,422**	**626**	**38**	**(34)**	**27,426**	**342,901**	**5,348**	**348,249**
Total comprehensive (loss)/income for the three months ended 31 March 2015		–	–	–	(337)	(423)	–	–	15,343	**14,583**	524	**15,107**
Acquisition of controlling interest in subsidiary	5	–	–	–	–	–	–	–	–	–	50	**50**
Balance at 31 March 2015		**293,340**	**(56,229)**	**69,312**	**8,085**	**203**	**38**	**(34)**	**42,769**	**357,484**	**5,922**	**363,406**
Balance at 1 January 2016		**293,340**	**(56,184)**	**69,312**	**7,041**	**865**	**(12)**	**(91)**	**48,392**	**362,663**	**2,705**	**365,368**
Total comprehensive (loss)/income for the three months ended 31 March 2016		–	–	–	(1,472)	227	(9)	–	17,147	**15,893**	(277)	**15,616**
Disposal of non-controlling interest in subsidiary due to mandatory offer	5	–	–	–	–	–	–	–	(111)	**(111)**	(82)	**(193)**
Acquisition of treasury shares	13	–	(2,933)	–	–	–	–	–	1,266	**(1,667)**	–	**(1,667)**
Balance at 31 March 2016		**293,340**	**(59,117)**	**69,312**	**5,569**	**1,092**	**(21)**	**(91)**	**66,694**	**376,778**	**2,346**	**379,124**

Chairman of the Management Board Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer Palunin D.N.

30 May 2016

The interim consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-26.

(in millions of RUR)

1. The Group and its operations

Establishment of the Group

Public Joint Stock Company "Inter RAO UES" (the "Parent Company" or the "Company" or PJSC "Inter RAO") is incorporated and domiciled in the Russian Federation and whose shares are publicly traded.

The Russian Federation is the ultimate controlling party of PJSC Inter RAO and has a controlling interest in the Company of over 50%.The main state shareholders of the Parent Company as at 31 March 2016 are JSC ROSNEFTEGAZ (26.37%) and PJSC FGC UES (14.07% share).

The Company has controlling interests in a number of subsidiaries operating in different regions of the Russian Federation and abroad (the Company and its subsidiaries collectively are designated as the "Group").

The Group is engaged in the following business activities:

- Electricity production, supply and distribution;
- Export and import of electricity;
- Sales of electricity purchased abroad and on the domestic market;
- Engineering services;
- Energy effectiveness research and development.

The Group's business environment

The governments of the countries where the Group entities operate directly affect the Group's operations through regulation with respect to energy generation, purchases and sales. Governmental economic, social and other policies in these countries could have a material effect on the operations of the Group.

The Russian Federation, Georgia, Armenia, Moldavia (including Transdniestria Republic), Kazakhstan, Turkey, Lithuania, Latvia and Estonia have been experiencing significant (albeit different) political and economic changes that have affected, and may continue to affect, the activities of the Group entities operating in this environment. Consequently, operations in these jurisdictions involve risks that typically do not exist in other mature markets. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In 2015, the economy of the Russian Federation, primary jurisdiction of the Group, was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian rouble, as well as series of unilateral restrictive political and economic measures imposed on the Russian Federation by several countries. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth in the Russian Federation, which could negatively affect the Group's future financial position, results of operations and business prospects.

The accompanying interim condensed consolidated financial statements reflect management's assessment of the impact of the business environment on the operating results and the financial position of the Group in the countries where the Group entities operate. Management is unable to predict all developments which could have an impact on the utilities sector and the wider economy in these countries and consequently, what effect, if any, they could have on the financial position of the Group. Therefore, future business environment may differ from management's assessment.

2. Basis of preparation

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

(b) Functional and presentation currency

The national currencies of the countries where the Group entities operate are usually the individual company's functional currencies, because they generally reflect the economic substance of the underlying transactions and circumstances of those companies.

(in millions of RUR)

2. Basis of preparation (continued)

(b) Functional and presentation currency (continued)

The Group applies judgment in determination of the functional currencies of certain Group entities. The functional currency determination influences foreign exchange gain/losses recognised in profit and loss and translation differences recognised in other comprehensive income.

The interim condensed consolidated financial statements are presented in millions of the Russian roubles ("RUR"). The main part of the Group is represented by entities operating in the Russian Federation having RUR as their functional currency. All values are rounded to the nearest million, except when otherwise indicated.

(c) Seasonality

Demand for electricity is to some extent influenced by the season of the year. Revenue is usually higher in the period from October to March than in other months of the year. This seasonality does not impact revenue or cost recognition policies of the Group.

(d) Changes in presentation

Reclassifications

Since preparation of annual financial statement for the year ended 31 December 2015, the management of Company decided to reclassify certain types of operating expenses. The reclassification of comparative information for the three months, ended 31 March 2015 between other materials for production purposes in the amount of RUR (243) million, repairs and maintenance in the amount of RUR 348 million and other operating expenses in the amount of RUR (105) million was revised correspondingly.

3. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the three months ended 31 March 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of new amendments of the following standards became effective as of 1 January 2016.

The nature and the impact of each new standard or amendment is described below:

- *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. This amendment did not have any effect on the consolidated financial statements.

- *Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. This amendment did not have any effect on the consolidated financial statements.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.* Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. This amendment did not have any effect on the consolidated financial statements.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

- *IFRS 7 Financial Instruments: Disclosures*
  - *Servicing contracts.* The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
  - *Applicability of the amendments to IFRS 7 to condensed interim financial statements.* The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

  This amendment did not have any effect on the consolidated financial statements.
- *IAS 19 Employee Benefits.* The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. This amendment did not have any effect on the consolidated financial statements.
- *IAS 34 Interim Financial Reporting.* The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. This amendment did not have any effect on the consolidated financial statements.
- *Amendments to IAS 1 Disclosure Initiative.* The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
  - the materiality requirements in IAS 1;
  - that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
  - that entities have flexibility as to the order in which they present the notes to financial statements;
  - that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. This amendments did not have any effect on the consolidated financial statements.

The Group has not adopted earlier any other standard, interpretation and amendment that has been issued but is not yet effective.

4. Segment information

Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the Chief Operating Decision Maker ('CODM') in deciding how to allocate resources and in assessing performance. The Management Board of the Parent Company has been determined as the CODM; the operating segment has been defined as a legal entity or a particular business activity of a legal entity. The Management Board analyses the effectiveness of the operating segments based on IFRS financial reporting.

The Management Board considers the Group activities from both geographical (by countries of the Group entities' jurisdiction) and business perspective (generation, trading, supply, distribution, engineering and other) meaning that each operating segment represents a certain type of business activities or legal entities in a certain country.

(in millions of RUR)

4. Segment information (continued)

The following reporting segments have been identified based on the requirements of IFRS 8 *Operating Segments* (taking into consideration aggregation criteria as well as quantitative thresholds on revenue and EBITDA):

- **Supply in the Russian Federation** (represented by PJSC Mosenergosbyt (Group of entities), JSC PSK, PJSC Tambov Energy Retailing Company, PJSC Saratovenergo, JSC Altayenergosbyt, LLC INTER RAO Orlovskii Energosbyt, JSC Industrial Energetics, LLC RN-Energo, PJSC Tomskenergosbyt, LLC Omsk Energy Retailing Company, JSC EIRTS LO, LLC RT − Energy Trading (equity accounted investee).
- **Generation in the Russian Federation** represented by the following reporting sub-segments:
  - ***Electric Power Generation*** represented by:
    - *INTER RAO – Electricity Generation Group* (represented by Group Inter RAO − Electric Power Plants, including NVGRES Holding Limited and CJSC Nizhnevartovskaya GRES (equity accounted investees); and
  - ***Thermal Power Generation*** represented by:
    - *TGK-11* (represented by JSC TGC-11, JSC Tomsk generation, JSC TomskRTS and JSC OmskRTS);
    - *Bashkir Generation* (represented by Group Bashkir Generation Company).
- **Trading in the Russian Federation and Europe** (represented by the trading activities of the Parent Company, RAO Nordic Oy, AB INTER RAO Lietuva, SIA INTER RAO Latvia, INTER RAO Eesti OU, Inter Green Renewables and Trading AB, JSC Eastern Energy Company, LLC Payments implementation center and SOO IRL POLSKA).
- **Foreign assets** represented by the following reporting sub-segments:
  - ***Georgia*** (represented by JSC Telasi, LLC Mtkvari Energy, JSC Khramhesi I and JSC Khramhesi II);
  - ***Armenia*** (represented by CJSC Elektricheskiye seti Armenii, JSC RazTES (equity accounted investees from 30 October 2015 − Note 5);
  - ***Moldavia*** (represented by CJSC Moldavskaya GRES);
  - ***Kazakhstan*** (represented by JSC Stantsiya Ekibastuzskaya GRES-2 (equity accounted investee) and LLP INTER RAO Central Asia);
  - ***Turkey*** (represented by Group Trakya and Inter Rao Turkey Energy Holding A.S.).
- **Engineering in the Russian Federation** (represented by LLC INTER RAO Engineering, LLC Quartz Novie Tekhnologii (equity accounted investee), LLC Quartz Group, LLC Power Efficiency Centre INTER RAO UES (equity accounted investee), LLC INTER RAO − Export, Energy beyond borders Non-for-profit Fund and LLC TCC Energy beyond borders).
- Other.

The CODM evaluates performance of the operating segments based on EBITDA, which is calculated as profit/(loss) for the period before finance income and finance expenses; income tax expense; depreciation and amortisation of property, plant and equipment, investment property and intangible assets; impairment charge/(release) of property, plant and equipment and investment property; impairment of goodwill and other intangible assets; impairment of available-for-sale financial assets and assets classified as held-for-sale; provisions for doubtful debts and for inventory obsolescence; other provisions; share in profit/(loss) of associates and effects from acquisition and disposal of Group entities; income/(loss) from purchase and sale of available-for-sale financial assets and assets classified as held for sale; and charity expenses, income/(loss) from disposal of non-financial assets and some other included in Other item within the reconciliation between EBITDA of the reporting segments and net income/(loss) for the reporting period. The Group's definition of EBITDA may differ from that of other companies. Information about depreciation and amortisation of property, plant and equipment and intangible assets, interest income and interest expenses is disclosed in segment information as it is regularly reviewed by the CODM.

Revenue of each segment is mainly represented by sales of electricity and capacity and heat-power allocated to the reporting segments.

The CODM analyses leverage of the Group's subsidiaries, joint ventures (equity accounted investees) on a regular basis; loans and borrowings are allocated to the reporting segments excluding inter-segment balances.

Joint ventures (equity accounted investees) are reviewed by the CODM in terms of the Group's share in their profit/(loss) and loan and borrowings.

"Unallocated and Eliminations" includes elimination of transactions among the reporting segments ("Eliminations") and management expenses, interest income and interest expenses of the Parent Company as well as loans and borrowings, obtained by the Parent Company or other subsidiaries, which cannot be allocated to a specific reporting segment on a reasonable basis ("Unallocated").

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the three months ended 31 March 2016

	Supply	*Generation*			*Trading*	*Foreign assets*					*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGK-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Total revenue	**139,461**	**39,463**	**10,770**	**16,289**	**19,404**	**–**	**3,369**	**1,363**	**2**	**4,914**	**1,465**	**1,193**	**(13,311)**	**224,382**
Revenue from external customers	138,975	31,132	9,768	14,578	19,096	–	3,369	1,363	2	4,914	1,033	152	–	**224,382**
Inter-segment revenue	486	8,331	1,002	1,711	308	–	–	–	–	–	432	1,041	(13,311)	**–**
Operating expenses, including:														
Purchased electricity and capacity	(73,849)	(1,678)	(823)	(943)	(14,975)	–	(1,210)	–	(1)	–	–	(8)	11,805	**(81,682)**
Transmission fees	(56,519)	–	–	(3)	(1,462)	–	(312)	(4)	(1)	–	–	–	–	**(58,301)**
Fuel expenses	–	(17,680)	(4,292)	(8,421)	–	–	(967)	(35)	–	(3,575)	–	–	550	**(34,420)**
Share in profit/(loss) of joint ventures	12	757	–	–	–	825	–	–	197	–	(2)	20	–	**1,809**
EBITDA	**4,355**	**15,055**	**3,353**	**4,498**	**2,730**	**825**	**237**	**795**	**197**	**1,061**	**(440)**	**311**	**(1,133)**	**31,844**
Depreciation and amortisation	(365)	(2,869)	(324)	(827)	(15)	–	(159)	(133)	(1)	(455)	(53)	(184)	(106)	**(5,491)**
Interest income	928	293	–	85	70	–	13	–	–	19	38	18	423	**1,887**
Interest expenses	(302)	(1,201)	(270)	(62)	(60)	–	(39)	(72)	–	(136)	(21)	(1,184)	1,328	**(2,019)**

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the three months ended 31 March 2015

	Supply	*Generation*			*Trading*	*Foreign assets*					*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	***Inter RAO – Electricity Generation Group***	***TGK-11***	***Bashkir Generation***	***The Russian Federation and Europe***	***Armenia***	***Georgia***	***Moldavia***	***Kazakhstan***	***Turkey***	***The Russian Federation***	***Other***	***Unallocated and eliminations***	***Total***
Total revenue	**123,275**	**38,994**	**9,977**	**14,462**	**23,420**	**5,695**	**2,593**	**1,209**	**27**	**6,371**	**1,184**	**869**	**(11,614)**	**216,462**
Revenue from external customers	122,803	31,695	8,845	13,377	23,041	5,695	2,593	1,209	27	6,371	638	168	–	**216,462**
Inter-segment revenue	472	7,299	1,132	1,085	379	–	–	–	–	–	546	701	(11,614)	**–**
Operating expenses, including:														
Purchased electricity and capacity	(67,875)	(1,974)	(936)	(879)	(18,053)	(2,909)	(198)	–	(16)	–	–	(8)	10,331	**(82,517)**
Transmission fees	(48,020)	–	–	(4)	(1,688)	(273)	(233)	(4)	(10)	–	–	–	1	**(50,231)**
Fuel expenses	–	(20,352)	(4,431)	(8,050)	–	(825)	(1,407)	(30)	–	(5,315)	–	–	452	**(39,958)**
Share in profit of joint ventures	35	833	–	–	–	–	–	–	121	–	5	–	–	**994**
EBITDA	**3,829**	**11,047**	**2,440**	**3,273**	**3,298**	**681**	**178**	**688**	**123**	**844**	**(423)**	**73**	**(1,059)**	**24,992**
Depreciation and amortisation	(391)	(2,896)	(443)	(845)	(15)	(212)	(151)	(108)	(1)	(379)	(48)	(187)	(76)	**(5,752)**
Interest income	760	263	–	70	79	15	17	–	–	9	91	194	527	**2,025**
Interest expenses	(60)	(1,934)	(360)	(55)	(79)	(229)	(39)	(79)	–	(137)	(10)	(1,438)	1,449	**(2,971)**

(in millions of RUR)

4. Segment information (continued)

As at 31 March 2016

	Supply *The Russian Federation*	*Generation* *The Russian Federation* *Electric Power Generation* *Inter RAO – Electricity Generation Group*	*Generation* *The Russian Federation* *Thermal Power Generation* *TGK-11*	*Generation* *The Russian Federation* *Thermal Power Generation* *Bashkir Generation*	*Trading* *The Russian Federation and Europe*	*Foreign assest* *Armenia*	*Foreign assest* *Georgia*	*Foreign assest* *Moldavia*	*Foreign assest* *Kazakhstan*	*Foreign assest* *Turkey*	*Engineering* *The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Loans and borrowings, including:	**(2,134)**	**(40,044)**	**(7,078)**	**(1,347)**	**(1,320)**	**(4,835)**	**(1,360)**	**–**	**(9,519)**	**(10,055)**	**(385)**	**(1,489)**	**195**	**(79,371)**
Share in loans and borrowings of joint ventures	(50)	–	–	–	–	(4,835)	–	–	(9,519)	–	(232)	(190)	2,332	**(12,494)**

As at 31 December 2015

	Supply *The Russian Federation*	*Generation* *The Russian Federation* *Electric Power Generation* *Inter RAO – Electricity Generation Group*	*Generation* *The Russian Federation* *Thermal Power Generation* *TGK-11*	*Generation* *The Russian Federation* *Thermal Power Generation* *Bashkir Generation*	*Trading* *The Russian Federation and Europe*	*Foreign assets* *Armenia*	*Foreign assets* *Georgia*	*Foreign assets* *Moldavia*	*Foreign assets* *Kazakhstan*	*Foreign assets* *Turkey*	*Engineering* *The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Loans and borrowings, including:	**(1,498)**	**(42,673)**	**(11,344)**	**(1,271)**	**(1,762)**	**(5,500)**	**(1,401)**	**–**	**(10,180)**	**(11,542)**	**(334)**	**(1,615)**	**(1,119)**	**(90,239)**
Share in loans and borrowings of joint ventures	(90)	–	–	–	–	(5,500)	–	–	(10,180)	–	(333)	(197)	2,390	**(13,910)**

(in millions of RUR)

4. Segment information (continued)

The reconciliation between EBITDA of the reporting segments and net profit for the reporting period in the interim consolidated statement of comprehensive income is presented below:

	For the three months ended 31 March 2016	*For the three months ended 31 March 2015*
EBITDA of the reportable segments	**31,844**	**24,992**
Depreciation and amortisation (Note 19)	(5,491)	(5,752)
Interest income (Note 20)	1,887	2,025
Interest expenses (Note 20)	(2,019)	(2,971)
Foreign currency exchange (loss)/gain, net (Note 20)	(1,116)	433
Other finance income (Note 20)	18	315
Provisions charge, including: (Note 19)	(3,220)	(1,645)
impairment of property, plant and equipment release	–	*8*
impairment of available-for-sale financial assets	–	*(2)*
other provisions charge	*(938)*	*(403)*
impairment of account receivables	*(2,282)*	*(1,248)*
Gain from disposal of controlling interest	–	17
Income from sale of available-for-sale financial assets	–	819
Other operating expense, net (Note 2d)	(30)	(59)
Share of loss of associates (Note 7)	(185)	(105)
Income tax expense (Note 21)	(4,704)	(2,027)
Profit for the reporting period in the interim consolidated statement of comprehensive income	**16,984**	**16,042**

The reconciliation between loans and borrowings of the reportable segments and loans and borrowings for the reporting period in the interim consolidated statement of financial position is presented below:

	As at 31 March 2016	*As at 31 December 2015*
Loans and borrowings of the reportable segments	**(79,371)**	**(90,239)**
Less:		
Share in loans an borrowings of joint ventures	12,494	13,910
Loans and borrowings in the interim consolidated statement of financial position	**(66,877)**	**(76,329)**

(in millions of RUR)

4. Segment information (continued)

Information about geographical areas

The Management Board also considers revenue of the Group entities generated in their countries of jurisdiction and abroad as well as non-current assets (property, plant and equipment, investment property, investments in associates and jointly controlled entities and intangible assets, including goodwill) based on location of assets.

	For the three months ended 31 March 2016			*For the three months ended 31 March 2015*		
	Revenue in the Group entity's jurisdiction[1]	***Revenue in countries other than Group entity's jurisdiction***	***Total revenue based on location of customers***	***Revenue in the Group entity's jurisdiction***	***Revenue in countries other than Group entity's jurisdiction***	***Total revenue based on location of customers***
Russian Federation	202,593	–	**202,593**	185,701	72	**185,773**
Turkey	4,914	–	**4,914**	6,371	–	**6,371**
Georgia	3,369	995	**4,364**	2,594	978	**3,572**
Finland	3,724	91	**3,815**	4,122	66	**4,188**
Lithuania	2,815	–	**2,815**	2,729	–	**2,729**
China	–	1,690	**1,690**	–	1,906	**1,906**
Moldavia (incl. Transdniestria Republic)	1,290	73	**1,363**	1,150	59	**1,209**
Kazakhstan	2	756	**758**	27	1,073	**1,100**
Estonia	304	324	**628**	126	128	**254**
Belarus	–	321	**321**	–	361	**361**
Mongolia	–	276	**276**	–	219	**219**
Latvia	140	–	**140**	281	–	**281**
Ukraine	–	44	**44**	–	2,564	**2,564**
Armenia	–	–	–	5,548	–	**5,548**
Other	232	429	**661**	159	228	**387**
Total	**219,383**	**4,999**	**224,382**	**208,808**	**7,654**	**216,462**

	Total non-current assets based on location of assets[2]	
	As at 31 March 2016	***As at 31 December 2015***
Russian Federation	299,444	298,393
Georgia	9,121	9,710
Turkey	5,372	6,236
Moldavia (incl. Transdniestria Republic)	3,830	4,012
Lithuania	1,560	1,664
Other	1,538	1,543
Total	**320,865**	**321,558**

5. Acquisitions and disposals

During the second half of 2015 year the Group purchased additional 30.24% of the ordinary shares of PJSC Tomskenergosbyt. As a result the Group increased its share from 59.18% to 89.42%. On 12 January 2016 the Group announced a mandatory offer to acquire 6.68% of ordinary and 36.44% of preference shares of PJSC Tomskenergosbyt held by non-controlling shareholders. The offer price was set at RUB 0.4157 per one ordinary and preference share. The offer term expires on 25 April 2016 (Note 26). Accordingly, as at 31 March 2016 the Group accrued a liability to the non-controlling shareholders in the amount of RUR 193 million, derecognised non-controlling interest in the amount of RUR 82 million and changes in retained earnings in the amount of RUB 111 million.

[1] Revenues are attributable to countries on the basis of the customer's location.

[2] Total non-current assets based on location of assets excludes deferred tax assets, available-for-sale financial assets and other non-current assets.

(in millions of RUR)

5. Acquisitions and disposals (continued)

During the three months ended 31 March 2015 the Group purchased additional 2% of the ordinary shares of the associate, JSC EIRTS LO, for the cash consideration of RUR 2 million. As a result the Group increased its share in the entity's share capital from 49% to 51% and obtained the control over the entity. The fair value of net assets acquired was RUR 102 million, including cash and cash equivalents of RUR 94 million. As a result of this acquisition the non-controlling interest in the amount of RUR 50 million was recognised in the consolidated interim statement of changes in equity.

During the three months ended 31 March 2015 the Group liquidated a number of individually insignificant subsidiaries. The gain from the liquidation of RUR 17 million was recognised in the interim consolidated statement of comprehensive income.

In April-September 2015, the Group increased its ownership in PJSC Mosenergosbyt by acquisition of 43.07% of ordinary shares. As a result the Group increased its share from 50.92% to 93.99%.

In October 2015 and December 2015 the Group has sold the 50% share of its investments in the subsidiaries located in Republic of Armenia: CJSC Elektricheskiye seti Armenii and JSC RazTES, so the Group's share in these entities decreased from 100% to 50%. As a result the Group has accounted these entities as the joint ventures (Note 7).

6. Property, plant and equipment

	Land and buildings	*Infra-structure assets*	*Plant and equipment*	*Other*	*Const-ruction in progress*	*Total*
Cost						
Balance at 31 December 2015	**106,262**	**82,737**	**242,030**	**8,576**	**49,165**	**488,770**
Reclassification	(10)	232	(206)	(16)	–	**–**
Additions	–	68	2	–	5,212	**5,282**
Disposals	(7)	(10)	(31)	(28)	(29)	**(105)**
Transfers	329	266	624	172	(1,391)	**–**
Transfer (to)/from other accounts	(40)	4	–	21	(17)	**(32)**
Translation difference	(771)	(868)	(1,258)	(109)	(107)	**(3,113)**
Balance at 31 March 2016	**105,763**	**82,429**	**241,161**	**8,616**	**52,833**	**490,802**
Including finance leases	*546*	*–*	*208*	*1,705*	*–*	***2,459***
Depreciation and impairment						
Balance at 31 December 2015	**(37,153)**	**(33,741)**	**(121,760)**	**(4,473)**	**(14,078)**	**(211,205)**
Reclassification	2	(85)	77	6	–	**–**
Depreciation charge	(656)	(883)	(3,025)	(204)	–	**(4,768)**
Disposals	3	6	26	20	–	**55**
Transfers	(25)	–	(112)	–	137	**–**
Transfer from other accounts	38	–	–	–	–	**38**
Translation difference	641	470	942	78	30	**2,161**
Balance at 31 March 2016	**(37,150)**	**(34,233)**	**(123,852)**	**(4,573)**	**(13,911)**	**(213,719)**
Including finance leases	*(21)*	*–*	*(207)*	*(540)*	*–*	***(768)***
Net book value						
Balance at 31 December 2015	**69,109**	**48,996**	**120,270**	**4,103**	**35,087**	**277,565**
Balance at 31 March 2016	**68,613**	**48,196**	**117,309**	**4,043**	**38,922**	**277,083**

Construction in progress is represented by property, plant and equipment that has not yet been ready for operation and advances to suppliers of property, plant and equipment. Such advances amounted to RUR 4,527 million as at 31 March 2016 (31 December 2015: RUR 3,334 million).

Interest capitalised (capitalisation rate is 14.51% during the three months ended 31 March 2016) amounted to RUR 286 million (the three months ended 31 March 2015: RUR 301 million).

(in millions of RUR)

7. Investments in associates and joint ventures

	Joint ventures				*Associates*		
	NVGRES Holding Limited	***JSC Stantsiya Ekibastuzskaya GRES-2***	***CJSC Elektricheskiye seti Armenii and JSC RazTES***	***Other joint ventures***	***RUS Gas Turbines Holding B.V.***	***Other associates***	***Total***
Carrying value at 31 December 2015	**19,651**	**6,348**	**1,380**	**1,155**	**1,878**	**713**	**31,125**
Disposals	–	–	–	(1)	–	–	**(1)**
Unrealised gain	–	–	–	1	–	–	**1**
Share of profit/(loss) after tax	757	(119)	825	30	(155)	(30)	**1,308**
Dividends cancelled through profit and loss	–	316	–	–	–	–	**316**
Translation difference	–	(540)	(230)	(1)	–	–	**(771)**
Carrying value at 31 March 2016	**20,408**	**6,005**	**1,975**	**1,184**	**1,723**	**683**	**31,978**

8. Available-for-sale financial assets

As at 31 March 2016 available-for-sale financial assets in the total amount of RUR 5,945 million (31 December 2015: RUR 5,865 million) included investments in quoted shares in the total amount of RUR 4,239 million (31 December 2015: RUR 4,159 million) and investment in unquoted shares in the total amount of RUR 1,706 million (31 December 2015: RUR 1,706 million).

For the three months ended 31 March 2016 there was no impairment loss on available-for-sale financial assets recognised through profit and loss in the interim consolidated statement of comprehensive income (for the three months ended 31 March 2015: RUR 2 million) (Note 19).

For the three months ended 31 March 2016 the amount of RUR 227 million, net of tax RUR 57 million was recognised as a gain from revaluation of available-for-sale financial assets through other comprehensive income in the interim consolidated statement of comprehensive income (for the three months ended 31 March 2015: RUR 266 million, net of tax RUR 15 million).

As at 31 March 2016 the Group reclassified 0.29% of shares of PJSC Irkutskenergo with carrying value of RUR 204 million to assets classified as held-for-sale due to commitment of management to sell this investment (Note 26).

During the three months ended 31 March 2015 the Group has sold the shares: 2.34% in Plug Power Inc., 1.97% in JSC TGK-1, 1.38% in JSC TGK-2, 0.60% in PJSC TGK-14, 4.17% in PJSC OGK-2, 4.97% in PJSC Mosenergo, 0.07% in PJSC IDGC of Centre and 0.003% in PJSC IDGC of Volga. The fair value of the available-for-sale financial assets sold was RUR 2,705 million, the cash consideration received was RUR 2,730 million. As a result of the available-for-sale financial assets disposal the corresponding fair value reserve was derecognised in the consolidated interim statement of changes in equity in the amount of RUR 689 million, net of tax RUR 105 million and the income from sale of available-for-sale financial assets in the amount of RUR 819 million was recognised in the consolidated interim statement of comprehensive income.

(in millions of RUR)

9. Other non-current assets

		31 March 2016	31 December 2015
Financial non-current assets		***7,590***	***7,644***
Non-current trade receivables		2,178	2,016
	Less impairment provision	*(460)*	*(486)*
Non-current trade receivables − net		**1,718**	**1,530**
Other non-current receivables		1,876	2,008
	Less impairment provision	*(114)*	*(128)*
Other non-current receivables − net		**1,762**	**1,880**
Non-current loans issued (including interest)		4,645	4,791
	Less impairment provision	*(612)*	*(638)*
Non-current loans issued (including interest) − net		**4,033**	**4,153**
Long-term derivative financial instruments − assets		–	1
Long-term bank deposits		77	80
		4,110	**4,234**
Non-financial non-current assets		***1,344***	***1,077***
Non-current advances to suppliers and prepayments		360	83
	Less impairment provision	*(7)*	*(7)*
Non-current advances to suppliers and prepayments − net		**353**	**76**
VAT recoverable		89	123
Other		902	878
		8,934	**8,721**

10. Accounts receivable and prepayments

		31 March 2016	31 December 2015
Financial assets		***71,893***	***65,528***
Trade receivables		95,324	85,140
	Less impairment provision	*(28,955)*	*(27,151)*
Trade receivables − net		**66,369**	**57,989**
Other receivables		7,195	8,555
	Less impairment provision	*(2,982)*	*(3,282)*
Other receivables − net		**4,213**	**5,273**
Short-term loans issued (including interest)		281	707
	Less impairment provision	(281)	(283)
Short-term loans issued (including interest)		**–**	**424**
Short-term outstanding interest on bank deposits		266	415
	Less impairment provision	*(10)*	*(10)*
Short-term outstanding interest on bank deposits − net		**256**	**405**
Short-term receivables on construction contracts		1,046	1,422
Dividends receivable		9	15
Non-financial assets		***15,679***	***16,313***
Advances to suppliers and prepayments		8,471	9,861
	Less impairment provision	(596)	(604)
Advances to suppliers and prepayments − net		**7,875**	**9,257**
Short-term VAT recoverable		3,939	4,023
Taxes prepaid		3,865	3,033
		87,572	**81,841**

The Group does not hold any collateral as a security.

(in millions of RUR)

11. Cash and cash equivalents

	31 March 2016	*31 December 2015*
Cash at bank and in hand, national currency	14,990	20,962
Cash at bank and in hand, foreign currency	6,697	2,716
Bank deposits with maturity of three months or less	39,367	42,162
Total	**61,054**	**65,840**

12. Other current assets

	31 March 2016	*31 December 2015*
Restricted cash	798	627
Bank deposits with maturity of 3-12 months	17,198	17,784
Short-term derivative financial instruments	34	34
Other	1,003	686
Total	**19,033**	**19,131**

13. Equity

Share capital

	31 March 2016	*31 December 2015*
Number of ordinary shares issued and fully paid (in units)	104,400,000,000	104,400,000,000
Par value (in RUR)	2.809767	2.809767
Share capital (in million RUR)	293,340	293,340

Movements in outstanding and treasury shares

	Issued shares		*Treasury shares*		*Total*	
	thousand units	*million RUR*	*thousand units*	*million RUR*	*thousand units*	*million RUR*
At 31 December 2015	**104,400,000**	**293,340**	**(19,995,788)**	**(56,184)**	**84,404,212**	**237,156**
Acquisition of treasury shares	–	–	(1,044,000)	(2,933)	**(1,044,000)**	**(2,933)**
At 31 March 2016	**104,400,000**	**293,340**	**(21,039,788)**	**(59,117)**	**83,360,212**	**234,223**

In March 2016 the Group has acquired 1,044,000 thousand shares of the Parent company (1% of its share capital) from the third parties for the price of RUR 1.5965 per share. The cash consideration in the amount of RUR 1,667 million was recognised in the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows.

14. Loans and borrowings

This note provides information about the Group's loans and borrowings. Certain loan agreements include financial and non-financial covenants.

Loans and borrowings	*Currency*	*31 March 2016*	*31 December 2015*
Total in RUR	RUR	44,462	48,397
Total in USD	USD	11,703	14,355
Total in EUR	EUR	2,824	3,002
Total in JPY	JPY	585	563
Total in GEL	GEL	96	111
Finance leases			
Financial lease	USD	1,125	1,337
Financial lease	RUR	297	327
Financial lease	EUR	58	60
Total long-term loans and borrowings		**61,150**	**68,152**
Less: current portion of long-term loans and borrowings and long-term finance leases		(16,219)	(25,535)
		44,931	**42,617**

(in millions of RUR)

14. Loans and borrowings (continued)

As at 31 March 2016 fair value of loans and borrowings amounts to RUR 61,153 million (31 December 2015: RUR 68,196 million), and estimated by discounting of contractual future cash flows at the prevailing current market interest rates available to the Group for similar financial instruments.

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Parent Company has a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. At the time of raising new loans or borrowings management applies the policy to determine whether a fixed or variable rate would be more favorable to the Company over the expected period until maturity. As for other entities of the Group, following the corporate regulative documents, the decisions on raising new loans and borrowings on the subsidiaries level are subject for approval by the Parent Company. Management applies the same policy in making decisions in respect of the conditions of raising loans and borrowings on the subsidiary level.

15. Accounts payable and accrued liabilities

	31 March 2016	*31 December 2015*
Financial liabilities		
Trade payables	46,610	48,105
Short-term derivative financial instruments	166	216
Dividends payable	13	13
Other payables and accrued expenses	3,588	5,015
Total	**50,377**	**53,349**
Non-financial liabilities		
Advances received	22,177	28,816
Staff payables	10,505	8,531
Provisions, short-term	5,272	4,447
Total	**37,954**	**41,794**
	88,331	**95,143**

As at 31 March 2016 advances received included RUR 11,210 million of payments for electricity sales from customers of PJSC Mosenergosbyt (Group of companies), JSC PSK, LLC RN-Energo and Group Bashkir Generation Company (31 December 2015: RUR 15,810 million), RUR 3,861 million of advances received by LLC Inter RAO Export for construction of power station in Ecuador (31 December 2015: RUR 4,494 million) and RUR 2,747 million of advances received by the Parent Company from buyers of equipment in Ecuador and Venezuela (31 December 2015: RUR 2,640 million).

16. Other non-current liabilities

	31 March 2016	*31 December 2015*
Financial liabilities		
Long-term derivative financial instruments	61	40
Other long-term liabilities	312	445
Total financial liabilities	**373**	**485**
Non-financial liabilities		
Pensions liabilities	3,995	3,996
Advances received	287	100
Restoration provision	1,245	1,159
Government grants	63	71
Other long-term liabilities	236	221
Total non-financial liabilities	**5,826**	**5,547**
Total	**6,199**	**6,032**

(in millions of RUR)

17. Revenue

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Electricity and capacity	201,025	195,443
Thermal energy sales	15,690	13,947
Other revenue	7,667	7,072
	224,382	**216,462**

18. Other operating income

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Penalties and fines received	903	471
Income from sale of available-for-sale financial assets	–	819
Electricity derivatives	–	644
Rental income	98	109
Gain from disposal of controlling interest	–	17
Other	417	1,124
	1,418	**3,184**

19. Operating expenses, net

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Purchased electricity and capacity	81,682	82,517
Electricity transmission fees	58,301	50,231
Fuel expenses	34,420	39,958
Employee benefit expenses and payroll taxes	11,160	11,588
Depreciation and amortisation	5,491	5,752
Provision for impairment of accounts receivable, net	2,282	1,248
Agency fees	1,112	1,240
Taxes other than income tax	1,018	1,118
Other provisions – charge	938	403
Thermal power transmission expenses	696	636
Repairs and maintenance	660	697
Water supply expenses	633	618
Other materials for production purposes	570	473
Transportation expenses	511	472
Operating lease expenses	438	431
Consulting, legal and auditing services	296	267
Loss from electricity derivatives	10	630
Loss on sale or write-off of inventory	2	49
Impairment of available-for-sale financial assets (Note 8)	–	2
Impairment of property, plant and equipment – release	–	(8)
Other	4,286	3,946
	204,506	**202,268**

(in millions of RUR)

20. Finance income and expenses

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Finance income		
Interest income	1,887	2,025
Foreign currency exchange gain, net	–	433
Other finance income	75	391
	1,962	**2,849**

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Finance expenses		
Interest expenses	2,019	2,971
Foreign currency exchange loss, net	1,116	–
Other finance expenses	57	76
	3,192	**3,047**

21. Income tax expense

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Current tax expense	4,145	2,150
Deferred tax expense/(benefit)	807	(84)
Amended tax returns	(197)	(41)
Provision for income tax	(51)	2
Income tax expense	**4,704**	**2,027**

22. Fair value of financial instruments

Fair value is determined either by reference to market or by discounting relevant cash flows using market interest rates for similar instruments. As a result of this exercise management believes that fair value of its financial assets and liabilities approximates their carrying amounts except for loans and borrowings. Fair value of loans and borrowings is disclosed in Note 14.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by observable current market transactions and assets and liabilities for which pricing is obtained via pricing services. In case prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. Non-market observable inputs mean that fair values are determined in whole or partly using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions with the same instrument nor they are based on available market data. Main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, whereby allow situations in which there is little, if any, market activity for the financial instrument at the measurement date. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing of the financial instrument (including risk assumptions). These inputs are developed based on the best information available, which might include the Group's own data.

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(in millions of RUR)

22. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments by level of the fair value hierarchy:

			Fair value hierarchy		
At 31 March 2016	***Note***	***Total fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Electricity derivatives	9, 12	**34**	34	–	–
Available-for-sale financial assets					
Quoted investment securities	8	**4,239**	4,239	–	–
Held to maturity financial assets					
Long-term bank deposits	9	**77**	–	–	77
Bonds issued by financial institutions		**305**	305	–	–
Total financial assets		**4,655**	**4,578**	**–**	**77**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	15, 16	**179**	179	–	–
Interest rate SWAP	15, 16	**48**	–	48	–
Total financial liabilities		**227**	**179**	**48**	**–**

			Fair value hierarchy		
At 31 December 2015	***Note***	***Total fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Electricity derivatives	9, 12	**35**	35	–	–
Available-for-sale financial assets					
Quoted investment securities	8	**4,159**	4,159	–	–
Held to maturity financial assets					
Long-term bank deposits	9	**80**	–	–	80
Bonds issued by financial institutions		**313**	313	–	–
Total financial assets		**4,587**	**4,507**	**–**	**80**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	15, 16	**206**	206	–	–
Interest rate SWAP	15, 16	**50**	–	50	–
Total financial liabilities		**256**	**206**	**50**	**–**

23. Commitments

Investment and capital commitments

In accordance with the memorandum signed between the Group and the Government of Georgia in March 2013, the Group has to invest in realisation of projects aimed to improve the electricity network which belongs to the Group entity JSC Telasi. As at 31 March 2016 realisation of investment commitments was in line with schedule for the year 2016.

As at 31 March 2016 joint venture JSC Stantsiya Ekibastuzskaya GRES-2 has contracted capital commitments for construction of block 3 in the amount of RUR 5,937 million.

As at 31 March 2016 capital commitments of subsidiaries of the Company are as follows:

Subsidiary	***RUR, million***
JSC Inter RAO – Electric Power Plants	11,102
LLC Bashkir Generation Company	9,959
JSC TGK-11	329
JSC OmskRTS	181
Total	**21,570**

(in millions of RUR)

23. Commitments (continued)

Investment and capital commitments (continued)

Capital commitments of JSC Inter RAO − Electric Power Plants as at 31 March 2016 are mainly for supply of equipment for Permskaya GRES and for gas turbines and other equipment for Verkhnetagilskaya GRES (block 12).

Capital commitments of LLC Bashkir Generation Company included contractual obligations for the construction of Zatonskaya TEC, modernisation of water treatment plant, purchase of energy blocks 1,2 and reconstruction of the office building.

Guarantees

- In September 2015 the Group entered into a bank guarantee agreement with ING Bank Eurasia for the purpose of financial support of agreement between the Group and CELEC EP for construction of HPP “Toachi Pilaton” (Ecuador). As at 31 March 2016 the guarantees amounted to USD 26 million, or RUR 1,769 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2016 with an interest rate of 1.85% per annum (as at 31 December 2015: USD 30 million, or RUR 2,192 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2015 with an interest rate of 1.85% per annum). These guarantees will expire in October 2016.
- In January 2016 the Group entered into the new guarantee agreement with ING Bank Eurasia the purpose of financial support of agreement between the Group and CELEC EP for construction of HPP “Machala” (Ecuador). As at 31 March 2016 the guarantee amounted to USD 19 million, or RUR 1,257 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2016 with an interest rate of 1.7% per annum. The guarantee will expire in January 2018.
- In December 2010 the Group established together with General Electric and State Corporation Russian Technologies an associate entity, RUS Gas Turbines Holding B.V. The Group’s share in the entity is 25%. The entity was established to participate in production and sales of high-performance industrial gas turbines in the Russian Federation. The Group carries certain financial obligations to finance the associate.

  By the order of the Parent Company PJSC VTB Bank issued a StandBy Letter of Credit in favour of GE ENERGY HOLDINGS VOSTOK B.V. (Beneficiary) to the maximum aggregate amount of EUR 50 million in order to fulfill the Group’s investment obligations related to the associate at an annual interest rate of 0.45%.

  As at 31 March 2016 the financial guarantee outstanding amount was EUR 29 million, or RUR 2,228 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2016 (as at 31 December 2015: EUR 29 million, or RUR 2,320 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2015). The guarantee expires in August 2020.
- Guarantees of the Group’s share of the joint ventures contingent liabilities in the amount of RUR 1,540 million which are to be incurred jointly with other investors (as at 31 December 2015: RUR 1,453 million).

24. Contingencies

(a) Operating environment

The operations and earnings of Group entities continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia, Georgia, Armenia, Moldavia (including Transdniestria Republic), Lithuania and Kazakhstan.

In 2016 the Russian economy continued to be impacted by a significant drop in crude oil prices and devaluation of the Russian rouble, as well as unilateral political and economic restrictions imposed on Russia. The rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, higher cost of capital, uncertainty regarding inflation and economic growth. The impact of these factors on the future results of operations and financial position of the Company at this time is difficult to determine.

(b) Insurance

The unified corporate standards are established in the Group for insurance coverage, for insurance companies reliability requirements and insurance coverage procedures developed by Parent Company.

There are two types of insurance undertaken by the Group: obligatory (as required by the law or by agreement between parties) and voluntary.

(in millions of RUR)

24. Contingencies (continued)

(b) Insurance (continued)

Obligatory insurance includes public liability insurance of owners of dangerous facilities and public liability insurance of car owners. The Group is obligated to insure different types of property, plant and equipment under loan agreements provisions.

Voluntary insurance includes property insurance against certain risks and equipment breakdown insurance, vehicles insurance, insurance against construction and assembly risks, voluntary public liability insurance of owners of dangerous facilities against social and environmental harm risks. The Group also undertakes insurance of directors' and officials' of certain Group entities responsibilities to cover financial losses of third parties.

The Groups' assets are insured for its replacement value which is set by valuation reports for insurance purposes considering technical risks. Obligatory condition of the property insurance of foreign subsidiaries is the availability of reliable reinsurance protection, which is done by transferring part of the risk to the foreign reinsurers with high reliability ratings.

In order to optimise insurance protection management performs regular appraisal of efficiency of Group's insurance terms and rationale for new insurance products acquired.

(c) Litigation

Legal proceedings

In the normal course of business the Group is a party to legal actions and consequently had received a number of legal claims from customers and subcontractors with the likelihood of negative outcome for the Group as not probable, but only possible, and, consequently, no provision has been made in these financial statements:

	31 March 2016	*31 December 2015*
Subcontractors claims, including	2,987	2,733
joint ventures	*103*	*179*
Customer's complaints	126	103
	3,113	**2,836**

Other than those litigations which have been accrued in the provisions (Note 15) and disclosed above, management of the Group is unaware of any actual, pending or threatened claims as at the date of approval of these interim condensed consolidated financial statements, which would have a material impact on the Group.

(d) Tax contingencies

The taxation systems in the Russian Federation and in other countries in which the Group operates are relatively new and characterised by frequent changes in legislation, official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges.

A tax year remains open for review by the tax authorities during three to five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

In addition, tax and other legislation do not address specifically all the aspects of the Group's reorganisation related to reforming of the electric utilities industry in the Russian Federation. As such there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganisation and reform process.

These circumstances may create tax risks in the Russian Federation and in the other countries in which the Group operates. Management believes that it has adequately provided for tax liabilities based on its interpretations of applicable relevant tax legislation, official pronouncements and court decisions.

However, the interpretations of the relevant authorities could differ and the effect on these interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Group includes a number of operating and investment companies located in a number of different tax jurisdictions across Europe and the CIS. Those entities are subject to a complex variety of tax regimes and the nature of current and past trading and investment activities exposes them to areas of tax legislation involving considerable judgement and, consequently, uncertainty.

(in millions of RUR)

24. Contingencies (continued)

(d) Tax contingencies (continued)

The Parent Company and subsidiaries in the countries where they operate have various transactions with related parties. The pricing policy could give rise to transfer pricing risks. In management's opinion, the Group is in substantial compliance with the tax laws of the countries where Group entities operate. However, relevant authorities could take different positions with regard to interpretive issues or court practice could develop adversely with respect to the positions taken by the Group and the effect could be significant.

(e) Environmental matters

Group entities operate in the electric power industry in the Russian Federation, Georgia, Armenia, Kazakhstan and Moldavia. The enforcement of environmental regulations in these countries is evolving and position of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

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, except restoration provision.

Restoration provision liabilities relate to reclamation of land plots, used for ash dumps by generating entities, which use coal for production purposes (Note 16).

(f) Ownership of land

The current legislation in Georgia is unclear in relation to ownership issues with regard to land over which the Company's equipment for the transmission of electricity is located (JSC Telasi). On further clarification of the law, it is possible that the Company may be required to acquire ownership over certain land plots or to pay rentals to other parties for their use. At the date of approval of these financial statements, management considers that it is not possible to quantify any additional expense, if any, which JSC Telasi might incur and consequently, no provision has been made against such potential liabilities in these financial statements.

25. Related party transactions

(a) Parent Company and control relationships

The Russian Federation is the ultimate controlling party of PJSC Inter RAO and has a controlling interest in the Company of over 50%. Details of operations with entities controlled by the Russian Federation are provided in Note 25 (d).

(b) Transactions with key management personnel

The members of the Management Board own 0.0137% of ordinary shares of PJSC Inter RAO as at 31 March 2016 (31 December 2015: 0.0137%).

Compensation paid to key management and members of the Board of Directors for their service in that capacity is made up of contractual salary and performance bonuses. Key management and members of the Board of Directors received the following remuneration during the period, which is included in employee benefit expenses and payroll taxes (Note 19):

	Three months ended 31 March 2016	***Three months ended 31 March 2015***
Salaries and bonuses	45	49

(in millions of RUR)

25. Related party transactions (continued)

(c) Transactions with associates and joint ventures

Sales to and purchases from joint ventures and associates are made at terms equivalent to those that prevail in arm's length transactions.

The Group's transactions with associates and joint ventures are disclosed below.

	Three months ended 31 March 2016	***Three months ended 31 March 2015***
Revenue		
Joint ventures	211	217
Associates	5	–
Other operating income		
Associates	–	4
Interest income		
Joint ventures	62	8
Associates	2	–
	280	**229**
Purchased power		
Joint ventures	152	19
Purchased capacity		
Joint ventures	304	276
Other expenses		
Joint ventures	1	57
Interest expenses		
Joint ventures	424	89
	881	**441**
Capital expenditures		
Joint ventures	–	217

	31 March 2016	***31 December 2015***
Accounts receivable		
Joint ventures	145	85
Associates	5	–
Loans issued		
Joint ventures	4,645	4,791
Associates	–	424
Accounts payable		
Joint ventures	241	127

(in millions of RUR)

25. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation

Sales to and purchases from entities controlled by the Russian Federation are made at terms equivalent to those that prevail in arm's length transactions.

Information on transactions with entities controlled by the Russian Federation is presented below:

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Revenue		
Electricity and capacity	76,620	66,176
Other revenues	3,835	4,071
Other operating income	414	868
	80,869	**71,115**
Operating expenses		
Purchased power and capacity	18,859	19,588
Transmission fees	54,982	46,791
Fuel expenses (gas)	24,714	14,752
Fuel expenses (coal)	118	190
Other purchases	30	33
Other expenses	3,623	2,986
	102,326	**84,340**
Capital expenditures	**461**	**2,000**

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Finance income/(expenses)		
Interest income	480	542
Interest expenses	(794)	(1,425)
	(314)	**(883)**

	31 March 2016	*31 December 2015*
Long-term accounts receivable		
Other account receivables	362	352
Less impairment provision	(29)	(35)
Other receivables – net	**333**	**317**
Short-term accounts receivable		
Trade accounts receivable, gross	32,201	28,344
Less impairment provision	(11,151)	(11,363)
Trade receivables – net	**21,050**	**16,981**
Advances issued	489	779
Advances issued for capital construction	957	1,019
Other receivables	820	1,491
	23,316	**20,270**

	31 March 2016	*31 December 2015*
Accounts payable		
Trade accounts payable	24,126	24,555
Payables for capital construction	38	159
Other accounts payable	196	695
Advances received	1,943	7,011
	26,303	**32,420**

(in millions of RUR)

25. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation (continued)

	31 March 2016	*31 December 2015*
Loans and borrowings		
Short-term loans and borrowings	3,758	13,258
Long-term loans and borrowings	7,625	8,456
Interest on loans and borrowings	118	1,771
	11,501	**23,485**

	31 March 2016	*31 December 2015*
Cash and cash equivalents	**6,120**	**2,806**

	31 March 2016	*31 December 2015*
Other current assets (bank deposits)	**10,167**	**14,158**

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Financial transactions		
Loans and borrowings received	15,105	692
Loans and borrowings repaid	(25,439)	(1,195)
	(10,334)	**(503)**

In July 2011 subsidiary of PJSC Inter RAO entered into an agreement with a state-controlled company for sale of electric power under the “take-or-pay” arrangement through 30 June 2026. The sales to and purchases from enterprises controlled by the Russian Federation are made at terms equivalent to those that prevail in arm’s length transactions.

(e) Transactions with other related parties

Sales to and purchases from other related parties are made at terms equivalent to those that prevail in arm’s length transactions. Amounts of transactions with other related parties (except for those controlled by the Russian Federation, equity investees and joint ventures), for each of the reporting periods are provided below:

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Revenue		
Electricity and capacity	1,895	1,602
Operating expenses		
Purchased electricity and capacity	1,015	1,153
Other expenses	55	26

	31 March 2016	*31 December 2015*
Short-term accounts receivable		
Trade and other accounts receivable	383	362
Short-term accounts payable		
Trade and other accounts payable	76	96

	31 March 2016	*31 December 2015*
Loans and borrowings payable		
Long-term loans and borrowings	12,300	4,044
Short-term loans and borrowings	1,317	3,810
	13,617	**7,854**

(in millions of RUR)

25. Related party transactions (continued)

(e) Transactions with other related parties (continued)

	31 March 2016	*31 December 2015*
Cash and cash equivalents		
Cash in bank	4,352	7,812
Short-term bank deposits	3,493	3,335
	7,845	**11,147**

	Three months ended 31 March 2016	*Three months ended 31 March 2015*
Income and expenses		
Interest income	88	470
Interest expenses	(265)	(390)

26. Events after the reporting period

1. Group structure

According to the announced in January 2016 mandatory offer to acquire shares of PJSC Tomskenergosbyt held by non-controlling shareholders, in April-May 2016 the Group acquired 2.37% of ordinary and 16.06% of preference shares of PJSC Tomskenergosbyt for total cash consideration RUR 76 million and increased Group's share to 93.58% (Note 5).

On 16 May 2016 the Group signed the agreement for sale of 40.29% of PJSC Irkutskenergo shares for cash consideration of RUR 70 billion. The buyer is Telmamskaya HEP, a subsidiary of JSC EuroSibEnergo.

2. Other

In April 2016 Moody's Investors Service has reconfirmed PJSC Inter RAO corporate credit rating of Ba2 on the global scale, outlook stable. The agency noticed strong credit metrics of the company in financial year 2015 and traditionally high degree of state support.