

Audit report  
on the accounting (financial) statements of  
***PJSC Inter RAO***  
for the year 2016

*February 2017*

# Audit report on the accounting (financial) statements of PJSC Inter RAO

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## Independent auditor's report

To the shareholders of PJSC Inter RAO  
To the Board of Directors of PJSC Inter RAO

We have audited the attached accounting (financial) statements of PJSC Inter RAO consisting of the balance sheet as of December 31, 2016 and income statement for the year 2016, as well as their appendices.

### ***Liability for Accounting (Financial) Statements of the Entity under Audit***

PJSC Inter RAO management is liable for preparation and reliability of the mentioned accounting (financial) statements in accordance with the rules of preparation of accounting (financial) statements established in the Russian Federation, as well as for internal control system necessary for preparation of accounting (financial) statements being free from material misstatements whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted audit in accordance with the federal standards of audit activity applicable in the Russian Federation. These standards require compliance with applicable ethical norms, as well as planning and performing audit in such a manner so as to obtain sufficient confidence that the accounting (financial) statements are free from material misstatements.

Audit includes conducting the auditing procedures aimed at obtaining audit evidences confirming the numeric indicators contained in the accounting (financial) statement, as well as information disclosed in it. Configuration of audit procedures remains a subject of our judgment, which is based on the risk assessment of material misstatements in the accounting (financial) statements, whether due to fraud or error. In the process of this risk assessment, the Auditor regards internal control system, which ensures preparation and reliability of accounting (financial) statement in order to select an appropriate set of auditing procedures, but not to express opinion on the internal control system efficiency. Audit also includes assessment of proper character of the applied accounting policy and validity of assessment estimates made by management, as well as assessment of submitting accounting (financial) statements in general.

We believe that audit evidences found by us constitute sufficient and proper basis for expressing our opinion.

## ***Opinion***

In our opinion, the accounting (financial) statements authentically reflects in all material aspects the financial standing of PJSC Inter RAO as of December 31, 2016, the results of its financial and economic activities and cash flows for the year 2016 in accordance with the rules of preparation of accounting (financial) statements established in the Russian Federation.

## ***Important circumstances***

Not changing our opinion about the reliability of the accounting (financial) statements, we would like to pay attention to the information stated in N-4 of notes to the balance sheet and income statement, in relation to funds deposited in one of the banks where moratorium was introduced upon satisfaction of the creditors' claims.

## ***Other information***

The attached accounting (financial) statements are not intended to represent financial standing and results of activity in accordance with accounting principles or methods generally accepted in the countries and administrative and territorial entities other than the Russian Federation. Respectively, the attached accounting (financial) statements are not intended for persons that are not familiar with accounting principles, procedures and methods adopted in the Russian Federation.

*/signature/*

D. E. Lobachev  
General Manager  
Ernst & Young LLC

February 14, 2017

## ***Information on the audited entity***

Name: PJSC Inter RAO

The record was entered into the Unified State Register of Legal Entities on November 1, 2002 and the state registration number 1022302933630 was assigned.

Location: 27 Bolshaya Pirogovskaya Street, bld. 2, Moscow 119435 Russian Federation.

## ***Information on auditor***

Name: Ernst & Young LLC

The record was entered into the Unified State Register of Legal Entities on December 5, 2002 and the state registration number 1027739707203 was assigned.

Location: 77 Sadovnicheskaya Nab., bldg 1, Moscow 115035 Russia

Ernst & Young LLC is the member of Incorporated Association of Auditors Russian Union of Auditors (Association) (IAA RUA).

Ernst & Young LLC is included in the control copy of the Register of Auditors and Auditor Organizations with the main registration number of the record 11603050648.

**BALANCE SHEET**  
as of December 31, 201\_6\_

Entity Public Joint Stock Company Inter RAO UES OKUD code form  
Taxpayer Identification Number \_\_\_\_\_ Date (day, month, year)  
Activity type Electric power trading OKPO code  
Legal form / ownership form \_\_\_\_\_ TIN  
Public Joint Stock Company OKVED  
Other mixed Russian ownership code  
Measurement unit: thousand RUB OKOPF / OKFS  
Location (address) 27 Bolshaya Pirogovskaya Street, bldg 2, Moscow 119435 Russian Federation code  
OKEI code

CODES		
0710001		
31	12	2016
33741102		
2320109650		
35.14		
12247		49
384		

Notes	Indicator name	Indicator code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
	<b>ASSET</b>				
	<b>I. NON-CURRENT ASSETS</b>				
N-1	Intangible assets	1110	14,388	32,012	29,420
	R&D findings	1,120	-	-	-
	Intangible research assets	1,130	-	-	-
	Tangible development assets	1,140	-	-	-
N-2	Fixed assets	1,150	910,859	1,188,499	847,925
N-3	including: construction in progress	1,155	871,284	1,142,975	725,857
N-2	Income-bearing investments in tangible assets	1,160	3,264	4,003	9,344
N-5.1	Financial Investments	1,170	346,278,308	306,466,238	281,325,598
	Deferred tax assets	1,180	1,584,874	2,152,104	2,877,063
N-4, 7.1	Other non-current assets	1,190	12,872,059	3,848,255	10,673,413
	<b>TOTAL on section I</b>	<b>1100</b>	<b>361,663,752</b>	<b>313,691,111</b>	<b>295,762,763</b>
	<b>II. CURRENT ASSETS</b>				
N-6	Inventories	1210	6,024	3,141	4,990
	Value Added Tax on the assets purchased	1220	410,362	336,026	575,432
N-7	Receivables (payable within 12 months after the reporting date), including:	1230	24,910,547	16,268,061	23,359,970
N-7.2	Buyers and customers	1231	3,867,502	4,417,035	4,485,524
N-7.4	Advances paid	1232	2,720,596	3,028,127	4,940,356
N-7.3	Other debtors	1236	18,322,449	8,822,899	13,934,090
N-5.2	Financial Investments (except cash equivalents)	1240	8,441,079	3,977,381	10,483,830
N-5.2, 8	Cash and cash equivalents	1250	41,655,875	20,395,085	23,163,802
N-9	Other current assets	1260	834,907	913	12,782
	<b>TOTAL on section II</b>	<b>1200</b>	<b>76,258,794</b>	<b>40,980,607</b>	<b>57,600,806</b>
	<b>BALANCE</b>	<b>1600</b>	<b>437,922,546</b>	<b>354,671,718</b>	<b>353,363,569</b>

Notes	Indicator name	Indicator code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
	<b>LIABILITY</b>				
	<b>III. CAPITAL AND RESERVES</b>				
N-10	Authorized capital	1310	293,339,675	293,339,675	293,339,675
	including: Submitted for registration before the reported date, but not registered yet increase (decrease) of authorized capital	1311	-	-	-
N-10	Treasury shares	1320	-	-	-
N-10	Revaluation of non-current assets	1340	-	-	11,221
N-10	Additional capital (without revaluation)	1350	195,416,130	195,416,130	195,416,130
N-10	Reserve capital	1360	504,121	318,048	296,339
	Retained profit (uncovered loss)	1370	(59,277, 959)	(154,706,428)	(158,297,629)
	TOTAL on section III	1300	<b>429,981,967</b>	<b>334,367,425</b>	<b>330,765,736</b>
	<b>IV. LONG TERM LIABILITIES</b>				
N-12	Borrowings	1410	-	950,195	-
	Deferred tax liabilities	1420	410,342	40,574	47,164
N-11	Estimated liabilities	1430	-	10,095,546	-
N-13.1	Other liabilities	1450	-	99,477	11,436
	TOTAL on section IV	1400	<b>410,342</b>	<b>11,185,792</b>	<b>58,600</b>
	<b>V. CURRENT LIABILITIES</b>				
N-12	Borrowings	1510	-	599	9,178,268
N-13.2	Payables (payable within 12 months after the reporting date), including:	1520	5,454,666	7,601,836	12,445,053
N-13.2.1	Suppliers and contractors	1521	2,624,911	4,510,806	5,619,045
	Payables to employees	1522	69,344	1464	-
	Payables to government non-budgetary funds	1523	29,989	524	475
	Payable taxes and levies	1524	15,263	588	1,130
	Advances received	1525	2,294,917	2,683,618	5,900,844
N-13.2.2	Other creditors	1527	420,242	404,836	923,559
	Deferred income	1530	-	-	-
N-11	Estimated liabilities	1540	2,075,571	1,516,066	915,912
	Other liabilities	1550	-	-	-
	TOTAL on section V	1500	<b>7,530,237</b>	<b>9,118,501</b>	<b>22,539,233</b>
	<b>BALANCE</b>	1700	<b>437,922,546</b>	<b>354,671,718</b>	<b>353,363,569</b>

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/signature/  
(signature)

B. Yu. Kovalchuk  
(print full name)

"14"      February      2017

/stamp: PUBLIC JOINT STOCK COMPANY \* OGRN 1022302933630 \* INTER RAO UES \* /non-legible//

## INCOME STATEMENT

for the period from January 01 to December 31, 2016

Entity Public Joint Stock Company Inter RAO UES OKUD code form  
Taxpayer Identification Number \_\_\_\_\_ Date (day, month, year)  
Activity type Electric power trading OKPO code  
Legal form / ownership form \_\_\_\_\_ TIN  
Public Joint Stock Company OKVED  
Other mixed Russian ownership code  
Measurement unit: thousand RUB OKOPF / OKFS  
code  
OKEI code

CODES		
0710002		
31	12	2016
33741102		
2320109650		
35.14		
12247		49
384		

Notes	Indicator name	Code	For January – December 2016	For January – December 2015
N-14, 20	Revenue (net) from sales of goods and services (less value added tax, excise and similar mandatory payments), including:	2110	43,180,221	45,991,160
	electric power export	2111	30,681,583	32,620,882
	sales of electric power (capacity) at the domestic market	2112	9,688,812	8,847,483
	sales of power generating equipment	2113	2,682,644	4,366,959
	other	2114	127,182	155,836
N-15	Cost price of goods, products, works, services sold	2120	(31,669,437)	(33,376,493)
	purchase of electric power (capacity) at the domestic market	2121	(26,129,607)	(28,143,616)
	electric power import	2123	(3,247,065)	(1,539,346)
	sales of power generating equipment	2124	(2,291,445)	(3,687,108)
	other	2125	(1,320)	(6,423)
	Gross profit	2100	11,510,784	12,614,667
N-15	Business expenses	2210	(3,163,283)	(4,085,523)
N-15	Administrative expenses	2220	(5,719,843)	(5,589,627)
	<b>Profit (loss) from sales</b>	2200	2,627,658	2,939,517
	Revenues from participation in other entities	2310	1,037,558	1,691,371
	Interest receivable	2320	5,695,209	5,744,879
	Interest payable	2330	(188,019)	(544,550)
N-16	Other income	2340	131,825,860	8,696,700
N-16	Other expenses	2350	(42,408,915)	(12,447,934)
	<b>Profit (loss) before tax</b>	2300	98,589,351	6,079,983
N-17	Current profit tax	2410	(158,079)	(1,736,346)
	including permanent tax liabilities (assets)	2421	(7,671,646)	1,289,606
	Change in deferred tax liabilities	2430	(369,768)	6,590
	Change in deferred tax assets	2450	(567,230)	(437,520)
N-17	Other	2460	(19,005)	(191,254)
	<b>Net profit (loss) of the reporting period</b>	2400	97,475,269	3,721,453
	FOR REFERENCE			
	Result from revaluation of fixed assets not included in the net profit (loss) for the period	2510	-	-
	Result from other transactions not included in the net profit (loss) for the period	2520	-	-
	Aggregate financial result for the period	2500	97,475,269	3,721,453
N-18	Base profit (loss) per share (RUB)	2900	0.9337	0.0356
N-18 /	Diluted profit (loss) per share (RUB)	2910	0.9337	0.0356

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(signature) (print full name)

"14" February 2017  
/stamp: PUBLIC JOINT STOCK COMPANY \* OGRN 1022302933630 \* INTER RAO UES \* /non-legible//

## CHANGES IN EQUITY STATEMENT for the year 2016

Entity **Public Joint Stock Company Inter RAO UES** OKUD code form  
Taxpayer Identification Number \_\_\_\_\_ Date (day, month, year)  
Activity type **Electric power trading** OKPO code  
Legal form / ownership form \_\_\_\_\_ TIN  
**Public Joint Stock Company** OKVED code  
**Other mixed Russian ownership** OKOPF / OKFS code  
Measurement unit: thousand RUB \_\_\_\_\_ OKEI code

CODES		
0710004		
31	12	2016
33741102		
2320109650		
35.14		
12247		49
384		

### 1. Capital flow

Indicator name	Code	Authorized capital	Treasury shares	Additional Capital	Reserve capital	Retained profit (uncovered loss)	Total
Value of capital as of December 31, 2014	3100	293,339,675	-	195,427,351	296,339	(158,297,629)	330,765,736
<b>For the year 2015</b>							
Increase in capital – total:	3210	-	-	-	-	3,721,453	3,721,453
including net profit	3211	X	X	X	X	3,721,453	3,721,453
revaluation of assets	3212	X	X	-	X	-	-
revenues booked directly to the increase in capital	3213	X	X	-	X	-	-
additional issue of shares	3214	-	-	-	X	X	-
increase in nominal value of shares	3215	-	-	-	X	-	-
reorganization of legal entity	3216	-	-	-	-	-	-
sales of treasury shares	3217	-	-	-	-	-	-
Decrease in capital – total:	3220	-	-	(11,221)	-	(108,543)	(119,764)
including loss	3221	X	X	X	X	-	-
revaluation of assets	3222	X	X	(11,221)	X	-	(11,221)
expenses booked directly to the decrease in capital	3223	X	X	-	X	-	-
decrease in nominal value of shares	3224	-	-	-	X	-	-
decrease in number of shares	3225	-	-	-	X	-	-
reorganization of legal entity	3226	-	-	-	-	-	-
dividends	3227	X	X	X	-	(108,543)	(108,543)
Change in additional capital	3230	X	X	-	-	-	X
Change in reserve capital	3240	X	X	X	21,709	(21,709)	X
Value of capital as of December 31, 2015	3200	293,339,675	-	195,416,130	318,048	(154,706,428)	334,367,425
<b>for the year 2016</b>							
Increase in capital – total:	3310	-	-	-	-	97,475,269	97,475,269
including net profit	3311	X	X	X	X	97,475,269	97,475,269
revaluation of assets	3312	X	X	-	X	-	-
revenues booked directly to the increase in capital	3313	X	X	-	X	-	-
additional issue of shares	3314	-	-	-	X	X	-
increase in nominal value of shares	3315	-	-	-	X	-	X
reorganization of legal entity	3316	-	-	-	-	-	-
sales of treasury shares	3317	-	-	-	-	-	-

Indicator name	Code	Authorized capital	Treasury shares	Additional Capital	Reserve capital	Retained profit (uncovered loss)	Total
Decrease in capital – total:	3320	-	-	-	-	(1,860,727)	(1,860,727)
including loss	3321	X	X	X	X	-	-
revaluation of assets	3322	X	X	-	X	-	-
expenses booked directly to the decrease in capital	3323	X	X	-	X	-	-
decrease in nominal value of shares	3324	-	-	-	X	-	-
decrease in number of shares	3325	-	-	-	X	-	-
reorganization of legal entity	3326	-	-	-	-	-	-
dividends	3327	X	X	X	-	(1,860,727)	(1,860,727)
Change in additional capital	3330	X	X	-	-	-	X
Change in reserve capital	3340	X	X	X	186,073	(186,073)	X
Value of capital as of December 31, 2016	3300	293,339,675	-	195,416,130	504,121	(59,277, 959)	429,981,967

## 2. Adjustments due to changes in accounting policy and error corrections

Indicator name	code	As of December 31, 2014	Changes in capital for 2015		As of December 31, 2015
			at the expense of net profit (loss)	at the expense of other factors	
Capital – total					
before adjustments	3400	330,765,736	3,721,453	(119,764)	334,367,425
adjustment due to:					
changes in accounting policy	3410	-	-	-	-
error corrections	3420	-	-	-	-
after adjustments	3500	330,765,736	3,721,453	(119,764)	334,367,425
including:					
retained profit (uncovered loss):					
before adjustments	3401	-	-	-	-
adjustment due to:					
changes in accounting policy	3411	-	-	-	-
error corrections	3421	-	-	-	-
after adjustments	3501	-	-	-	-
other items of capital adjusted:					
before adjustments	3402	-	-	-	-
adjustment due to:					
changes in accounting policy	3412	-	-	-	-
error corrections	3422	-	-	-	-
after adjustments	3502	-	-	-	-

## 3. Net assets

Indicator name	Code	As of December 31 2016	As of December 31 2015	As of December 31 2014
Net assets	3600	429,981,967	334,367,425	330,765,736

Head /signature/ B. Yu. Kovalchuk  
(signature) (print full name)

**"14"** **February** **2017**  
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### CASH FLOW STATEMENT for the year 2016

Entity **Public Joint Stock Company Inter RAO UES**  
Taxpayer Identification Number \_\_\_\_\_  
Activity type **Electric power trading**  
Legal form / ownership form \_\_\_\_\_  
**Public Joint Stock Company**  
**Other mixed Russian ownership**

OKUD Form No. 1  
Date (day, month, year) \_\_\_\_\_  
OKPO code \_\_\_\_\_  
TIN \_\_\_\_\_  
OKVED code \_\_\_\_\_  
OKOPF / OKFS code \_\_\_\_\_  
OKEI code \_\_\_\_\_

Measurement unit: thousand RUB

CODES		
0710005		
31	12	2016
33741102		
2320109650		
35.14		
12247		49
384		

Notes	Indicator name	Code	For the year 2016	For the year 2015
	<b>Cash flows from current transactions</b>			
	Proceeds – total	4110	45,828,919	49,646,007
	including:			
	from sales of products, goods, works and services	4111	42,892,613	45,374,374
	lease payments, license fees, royalties, commissions and other similar payments	4112	79,605	157,007
	from resale of financial investments	4113	-	-
	other proceeds	4119	2,856,701	4,114,626
	Payments – total	4120	(44,082,128)	(45,498,084)
	including			
	to suppliers (contractors) for raw materials, materials, works and services	4121	(37,592,657)	(39,241,151)
	due to payment of employees' remuneration	4122	(3,288,645)	(2,920,151)
	interests on debt liabilities	4123	(188,618)	(513,357)
	Corporate income tax	4124	(1,550,369)	(2,328,869)
	other payments	4129	(1,461,839)	(494,556)
	Balance of cash flows from current transactions	<b>4100</b>	<b>1 746,791</b>	<b>4 147,923</b>
	<b>Cash flows from investment transactions</b>			
	Proceeds – total	4210	83,805,494	37,182,572
	including:			
	from sales of current assets (other than financial investments)	4211	4,612,467	6,848,123
	from sales of shares (participation interest) in other organizations	4212	51,142,896	938,321
	from return of loans provided, from sales of debt securities (rights of money claims to other persons)	4213	16,395,977	8,350,087
	dividends, interest on debt financial investments and similar proceeds from equity participation in other organizations	4214	5,774,154	5,684,324
	return of deposits for the period over 3 months	4215	5,880,000	15,361,569
	other proceeds	4219	-	148
	Payments – total	4220	(28,035,970)	(34,517,734)
	including			
	due to acquisition, creation, modernization, reconstruction and preparation for use of non-current assets	4221	(341,136)	(452,625)
	due to acquisition of shares (participation interest) in other organizations	4222	(20,683)	(4,029)
	due to acquisition of debt financial investments (rights of money claims to other persons), provision of loans to other entities	4223	(18,544,065)	(24,243,662)
	interests on debt liabilities including into the investment asset cost	4224	-	-
	deposits for the period over 3 months	4225	(4,500,000)	(9,752,229)
	other payments	4229	(4,630,086)	(65,189)
	Balance of cash flows from investment transactions	<b>4200</b>	<b>55,769,524</b>	<b>2,664,838</b>

Notes	Indicator name	Code	For the year 2016	For the year 2015
	<b>Cash flows from financial transactions</b>			
	Proceeds – total	4310	2,802,396	3,950,195
	including:			
	obtaining credits and loans	4311	2,802,396	3,950,195
	cash contributions from owners (members)	4312	-	-
	from issue of shares, increase in participation interest, sales of treasury shares	4313	-	-
	from issue of bonds, bills of exchange and other debt securities etc.	4314	-	-
	other proceeds	4319	-	-
	Payments – total	4320	(37,253,035)	(13,604,243)
	including:			
	to owners (members) due to repurchase of shares (participation interest) from them or their cessation of membership	4321	-	-
	for payout of dividends and other payments on distribution of profit in favor of owners (members)	4322	(1,824,199)	(108,543)
	due to repayment (repurchase) of bills of exchange and other debt securities, repayment of credits and loans	4323	(3,752,591)	(13,495,700)
N-11	payments under guarantees	4324	(31,676,245)	-
	other payments	4329	-	-
	Balance of cash flows from financial transactions	<b>4300</b>	<b>(34,450,639)</b>	<b>(9,654,048)</b>
	<b>Balance of cash flows for the reporting period</b>	<b>4400</b>	<b>23,065,676</b>	<b>(2,841,287)</b>
N-8	<b>Balance of cash and cash equivalents at the beginning of reporting period</b>	<b>4450</b>	<b>20,395,085</b>	<b>23,163,802</b>
N-8	<b>Balance of cash and cash equivalents at the end of the reporting period</b>	<b>4500</b>	<b>41,655,875</b>	<b>20,395,085</b>
	Value of impact of foreign currency exchange rate fluctuations in respect to ruble	<b>4490</b>	<b>(1,804,886)</b>	<b>72,570</b>

Head /signature/ **B. Yu. Kovalchuk**  
(signature) (print full name)

**"14"** **February** **2017**  
/stamp: PUBLIC JOINT STOCK COMPANY \* OGRN 1022302933630 \* INTER RAO UES \* /non-legible//

**NOTES**  
**to the accounting (financial) statements of**  
**PJSC Inter RAO for the year 2016**

This Notes constitute an integral part of the annual accounting (financial) statements of PJSC Inter RAO for the year 2016 prepared in accordance with the applicable laws of the Russian Federation.

All amounts are shown in thousand rubles, unless otherwise specified.

**I. GENERAL INFORMATION**

Public Joint Stock Company Inter RAO UES <sup>1</sup> (further referred to as the Company) was incorporated on October 23, 2002. The main activity of the Company is sales of electric power at the domestic market and outside the Russian Federation boundaries. The Company and its subsidiaries are further jointly referred to as Inter RAO Group.

In 2016 the Company was engaged in its activities of sales of electric power at the domestic market and outside the Russian Federation boundaries, export of power generating equipment, as well as management of activity of generating, engineering and other companies of the Inter RAO Group.

Shares of the Company are admitted to trading at the security market and enlisted in the First Tier section of the Stock List admitted to trading at the PJSC Moscow Exchange.

The Company is registered at: 27 Bolshaya Pirogovskaya Street, bldg 2, Moscow 119435 Russian Federation.

Taxpayer Identification Number (TIN): 2320109650.

Average headcount of the Company's employees for the year 2016 totaled 479 people (460 people in 2015).

These statements were signed on February 14, 2017.

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<sup>1</sup> Before renaming referred to as OJSC (Open Joint Stock Company) Sochinskaya TES (Heat Power Station) (renamed based on the decision of the sole shareholder of the Company, OJSC RAO UES of Russia dated March 28, 2008).

**NOTES**  
**to the accounting (financial) statements of**  
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The Company representative offices as of December 31, 2016:

<b>Name</b>	<b>Activity type</b>	<b>Location</b>
Office on the territory of the Republic of Ecuador	Representative office's functions	Office 403, Tower B, World Trade Center Building, 12 October Prospect No. 24-528 and Louis Cordero, Quito, the Republic of Ecuador
Office on the territory of the Kingdom of Belgium	Representative office's functions	The Kingdom of Belgium, 1040, Brussels, Rond Point Schuman, 6

Members of the Board of Directors of the Company in 2016:

<b>No.</b>	<b>Name</b>	<b>Job Title</b>	<b>Date of change in membership</b>
1	Igor Ivanovich Sechin	Chairman of the Board of Directors at PJSC Inter RAO Chief Executive Officer, Chairman of the Executive Board, Deputy Chairman of the Board of Directors at PJSC NK Rosneft	
2	Andrei Yevgenievich Bugrov	Senior Vice-President of PJSC MMC Norilsk Nickel (Independent Director)	
3	Anatoliy Anatolyevich Gavrilenko	Director General of CJSC Leader (Independent Director)	
4	Boris Yurievich Kovalchuk	Chairman of the Executive Board at PJSC Inter RAO	
5	Aleksandr Markovich Lokshin	First Deputy Director General for Operations Management, State Corporation for Nuclear Power Rosatom (Independent Director)	
6	Andrey Yevgenievich Murov	Chairman of the Executive Board at PJSC FGC UES	
7	Ronald J. Pollett (Ronald James Pollett)	Vice-President of GE, President and Chief Executive Officer of GE in Russia and CIS (Independent Director)	
8	Denis Vladimirovich Fedorov	Head of Electric Power Sector Development and Electric Power Marketing Department at PJSC Gazprom, General Director of Gazpromenergoholding LLC	

**NOTES**  
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<b>No.</b>	<b>Name</b>	<b>Job Title</b>	<b>Date of change in membership</b>
9	Dmitriy Evgenyevich Shugaev	Deputy Chairman of the Board of Directors at PJSC Inter RAO, Deputy Director General of the State Corporation Rostec (Independent Director)	
10	Nikolai Dmitrievich Rogalev	President of Federal State Budget-Funded Educational Institution of Higher Professional Education National Research University MEI (Independent Director)	until June 10, 2016
11	Pavel Nikolayevich Snikkars	Director of Department of Electric Power Development, Ministry of Energy of the Russian Federation	until June 10, 2016
12	Elena Vladimirovna Sapozhnikova	Executive Director of UCP Group of Companies (Independent Director)	starting from June 11, 2016
13	Boris Ilyich Ayuev	Chairman of the Executive Board at JSC (Joint Stock Company) System Operator of UES	starting from June 11, 2016

Members of the Audit Committee of the Company in 2016:

<b>No.</b>	<b>Name</b>	<b>Job Title</b>	<b>Date of change in membership</b>
1	Izumrud Aligadzhievna Alimuradova	Director on Internal Audit, Head of Internal Audit Department at PJSC FGC UES	
2	Dmitriy Lvovich Shishkin	Director on Internal Control at PJSC FGC UES	
3	Yuriy Aleksandrovich Shcherbakov	Head of Treasury Department, Financial and Economic Center at PJSC Inter RAO	
4	Ekaterina Viktorovna Heymits	Head of Division for Assets Soundness Control, Audit Office, Internal Audit Department at PJSC MMC Norilsk Nickel	until June 10, 2016
5	Svetlana Petrovna Rai	Head of Internal Audit and Control Service at PJSC NK Rosneft	until June 10, 2016
6	Gennadiy Ivanovich Bukaev	Counselor of the President, Head of Internal Audit and Control Service at PJSC NK Rosneft	starting from June 11, 2016

**NOTES**  
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<b>No.</b>	<b>Name</b>	<b>Job Title</b>	<b>Date of change in membership</b>
7	Tatiana Vladimirovna Fisenko	Director of Budget Planning and Accounting Department, Ministry of Energy of the Russian Federation	starting from June 11, 2016

Members of the Executive Board of the Company in 2016:

<b>No.</b>	<b>Name</b>	<b>Job Title</b>	<b>Date of change in membership</b>
1	Boris Yurievich Kovalchuk	Chairman of the Executive Board at PJSC Inter RAO	
2	Aleksandr Gennadyevich Boris	Deputy Chairman of the Executive Board at PJSC Inter RAO	
3	Ilnar Ilbatyrovich Mirsiyapov	Member of the Executive Board, Head of Strategy and Investment Unit at PJSC Inter RAO	
4	Valeriy Valerievich Murgulets	Member of the Executive Board, Head of Innovations, Investments and Costs Management Unit at PJSC Inter RAO	
5	Pavel Ivanovich Oklei	Member of the Executive Board, Head of Production Operations Unit at PJSC Inter RAO	
6	Karina Valerievna Tsurkan	Member of the Executive Board, Head of Trading Unit at PJSC Inter RAO	
7	Yury Vladimirovich Sharov	Member of the Executive Board, Head of Engineering Unit at PJSC Inter RAO	
8	Dmitriy Nikolaevich Palunin	Member of the Executive Board, Head of Financial and Economic Center at PJSC Inter RAO	until October 28, 2016
9	Yevgeniy Nikolaevich Miroshnichenko	Member of the Executive Board, Head of Financial and Economic Center at PJSC Inter RAO	starting from October 29, 2016
10	Aleksandr Aleksandrovich Pakhomov	Member of the Executive Board, Head of Legal Work Unit at PJSC Inter RAO	until November 3, 2016
11	Mikhail Vladimirovich Konstantinov	Member of the Executive Board, Head of Legal Work Unit at PJSC Inter RAO	starting from November 4, 2016
12	Dmitriy Aleksandrovich Filatov	Member of the Executive Board, Head of Procurement Division at PJSC Inter RAO	starting from November 4, 2016

**NOTES**  
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**II. SIGNIFICANT ACCOUNTING POLICY PROVISIONS**

These accounting (financial) statements of the Company have been prepared based on the following accounting policy.

**Principal approaches to preparation of the annual accounting (financial) statements**

The Company's accounting (financial) statements have been prepared according to the rules of accounting and reporting applicable in the Russian Federation, in particular, Federal Law No. 402-ФЗ dated December 6, 2011 *On Accounting*, Rules of Accounting *Accounting Policy of Organization* PBU 1/2008, approved by Order of the Ministry of Finance of the Russian Federation dated December 9, 1998, No. 60н, Rules of Accounting and Reporting in the Russian Federation approved by Order of the Ministry of Finance of the Russian Federation dated July 29, 1998, No. 34н, Rules of Accounting *Accounting Statements of Organization* PBU 4/99 approved by Order of the Ministry of Finance of the Russian Federation dated July 06, 1999, No. 43н.

In accordance with Article 12, Federal Law No. 402-ФЗ, the objects of accounting are subjected to monetary measurement. Monetary measurement of the accounting objects is made in the currency of the Russian Federation.

**Uncertainty of Estimated Values**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

- provision for bad debts;
- provision for financial investments impairment;
- estimated liabilities.

**NOTES**  
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**Fixed assets**

As a part of fixed assets, the property is recorded with the period of useful operation over 12 months and the cost of over 40 thousand rubles.

The accounting unit is inventory item. In case if one item has several parts, which periods of useful operation are materially different, each such part is recorded as an independent inventory item.

The purchased items of initial cost not exceeding 40 thousand rubles per unit are recorded as part of inventories and included in the costs at the moment of their transition to operation.

Components of personal computers (system unit, monitor, keyboard etc.) purchased as separate units are considered separate accounting items for the accounting purposes. In case of purchase of computer workstation as a single item it is recorded as a single inventory item. Components of personal computers are recorded according to the general procedure, as part of inventories or as part of fixed assets depending on the cost of each component.

Intangible assets are accepted for accounting at their initial value.

Initial value of the fixed assets acquired for a consideration is deemed a sum of actual costs of the Company for purchase, construction and production, except the value added tax and other indemnifiable taxes (not including the situations provided for by the legislation of the Russian Federation).

If In the event that the fixed assets objects are being acquired under agreements providing for fulfillment of liabilities in kind, the value of assets transferred or being subject to transfer by the Company shall be considered as an initial value of such objects. Value of assets transferred or being subject to transfer by the Company shall be set based on the price, at which

**NOTES**  
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the Company defines value of similar assets in ordinary practice within comparable circumstances.

The Company has not acquired objects of fixed assets within the reporting period.

The Company has not performed revaluation of the fixed assets within the reporting year.

Depreciation per objects of fixed assets is accrued with the linear method. Decreasing and increasing factors are not used for depreciation accrual.

Depreciation of fixed assets is calculated based on the period of useful operation specified within the limits of the periods in accordance with the Classification of the fixed assets included in the depreciation groups approved by Order of the Government of the Russian Federation dated January 1, 2002 No. 1. The periods of useful life accepted by the Company, by groups of fixed assets, are given below:

<b>Group of fixed assets</b>	<b>Period of useful life (number of years) of objects accepted on the balance sheet</b>
Machinery and equipment	2-16
Vehicles	5-8
Production and economic inventory	3-20
Other types of fixed assets	3-10

Depreciation of fixed assets and intangible assets is accrued regardless the results of the Company's business activities in the reporting period.

Income and expenses from disposal of fixed assets are recognized in the income statement within other income and expenses.

In the accounting (financial) statements, fixed assets are shown at their initial value, less accumulated depreciation.

Leased fixed assets are recorded off-balance at the value specified by the lessor at the moment of their lease commencement.

**NOTES**  
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**Intangible assets**

As intangible assets, the Company, along with exclusive rights, also recognizes non-exclusive rights for use of intellectual activity results and rights for objects not being the results of intellectual activity and means of identification, provided that such objects meet all the criteria of recognition the objects as intangible assets.

The assets not meeting all the criteria of recognition the object as intangible asset is recorded by the Company as part of deferred expenses with recognition in the balance sheet articles Other current assets/Other non-current assets.

The accounting unit for intangible assets is an inventory item.

Intangible assets are recognized for accounting at their actual (initial) value.

The initial value of intangible assets acquired for a consideration, is specified in the amount of actual costs of purchase.

The initial value of intangible assets acquired under agreements providing for fulfillment of liabilities in kind, shall be considered the value of property transferred by the Company in exchange, but not lower than the market price of such values. If the market value of the property transferred by the Company in exchange cannot be identified, then the initial value is deemed the market value of the property received.

The Company has not acquired intangible assets objects for consideration in kind within the reporting period.

The costs for modernization (improvement) of intangible assets (IA) incurred after recognition in accounting, are accepted for accounting as independent objects of IA, regardless of the period of life of modernization (improvement) and are written down through the mechanism of depreciation accrual within the fixed period of life for modernized IA after modernization (improvement) or remaining period of life for such asset (if the period of life has not been reconsidered after modernization) as normal business expenses. In the balance sheet the costs for modernization (improvement) of IA are recognized as part of non-current assets in the article Intangible assets.

The Company does not perform revaluation of intangible assets.

**NOTES**  
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The Company assesses intangible assets for presence of possible impairment indicators each year before making the annual accounting statements following the procedure set forth by IFRS (International Financial Reporting Standards). As of December 31, 2016 no indicators of intangible assets impairment was found.

Depreciation of intangible assets is accrued using a linear way based on the following periods of useful life:

- |                               |                    |
|-------------------------------|--------------------|
| - rights to software products | from 2 to 14 years |
| - rights to use a trade mark  | from 7 to 10 years |

Depreciation of intangible assets is accrued regardless of the results of the Company's business activities in the reporting period.

Income and costs from disposal of intangible assets are recognized in the profits and losses statement within other income and expenses.

In the accounting (financial) statements, intangible assets are shown at their initial value, less accumulated depreciation.

Intangible assets received for use are recorded off-balance at the value specified from the size of remuneration set forth in the agreement.

In the balance sheet investments to unfinished intangible assets are recognized by the Company as part of intangible assets in the item "Intangible assets".

**NOTES**  
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**Inventories**

The following assets shall be regarded by the Company as inventories:

- raw and other materials to be used for production and sales of products, good, performing works, offering services, for the Company's administrative needs;
- purchased or received from other persons and intended for resale;
- instruments, tools, equipment to be used for production and sales of products, good, performing works, offering services, for the Company's administrative needs and other assets:
  - life cycle of which does not exceed 12 months (regardless of their value);
  - life cycle of which is over 12 months, but at the same time the initial value is not more than 40,000 rubles.

Unit of inventories accounting is item number.

Unit of purchase electric power and capacity for resale is lot. Lot is understood as the goods (electric power, capacity) delivered within one month under one document.

Inventories are accepted for accounting at their actual value. Actual value of inventories acquired for a consideration is deemed a sum of actual costs of the Company, except the value added tax and other indemnifiable taxes (not including the situations provided for by the legislation of the Russian Federation).

Assessment of inventories upon their disposal is performed:

- by the cost price of each unit of inventories according to their places of storage;
- for electric power and capacity purchased at the wholesale market of electric power and capacity (OREM) with the purpose of resale, the cost price of the unit of the goods sold is determined in accordance with the Methodology for distribution of the volumes and cost of electric power (capacity) purchased/sold at the OREM by the market sectors.

**NOTES**  
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**Receivables and payables**

Receivables and payables are reflected in the accounting (financial) statements with dividing them into short-term ones (with the fixed maturity date not more than 12 months after the date of accounting statements) and long-term ones (with the fixed maturity date over 12 months after the date of accounting statements).

Receivables repayable (payable) within 12 months after the reporting date are reflected in the balance sheet within current assets. Receivables repayable (payable) within more than 12 months after the reporting date are reflected on the balance sheet in Non-current assets section, item "Other non-current assets".

Buyers and customers receivables (trade receivables) (including those for electric power) is recorded on the basis of the primary accounting documents and other documents supporting the received income, based on reasonable prices and rates, less payments made by the buyers (based on the primary accounting documents supporting the payment).

Payables to suppliers and other creditors (trade and other payables) are recognized in the amount of accrued liabilities according to the contracts and primary accounting documents, taking into account advances received less repaid liabilities (based on the primary accounting documents supporting the payment).

Advances received and paid are recognized in the accounting and accounting statements as part of respectively accounts payable and receivable with VAT added.

Advances paid in connection with technical modernization and reconstruction, purchase and construction of fixed assets objects, purchase of IA, cost repayment of which is made within the periods exceeding 12 months, are recognized in the balance sheet in the section I "Non-current assets" regardless of repayment by counterparts of their liabilities for the advances issued (preliminary payment) in the value less VAT amount to be deduced (accepted for deduction) in accordance with the tax legislation.

**NOTES**  
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Receivables on non-income producing notes of the third parties, received from buyers for repayment of their debt, are recognized in the accounting (financial) statements of the Company as part of trade receivables under item "Buyers and Customers".

Receivables from assign under assignment of claim agreement formed as a result of sales of trade receivables, are recognized in the accounting statements of the Company as part of trade receivables under item "Buyers and Customers".

For the purpose of accuracy of recognition in the accounting of the current receivables, the provision for bad debts is made.

Making and amendment of provision for bad debts is made following the terms and procedure set forth by Methodology for recognition of estimated liabilities and reserves in accounting and accounting statements.

The whole receivables are subjected to analysis in order to determine the necessity to accrue provision for bad debts.

The Company has different approaches to set provision for bad debts as regards trade receivables, other receivables and advances paid.

To calculate bad debt provisions, the actual receivables as of the reporting date is distributed into three groups of legal entities:

- legal entities acting as consumers at the wholesale market of electricity and capacity (OREM);
- debtors with a specific payment discipline;
- other debtors.

Percentage for provision is determined for each debtor according to the Methodology for calculation of provision for bad debts.

The Company has the right to change or apply a separate provision rate in respect of individual debtors in the case of information received, which allows to make a conclusion on a significant change in their financial situation.

**NOTES**  
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As regards receivables due from suppliers (advances paid) the Company accrues 100% provision, in case of non-fulfillment by the supplier of its liabilities on a due date set forth by the contract where the period of delay is over 12 months.

As regards receivables due for the goods sold by the buyers through the commission order, the amount of provision for bad debts is determined following the analysis of the debt of each buyer based on the information about the debt provided by the commissioner.

Accrual/recovery of provision for bad debts is recognized as part of other expenses/income. At disposal (repayment) of receivables the respective amount of the provision is written down. Written down provision amounts are recognized as part of other income.

**Income**

The proceeds are recognized for accounting in the amount calculated in the monetary terms equal to the amount of proceeds of cash and other property and/or amount of receivables. The amount of the proceeds and/or receivables is determined following the price set forth by the contract between the Company and a buyer (customer) or user of the Company's assets.

Revenue is recognized by the Company in accounting if the following conditions are simultaneously met:

- The Company is entitled to such revenue, as follows from a certain agreement, or as duly confirmed otherwise;
- the amount of revenue may be determined;
- there is confidence that economic benefits of the Company will grow as a result of a certain transaction. The confidence that economic benefits of the Company will grow as a result of a specific transaction is available in the situation when the Company received an asset in return or when there is no uncertainty in regards of receiving an asset;
- the right of ownership (possession, use, or disposal) for products (goods) has passed from the Company to the buyer, or the work has been accepted by the customer (service has been rendered);

**NOTES**  
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- the expenses, which have been or may be incurred in connection with such transaction, may be determined.

The normal business income are considered the revenue from sales of goods and services, proceeds related to performance of works, providing services, including revenue from rental/lease of property.

The structure of other income includes interest amounts accrued on borrowed funds provided (including deposits placed), income from participation in other organizations, income from revaluation of financial investments, income from sales of currency and fixed assets, disposal of financial investments and other assets, penalties due under agreements in the area of power trade-in, profits of previous years, positive exchange differences, changes in estimated values and others.

Regardless of the value, the following kinds of other income and respective costs resulting from one and the same or similar in nature business operation item, are recognized in the income statements of the Company aggregated:

- exchange differences related to recalculation of the balance value of assets and liabilities;
- foreign currency sales and purchase transactions;
- creation/recovery (disposal) of estimated liabilities and provisions (per types of estimated liabilities and provisions).

**Expenses**

Normal business expenses are accepted for accounting in the amount calculated in the monetary terms equal to the amount of payment of cash or other form and/or amount of payables.

The amount of the payment and/or payables is determined following the price and conditions set forth by the contract between the Company and the supplier (contractor) or other counterpart.

**NOTES**  
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The expenses are recognized in the accounting regardless of the intention to receive the revenue and other income and of the cost form (monetary, natural and other).

The cost price of trading transactions (purchase of electric power(capacity) at the domestic market, import of electric power) consists of the costs of purchase of electric power and capacity.

The costs connected with lease of property are deemed normal business expenses.

Commercial expenses are recognized in the cost price of the sold products, goods, works, services fully in the reporting year of their recognition as normal business costs with an entry to account 90.07 Sales costs.

The structure of commercial expenses includes costs of transportation of electric power, electric power loss, customs payments, wages of personnel engaged in trading and selling activity etc.

Indirect expenses related to several types of activity/trade are not distributed between types of activity, but entered to account 26 General business expenses.

In the accounting (financial) statements administrative expenses are recognized in the cost price of the sold products, goods, works, services fully in the reporting year of their recognition as normal business expenses. The total amount of general business expenses included in the cost price of the sold products is recognized in the income statement under separate line Administrative expenses.

The structure of other expenses includes interests accrued on use of borrowed funds, costs of currency and fixed assets sales, disposal of financial investments and other assets, losses of the previous years, negative exchange differences, changes in estimated values and others.

**NOTES**  
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**Accounting of Loans and Credits**

In the balance sheet information upon debts for loans and credits, depending on their maturity date, is distributed as follows:

- short-term (with the contractual maturity date not more than 12 months after the reporting date);
- long-term (with the contractual maturity date over 12 months after the reporting date).

Additional expenses for attracting loans and credits are included as part of other costs at a time within the reporting period when they were made.

Additional expenses for attracting loans and credits included as part of other costs are recognized in the Income Statement in the following procedure:

- interests payable are recognized in the line "Interests payable";
- other additional expenses are recognized in the line "Other expenses".

Accrual of interests payable to the lender (creditor) is recognized in accounting in even portions on the last day of each month where they are related to (regardless of contractual repayment schedule).

In the accounting (financial) statements long-term credits (loans) interests payable within 12 months from the reporting date are recognized as part of short-term liabilities on borrowed funds, including the situations when the credit (loan) itself is recognized as part of long-term liabilities on borrowed funds.

**Financial Investments**

Financial investments are accepted for accounting at initial value in the amount of actual expenses of the Company for purchase of financial investments except the value added tax and other indemnifiable taxes (not including the situations provided for by the legislation of the Russian Federation on taxes and levies).

Initial value of financial investments into authorized (share) capitals of other organizations made in the form of property (property rights, except cash) is recognized the value of property agreed with the founders contributed to the authorized capital with added expenses incurred by organization related to the transaction.

Initial value of other financial investments purchased under agreements providing for fulfillment of liabilities (payment) in kind, shall be deemed the value of assets transferred or being subject to transfer by the Company. Value of assets transferred or being subject to transfer by the Company shall be set based on the price, at which the Company defines value of similar assets in ordinary practice within comparable

**NOTES**  
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circumstances. When it is not possible to determine the value of assets transferred or being subject to transfer by the Company, the value of financial investments received under agreements providing for fulfillment of liabilities (payment) in kind, is determined based on the value, at which similar assets are purchased in ordinary practice within comparable circumstances.

Adjustment of accounting value of financial investments, at which the current market value can be determined according to the established procedure, is mandatory as of December 31 of the reporting year. The current market value is determined in the amount of their price (last quote) as of the closing date (last day of the month) of trading at the Moscow Exchange calculated according to the established procedure by the organizer of trading at the security market. The difference between the current market value of financial investments at the reporting date and the previous evaluation of financial investments is attributed to financial results as part of other income and expenses.

In case if the current market value of financial investment earlier calculated according to the current market value is not possible to determine as of the reporting date, such financial investment is recognized in the accounting statements according to its last assessment value as of the last quote date less its provision for financial investments impairment. Impairment test and setting up of provision for impairment of such financial investments are made following the procedure stipulated for the financial investments for which the current market value cannot be determined starting from the reporting period when the said financial investments ceased quoting at the security market.

**NOTES**  
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Financial investments, the current market value of which cannot be determined, are recognized in the accounting statements as of the end of the reporting year at their accounting (book) value, less the provision for financial investments impairment formed in respect to the assets for which there is impairment as of the reporting date.

The Company makes impairment test of financial investments once a year as of December 31 of the reporting year in the presence of impairment indicators.

Impairment of financial investments is deemed steady material decline of the value of financial investments, which current market value cannot be determined, below the level of economic benefits which the Company expects to receive from these financial investments in the normal business situation. In this situation, following the Company calculations, the estimated value of financial investments is determined equal to the difference between their value recognized in the accounting (accounting value) and the amount of such decline.

Steady decline of the value of financial investments is characterized by simultaneous presence of the following conditions:

- as of the reporting date and as of the last date of the previous reporting year the accounting value is considerably higher than the estimated value (over 20% difference);
- during the reporting year the estimated value of financial investments changed significantly solely towards its decline (over 20%);
- as of the reporting date there are no evidences available that in future considerable (over 20%) increase of the estimated value of these financial investments.

In case if the conditions of the loan agreement are breached in part of repayment, the estimated value corresponds to the balance value of issued loans less:

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<b>Period of delay in payment, months</b>	<b>% of delayed amount</b>
Over 12 months	<b>100</b>
9 to 12 months	<b>75</b>
6 to 9 months	<b>50</b>
3 to 6 months	<b>25</b>

In case of detection of the impairment indicators of the financial investment in the form of contributions to the authorized capital of the company (except contributions to the quoted company shares), loans (credits) provided and other financial investments, other assets of the Company are also subjected to impairment test (including receivables, advances paid, goods for reprocessing), in regards of which the indicators of financial investment impairment were detected.

For the amount of difference between the accounting value and the estimated value of the financial investment the estimated provision for financial investment impairment is created with attributing as part of other expenses.

Financial investment granted as a loan to associated party related to Inter RAO Group is classified as a long-term investment, in case of absence of intention by the parties to repay/claim the granted loan within the period not exceeding 12 months from the reporting date regardless of the loan agreement conditions. The confirmation of absence of intention to repay such a loan is deemed the budget of the loan parties for a period of 12 months from the reporting date approved by the parent company of the Group.

Loans granted to the companies not being members of Inter RAO Group are classified according to the loan agreement conditions.

At disposal of financial investments upon which the current market value cannot be determined, the value of contributions to authorized (share) capitals of other organizations (except joint stock company shares), loans granted to other organizations, deposit to credit organizations, other individually definable securities is determined at the initial value of each disposed accounting unit of financial investments above.

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Other financial investments upon which the current market value cannot be determined (shares etc.) at their disposal are evaluated at the average initial value of each accounting unit. Upon that the initial value is determined on each accounting unit of financial investments as a quotient of initial value by the quantity composed respectively of the initial value and quantity of balance as of the beginning of the month and financial investment related to this accounting unit received within this month.

At disposal of the assets accepted for accounting as financial investments which current market value can be determined, their value is determined by the Company based on the last evaluation.

Income and expenses from financial investments are recognized as part of other incomes and expenses.

**Cash and Cash Equivalents, Reflection of Cash Flows**

**Cash and cash equivalents**

For the purpose of creating the balance sheet and cash flow statement, the Company includes in the cash the cash equivalents which mean highly liquid financial investments which can be easily convertible to an amount of cash known in advance and which are subjected to an insignificant risk of their value change, as well as non-income producing bank deposits which are not deemed as financial investments and which can be freely converted to an amount of cash known in advance. In particular, the Company includes into cash equivalents deposits held at call, deposits for a period from 1 day to three months.

**Aggregated Reflection of Cash Flows**

Cash flows are reflected in the cash flow statement in aggregated form in the situations where they characterize not only the Company's activity, but the activity of its counterparts as well, and/or where the inflows from certain persons determines corresponding payouts to other persons, as well as in the situation where the cash flows are characterized by quick turnover, large amounts and short periods of return. In particular, in its cash flow statement the Company reflects the following cash flows aggregated:

**NOTES**  
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- cash flows of commissioner or agent in connection with rendering commissioning or agent services (with the exception of commission or agent fee, in the situations where the Company itself is a commissioner or agent);
- value added tax as part of the proceeds from buyers and customers, payments to suppliers and contractors and payments to the budget of the Russian Federation or reimbursement out of it;
- depositing of funds for a period of less than 3 months;
- payments and proceeds from sales and purchase of currency;
- returns of cash connected to the settlements with the buyers and customers, suppliers and contractors;
- settlements with accountable persons;
- wage and salary settlements with the employees;
- dividend settlements (in case of return due to incorrect payment details).

**Accounting of Cash Flows in Foreign Currency**

For the purposes of preparing the cash flows statement the value of cash flows in foreign currency is converted into rubles at the official exchange rate of that foreign currency relative to ruble as established by the Central Bank of the Russian Federation on the date of conducting and receipt of the payment.

**Other**

**Assets and Liabilities in Foreign Currencies**

Translation of the value of the asset or liability in the foreign currency to rubles is made at the official exchange rate of that foreign currency relative to ruble as established by the Central Bank of the Russian Federation.

For the accounting purposes the said translation to rubles is made at the official exchange rate effective as of the date of the foreign currency transaction.

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Value of bank notes in hand of the Company, funds in bank accounts (bank deposits), fiscal and payment documents, fiscal and payment documents, securities (except for shares), resources in settlement, including under debentures with physical persons and legal entities (except for funds of advances received and paid, and pre-payment), expressed in a foreign currency, is reflected in the accounting (financial) statements in the amounts calculated based on official exchange rates being effective as of December 31, 2016.

The foreign currency exchange rates as of this date were 60.6569 rubles for one US dollar (December 31, 2015 – 72.8827 rubles, December 31, 2014 – 56.2584 rubles), 63.8111 rubles for 1 euro (December 31, 2015 – 79.6972 rubles, December 31, 2014 – 68,3427 rubles).

The exchange difference is to be accounted to the financial results of the Company as part of other income (expenses).

*Deferred costs*

Deferred costs are deemed as expenses incurred by the Company in the reporting period, but related to the next reporting periods and not meeting all the criteria of recognition the certain asset set forth by normative regulations on accounting (fixed assets, inventories, financial investments, etc.).

As part of deferred costs the Company records as follows:

- costs for purchase of the rights to use intellectual property objects not meeting all the criteria of recognition an object as IA;
- expenses for future technical support of software and similar costs which are not deemed possible to classify as advances, since the agreement conditions or legal and normative regulations requirements, or business practices make it impossible to return the remitted amounts, including early termination of agreement, provided that they fall under different reporting years;
- other expenses.

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Transfer of the expenses amount to the costs is made in equal portions within the period of receiving economic benefits. The duration of such period in days is determined at the moment of recognition of such expenses to accounting.

Deferred costs, depending on the remaining period of receiving economic benefits (per asset as a whole) as of the reporting date, are divided into short-term and long-term, with reflecting in the balance sheet as part of other non-current assets or other current assets, respectively.

*Authorized, Additional and Reserve Capital*

The Authorized capital is reflected in the amount of the nominal value of ordinary shares. The size of authorized capital corresponds to the size of authorized capital determined by the Company's Articles of Association.

The additional capital of the Company includes the amount of increase in the value of fixed assets, determined when reevaluating, issue income obtained as a result of allotment of the Company shares at a price exceeding their nominal value.

According to the Articles, the Company sets up a provision fund equal to 15% of the authorized capital. The amount of mandatory annual contributions to the provision fund of the Company shall be five (5) percent of the Company's net profit, until it reaches the specified amount.

*Segment Reporting*

Risks and profits of the Company depend mainly on distinctions between the geographical regions where the Company sells the goods (electric power, equipment). Therefore, the basis for allocation of reporting segments of the Company is its geographical regions of sales, each of which accounts for over 10% of the total volume of the Company revenue.

Income of the reporting segment is distributed per segments depending on geographical flow of export (regardless of the buyer's country of incorporation).

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*Income tax (PBU 18/02)*

Amount of the current income tax corresponds to the amount of calculated income tax reflected in the income tax return.

In the accounting (financial) statements the amounts of deferred tax asset and deferred tax liability are reflected in details.

The difference in allocations to provision for bad debts between the accounting and tax accounting are deemed temporary. Provided that the provision for bad debts is set up, which after writing-off will never be recognized as part of expenses for the taxation purposes (for example, in the absence of properly made primary accounting documents supporting the debt, in the absence of confidence of receiving such documents in future) the constant difference is formed.

If the Company purchases financial investments without the purpose of future resale, the amounts of allocations to provision for financial investments impairment, the amounts on which the provision volume is adjusted, as well as amounts of revaluation of securities in the accounting are reflected as other costs or other incomes, while for the taxation purposes they are not recognized as expenses or income. Since in future the Company is not planning to obtain income or incur cost from sales of these financial investments, when forming and adjusting the provision for financial investments impairment, as well as revaluation of the securities, the constant differences are formed in the accounting.

The amounts of expenses recognized in the accounting in the form of estimated liabilities are not included in the moment of formation as part of expenses in the tax accounting and form:

- deductible temporary difference in case if in future when the said expenses are actually incurred, they are recognized in the tax accounting;
- constant difference in case if such expenses are not deductible for the taxation purposes and are not recognized in the tax accounting at the moment of their actual occurrence.

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The amount of received loss which may be further recognized in the tax accounting is deemed a deductible temporary difference resulting in deferred tax asset.

**Changes in the Accounting Policy**

For the purposes of methodology unification for the Russian perimeter of Inter RAO Group of Companies within the framework of the project Development and Implementation of Corporate Unified Accounting Methodology of Inter RAO Group, in 2015 the standard for Inter RAO Group was developed, Corporate Unified Accounting Policy, which serves as a basis for development of local accounting policies for the Company and its subsidiaries.

The principal changes in the accounting policy of the Company for the year 2016 concern as follows:

- accounting of non-exclusive rights as part of IA;
- accounting of income from lease of property as part of normal business income (revenue);
- aggregated reflection of certain income and expenses in the income statement (for instance, exchange differences, estimated liabilities).

Influence of changes in the accounting policy upon accounting (financial) statements of the Company in accordance with clauses 13-16 PBU 1/2008 Accounting Policy of the Enterprise is disclosed in section III Change of comparative indicators of these Notes.

Changes in the legislation did not influence the accounting policy of the Company in 2016.

No significant changes in the Company's accounting policy for the year 2017 were introduced.

**III. CHANGE OF COMPARATIVE INDICATORS**

In connection with changes in the accounting policy according to PBU 1/2008 Accounting Policy of the Enterprise, the volume of balance as of December 31, 2015 and 2014 equaled as follows:

**NOTES**  
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Name	Balance item	Balance as of 31.12.2015 (before recalculation)	Influence of changes in the accounting policy as of 31.12.2015	Balance as of 31.12.2015 (after recalculation)	Balance as of 31.12.2014 (before recalculation)	Influence of changes in the accounting policy as of 31.12.2014	Balance as of 31.12.2014 (after recalculation)
<b>I. Non-current assets</b>							
<b>Intangible assets</b>	<b>1110</b>	<b>20,922</b>	<b>11,090</b>	<b>32,012</b>	<b>9,269</b>	<b>20,151</b>	<b>29,420</b>
modernization of IA			3,533			3,446	
accounting of non-exclusive rights as part of IA			4,404			10,269	
accounting of investments into unfinished intangible assets as part of IA			3,153			6,436	
<b>Other non-current assets</b>	<b>1190</b>	<b>3,856,542</b>	<b>(8,287)</b>	<b>3,848,255</b>	<b>10,713,407</b>	<b>(39,994)</b>	<b>10,673,413</b>
modernization of IA			(2,881)			(2,909)	
accounting of non-exclusive rights as part of IA			(2,253)			(4,228)	
accounting of investments into unfinished intangible assets as part of IA			(3,153)			(6,436)	
accounting of insurance expenses			–			(27,135)	
reflection of deferred costs depending on the remaining period of economic benefits receipt (per asset as a whole) as of the reporting date;			–			714	
<b>TOTAL on section I</b>	<b>1100</b>	<b>313,688,308</b>	<b>2,803</b>	<b>313,691,111</b>	<b>295,782,606</b>	<b>(19,843)</b>	<b>295,762,763</b>
<b>II. Current assets</b>							
<b>Value Added Tax on the assets purchased</b>	<b>1220</b>	<b>335,684</b>	<b>342</b>	<b>336,026</b>	<b>575,432</b>	<b>–</b>	<b>575,432</b>
VAT per advances paid to purchase of the fixes assets			342			–	
<b>Receivables payable within 12 months after the reporting date</b>	<b>1230</b>	<b>16,259,756</b>	<b>8,305</b>	<b>16,268,061</b>	<b>23,354,543</b>	<b>5,427</b>	<b>23,359,970</b>
including:							
buyers and customers	1231	4,336,833	80,202	4,417,035	4,352,875	132,649	4,485,524
debts on notes of the third parties for payment of electric power (capacity)			72,698			81,411	
agent agreements settlements			7,504			51,238	
advances paid	1232	3,046,821	(18,694)	3,028,127	4,949,393	(9,037)	4,940,356
VAT per advances paid to purchase of the fixes assets			(342)			–	
advances paid on lease payments			(26,999)			(14,464)	
accounting of insurance expenses			8,647			5,427	
other debtors	1236	8,876,102	(53,203)	8,822,899	14,052,275	(118,185)	13,934,090
debts on notes of the third parties for payment of electric power (capacity)			(72,698)			(81,411)	
agent agreements settlements			(7,504)			(51,238)	
advances paid on lease payments			26,999			14,484	
<b>Other current assets</b>	<b>1260</b>	<b>39,978</b>	<b>(39,065)</b>	<b>913</b>	<b>51,376</b>	<b>(38,594)</b>	<b>12,782</b>
modernization of IA			(652)			(537)	
accounting of non-exclusive rights as part of IA			(2,151)			(6,041)	
accounting of insurance expenses			(36,262)			(31,302)	
reflection of deferred costs depending on the remaining period of economic benefits receipt (per asset as a whole) as of the reporting date;			–			(714)	
<b>TOTAL on section II</b>	<b>1200</b>	<b>41,011,025</b>	<b>(30,418)</b>	<b>40,980,607</b>	<b>57,633,973</b>	<b>(33,167)</b>	<b>57,600,806</b>
<b>BALANCE</b>	<b>1600</b>	<b>354,699,333</b>	<b>(27,615)</b>	<b>354,671,718</b>	<b>353,416,579</b>	<b>(53,010)</b>	<b>353,363,569</b>
<b>III. Capital and reserves</b>							
<b>TOTAL on section III</b>	<b>1300</b>	<b>334,367,425</b>	<b>–</b>	<b>334,367,425</b>	<b>330,765,736</b>	<b>–</b>	<b>330,765,736</b>

**NOTES**  
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Name	Balance item	Balance as of 31.12.2015 (before recalculation)	Influence of changes in the accounting policy as of 31.12.2015	Balance as of 31.12.2015 (after recalculation)	Balance as of 31.12.2014 (before recalculation)	Influence of changes in the accounting policy as of 31.12.2014	Balance as of 31.12.2014 (after recalculation)
<b>IV. Long-term Liabilities</b>							
<b>Other liabilities</b>	<b>1450</b>	<b>99,477</b>	<b>–</b>	<b>99,477</b>	<b>38,571</b>	<b>(27,135)</b>	<b>11,436</b>
<i>accounting of insurance expenses</i>			–			(27, 135)	
<b>TOTAL on section IV</b>	<b>1400</b>	<b>11,185,792</b>	<b>–</b>	<b>11,185,792</b>	<b>85,735</b>	<b>(27,135)</b>	<b>58,600</b>
<b>V. Current liabilities</b>							
<b>Payables due within 12 months after the reporting date</b>	<b>1520</b>	<b>7,629,451</b>	<b>(27,615)</b>	<b>7,601,836</b>	<b>12,470,928</b>	<b>(25,875)</b>	<b>12,445,053</b>
including:							
suppliers and contractors	1521	3,638,735	872,071	4,510,806	4,805,800	813,245	5,619,045
<i>agent agreements settlements</i>			872,071			813,245	
advances received	1525	2,683,251	367	2,683,618	5,900,844	–	5,900,844
<i>agent agreements settlements</i>			367			–	
other creditors	1527	1,304,889	(900,053)	404,836	1,762,679	(839,120)	923,559
<i>accounting of insurance expenses</i>			(27,615)			(25,875)	
<i>agent agreements settlements</i>			(872,438)			(813,245)	
<b>TOTAL on section V</b>	<b>1500</b>	<b>9,146,116</b>	<b>(27,615)</b>	<b>9,118,501</b>	<b>22,565,108</b>	<b>(25,875)</b>	<b>22,539,233</b>
<b>BALANCE</b>	<b>1700</b>	<b>354,699,333</b>	<b>(27,615)</b>	<b>354,671,718</b>	<b>353,416,579</b>	<b>(53,010)</b>	<b>353,363,569</b>

Changes of comparative indicators of the income statement as a result of changes in the accounting policy are reflected in the table below:

Name	Income statement item	For the year 2015 (before recalculation)	Influence of changes in the accounting policy for the year 2015	For the year 2015 (after recalculation)
<b>TOTALLY changes in the accounting policy</b>				
Revenue	2110	45,953,526	37,634	45,991,160
including:				
other	2114	118,202	37,634	155,836
Cost price	2120	(33,370,070)	(6,423)	(33,376,493)
including:				
other	2125	–	(6,423)	(6,423)
Gross profit	2100	12,583,456	31,211	12,614,667
Business expenses	2210	(4,084,085)	(1,438)	(4,085,523)
Administrative expenses	2220	(5,562,560)	(27,067)	(5,589,627)
Sales profit	2200	2,936,811	2,706	2,939,517
Interest receivable	2320	5,765,118	(20,239)	5,744,879
Interest payable	2330	(550,272)	5,722	(544,550)
Other income	2340	58,452,642	(49,755,942)	8,696,700
Other expenses	2350	(62,215,687)	49,767,753	(12,447,934)
Profit before tax	2300	6,079,983	–	6,079,983
including:				
<b>Accounting of income from lease of property as part of revenue</b>				
Revenue	2110	45,953,526	37,634	45,991,160
including:				
other	2114	118,202	37,634	155,836
Cost price	2120	(33,370,070)	(6,423)	(33,376,493)
including:				
other	2125	–	(6,423)	(6,423)
Administrative expenses	2220	(5,562,560)	842	(5,561,718)
Other income	2340	58,452,642	(37,634)	58,415,008
Other expenses	2350	(62,215,687)	5,581	(62,210,106)
<b>Accounting of contributions in non-profit organizations as part of commercial expenses</b>				
Business expenses	2210	(4,084,085)	(1,438)	(4,085,523)
Other expenses	2350	(62,215,687)	1,438	(62,214,249)

**NOTES**  
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Name	Income statement item	For the year 2015 (before recalculation)	Influence of changes in the accounting policy for the year 2015	For the year 2015 (after recalculation)
<b>Accounting of expenses for holding the Annual General Meeting of Shareholders as part of administrative expenses</b>				
Administrative expenses	2220	(5,562,560)	(27,909)	(5,590,469)
Other expenses	2350	(62,215,687)	27,909	(62,187,778)
<b>Accounting of interest for use of another entity's funds as part of other income and expenses</b>				
Interest receivable	2320	5,765,118	(20,239)	5,744,879
Interest payable	2330	(550,272)	5,722	(544,550)
Other income	2340	58,452,642	20,239	58,472,881
Other expenses	2350	(62,215,687)	(5,722)	(62,221,409)
<b>Aggregated reflection of other income and expenses</b>				
Other income	2340	58,452,642	(49,738,547)	8,714,095
<i>including:</i>				
<i>Foreign Exchange Differences</i>		21,360,669	(20,218,275)	1,142,394
<i>currency sales and purchase transactions</i>		28,662,424	(28,662,424)	–
<i>provision for bad debts</i>		723,768	(723,768)	–
<i>provision for financial investments impairment</i>		134,080	(134,080)	–
Other expenses	2350	(62,215,687)	49,738,547	(12,477,140)
<i>including:</i>				
<i>Foreign Exchange Differences</i>		(20,218,275)	20,278,275	–
<i>currency sales and purchase transactions</i>		(28,723,519)	28,662,424	(61,095)
<i>provision for bad debts</i>		(1,902,550)	723,768	(1,178,782)
<i>provision for financial investments impairment</i>		(259,412)	134,080	(125,332)

Reflected changes did not cause the change of base profit per share for the year 2015.

In the cash flow statement the comparative indicators for the year 2015 changed because of transfer of PIT in the amount of 313,480 thousand rubles from line 4129 "Other payments within current activity" to the line 4122 "Payments related to wages and salaries of employees".

In the Notes amendments were introduced in accordance with information above.

#### **IV. DISCLOSURE OF SIGNIFICANT INDICATORS**

##### **1. INTANGIBLE ASSETS**

As of December 31, 2016, the Company has no earlier impaired intangible assets, as well as intangible assets with indefinite period of useful life.

**NOTES**  
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Remaining period of useful life of intangible assets amounts to:

- per exclusive rights for software and information systems – from 2 to 7 years;
- per non-exclusive rights for software and information systems – from 1 to 6 years;
- per trade marks – 3 years;
- per utility model – 6 years.

Within the reporting period the periods of useful life were not reviewed.

As a result of modernization, the initial cost of intangible assets increased by 381 thousand rubles.

The initial value of intangible assets with the value fully repaid but not written-off from the balance sheet as of December 31, 2016 amounts to 15,770 thousand rubles, of which exclusive rights for software products and information systems, 15,650 thousand rubles, other intangible assets, 120 thousand rubles (as of December 31, 2015 and December 31, 2014, non-existent).

Within the reporting period, the Company sold intangible asset to a subsidiary of the balance value of 16,317 thousand rubles.

The structure of intangible assets mainly consists of exclusive and non-exclusive rights for information systems developed by outside organizations on the basis of various software platforms, and used by the Company in its administrative activity.

**NOTES**  
**to the accounting (financial) statements of**  
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Presence and flow of intangible assets within the reporting period are shown in the table below:

Indicator name	Code	Availability	As of the beginning of the period		Changes for the period				As of the end of the period	
			initial value	depreciation accumulated	received	disposed		depreciation accrued	initial value	depreciation accumulated
						initial value	depreciation accumulated			
<b>Intangible assets – total</b>	<b>5100</b>	<b>2016</b>	<b>58,113</b>	<b>(29,254)</b>	<b>6,859</b>	<b>(28,763)</b>	<b>12,446</b>	<b>(5,445)</b>	<b>36,209</b>	<b>(22,253)</b>
	<b>5110</b>	<b>2015</b>	<b>49,486</b>	<b>(26,502)</b>	<b>19,193</b>	<b>(10,566)</b>	<b>10,494</b>	<b>(13,246)</b>	<b>58,113</b>	<b>(29,254)</b>
including:										
Exclusive rights for software products and information systems	5101	2016	42,057	(17,702)	6,459	(18,300)	1,983	(3,225)	30,216	(18,944)
	5111	2015	23,123	(10,541)	18,934	–	–	(7,161)	42,057	(17,702)
Other IA with exclusive rights	5102	2016	280	(180)	400	–	–	(72)	680	(252)
	5112	2015	280	(147)	–	–	–	(33)	280	(180)
Non-exclusive rights for software products and information systems	5103	2016	15,776	(11,372)	–	(10,463)	10,463	(2,148)	5,313	(3,057)
	5113	2015	26,083	(15,814)	259	(10,566)	10,494	(6,052)	15,776	(11,372)

Flow and presence of unfinished transactions on purchase of intangible assets within the reporting year are shown in the table below:

Indicator name	Code	Availability	As of the beginning of the period	Changes for the period			As of the end of the period
				expenses for the period	expenses written-off as incurred without yielding a positive	recognized for accounting as intangible assets	
<b>Expenses for unfinished IA, advances paid for purchase of IA – total</b>	<b>5180</b>	<b>2016</b>	<b>3,153</b>	<b>7,291</b>	<b>(3,153)</b>	<b>(6,859)</b>	<b>432</b>
	<b>5190</b>	<b>2015</b>	<b>6,436</b>	<b>19,193</b>	<b>(3,283)</b>	<b>(19,193)</b>	<b>3,153</b>
including:							
Exclusive rights for software products and information systems	5181	2016	3,153	6,459	(3,153)	(6,459)	–
	5191	2015	6,436	18,934	(3,283)	(18,934)	3,153
Non-exclusive rights for software products and information systems	5182	2016	–	–	–	–	–
	5192	2015	–	259	–	(259)	–
Other unfinished expenses to IA objects	5183	2016	–	400	–	(400)	–
	5193	2015	–	–	–	–	–
Advances paid for purchase of intangible assets	5184	2016	–	432	–	–	432
	5194	2015	–	–	–	–	–

**NOTES**  
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**2. FIXED ASSETS AND INTEREST BEARING INVESTMENTS INTO TANGIBLE ASSETS**

Balance value of the fixed assets as of December 31, 2016 amounted to 39,575 thousand rubles (45,524 thousand rubles as of December 31, 2015; 122,068 thousand rubles as of December 31, 2014).

Balance value of fully depreciated fixed assets not taking into account accumulated depreciation as of December 31, 2016 amounted to 131,029 thousand rubles (31,477 thousand rubles as of December 31, 2015; 41,373 thousand rubles as of December 31, 2014).

Balance value of fully depreciated interest bearing investments into tangible assets not taking into account accumulated depreciation as of December 31, 2016 amounted to 15,894 thousand rubles (as of December 31, 2015 and December 31, 2014 – non-existent).

As of December 31, 2016, December 31, 2015 and December 31, 2014 the Company has no fixed assets in pledge, under conservation, as well as real estate objects under procedure of state registration.

**Receipt of fixed assets**

Within the reporting period the Company put into operation new objects of fixed assets at the total amount of 17,210 thousand rubles (14,289 thousand rubles in 2015).

**Disposal of fixed assets and interest bearing investments into tangible assets**

Brief information upon disposal of fixed assets is shown in the table below:

The nature of fixed assets disposal	Disposed per balance value		
	2016	2015	2014
Sold under sales and purchase contracts	421	12,383	384,349
Liquidation, writing-off	330	35	10,476
Transfer to authorized capital	–	–	316,125
<b>TOTAL</b>	<b>751</b>	<b>12,418</b>	<b>710,950</b>

**NOTES**  
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Information on the presence and flow of fixed assets and interest bearing investments into tangible assets is shown in the table below:

Availability	Code	As of the beginning of the period		Changes for the period						As of the end of the period	
				Increase in value due to receipt	Depreciation	Decrease in cost due to					
		Disposal				Impairment					
		Initial value	Depreciation accumulated			Initial value	Depreciation accumulated	Initial value	Depreciation accumulated		
Fixed assets (excluding income bearing investments in the tangible assets) – total											
2016	5200	225,356	(179,832)	17,210	(22,408)	(12,208)	11,457	–	–	230,358	(190,783)
2015	5210	303,035	(180,967)	14,289	(56,475)	(36,813)	24,395	(55,155)	33,215	225,356	(179,832)
including:											
Buildings and facilities											
2016	5201	–	–	–	–	–	–	–	–	–	–
2015	5211	11,556	(1,156)	–	(241)	(11,556)	1,397	–	–	–	–
Machinery and equipment											
2016	5202	146,430	(133,345)	2,788	(8,467)	(6,758)	6,752	–	–	142,460	(135,060)
2015	5212	225,149	(148,132)	1,261	(41,029)	(24,825)	22,601	(55,155)	33,215	146,430	(133,345)
Tools and utility accessories											
2016	5203	54,645	(33,807)	2,673	(10,148)	–	–	–	–	57,318	(43,955)
2015	5213	51,259	(22,795)	3818	(11,409)	(432)	397	–	–	54,645	(33,807)
Vehicles											
2016	5204	16,773	(5,621)	11,749	(3,507)	(5,450)	4,705	–	–	23,072	(4,423)
2015	5214	7,704	(4,142)	9,069	(1,479)	–	–	–	–	16,773	(5,621)
Other types of fixed assets											
2016	5206	7,508	(7,059)	–	(286)	–	–	–	–	7,508	(7,345)
2015	5216	7,367	(4,742)	141	(2,317)	–	–	–	–	7,508	(7,059)
Recognized as part of income bearing investments in the tangible assets – total											
2016	5200	20,469	(16,466)	–	(739)	–	–	–	–	20,469	(17,205)
2015	5210	20,469	(11,125)	–	(5,341)	–	–	–	–	20,469	(16,466)
including:											
Buildings and facilities											
2016	5220	4,575	(990)	–	(321)	–	–	–	–	4,575	(1,311)
2015	5230	4,575	(668)	–	(322)	–	–	–	–	4,575	(990)
Machinery and equipment											
2016	5220	15,894	(15,476)	–	(418)	–	–	–	–	15,894	(15,894)
2015	5230	15,894	(10,457)	–	(5,019)	–	–	–	–	15,894	(15,476)

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**Leased Fixed Assets**

Indicator name	Code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
<b>Fixed assets taken accounted on the balance sheet (initial value), including:</b>				
Fixed assets transferred into operational lease	5280	–	–	11,556
<b>TOTAL</b>		–	–	<b>11,556</b>
<b>Fixed assets accounted on the off-balance sheet, including:</b>				
Fixed assets received into operational lease	5283	1,585,255	1,013,906	1,010,379
Fixed assets received into operational lease (leasing)	5286	1,099,771	1,778,188	1,778,188
<b>TOTAL</b>		<b>2,685,026</b>	<b>2,792,094</b>	<b>2,788,567</b>

**Fixed assets taken on lease**

Fixed assets received under leasing agreements are recognized in the lessor's balance sheet. The Company accounts the received assets off-balance in accordance with the leasing agreement terms and conditions.

Information on the fixed assets received under leasing agreement is given below:

Name of the object of leasing	Period of leasing agreement	Value as of December 31, 2016	Value as of December 31, 2015	Value as of December 31, 2014
Aircraft Bombardier CL-60002B16	March 2016	–	678,417	678,417
Aircraft Bombardier Global Express BD-700-1A10	August 2018	1,099,771	1,099,771	1,099,771
<b>TOTAL</b>		<b>1,099,771</b>	<b>1,778,188</b>	<b>1,778,188</b>

Within the year 2016 leasing payments accrued in the amount of 223,592 thousand rubles (267,168 thousand rubles in 2015; 199,911 thousand rubles in 2014). Advances per redemption payments for the aircraft as of December 31, 2016 amounted to 871,284 thousand rubles (1,141,075 thousand rubles as of December 31, 2015; 721,367 thousand rubles as of December 31, 2014) and are reflected as part of construction in progress (please refer to section 3 Construction in progress of these Notes).

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The total amount of liabilities payable under leasing agreement, within a period from 2017 to 2018 equals 11,917 thousand US dollars (equivalent to 722,863 thousand rubles). Where leasing payments amount to 4,791 thousand US dollars (equivalent to 290,622 thousand rubles), redemption payments amount to 7,126 thousand US dollars (equivalent to 432,241 thousand rubles).

Upon end of the leasing agreement period, in April 2016 the Company purchased aircraft Bombardier CL-60002B16 and sold it to a subsidiary company under sales and purchase contract with payment in installments up to March 2026.

**Fixed assets taken on lease**

The value of property is reflected according to the accounting data of the lessor and equals to balance value as of the date of property transfer under lease.

Information on the fixed assets received under leasing (sub-leasing) agreements and accounted off-balance:

<b>Name of the object of leasing</b>	<b>Period of leasing agreement</b>	<b>Value as of December 31, 2015</b>	<b>Received in 2016</b>	<b>Disposed in 2016</b>	<b>Value as of December 31, 2016</b>
Office space of the Executive Body in the Luch Business Center	March 2017	1,012,009	930,938	(1,012,009)	930,938
Aircraft Bombardier CL-60002B16	March 2026	–	652,415	–	652,415
Other general business purpose property	2018	1,897	34	(29)	1,902
<b>TOTAL</b>		<b>1,013,906</b>	<b>1,583,387</b>	<b>(1,012,038)</b>	<b>1,585,255</b>

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**3. CONSTRUCTION IN PROGRESS**

The Company reflects as part of construction in progress unfinished transactions on purchase, modernization of fixed assets, advances (VAT not included), paid to suppliers of fixed assets and advances paid for redemption value of the property in leasing.

As of December 31, 2016, the structure of advances paid for redemption value of the property in leasing includes redemption payments under lease agreement of the aircraft in the amount of 871,284 thousand rubles (1,141,075 thousand rubles as of December 31, 2015; 721,367 thousand rubles as of December 31, 2014). Other advances paid to suppliers for purchase of the fixed assets (VAT not included) as of December 31, 2016 are non-existent (1,900 thousand rubles as of December 31, 2015, as of December 31, 2014, non-existent).

Information on the flow and presence of unfinished construction objects and unfinished transactions for the purchase, modernization of the fixed assets is shown in the table below:

Indicator name	Code	Availability	As of the beginning of the period	Changes for the period			As of the end of the period
				expenses for the period	written-off (including those sold)	recognized for accounting as part of fixed assets	
<b>Construction in progress and unfinished transactions on acquisition, modernization of fixed assets – total:</b>	5240	2016	<b>1,142,975</b>	<b>334,011</b>	<b>(588,492)</b>	<b>(17,210)</b>	<b>871,284</b>
	5250	2015	<b>725,857</b>	<b>435,897</b>	<b>(4,490)</b>	<b>(14,289)</b>	<b>1,142,975</b>
including:							
expenses for construction and acquisition of fixed assets objects	5241	2016	–	15,310	–	(15,310)	–
	5251	2015	4,490	14,289	(4,490)	(14,289)	–
advanced paid under redemption value of property in leasing	5243	2016	1,141,075	318,701	(588,492) <sup>1</sup>	–	871,284
	5253	2015	721,367	419,708	–	–	1,141,075
advances paid for purchase of the fixed assets	5244	2016	1,900	–	–	(1,900)	–
	5254	2015	–	1,900	–	–	1,900

<sup>1</sup> please refer to clause 2 Fixed assets and interest bearing investments into tangible assets / Leased fixed assets of these Notes

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**4. OTHER NON-CURRENT ASSETS**

Information upon the structure of other non-current assets of the Company is shown below:

<b>Name</b>	<b>As of December 31, 2016</b>	<b>As of December 31, 2015</b>	<b>As of December 31, 2014</b>
Receivables due within more than 12 months after the reporting date	8,205,300	3,848,255	10,672,509
Cash with limited use, including moratorium interest <sup>1</sup>	4,666,598	–	–
Deferred costs with maturity period over 12 months	161	–	904
<b>TOTAL</b>	<b>12,872,059</b>	<b>3,848,255</b>	<b>10,673,413</b>

<sup>1</sup> On October 21, 2016, the procedure of external control was introduced in the Joint Stock Commercial Bank PERESVET (JSC) (further referred to as the Bank), functions of temporary administration were imposed on the Groups of Companies Deposit Insurance Agency (further referred to as DIA). In accordance with the participation plan, DIA implements a set of measures to avoid the Bank bankruptcy.

As of the reporting date, DIA has not conducted the contest to select the investor for the Bank sanitation, as well as has not worked out the plan of events for restructuring of the Bank debt. Therefore, at the present moment there exists an uncertainty in regards the future events and their impact upon the Company's financial results.

From January 23, 2017 the Bank of Russia reintroduced moratorium on meeting the claims of the Bank's creditors for a period of three months.

The Company management believes that the most probable plan of restructuring of the Bank debt shall include conversion of 85% of the Bank's debt against the Company into long-term convertible bonds of the Bank with a period of maturity 15 years, interest rate 0.51% per annum and the Bank's option to convert bonds into shares, the remaining account in the volume of 15% of the debt shall be returned by the Bank in the short-term perspective.

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In the balance sheet the long-term part of the Bank debt is reflected as part of other non-current assets; the debt which repayment is expected in the short-term perspective, is reflected as part of other current assets.

The value of long-term Bank debt discounted at the market rate amounts to 956,620 thousand rubles.

Flow and structure of receivables are shown in the section 7.1 Long-term receivables of these Notes.

## **5. FINANCIAL INVESTMENTS**

### **5.1 Long-term financial investments**

Shares quoted at the Stock Exchange are reflected on the balance sheet at the market value calculated by exchange trade organizer (PJSC MICEX) on the last working day December 30, 2016.

Financial investments are reflected in the balance sheet less provision for impairment of financial investments in the amount of 346,278,308 thousand rubles as of December 31, 2016 (306,466,238 thousand rubles as of December 31, 2015; 281,325,598 thousand rubles as of December 31, 2014).

As of December 31, 2016, the value of provision for impairment of financial investments in authorized (share) capitals of other companies amounts to 26,167,480 thousand rubles (86,771,930 thousand rubles as of December 31, 2015; 86,646,598 thousand rubles as of December 31, 2014).

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Information on presence and flow of financial investments in the reporting period is presented in the table below:

Indicator name	Code	Availability	As of the beginning of the period		Changes for the period					As of the end of the period	
			Balance value	Provision for impairment	Received	Disposed (repaid)	Impact of market quotes, exchange rate differences	Provision for impairment	Reclass	Balance value	Provision for impairment
<b>Long-term – total</b>	5301	2016	<b>393,255,604</b>	<b>(86,789,366)</b>	<b>1,382,021</b>	<b>(20,369,987)</b>	<b>(909,563)</b>	<b>60,604,450</b>	<b>(894,851)</b>	<b>372,463,224</b>	<b>(26,184,916)</b>
	5311	2015	<b>367,989,632</b>	<b>(86,664,034)</b>	<b>24,604,185</b>	<b>(4,878,352)</b>	<b>7,159,520</b>	<b>(125,332)</b>	<b>(1,619,381)</b>	<b>393,255,604</b>	<b>(86,789,366)</b>
including:											
<i>those accounted by current market value</i>											
shares quoted on stock exchange	5302	2016	16,370,868	–	–	(15,790,416)	53,053	–	–	633,505	–
	5322	2015	16,197,825	–	–	–	5,926,743	–	(5,753,700)	16,370,868	–
<i>those accounted by actual costs</i>											
shares and investment units	5303	2016	366,884,723	(86,771,930)	20,910	(359,733)	–	60,604,450	–	366,545,900	(26,167,480)
	5323	2015	342,517,815	(86,646,598)	22,464,106	(3,850,898)	–	(125,332)	5,753,700	366,884,723	(86,771,930)
loans	5304	2016	9,982,577	–	1,361,111	(4,219,838)	(962,616)	–	(894,851)	5,266,383	–
	5324	2015	9,256,556	–	2,140,079	(1,027,454)	1,232,777	–	(1,619,381)	9,982,577	–
contributions into joint activity	5307	2016	17,436	(17,436)	–	–	–	–	–	17,436	(17,436)
	5327	2015	17,436	(17,436)	–	–	–	–	–	17,436	(17,436)
<b>Short-term – total</b>	5308	2016	<b>3,977,381</b>	<b>–</b>	<b>21,682,954</b>	<b>(18,056,139)</b>	<b>(57,968)</b>	<b>–</b>	<b>894,851</b>	<b>8,441,079</b>	<b>–</b>
	5328	2015	<b>10,483,830</b>	<b>–</b>	<b>31,855,812</b>	<b>(40,876,770)</b>	<b>895,128</b>	<b>–</b>	<b>1,619,381</b>	<b>3,977,381</b>	<b>–</b>
including:											
<i>those accounted by actual costs</i>											
loans	5310	2016	2,597,381	–	17,182,954	(12,176,139)	(57,968)	–	894,851	8,441,079	–
	5330	2015	4,389,618	–	22,103,583	(25,515,201)	–	–	1,619,381	2,597,381	–
deposits in banks	5311	2016	1,380,000	–	4,500,000	(5,880,000)	–	–	–	–	–
	5331	2015	6,094,212	–	9,752,229	(15,361,569)	895,128	–	–	1,380,000	–
<b>Financial investments – total</b>		2016	<b>397,232,985</b>	<b>(86,789,366)</b>	<b>23,064,975</b>	<b>(38,426,126)</b>	<b>(967,531)</b>	<b>60,604,450</b>	<b>–</b>	<b>380,904,303</b>	<b>(26,184,916)</b>
		2015	<b>378,473,462</b>	<b>(86,664,034)</b>	<b>56,459,997</b>	<b>(45,755,122)</b>	<b>8,054,648</b>	<b>(125,332)</b>	<b>–</b>	<b>397,232,985</b>	<b>(86,789,366)</b>

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**Participation in the authorized capital of other organizations**

**Quoted financial investments**

**Quoted shares**

In 2015-2016 the Company did not invest money into purchase of shares quoted at the stock exchange.

Information upon changes of the value of quoted shares caused by revaluation and disposal is shown below:

Name of the issuer-legal entity	As of December 31, 2015		Revaluation	Disposed in 2016	As of December 31, 2016	
	Percentage of interest in the capital	Value of financial investment			Percentage of interest in the capital	Value of financial investment
PJSC Irkutskenergo	40.007	15,790,416	–	(15,790,416)	–	–
PJSC Tambov Energy Retailing Company	59.3845	122,205	15,017	–	59.3845	137,222
PJSC Saratovenergo	56.2254	458,247	38,036	–	56.2254	496,283
<b>TOTAL</b>		<b>16,370,868</b>	<b>53,053</b>	<b>(15,790,416)</b>		<b>633,505</b>

In June 2016 the Company sold 1,907,055,080 ordinary shares (40.007% of authorized capital) of PJSC Irkutskenergo to LLC Telmamskaya Hydro Power Plant with payment in installments up to the end of May 2018.

**Non-quoted financial investments**

**Shares and other non-quoted financial investments**

Within the reporting period the Company increased investments into subsidiary by additional contribution to its capital. Information upon the additional investments is shown below:

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Name of legal entity	As of December 31, 2015			Value of additional contribution in 2016	As of December 31, 2016		
	Percentage of interest in the capital	Value of contribution	Provision		Percentage of interest in the capital	Value of contribution	Provision
RAO Intertech B.V.	100.0	891,441	–	17,419	100.0	908,860	–
<b>TOTAL</b>		<b>891,441</b>	<b>–</b>	<b>17,419</b>		<b>908,860</b>	<b>–</b>

In accordance with the terms and conditions of additional contribution agreement, within the reporting period the Company increased its contribution to the capital of 100% subsidiary company RAO Intertech B.V. at the amount of 17,419 thousand rubles (equivalent to 261 thousand euro).

Information on changes in the structure of non-quoted shares caused by their disposal:

Name of legal entity	As of December 31, 2015			Disposed in 2016	As of December 31, 2016		
	Percentage of interest in the capital	Value of contribution	Provision		Percentage of interest in the capital	Value of contribution	Provision
OJSC Razdan Energy Company (RazTES)	50.0	312,290	–	(312,290)	–	–	–
<b>TOTAL</b>		<b>312,290</b>	<b>–</b>	<b>(312,290)</b>		<b>–</b>	<b>–</b>

In the fourth quarter of 2016 the Company sold 798,715 ordinary shares (50% of authorized capital) of OJSC Razdan Energy Company (RazTES) (Republic of Armenia) to the Tashir Group of Companies.

*Shares in the authorized capital of limited liability companies*

Within the reported period the Company increased investments to associated company by additional contribution to the authorized capital, having increased its participation interest up to 100%:

Name of legal entity	As of December 31, 2015			Value of additional contribution in 2016	Change in provision in 2016	As of December 31, 2016		
	Percentage of interest in the capital	Value of contribution	Provision			Percentage of interest in the capital	Value of contribution	Provision
LLC Energoconnect	50.0	4,229	(3,514)	3,491	–	100.0	7,720	(3,514)
<b>TOTAL</b>		<b>4,229</b>	<b>(3,514)</b>	<b>3,491</b>	<b>–</b>		<b>7,720</b>	<b>(3,514)</b>

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Information on changes in the structure of participation interest in the authorized capital caused by their disposal:

Name of legal entity	As of December 31, 2015			Disposed in 2016	Change in provision in 2016	As of December 31, 2016		
	Percentage of interest in the capital	Value of contribution	Provision			Percentage of interest in the capital	Value of contribution	Provision
LLP INTER RAO Central Asia	100.0	47,443	(47,443)	(47,443)	47,443	–	–	–
<b>TOTAL</b>		<b>47,443</b>	<b>(47,443)</b>	<b>(47,443)</b>	<b>47,443</b>		<b>–</b>	<b>–</b>

Information on financial investments as of December 31, 2016 being pledged and in the trust management is shown in the table below:

Indicator name	Code	As of 31.12.2016	As of 31.12.2015	As of 31.12.2014
Financial investments being pledged – total	5320	961,099	1,138,507	1,631,086
including:				
shares of JSC SEGRES-2	5321	961,099	1,138,507	1,631,086
Financial investments transferred to third parties (other than by sale) – total	5325	–	–	21,385
including:				
shares of PJSC Tomskenergosbyt transferred into trust management by CJSC Gazprombank Asset Management	5328	–	–	21,385

**Subsidiaries and associated companies**

The Company controls another entity when by virtue of its participation or in accordance with the powers received from other entities, it has more than 50% of the total number of votes related to voting shares (participatory interest) in the authorized (share) capital of the legal entity and has the ability to determine decisions made by this entity. The Company attributes such participation to the category of participation in subsidiaries.

The Company controls another entity when it has the right to manage directly or through its subsidiaries more than 20 % of the total number of votes related to voting shares (participatory interest) in the authorized (share) capital of the legal entity and has the ability to determine decisions made by this entity. The Company attributes such participation to the category of participation in associated companies.

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Information upon the Company participation in the authorized capital of other organizations with stating the ownership share as of December 31, 2016 is shown below:

Name of legal entity	Percentage of participation in the capital as of December 31, 2016	Value of financial investment as of December 31, 2016	Provision for impairment as of December 31, 2016	Value of investment less provision for impairment as of December 31, 2016	Value of investment less provision for impairment as of December 31, 2015	Value of investment less provision for impairment as of December 31, 2014
<b>Investments in subsidiaries</b>		<b>362,740,766</b>	<b>(24,786,006)</b>	<b>337,954,760</b>	<b>277,323,075</b>	<b>257,442,860</b>
JSC INTER RAO – Electrogeneratsia Russia	100.0000	185,648,281	–	185,648,281	185,648,281	185,648,281
JSC INTER RAO Capital Russia	100.0000	104,666,874	(11,105,351)	93,561,523	33,004,516	13,769,840
LLC BGC Russia	100.0000	24,038,482	–	24,038,482	24,038,482	24,038,482
JSC Petersburg Energy Retailing Company (ordinary shares) Russia	85.3651	11,493,589	(8,628,348)	2,865,241	2,865,241	2,865,241
JSC Petersburg Energy Retailing Company (preferred shares) Russia	14.6349	1,129,473	–	1,129,473	1,129,473	1,129,473
PJSC Mosenergosbyt Russia	50.9189	5,753,700	–	5,753,700	5,753,700	4,746,803
CJSC Moldavskaya GRES Pridnestrovian Moldavian Republic	100.0000	5,152,103	(4,506,352)	645,751	645,751	645,751
LLC RN-Energo Russia	100.0000	4,995,804	–	4,995,804	4,995,804	4,995,804
JSC TGK-11 Russia	98.5373	4,978,688	–	4,978,688	4,978,688	7,907,858
INTER RAO Holding B.V. Netherlands	100.0000	4,413,668	–	4,413,668	4,413,668	4,413,668
JSC Tomskaya generatsiya Russia	98.5373	2,929,170	–	2,929,170	2,929,170	–
JSC VEK Russia	100.0000	2,190,290	–	2,190,290	2,190,290	2,190,290
JSC Electroluch Russia	100.0000	2,065,573	–	2,065,573	2,065,573	2,065,573
RAO Intertech B.V. Netherlands	100.0000	908,860	–	908,860	891,441	891,441
LLC Ugolnyi Razrez Russia	100.0000	785,515	(542,441)	243,074	243,074	243,074
PJSC Saratovenergo Russia	56.2254	496,283	–	496,283	458,247	106,502
JSC Altayenergosbyt Russia	100.0000	330,000	–	330,000	330,000	330,000

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Name of legal entity	Percentage of participation in the capital as of December 31, 2016	Value of financial investment as of December 31, 2016	Provision for impairment as of December 31, 2016	Value of investment less provision for impairment as of December 31, 2016	Value of investment less provision for impairment as of December 31, 2015	Value of investment less provision for impairment as of December 31, 2014
LLC INTER RAO-Export Russia	100.0000	300,000	–	300,000	300,000	300,000
PJSC Tambov Energy Retailing Company Russia	59.3845	137,222	–	137,222	122,205	54,754
LLC INTER RAO – Procurement Management Center Russia	100.0000	122,038	–	122,038	122,038	122,038
INTER RAO Finance B.V. Netherlands	100.0000	82,748	–	82,748	82,748	82,748
LLC Orel Energosbyt Russia	100.0000	60,000	–	60,000	60,000	60,000
RAO Nordic Oy Republic of Finland	100.0000	43,410	–	43,410	43,410	43,410
LLC INTER RAO Finance Russia	100.0000	10,000	–	10,000	10,000	10,000
LLC Energoconnect Republic of Belarus <sup>1</sup>	100.0000	7,720	(3,514)	4,206	–	–
LLC Inter RAO Engineering Russia	100.0000	775	–	775	775	775
LLC INTER RAO – Management of Electrogeneratsia Russia	100.0000	500	–	500	500	500
LLP INTER RAO Central Asia Kazakhstan	–	–	–	–	–	–
OJSC Razdan Energy Company (RazTES) Republic of Armenia	–	–	–	–	–	624,579
JSC Testing Stand of Ivanovo GRES Russia	–	–	–	–	–	155,975
<b>Investments in the associated companies</b>		<b>2,269,444</b>	<b>(569,168)</b>	<b>1,700,276</b>	<b>17,803,697</b>	<b>13,391,454</b>
LLC Engineering Center Gas Turbine Technologies Russia	52.9500	1,250,250	(555,164)	695,086	695,086	474,483
JSC SEGRES-2 Kazakhstan	50.0000	603,311	–	603,311	603,311	603,311

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Name of legal entity	Percentage of participation in the capital as of December 31, 2016	Value of financial investment as of December 31, 2016	Provision for impairment as of December 31, 2016	Value of investment less provision for impairment as of December 31, 2016	Value of investment less provision for impairment as of December 31, 2015	Value of investment less provision for impairment as of December 31, 2014
LLC INTER RAO UES Power Efficiency Center Russia	50.0000	258,250	–	258,250	258,250	258,250
PJSC Tomskenergosbyt (ordinary shares) Russia	24.5644	83,602	–	83,602	83,602	83,602
PJSC Tomskenergosbyt (preferred shares) Russia	6.7089	21,358	–	21,358	21,358	21,358
CJSC Kambaratinskaya HPP-1 Republic of Kyrgyzstan	50.0000	28,864	–	28,864	28,864	28,864
CJSC Industrial Energy Company Russia	50.0000	10,000	(10,000)	–	–	–
LLC RT-ET Russia	50.0000	9,805	–	9,805	9,805	9,805
LLC INTERENERGOEFFECT Russia	50.0000	4,004	(4,004)	–	–	–
PJSC Irkutskenergo Russia	–	–	–	–	15,790,416	11,289,766
OJSC Razdan Energy Company (RazTES) Republic of Armenia	–	–	–	–	312,290	–
OJSC INTER RAO LED Systems Russia	–	–	–	–	–	600,000
LLC Energoconnect Republic of Belarus <sup>1</sup>	–	–	–	–	715	2,631
LLC InterRAO – WorleyParsons Russia	–	–	–	–	–	19,384
<b>Investments in other companies</b>		<b>2,169,195</b>	<b>(812,306)</b>	<b>1,356,889</b>	<b>1,356,889</b>	<b>1,234,728</b>
«AKKUYU NUKLEER ANONIM SIRKETI» Republic of Turkey	0.8207	1,025,707	(177,849)	847,858	847,858	1,025,707
OJSC Sangtudinskaya HPP-1 Tajikistan	14.8724	795,869	(634,457)	161,412	161,412	161,412

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Name of legal entity	Percentage of participation in the capital as of December 31, 2016	Value of financial investment as of December 31, 2016	Provision for impairment as of December 31, 2016	Value of investment less provision for impairment as of December 31, 2016	Value of investment less provision for impairment as of December 31, 2015	Value of investment less provision for impairment as of December 31, 2014
OJSC INTER RAO LED Systems Russia	17.5800	300,000	—	300,000	300,000	—
JSC SIBEKO Russia	0.1613	18,738	—	18,738	18,738	18,738
JSC Elektromagistral (preferred shares) Russia	0.1085	16,022	—	16,022	16,022	16,022
JSC Elektromagistral (ordinary shares) Russia	0.0870	12,849	—	12,849	12,849	12,849
LLC Kaliningradskaya Generatsia Russia	0.00005	10	—	10	10	—
<b>TOTAL (investment units and shares)</b>		<b>367,179,405</b>	<b>(26,167,480)</b>	<b>341,011,925</b>	<b>296,483,661</b>	<b>272,069,042</b>

<sup>1</sup> investment into LLC Energoconnect (Republic of Belarus) as of 31.12.2016 is transferred from the structure of investments into associated companies to the structure of investments into subsidiaries

**Investments into Joint Activity**

In 2007 the Company entered into a contract of simple partnership to participate in joint activity on obtaining a written justification of investments into joint construction of Kambaratinskaya HPP-1 and HPP-2 in the Republic of Kyrgyzstan. Another participant under agreement is OJSC Electric Power Stations (Republic of Kyrgyzstan). Participants contribute cash as a contribution to the joint activity. The Company's contribution as of December 31, 2016 amounted to 17,436 thousand rubles (17,436 thousand rubles as of December 31, 2015; 17,436 thousand rubles as of December 31, 2014).

Since within the previous years the Company has not get profit from participation in the joint activity under simple partnership contract and receipt of economic benefits in the nearest future is not expected, in 2014 the provision for contribution impairment was created in the amount of 17,436 thousand rubles, as of December 31, 2016 the provision amount was not changed.

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**Debt Financial Investments**

**Long-term loans issued in foreign currency**

Information on the long-term loans issued in foreign currency is shown in the table below:

*in thousand currency units*

Name	Loan balance as of December 31, 2015	Issued in 2016	Disposed in 2016		Balance of exchange rates differences	Loan balance as of December 31, 2016
			Repaid	Transfer to short-term		
loans in US dollars	42,850	2,500	(19,978)	–	–	25,372
loans in euro	40,000	–	(5,015)	(9,500)	–	25,485
Loans in ruble equivalent	6310911	158,715	(1,640,255)	(701,550)	(962,616)	3,165,205

The Company grants long-term loans in foreign currency to related parties. Maturity dates for loans in US dollar and euro fall within 2020-2023. Interest rates effective in 2016 amounted to 10% per annum for loans in US dollars and 4-10% per annum for loans in euro (in 2015: 10% per annum for loans in US dollars and 4-10% per annum for loans in euro).

**Long-term loans issued in rubles**

Information on long-term loans issued in rubles is shown in the table below:

Name	Loan balance as of December 31, 2015	Issued in 2016	Disposed in 2016		Loan balance as of December 31, 2016
			Repaid	Transfer to short-term	
loans in rubles	3,671,666	1,202,396	(2,579,583)	(193,301)	2,101,178

The Company grants long-term loans in rubles to the companies of Inter RAO Group. Maturity dates for loans fall within 2020-2023. Interest rates effective in 2016 ranged between 12% and 13.75% per annum (in 2015: between 11% and 16.65% per annum).

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**5.2 Short-term financial investments (other than cash equivalents)**

Short-term financial investments (other than cash equivalents) as of December 31, 2016 amounted to 8,441,079 thousand rubles (3,977,381 thousand rubles as of December 31, 2015; 10,483,830 thousand rubles as of December 31, 2014).

Provision for financial investments impairment in regards to short-term financial investments in the form of loans issued as of December 31, 2016, as of December 31, 2015 and December 31, 2014 was not created.

Short-term investments issued in foreign currency

Information on the short-term loans issued in foreign currency is shown in the table below:

in thousand currency units

Name	Loan balance as of December 31, 2015	Issued in 2016	Disposed in 2016		Balance of exchange rates differences	Loan balance as of December 31, 2016
			Repaid	Transfer from long-term		
loans in euro	—	—	(9,500)	9,500	—	—
Loans in ruble equivalent	—	—	(643,582)	701,550	(57,968)	—

Interest rates for loans issued in euro effective in 2016, ranged between 4% and 6% per annum.

As of December 31, 2015 and as of December 31, 2014 the Company did not have any debt per long-term loans issued in foreign currency.

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**Short-term loans issued in rubles**

Information on the short-term loans issued in rubles is shown in the table below:

Name	Loan balance as of December 31, 2015	Received in 2016		Repaid in 2016	Loan balance as of December 31, 2016
		Issued	Transfer from long-term		
loans in rubles	2,597,381	17,182,954	193,301	(11,532,557)	8,441,079

The Company grants short-term loans in rubles to the companies of Inter RAO Group with a maturity date in less than 365 days. Interest rates effective in 2016 ranged between 11% and 16.65% per annum (in 2015: between 11,50% and 15.75% per annum).

**Bank Deposits**

The Company within the reporting period was placing free funds on bank deposits. Deposits were made in RF rubles and US dollars. Interest rates for deposits in rubles ranged between 7.77-12.50% per annum (in 2015 7.50-20.90% per annum), for deposits in US dollars, between 0.56-0.90% per annum (in 2015 2.00-5.40% per annum). The periods of deposits ranged from 1 to 313 days. The Company was mainly placing deposits for periods from 1 to 3 days.

Deposits with a return period of less than 3 months are reflected by the Company in the balance sheet as part of cash and cash equivalents. As of December 31, 2016 cash equivalents amounted to 8,536,130 thousand rubles (9,100,000 thousand rubles as of December 31, 2015; 1,500,000 thousand rubles as of December 31, 2014), including those in foreign currency in the amount of 3,336,130 thousand rubles (equivalent to 55,000 thousand US dollars). Deposits with a return period over 3 months as of December 31, 2016 are non-existent (1,380,000 thousand rubles as of December 31, 2015; 6,094,212 thousand rubles as of December 31, 2014). Deposits in foreign currency with a return period over 3 months as of December 31, 2016 and as of December 31, 2015 are non-existent (3,094,212 thousand rubles (equivalent to 55,000 thousand US dollars) as of December 31, 2014).

Information on deposits placed in commercial banks as of December 31, 2016 is shown in the table below:

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Name of the credit organization	Period of placement (year, month)		Amount, thousand rubles
	Effective as of	End	
PJSC Sberbank	December 2016	January 2017	3,336,130
JSC Gazprombank	December 2016	January 2017	3,200,000
JSC Joint Stock Bank ROSSIYA	December 2016	January 2017	2,000,000
<b>TOTAL deposits reflected in the structure of cash and cash equivalents</b>			<b>8,536,130</b>
<b>TOTAL deposits reflected in the structure of short-term financial investments</b>			<b>–</b>
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>8,536,130</b>

Information upon deposits placed in commercial banks as of December 31, 2015 is shown in the table below:

Name of the credit organization	Period of placement (year, month)		Amount, thousand rubles
	Effective as of	End	
JSC Gazprombank	December 2015	January 2016	7,400,000
JSC Joint Stock Commercial Bank PERESVET	December 2015	January 2016	1,700,000
<b>TOTAL deposits reflected in the structure of cash and cash equivalents</b>			<b>9,100,000</b>
JSC Joint Stock Commercial Bank PERESVET	November 2015	June 2016	700,000
PJSC Moscow Credit Bank	September 2015	March 2016	500,000
JSC Joint Stock Commercial Bank PERESVET	December 2015	November 2016	180,000
<b>TOTAL deposits reflected in the structure of short-term financial investments</b>			<b>1,380,000</b>
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>10,480,000</b>

Information upon deposits placed in commercial banks as of December 31, 2014 is shown in the table below:

Name of the credit organization	Period of placement (year, month)		Amount, thousand rubles
	Effective as of	End	
<b>JSC Joint Stock Commercial Bank PERESVET</b>	December 2014	January 2015	1,500,000
<b>TOTAL deposits reflected in the structure of cash and cash equivalents</b>			<b>1,500,000</b>
PJSC Bank VTB	October 2014	October 2015	3,094,212
PJSC Moscow Credit Bank	September 2014	January 2015	3,000,000
<b>TOTAL deposits reflected in the structure of short-term financial investments</b>			<b>6,094,212</b>
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>7,594,212</b>

**NOTES**  
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## 6. INVENTORIES

Information on presence and flow of inventories is shown in the table below:

Indicator name	Code	Availability	As of the beginning of the period	Changes for the period		As of the end of the period
			balance value	received	disposed balance value	balance value
<b>Inventories – total</b>	5400	2016	<b>3,141</b>	<b>79,561</b>	<b>(76,678)</b>	<b>6,024</b>
	5420	2015	<b>4,990</b>	<b>55,544</b>	<b>(57,393)</b>	<b>3,141</b>
including:						
fuel and petroleum products	5402	2016	–	221	(221)	–
	5422	2015	–	302	(302)	–
inventory and utility equipment	5403	2016	–	20,163	(20,163)	–
	5423	2015	–	17,054	(17,054)	–
low-value fixed assets	5404	2016	–	5,093	(3,394)	1,699
	5424	2015	2,634	5,999	(8,633)	–
other materials	5405	2016	3,141	54,084	(52,900)	4,325
	5425	2015	2,356	32,189	(31,404)	3,141

As of December 31, 2016 the Company did not have any morally outdated inventories that lost their quality fully or partially, as well as those pledged. Provision for inventories impairment in 2015-2016 was not created.

## 7. RECEIVABLES

### 7.1 Long-term receivables

Long-term receivables is reflected less provision for bad debts as part of other non-current assets of balance sheet as of December 31, 2016 in the amount of 8,205,300 thousand rubles (3,848,255 thousand rubles as of December 31, 2015; 10,672,509 thousand rubles as of December 31, 2014) (please refer to section 4 Other non-current assets of these Notes).

Provision for bad debts in part of long-term receivables as of December 31, 2016 amounted to 255,244 thousand rubles (637,576 thousand rubles as of December 31, 2015; was not created as of December 31, 2014).

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Presence and flow of long-term receivables are shown in the table below:

Indicator name	Code	Availability	As of the beginning of the period		Changes for the period				As of the end of the period	
			accounted under contract terms	overdue debt reserve	receipt as a result of business transactions	repayment	overdue debt reserve	reclass	accounted under contract terms	overdue debt reserve
<b>Long-term receivables – total</b>	5501	2016	<b>4, 485,833</b>	<b>(637,578)</b>	<b>13,138,128</b>	<b>(416,288)</b>	<b>382,334</b>	<b>(8 747,129)</b>	<b>8 460,544</b>	<b>(255,244)</b>
	5521	2015	<b>10,672,509</b>	<b>–</b>	<b>902,005</b>	<b>(418)</b>	<b>(637,578)</b>	<b>(7, 088,263)</b>	<b>4, 485,833</b>	<b>(637,578)</b>
including:										
for securities transactions	5502	2016	306,284	–	12,500,000	–	–	(6,404,331)	6,401,953	–
	5522	2015	37,035	–	341,957	(10)	–	(72,698)	306,284	–
interest-free loans (payment by installments)	5503	2016	4,151	–	–	(408)	–	(273)	3,470	–
	5523	2015	4,831	–	–	(408)	–	(272)	4,151	–
for interest revenues	5504	2016	2,119,948	(637,578)	83,861	(415,880)	382,334	(264,253)	1,523,676	(255,244)
	5524	2015	1,675,442	–	560,048	–	(637,578)	(115,542)	2,119,948	(637,578)
advances paid	5505	2016	64,450	–	–	–	–	(64,450)	–	–
	5525	2015	2,336	–	–	–	–	62,114	64,450	–
under property sales transactions	5506	2016	1,991,000	–	554,267	–	–	(2,013,822)	531,445	–
	5526	2015	6,909,490	–	–	–	–	(4,918,490)	1,991,000	–
other debts	5507	2016	–	–	–	–	–	–	–	–
	5527	2015	2,043,375	–	–	–	–	(2,043,375)	–	–

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The structure of long-term receivables less provision for bad debts is shown in the table below:

Type of debt	As of December 31 2016	As of December 31 2015	As of December 31 2014	Maturity period
<b>Long-term debts, total</b>	<b>8,205,300</b>	<b>3,848,255</b>	<b>10,672,509</b>	
including:				
<b>Under property sales transactions</b>				
Debts for the property sold	531,445	1,991,000	6,909,490	year 2026
<b>For interest revenues</b>				
Debts for interest due on loans, payment by installments	1,268,432	1,482,370	1,675,442	2018-2023 years
<b>For securities transactions</b>				
Under sales of shares	6,401,953	303,907	–	2018
Bank promissory notes	–	2,377	37,035	–
<b>Under interest-free loans</b>				
Debts of physical persons for apartments acquired by installments	3,470	4,151	4,831	2018-2027 years
<b>Advances paid</b>				
For supplies of power generating equipment	–	64,450	2,229	–
Under optional insurance	–	–	107	–
<b>Other debts</b>				
Debts inherited by the Company under reorganization in 2012	–	–	2,043,375	–

**Long-term debt for the property sold**

Long-term debt for the property sold to 100% subsidiary JSC INTER RAO – Electrogeneratsia as of December 31, 2016 is non-existent (1,991,000 thousand rubles as of December 31, 2015; 6,909,490 thousand rubles as of December 31, 2014). This is explained by its transfer to the structure of short-term debt in the amount of 1,991,000 thousand rubles, since the debt repayment period under contract terms is the year 2017. Interest accrued on the outstanding amount of receivables at the rate of 10.5% per annum is accounted as part of short-term receivables.

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Long-term debt for aircraft sold in 2016 to subsidiary company (please refer to paragraph 2 Fixed Assets and Interest Bearing Investments into Tangible Assets of these Notes) as of December 31, 2016 amounted to 8,762 thousand US dollars (equivalent to 531,445 thousand rubles). Interest accrued on the outstanding amount of receivables at the rate of 6.5% per annum is accounted as part of short-term receivables.

**7.2 Short-term receivables of buyers and customers**

Short-term receivables of buyers and customers is reflected less provision for bad debts as part of current assets of balance sheet as of December 31, 2016 in the amount of 3,867,502 thousand rubles (4,417,035 thousand rubles as of December 31, 2015; 4,485,524 thousand rubles as of December 31, 2014).

Provision for bad debts in part of short-term receivables of buyers and customers as of December 31, 2016 amounted to 1,271,124 thousand rubles (1,262,748 thousand rubles as of December 31, 2015; 1,431,964 thousand rubles as of December 31, 2014).

As of December 31, 2016 the amount of receivables under settlements with buyers and customers totaled 2,813,668 thousand rubles (3,408,730 thousand rubles as of December 31, 2015; 3,606,174 thousand rubles as of December 31, 2014).

The Company's largest debtors in part of payment for electric power (capacity) as of December 31, 2016 are as follows:

- The amount of the debt of the buyers of electric power (capacity) within the framework of commission agreement with JSC FIC before the Company equals 728,809 thousand rubles (520,707 thousand rubles as of December 31, 2015; 737,731 thousand rubles as of December 31, 2014). In regards to this debt the Company created the provision for bad debts in the amount of 133,885 thousand rubles (96,255 thousand rubles as of December 31, 2015; 82,622 thousand rubles as of December 31, 2014).

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- AB «INTER RAO Lietuva» (Republic of Lithuania). The amount of the debt to the Company is 743,475 thousand rubles (824,111 thousand rubles as of December 31, 2015; 965,773 thousand rubles as of December 31, 2014).

As of December 31, 2016 there are also receivables for supplies of power generating equipment to Bolivarian Republic of Venezuela BARIVEN S.A. in the amount of 1,875,439 thousand rubles (2,253,446 thousand rubles as of December 31, 2015; 1,204,229 thousand rubles as of December 31, 2014).

Presence and flow of short-term receivables are shown in the table below:

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Indicator name	Code	Availability	As of the beginning of the period		Changes for the period					As of the end of the period	
			accounted under contract terms	overdue debt reserve	Receipt as a result of business transactions	Disposal		overdue debt reserve	reclass	accounted under contract terms	value of overdue debt provision
						repayment	writing-off to financial result				
<b>Short-term receivables – total</b>	5510	2016	<b>18,227,578</b>	<b>(1,959,517)</b>	<b>130,962,251</b>	<b>(131,119,194)</b>	<b>(14,453)</b>	<b>66,753</b>	<b>8,747,129</b>	<b>26,803,311</b>	<b>(1,892,764)</b>
	5530	2015	<b>24,895,154</b>	<b>(1,535,184)</b>	<b>82,364,264</b>	<b>(96,117,011)</b>	<b>(3,092)</b>	<b>(424,333)</b>	<b>7,088,263</b>	<b>18,227,578</b>	<b>(1,959,517)</b>
including:											
<b>Trade receivables</b>											
for electric power (capacity) sold within the Russian Federation	5511	2016	1,302,790	(805,640)	11,436,505	(11,327,924)	–	(10,786)	–	1,411,371	(816,426)
	5531	2015	1,510,578	(772,536)	10,582,612	(10,863,098)	–	(33,104)	72,698	1,302,790	(805,640)
for electric power (capacity) sold outside the Russian Federation	5512	2016	1,909,573	(330,161)	30,804,254	(31,049,500)	–	–	–	1,664,327	(330,161)
	5532	2015	2,921,404	(426,308)	32,728,280	(33,740,111)	–	96,147	–	1,909,573	(330,161)
for heat power	5513	2016	89,965	(89,965)	–	(493)	–	493	–	89,472	(89,472)
	5533	2015	96,649	(96,649)	–	(6,684)	–	6,684	–	89,965	(89,965)
other debts	5514	2016	2,377,455	(36,982)	2,854,857	(3,244,519)	(14,337)	1,917	–	1,973,456	(35,065)
	5534	2015	1,388,857	(136,471)	5,187,528	(4,198,921)	(9)	99,489	–	2,377,455	(36,982)
<b>Total trade receivables</b>	5515	2016	<b>5,679,783</b>	<b>(1,262,748)</b>	<b>45,095,616</b>	<b>(45,622,436)</b>	<b>(14,337)</b>	<b>(8,376)</b>	–	<b>5,138,626</b>	<b>(1,271,124)</b>
	5535	2015	<b>5,917,488</b>	<b>(1,431,964)</b>	<b>48,498,420</b>	<b>(48,808,814)</b>	<b>(9)</b>	<b>169,216</b>	<b>72,698</b>	<b>5,679,783</b>	<b>(1,262,748)</b>
<b>Other receivables</b>											
for securities transactions (including transactions for contributions to authorized capital and other financial transactions)	5516	2016	151,956	–	57,393,877	(51,143,880)	–	(75,977)	6,404,331	12,806,284	(75,977)
	5536	2015	–	–	1,091,318	(939,362)	–	–	–	151,956	–
for interest revenues	5517	2016	443,679	–	4,767,216	(4,745,676)	–	(255,244)	264,253	729,472	(255,244)
	5537	2015	675,379	–	5,027,146	(5,374,388)	–	–	115,542	443,679	–
for dividends	5518	2016	346,382	(331,502)	1,037,558	(1,375,186)	–	322,748	–	8,754	(8,754)
	5538	2015	483,843	–	1,691,630	(1,829,091)	–	(331,502)	–	346,382	(331,502)
other debts	5519	2016	8,536,969	(324,585)	3,856,213	(9,045,048)	(116)	80,386	2,014,095	5,362,113	(244,199)
	5539	2015	12,832,091	(57,223)	6,949,265	(18,203,447)	(3,077)	(267,362)	6,962,137	8,536,969	(324,585)
<b>Total other receivables</b>	5520	2016	<b>9,478,986</b>	<b>(656,087)</b>	<b>67,054,864</b>	<b>(66,309,790)</b>	<b>(116)</b>	<b>71,913</b>	<b>8,682,679</b>	<b>18,906,623</b>	<b>(584,174)</b>
	5540	2015	<b>13,991,313</b>	<b>(57,223)</b>	<b>14,759,359</b>	<b>(26,346,288)</b>	<b>(3,077)</b>	<b>(598,864)</b>	<b>7,077,679</b>	<b>9,478,986</b>	<b>(656,087)</b>
<b>Advances paid</b>											
<b>advances paid</b>	5521	2016	<b>3,068,809</b>	<b>(40,682)</b>	<b>18,811,771</b>	<b>(19,186,968)</b>	–	<b>3,216</b>	<b>64,450</b>	<b>2 758 062</b>	<b>(37,466)</b>
	5,541	2015	<b>4,986,353</b>	<b>(45,997)</b>	<b>19,106,485</b>	<b>(20,961,909)</b>	<b>(6)</b>	<b>5,315</b>	<b>(62,114)</b>	<b>3,068,809</b>	<b>(40,682)</b>

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**7.3 Other short-term receivables**

Other receivables are reflected in the balance sheet less provision for bad debts as part of current assets in the amount of 18,322,449 thousand rubles as of December 31, 2016 (8,822,899 thousand rubles as of December 31, 2015; 13,934,090 thousand rubles as of December 31, 2014).

Provision for bad debts in regards to other long-term receivables as of December 31, 2016 amounted to 584,174 thousand rubles (656,087 thousand rubles as of December 31, 2015; 57,223 thousand rubles as of December 31, 2014).

Other short-term receivables less provision for the bad debts are shown below:

<b>Other short-term receivables</b>	<b>As of December 31, 2016</b>	<b>As of December 31, 2015</b>	<b>As of December 31, 2014</b>
<b>Other receivables, total</b>	<b>18,322,449</b>	<b>8,822,899</b>	<b>13,934,090</b>
including:			
<b>Under property sales transactions</b>			
Debts for the property sold	2,099,509	5,400,000	8,823,915
<b>Taxes and levies</b>			
VAT to be recovered from the budget including export VAT	2,215,281	1,357,853	1,612,327
Overpayment of taxes to the federal budget, the budgets of the constituent entities of the Russian Federation	40,801	324,870	295,622
<b>For interest revenues</b>			
Payables for interest due on loans, placed deposits, payment by installments	474,228	443,679	675,379
<b>For dividend revenues</b>			
Payable on dividends	–	14,880	483,843
<b>For securities transactions</b>			
Debts for sales of shares	12,727,930	151,956	–
Bank promissory notes	2,377	–	–

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<b>Other short-term receivables</b>	<b>As of December 31, 2016</b>	<b>As of December 31, 2015</b>	<b>As of December 31, 2014</b>
<b>For other settlements</b>			
Debts on settlements for electric power under commission and assignment contracts	630,071	1,052,043	1,909,703
Settlements under leasing agreements, sureties, others	132,252	77,618	133,301

#### **7.4 Advances paid**

Advances paid are reflected less provision for bad debts as part of current assets of balance sheet in the amount of 2,720,596 thousand rubles as of December 31, 2016 (3,028,127 thousand rubles as of December 31, 2015; 4,490,356 thousand rubles as of December 31, 2014).

Provision for bad debts in regards to advances paid as of December 31, 2016 amounted to 37,466 thousand rubles (40,682 thousand rubles as of December 31, 2015; 45,997 thousand rubles as of December 31, 2014).

As of December 31, 2016 the main part of advances paid are advances paid for supplies of power generating equipment to Bolivarian Republic of Venezuela in the amount of 1,357,413 thousand rubles (1,357,413 thousand rubles as of December 31, 2015; 3,063,897 thousand rubles as of December 31, 2014) and to the Republic of Ecuador in the amount of 1,185,715 thousand rubles (1,542,856 thousand rubles as of December 31, 2015; 1,751,803 thousand rubles as of December 31, 2014). Change in amount of advances paid as of December 31, 2016 compared with the amount of advances as of December 31, 2015 is caused by reclassification of advances paid for supplies of power generating equipment to the Republic of Ecuador in the amount of 64,450 thousand rubles from the long-term part to the short-term in the connection with clarification of the approved schedules for export delivery of power generating equipment. Besides, within the reporting period current advances were paid under terms and conditions of supplies of power generating equipment to the Republic of Ecuador in the amount of 2,074,353 thousand rubles, equipment was purchased to supply to the Republic of Ecuador at the amount of 2,495,944 thousand rubles.

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**8. CASH AND CASH EQUIVALENTS**

<b>Cash</b>	<b>As of December 31, 2016</b>	<b>As of December 31, 2015</b>	<b>As of December 31, 2014</b>
Cash in rubles in hand and on the bank accounts	28,118,102	10,439,505	14,144,562
Cash in foreign currency in hand and on the bank accounts	5 001,643	855,580	7,519,214
Monetary documents in rubles in hand	–	–	26
<b>TOTAL</b>	<b>33,119,745</b>	<b>11,295,085</b>	<b>21,663,802</b>

**Cash in hand**

*in thousand currency units*

<b>Cash</b>	<b>As of December 31, 2016</b>	<b>As of December 31, 2015</b>	<b>As of December 31, 2014</b>
Cash on the bank accounts in US dollars	29,421	8,402	129,458
Equivalent in rubles according to the exchange rate of the Central Bank	1,784,611	612,394	7,283,111
Cash on the bank accounts in euro	50,415	3,051	3,455
Equivalent in rubles according to the exchange rate of the Central Bank	3,217,032	243,186	236,103
<b>TOTAL in rubles</b>	<b>5,001,643</b>	<b>855,580</b>	<b>7,519,214</b>

**Cash equivalents**

<b>Type of cash equivalent</b>	<b>As of December 31, 2016</b>	<b>As of December 31, 2015</b>	<b>As of December 31, 2014</b>
Short-term bank deposits (for a period under three months)	8,536,130	9,100,000	1,500,000

Cash with limited usage is reflected as part of other non-current and other current assets of the balance sheet (please refer to paragraph 4 Other Non-Current Assets of these Notes).

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**9. OTHER CURRENT ASSETS**

As part of other current assets deferred costs are reflected with writing-down period within 12 months after the reporting date (asset as a whole), as well as cash with limited usage.

Information on other current assets of the Company is shown below:

<b>Name</b>	<b>As of December 31, 2016</b>	<b>As of December 31, 2015</b>	<b>As of December 31, 2014</b>
Cash with limited use, including moratorium interest <sup>1</sup>	823,517	–	–
Deferred costs with maturity period up to 12 months – total, including:	11,390	913	12,782
– <i>software products (licenses)</i>	1,815	724	9,783
– <i>expertise and market value assessment services</i>	9,575	–	621
– <i>agent fee</i>	–	–	2,378
– <i>other</i>	–	189	–
<b>TOTAL</b>	<b>834,907</b>	<b>913</b>	<b>12,782</b>

<sup>1</sup> please refer to paragraph 4 Other Non-Current Assets of these Notes

**10. CAPITAL AND RESERVES**

**Authorized capital**

As of December 31, 2016 the Company's authorized capital amounts to 293,339,675 thousand rubles. It is divided into 104,400,000,000 ordinary shares at the nominal value of 2.809767 rubles. The Company has no preferred shares issued.

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The Company principal shareholders as of December 31, 2016 are as follows:

- JSC ROSNEFTEGAZ, 26.37% of shares (26.37% as of December 31, 2015; 26.37% as of December 31, 2014);
- JSC Inter RAO Capital, 19.98% of shares (18.98% as of December 31, 2015; 18.99% as of December 31, 2014);
- companies-members of the Group FGC UES, 18.57% of shares (18.57% as of December 31, 2015; 18.57% as of December 31, 2014).

As of December 31, 2016 subsidiary company JSC Inter RAO Capital owns Company shares of nominal value of 58,610,285 thousand rubles (as of December 31, 2015 in JSC Inter RAO Capital 55,678,379 thousand rubles, LLC INTER RAO Invest 330,066 thousand rubles, LLC BGC 176,548 thousand rubles; as of December 31, 2014 – 55,722,266 thousand rubles, 330,066 thousand rubles and 176,548 thousand rubles respectively).

As of December 31, 2016 the Company's authorized capital is fully paid.

**Treasury shares**

As of December 31, 2014, December 31, 2015, and December 31, 2016, the Company has no treasury shares.

**Reserve capital**

According to the law and the Articles of the Company, a reserve fund is formed in the amount of 15% of the authorized capital of the Company. The size of reserve capital as of December 31, 2015 amounted to 318,048 thousand rubles. In 2016 deductions to reserve fund amounted to 186,073 thousand rubles. The value of reserve capital as of December 31, 2016 amounted to 504,121 thousand rubles, which is equal to 0.17% of the authorized capital value.

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**Additional Capital**

In the structure of its additional capital, the Company takes into account:

Items of additional capital	Amount		
	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
Share premium	195,090,772	195,090,772	195,090,772
Income from reorganization	325,345	325,345	325,345
Revaluation surplus of fixed assets objects	–	–	11,221
Other	13	13	13
<b>TOTAL</b>	<b>195,416,130</b>	<b>195,416,130</b>	<b>195,427,351</b>

Additional capital as of December 31, 2016 did not change compared to the previous year (in 2015 reduced by 11,221 thousand rubles).

**Dividends**

In 2016 the Annual General Meeting of Shareholders adopted the resolution on payment of dividends following the results of 2015 in the amount of 1,860,727 thousand rubles. Share of dividends paid out in the total volume of declared dividends as of the end of the year amounted to 99.6%. The reason of non-payment of dividends in the amount of 6,980 thousand rubles is failure to provide by a number of shareholders the information upon changes in their data in accordance with clause 16, article 8.2 Federal Law dated April 22, 1996 No. 39-ФЗ *On Stock Market* (edited on 03.07.2016) to the keeper of the Company register of shareholders.

In 2015 the Annual General Meeting of Shareholders adopted the resolution on payment of dividends following the results of 2014 in the amount of 108,543 thousand rubles.

**NOTES**  
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**11. ESTIMATED LIABILITIES**

Presence and flow of estimated liabilities are shown in the table below:

Name	Legal actions	Unutilized vacations	Remunerations following the results of the year to the Company officials, Members of the Board of Directors	Other estimated liabilities	Total
<b>As of December 31, 2014</b>	–	<b>202,522</b>	<b>509,951</b>	<b>203,439</b>	<b>915,912</b>
Recognized within the reporting period	3,481	4,553	1,100,476	10,095,546	<b>11,204,056</b>
Written-off to the account of reflection of expenses or recognition of payables	6,232	–	(508,356)	–	<b>(502,124)</b>
Written-off because of surplus or cessation to meet the recognition requirements	(6,232)	–	–	–	<b>(6,232)</b>
<b>As of December 31, 2015</b>	<b>3,481</b>	<b>207,075</b>	<b>1,102,071</b>	<b>10,298,985</b>	<b>11,611,612</b>
Recognized within the reporting period	–	34,084	1,191,214	20,146,441	<b>21,371,739</b>
Written-off to the account of reflection of expenses or recognition of payables	(3,131)	–	(1,102,071)	(29,802,228)	<b>(30,907,430)</b>
Written-off because of surplus or cessation to meet the recognition requirements	(350)	–	–	–	<b>(350)</b>
<b>As of December 31, 2016</b>	–	<b>241,159</b>	<b>1,191,214</b>	<b>643,198</b>	<b>2,075,571</b>

**Estimated liabilities for payment of remunerations**

Estimated liability for payment of remunerations for the year 2016 to the Company's employees in the amount of 1,191,214 rubles was recognized in accordance with the Company's Accounting Policy and includes the amount of insurance contributions. Remunerations are provided by the Regulation on payment and labor stimulation of the employees of PJSC Inter RAO and the regulation on material

**NOTES**  
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stimulation of the Chairman of the Executive Board and Members of the Executive Board of the Company. This estimated liability is expected to be repaid in the first half of 2017. Management believes that the actual expenses of payments for the above purposes shall not exceed the amount of estimated liability recognized.

**Estimated liabilities for payment of unutilized vacations**

Value of estimated liability for payment of unutilized vacations in the amount of 241,159 thousand rubles was formed by the Company on the basis of statistics of accounting data of working days and days of vacation within the period of 2008-2016. The Company accepted estimated liability for payment of vacations not used up as of December 31, 2016 taking into account insurance contributions.

The Estimated liability for payment of unutilized vacations is recalculated as of each reporting date and is adjusted downwards (upwards) depending on the decrease (increase) of the number of unutilized days of vacation. Estimated liability shall be fully repaid in the event of simultaneous dismissal of employees during the reorganization (liquidation) of the Company.

**Other estimated liabilities**

Estimated liability for possible losses in the amount of 203,439 thousand rubles was recognized in 2011 on the basis of the data upon probable decrease of economic benefits from fulfillment by the Company of the claim to repay the liabilities of subsidiary company. The probability of fulfillment of this liability in the short-term perspective still remains valid.

Within the reporting year the Company recognized estimated liability in the amount of 19,706,682 thousand rubles (10,095,546 thousand rubles in 2015) on the basis of the best evaluation of the expected outflow of economic benefits of the Company under guarantee agreements entered into as a security for final liability of INTER RAO Credit B.V. in regards to debt liabilities of Silverteria Holdings Limited within the frames of loan agreement, caused by the fact that Silverteria Holdings Limited did not have a sufficient amount of cash to fulfill obligations under loan agreement with INTER RAO Credit B.V. Within 2016 the Company fulfilled its liabilities under loan agreement in the amount of 31,676,245 thousand rubles, at the expense of, inter alia, earlier recognized estimated liability of 29,802,228 thousand rubles.

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In the reporting period the Company recognized estimated liability for penalty sanctions, as a result of early termination of agreement in the amount of maximum possible outflow of economic benefits in the short-term perspective at the amount of 439,759 thousand rubles. At the present moment the parties are negotiating upon this issue.

## **12. CREDITS AND LOANS**

The Company attracted borrowings in 2016 in the form of bank credit and load from subsidiary company. As of the end of the reporting period the Company's debt for borrowed funds is nil.

Information on credits and loans attracted by the Company within the reporting period is shown in the table below:

<b>Lender</b>	<b>Credit (loan) currency</b>	<b>Balance as of December 31 2015</b>	<b>Received in 2016</b>	<b>Repaid in 2016</b>	<b>Balance as of December 31 2016</b>
<b>Bank credits</b>					
PJSC Sberbank	rubles	<b>950,195</b>	<b>1,202,396</b>	<b>(2,152,591)</b>	<b>–</b>
<b>Loans</b>					<b>–</b>
LLC RN-Energo	rubles	<b>–</b>	1,600,000	(1,600,000)	<b>–</b>
<b>TOTAL less interest</b>		<b>950,195</b>	<b>2,802,396</b>	<b>(3,752,591)</b>	<b>–</b>
Debts for interest (short-term)		599	188,019	(188,618)	<b>–</b>
<b>TOTAL with interests</b>		<b>950,794</b>	<b>2,990,415</b>	<b>(3,941,209)</b>	<b>–</b>

The total amount of long-term credits and loans repayable within not more than one year from the reporting date and transferred to short-term debts, not taking into account interests, as of December 31, 2016 is nil (nil as of December 31, 2015; 9,170,119 thousand rubles as of December 31, 2014).

Within the reporting period the size of credit portfolio was reduced due to early repayment of the bank credit.

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Interest rate for the long-term credits in rubles within 2016 was equal to 11.5% per annum (in 2015, 11.5% per annum).

Interest rate for the short-term credits in rubles within 2016 was equal to 10% per annum (in 2015, 11.4% per annum).

Information on credits and loans attracted by the Company within the year 2015 is shown in the table below:

<b>Lender</b>	<b>Credit (loan) currency</b>	<b>Balance as of December 31 2014</b>	<b>Received in 2015</b>	<b>Repaid in 2015</b>	<b>Balance of exchange rates differences</b>	<b>Balance as of December 31 2015</b>
<b>Bank credits</b>						
PJSC Sberbank <sup>1</sup>	rubles	–	950,195	–	–	950,195
<b>Loans</b>						
INTER RAO Credit B.V.	dollars US	9,170,119	–	(10,495,700)	1,325,581	–
LLC RN-Energo	rubles	–	3,000,000	(3,000,000)	–	–
<b>TOTAL less interest</b>		<b>9,170,119</b>	<b>3,950,195</b>	<b>(13,495,700)</b>	<b>1,325,581</b>	<b>950,195</b>
Debts for interests (short-term)		8,149	517,135	(513,357)	(11,328)	599
<b>TOTAL with interests</b>		<b>9,178,268</b>	<b>4,467,330</b>	<b>(14,009,057)</b>	<b>1,314,253</b>	<b>950,794</b>

<sup>1</sup> Credit maturity under contract terms is November 2022.

**Interests on borrowings included in the value of investment assets**

Interests on borrowings included in the value of investment assets, in 2016 and 2015 are non-existent.

**Credit facilities**

Information on free balances of funds available to the Company under credit facilities as of December 31, 2016, is shown in the table below:

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<b>Lender</b>	<b>Limit amount</b>	<b>Unutilized balance as of December 31, 2016</b>	<b>Availability period end date</b>
PJSC Sberbank	10,536,000	10,536,000	November 2017
PJSC Moscow Credit Bank	10,000,000	10,000,000	August 2019
LLC RN-Energo	5,000,000	5,000,000	June 2018
<b>TOTAL</b>	<b>25,536,000</b>	<b>25,536,000</b>	

Information on credit facilities as of December 31, 2015:

<b>Lender</b>	<b>Limit amount</b>	<b>Unutilized balance as of December 31, 2015</b>	<b>Availability period end date</b>
PJSC Sberbank	10,536,000	9,585,805	November 2017
LLC RN-Energo	5,000,000	5,000,000	June 2018
<b>TOTAL</b>	<b>15,536,000</b>	<b>14,585,805</b>	

Information on credit facilities as of December 31, 2014:

<b>Lender</b>	<b>Limit amount</b>	<b>Unutilized balance as of December 31, 2014</b>	<b>Availability period end date</b>
JSC Alpha-Bank	3,800,000	3,800,000	December 2015
<b>TOTAL</b>	<b>3,800,000</b>	<b>3,800,000</b>	

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**13. PAYABLES**

**13.1 Other long-term liabilities**

Other long-term liabilities of the Company as of December 31, 2016 are non-existent. Within the reporting period the debts for advances received from the buyers of power generating equipment in the volume of 99,477 thousand rubles was transferred to the structure of short-term liabilities (in 2015, transfer from the structure of short-term liability of 88,041 thousand rubles) in the connection with clarification of the approved schedules for export delivery of power generating equipment.

Presence and flow of long-term payables are shown in the table below:

Indicator name	Code	Availability	As of the beginning of the period	Changes for the period	As of the end of the period
				reclass	
<b>Long-term payables – total</b>	5551	2016	<b>99,477</b>	<b>(99,477)</b>	<b>–</b>
	5571	2015	<b>11,436</b>	<b>88,041</b>	<b>99,477</b>
including					
advances received	5553	2016	99,477	(99,477)	–
	5573	2015	11,436	88,041	99,477

**13.2 Short-term payables**

As of December 31, 2016 and 2014-2015, the structure of the Company's accounts payable includes current (not overdue) debts to suppliers and contractors, personnel of the organization, tax authorities, extra-budgetary funds and other creditors.

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Presence and flow of long-term payables are shown in the table below.

Indicator name	Code	Availability	As of the beginning of the period	Changes for the period				As of the end of the period
				Receipt	Disposal		reclass	
				as a result of business transactions	repayment	writing-off to financial result		
Short-term payables – total	5560	2016	7,601,836	101,595,924	(103,839,547)	(3,024)	99,477	5,454,666
	5580	2015	12,445,053	70,348,983	(75,101,265)	(2,894)	(88,041)	7,601,836
including:								
Debts to suppliers and contractors								
for electric power (capacity) acquired	5561	2016	1,838,351	34,579,625	(34,140,898)	–	–	2,277,078
	5581	2015	2,566,773	36,426,611	(37,155,033)	–	–	1,838,351
for electric power transportation	5562	2016	213,660	3,709,380	(3,682,841)	–	–	240,199
	5582	2015	1,586,820	4,303,570	(5,676,730)	–	–	213,660
other debts	5564	2016	2,458,795	5,148,321	(7,497,831)	(1,651)	–	107,634
	5584	2015	1,465,452	8,011,440	(7,017,980)	(117)	–	2,458,795
Total debts to suppliers and contractors	5565	2016	4,510,806	43,437,326	(45,321,570)	(1,651)	–	2,624,911
	5585	2015	5,619,045	48,741,621	(49,849,743)	(117)	–	4,510,806
Other payables								
for securities transactions	5566	2016	175,453	20,683	(55,657)	–	–	140,479
	5586	2015	354,117	24,997	(203,661)	–	–	175,453
for financial instruments transactions	5567	2016	–	–	–	–	–	–
	5587	2015	735	27,415	(28,150)	–	–	–
other debts (including taxes and levies, payments to employees)	5568	2016	231,959	35,076,973	(34,913,937)	(636)	–	394,359
	5588	2015	570,312	1,510,818	(1,846,895)	(2,276)	–	231,959
Total other payables	5569	2016	407,412	35,097,656	(34,969,594)	(636)	–	534,838
	5589	2015	925,164	1,563,230	(2,078,706)	(2,276)	–	407,412
Advances received								
advances received	5570	2016	2,683,618	23,060,942	(23,548,383)	(737)	99,477	2,294,917
	5590	2015	5,900,844	20,044,132	(23,172,816)	(501)	(88,041)	2,683,618

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**13.2.1 Payables to suppliers and contractors**

Payables for settlements with suppliers as of December 31, 2016 in the amount of 25,087 thousand rubles (2,404,743 thousand rubles as of December 31, 2015; 1,315,275 thousand rubles as of December 31, 2014) was expressed in the foreign currency (in euro and US dollars).

The Company's largest creditors as of December 31, 2016 are as follows:

- The amount of the Company's debt to JSC FIC for electric power (capacity) equals 1,017,480 thousand rubles (539,885 thousand rubles as of December 31, 2015; 1,082,014 thousand rubles as of December 31, 2014);
- The amount of the Company's debt to JSC SEGRES-2 for electric power equals 251,165 thousand rubles (as of December 31, 2015 and as of December 31, 2014, nil);
- The amount of the Company's debt to JSC DGK for electric power under agent agreements fulfillment equals 246,315 thousand rubles (576,884 thousand rubles as of December 31, 2015; 654,586 thousand rubles as of December 31, 2014);
- The amount of the Company's debt to JSC INTER RAO – Electric Power Generation for electric power (capacity) equals 233,643 thousand rubles (195,533 thousand rubles as of December 31, 2015; 195,895 thousand rubles as of December 31, 2014);
- The amount of the Company's debt for electric power transportation to PJSC FGC UES equals 205,057 thousand rubles (188,889 thousand rubles as of December 31, 2015; 1,522,727 thousand rubles as of December 31, 2014).

**13.2.2 Other payables**

Structure of other payables mainly includes debts for contributions to the authorized capital of subsidiary company, value added tax for advances paid, settlements with other creditors of the Company.

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Other payables of the Company are shown in the table below:

<b>Other payables</b>	<b>As of December 31, 2016</b>	<b>As of December 31, 2015</b>	<b>As of December 31, 2014</b>
<b>Other creditors, total</b>	<b>420,242</b>	<b>404,836</b>	<b>923,559</b>
including:			
Value added tax on the advances paid <sup>1</sup>	220,091	212,301	473,686
Debts for contribution to the authorized capital of subsidiary company	140,479	175,453	154,078
Debt for electric power settlements under commission and assignment contracts	44,710	14,603	64,919
Debts to the subsidiary for payment for securities	–	–	200,039
Other creditors	14,962	2,479	30,837

<sup>1</sup> Includes VAT for advances issued for supplies of power generating equipment to Bolivarian Republic of Venezuela in the amount of 207,063 thousand rubles (207,063 thousand rubles as of December 31, 2015; 467,374 thousand rubles as of December 31, 2014) (please refer to section 7.4. Advances paid of these Notes).

#### **14. PROCEEDS FROM SALES**

The Company discloses information on proceeds from sales in 2015-2016 in the section 20 Segment Reporting of these Notes.

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**15. NORMAL BUSINESS EXPENSES**

Normal business types of activity expenses are shown in the table below.

Indicator name	Code	for the year 2016	For the year 2015
<b>Tangible expenses – total</b>	5610	<b>31,668,117</b>	<b>33,370,070</b>
including:			
electric power (capacity) for resale	5611	29,376,672	29,682,962
power generating equipment for export	5614	2,291,445	3,687,108
<b>Payroll expenses</b>	5620	<b>2,899,623</b>	<b>2,877,275</b>
<b>Allocations for social needs</b>	5630	<b>529,425</b>	<b>530,707</b>
<b>Depreciation – total</b>	5640	<b>28,592</b>	<b>71,405</b>
including:			
fixed assets depreciation	5641	23,147	58,159
intangible assets depreciation	5642	5,445	13,246
<b>Other expenses – total</b>	5650	<b>5,426,806</b>	<b>6,202,186</b>
including:			
electric power transportation costs	5651	2,293,885	2,955,783
operational property lease	5652	397,468	345,280
infrastructure services costs	5653	547,698	577,335
taxes and levies, including customs payments	5654	3,605	5318
fixed assets repairs and maintenance costs	5655	43,722	39,230
consulting and information, legal, audit services	5657	372,104	409,524
travel, transport expenses	5658	626,899	620,863
financial lease (leasing)	5659	223,592	267,168
expenses for optional insurance, civil liability insurance, medical insurance	5660	52,314	39,885
expenses for acquisition and maintenance of software products	5661	461,472	368,686
security services costs	5662	11,902	9,463
representation and advertisement costs	5663	43,757	43,024
agent services for sales of power generating equipment	5664	–	183,814
other expenses	5665	348,388	336,813
<b>TOTAL expenses on normal business activities</b>	5600	<b>40,552,563</b>	<b>43,051,643</b>

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**16. OTHER INCOME AND EXPENSES**

The income statement of the Company for 2016 and 2015 as part of other income and expenses mainly reflects exchange rates differences from revaluation of assets and liabilities expressed in foreign currency, income (expenses) of currency transactions, income (expenses) of revaluation of quoted securities, changes in the estimated values and others.

Other income and expenses from operations made are shown in the table below.

<b>Other income</b>	<b>For the year 2016</b>	<b>For the year 2015</b>
<b>Other income, total:</b>	<b>131,825,860</b>	<b>8,696,700</b>
including:		
Income derived from disposal of financial investments traded on the Organized Market of the Central Bank	69,516,935	534,738
Recovery of provision for financial investments impairment	60,604,450	—
Income from disposal of fixed assets, material assets and other property	675,697	21,338
Income derived from disposal of financial investments not traded on the Organized Market of the Central Bank	376,943	860,487
Income from sales and purchase of currency	317,636	—
Penalties, fines under business agreements	214,196	104,276
Income received as a result of revaluation of quoted securities	53,053	5,926,743
Exchange rate differences from revaluation of assets and liabilities in foreign currency	—	1,142,394
Other income	66,950	106,724

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<b>Other expenses</b>	<b>For the year 2016</b>	<b>For the year 2015</b>
<b>Other expenses, total</b>	<b>42,408,915</b>	<b>12,447,934</b>
including:		
Expenses in connection with fulfillment of liabilities under guarantee issued for subsidiary company	21,580,699	10,095,546
Expenses derived from disposal of financial investments traded on the Organized Market of the Central Bank	15,798,755	–
Exchange rate differences from revaluation of assets and liabilities in foreign currency	3,251,024	–
Expenses from disposal of fixed assets, material assets and other property	616,735	24,458
Estimated liabilities	439,759	3,481
Expenses derived from disposal of financial investments not traded on the Organized Market of the Central Bank	360,503	705,316
Social expenses	118,838	47,283
Other taxes (including VAT)	80,739	25,624
Expenses on organizing the issue and service of securities	53,501	23,619
Bank services	44,763	86,375
Provisions for bad debts	13,085	1,178,782
Provisions for impairment of financial investments not traded on the Organized Market of the Central Bank	–	125,332
Costs of sales and purchase of currency	–	61,095
Other expenses	50,514	71,023

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**17. TAXES**

**Income tax**

Indicator	For the year 2016	For the year 2015
Income before taxation (except for income from participation in other organizations) according to accounting data	97,551,793	4,388,612
including:		
Profit taxable under 0% rate	(53,718,180)	-
Profit taxable under 20% rate	43,833,613	4,388,612
Amount of provisional income tax expense	(8,766,723)	(877,722)
<b>Exchange rate differences on dividends</b>	<b>–</b>	<b>(259)</b>
<b>Permanent differences of the reporting period,</b> including:	<b>(38,358,229)</b>	<b>6,448,029</b>
– under provision for financial investments impairment	(60,604,450)	125,332
– under fulfillment of obligations under guarantee	21,580,699	10,095,546
– under estimated liabilities	439,409	(100,298)
– administrative and commercial costs	350,502	1,195,203
– under sports events	118,838	47,283
– under revaluation of financial investments (quoted shares)	(53,053)	(5,926,743)
– under contributions to non-profit organizations	12,934	12,832
– under provision for bad debts	(5,744)	659,347
– under writing-off of receivables	378	50,402
– under other income (expenses)	(197,742)	289,125
<b>Deductible temporary differences of the reporting period,</b> including:	<b>(2,836,148)</b>	<b>(2,187,599)</b>
– under sales of securities traded on the Organized Market of the Central Bank	(1,843,110)	(1,843,110)
– under provision for bad debts	(893,512)	436,905
– under sales of securities not traded on the Organized Market of the Central Bank	(166,395)	(322,651)
– under estimated liabilities	123,151	599,252
– under electric power transportation costs	–	(1,001,434)
– under other income (expenses)	(56,282)	(56,561)
<b>Taxable temporary differences of the reporting period,</b> including:	<b>(1,848,842)</b>	<b>32,949</b>
– under provision for bad debts	(1,875,439)	–
– under optional medical insurance	24,522	22,918

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Indicator	For the year 2016	For the year 2015
– under fixed assets	2,000	9,913

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Indicator	For the year 2016	For the year 2015
– under other income (expenses)	75	118
<b>Taxable profit by the tax accounting data</b>	<b>790,394</b>	<b>8,681,732</b>
Income tax rate	20%	20%
<b>Income tax</b>	<b>158,079</b>	<b>1,736,346</b>

Income from participation in other organizations (dividends) received by the Company in 2016 amounted to 1,037,558 thousand rubles (1,691,371 thousand rubles in 2015). Income tax calculated from participation in other organizations is accounted by the Company separately under item 2460 Miscellaneous of the Income Statement. Income from participation in other organizations in the amount of 1,036,756 thousand rubles (680,632 thousand rubles in 2015) are subject to income tax under 0% rate.

Breakdown of line 2460 Miscellaneous of the Income Statement is shown in the table below:

Indicator	For the year 2016	For the year 2015
Income tax from participation in other organizations (dividends)	(104)	(131,396)
Income tax to additional payment under act of field tax audit	(19,228)	(727)
Income tax to be reduced under amended tax returns	354	229,849
Income tax payable in addition under amended tax returns	–	(34)
Penalties under taxes	(27)	(1,507)
Adjustment (writing-off) of the deferred tax asset	–	(287,439)
<b>TOTAL</b>	<b>(19,005)</b>	<b>(191,254)</b>

**Value added Tax**

The total debt for recovery of VAT from the federal budget, including export of electric power, as of December 31, 2016 amounted to 2,215,281 thousand rubles (1,357,853 thousand rubles as of December 31, 2015; 1,612,327 thousand rubles as of December 31, 2014). This amount is reflected as part of other receivables of the balance sheet.

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**18. PROFIT PER SHARE**

The base profit per share reflects a part of the profit of the reporting period, which can be potentially distributed among the shareholders – holders of ordinary shares. It is calculated as the ratio of the base profit for the accounting year to the average quantity of outstanding ordinary shares in the accounting year.

Calculation of the average quantity of shares outstanding during the reporting period has been made according to the Methodical recommendations on disclosure of information on profits per share, approved by Order of the Ministry of Finance of the Russian Federation dated March 21, 2000 No. 29н.

<b>Indicator</b>	<b>2016</b>	<b>2015</b>
Base profit / (loss) for the reporting period, thousand rubles	97,475,269	3,721,453
Quantity of shares, units	104,400,000,000	104,400,000,000
Base profit per share, rubles	0.9337	0.0356

In 2016 and 2015 the Company had no diluted effect.

**19. RELATED PARTIES**

**19.1 Predominating companies**

As of December 31, 2016, the Company shareholder JSC ROSNEFTEGAZ owns 26.37% of the Company shares. Within the reporting period the Company did not carry out settlements with this organization.

There are no other shareholders (legal entities or physical persons) with participation interest over 20% of the authorized capital of the Company among the members of the Company shareholders.

The Russian Federation through government agencies and other organization directly and indirectly controls and significantly influences a considerable number of enterprises (jointly referred as government related enterprises).

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The Company makes the following transactions with these enterprises: sales and purchase of electric power (capacity), goods, works and services, supplies of equipment, placement of deposits, cash management and payment services, currency exchange, issue and receipt of guarantees, as well as securities transactions. Transactions of sales and purchase of electric power (capacity) with the government related enterprises constitute a considerable share of the Company transactions.

**19.2 Subsidiaries and associated companies**

A complete list of subsidiaries and associated companies is available at the Company web-site at: <http://www.interrao.ru/investors/disclosure/affiliates/2016.php>

**19.2.1 Revenue from sales to subsidiaries and associated companies**

Revenue of the Company from sales of goods (works, services) to subsidiary and associated companies for the year 2016 totaled 18,695,869 thousand rubles (14,927,011 thousand rubles in 2015) less VAT.

Sales of electric power was made under the normal commercial conditions at the market prices for respective areas of supplies. Other sales mainly include agent commission, services under operation and technical maintenance agreement, income from lease of property. The prices for the services rendered correspond to the market prices.

Name	Amount	
	for the year 2016	For the year 2015
<b>Proceeds – total</b>	<b>18,695,869</b>	<b>14,927,011</b>
including:		
Sales of electric power (capacity) under two-side agreements	16,820,414	13,159,834
Sales of electric power (capacity) under commission agreement entered into with JSC FIC	1,776,283	1,665,342
Other sales	99,172	101,835

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**19.2.2 Other income received from subsidiaries and associated companies**

Name	Amount	
	for the year 2016	For the year 2015
<b>Other income – total</b>	<b>3,785,372</b>	<b>5,852,857</b>
including:		
income in the form of interest on all types of borrowings issued to subsidiaries and associated companies	1,971,932	4,052,559
Dividends on ordinary shares	1,036,755	1,691, 371
Other income in the form of revenues from sales of property, lease of property, penalties under agreements and other income received from subsidiaries and associated companies	776,685	108,927

Interest rates corresponded to the level of interest market rates on the same borrowings within the period of granting the loans.

**19.2.3 Purchase of goods (works, services) from subsidiaries and associated companies**

Cost of the purchased goods, performed works and rendered services by subsidiaries and associated companies for the year 2016 totaled 6,436,885 thousand rubles (4,334,069 thousand rubles in 2015) less VAT.

Purchases were made on normal commercial terms and conditions.

Name	Amount	
	for the year 2016	For the year 2015
Purchase of electric power (capacity)	5,461,147	3,307,352
Acquisition of services	975,738	1,026,717
<b>TOTAL</b>	<b>6,436,885</b>	<b>4,334,069</b>

As part of expenses for purchase of services, the expenses on rental of property from subsidiary companies are reflected at the total balance value as of December 31, 2016 in the amount of 1,583,353

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thousand rubles (1,012,009 thousand rubles as of December 31, 2015; 953,608 thousand rubles as of December 31, 2014) (please refer to paragraph 2 Fixed Assets and Interest Bearing Investments into Tangible Assets of these Notes).

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**19.2.4 Status of settlements with subsidiary and associated companies**

**Receivables**

Name	As of December 31, 2016		As of December 31, 2015		As of December 31, 2014	
	receivables	provision for bad debts	receivables	provision for bad debts	receivables	provision for bad debts
<b>Long-term receivables of subsidiary and associated companies</b>						
Debts for the property sold	531,445	—	1,991,000	—	6,909,490	—
Interest on issued loans	—	—	2,116,244	(637,578)	1,675,442	—
Debts inherited by the Company under reorganization in 2012	—	—	—	—	2,043,375	—
<b>TOTAL</b>	<b>531,445</b>	<b>—</b>	<b>4,107,244</b>	<b>(637,578)</b>	<b>10,628,307</b>	<b>—</b>
<b>Short-term receivables of subsidiary and associated companies</b>						
Short-term receivables of buyers and customers	832,039	—	883,611	—	1,286,182	(28,129)
Short-term receivables of buyers of electric power (capacity) under commission agreement entered into with JSC FIC	88,842	—	68,261	—	127,983	—
Advances paid to suppliers and contractors	84,390	—	32,024	—	32,618	(261)
Other receivables	3,380,584	(199,408)	7,490,989	(611,311)	11,810,374	(14,868)
including:						
<i>Debts for the property sold</i>	2,298,917	(199,408)	5,679,408	(279,408)	8,823,915	-

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Name	As of December 31, 2016		As of December 31, 2015		As of December 31, 2014	
	receivables	provision for bad debts	receivables	provision for bad debts	receivables	provision for bad debts
<i>Debts on settlements for electric power under commission and assignment contracts</i>	630,071	—	1,051,666	—	1,909,703	—
<i>Debts for interest due on loans, payment by installments</i>	432,809		410,811	—	562,614	—
<i>Payable on dividends</i>	—	—	324,924	(322,748)	483,843	—
<i>Other debts</i>	18,787	-	24,180	(9,155)	30,299	(14,868)
<b>TOTAL</b>	<b>4,385,855</b>	<b>(199,408)</b>	<b>8,474,885</b>	<b>(611,311)</b>	<b>13,257,157</b>	<b>(43,258)</b>

**Payables**

***Short-term payables to subsidiary and associated companies***

Name	Amount		
	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
Payables to suppliers and contractors	561,163	248,335	390,175
Advances received from the buyers	12,127	30,881	—
Other payables	145,321	183,083	367,797
<b>TOTAL</b>	<b>718,611</b>	<b>462,299</b>	<b>757,972</b>

***19.2.5 Loans issued to subsidiary and associated companies***

Interest rate for the borrowings issued to subsidiary and associated companies in 2016 ranged between 4% and 10% per annum in foreign currency (between 4% and 10% per annum in 2015), between 11% and 16.65% per annum in rubles (between 11% and 16.65% per annum in 2015).

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Presence and flow of loans issued to subsidiaries and associated companies within the reporting period are shown in the table below less interest.

<b>Name of related party</b>	<b>Loan balance as of December 31, 2015</b>	<b>Issued in 2016</b>	<b>Repaid in 2016</b>	<b>Balance of exchange rates differences</b>	<b>Loan balance as of December 31, 2016</b>
JSC Inter RAO Capital	–	7,437,954	–	–	7,437,954
JSC Electroluch	2,314,354	–	(213,176)	–	2,101,178
CJSC Electric Networks of Armenia <sup>1</sup>	2,671,514	–	(446,694)	(486,410)	1,738,410
CJSC Moldavskaya GRES	2,842,425	158,715	(1,156,043)	(418,302)	1,426,795
LLC Quartz Group	300,000	300,000	–	–	600,000
LLC Inter RAO-Engineering	–	300,000	–	–	300,000
LLC Orel Energosbyt	128,506	–	(25,381)	–	103,125
LLC BGC	2,250,195	1,202,396	(3,452,591)	–	–
RAO Nordic Oy	796,972	–	(681,100)	(115,872)	–
JSC Petersburg Energy Retailing Company	509,276	6,700,000	(7,209,276)	–	–
LLC RGT	424,000	–	(424,000)	–	–
LLC Inter RAO - IT	217,716	–	(217,716)	–	–
LLC Ugolny Razrez	125,000	180,000	(305,000)	–	–
PJSC Mosenergosbyt	–	2,265,000	(2,265,000)	–	–
<b>TOTAL</b>	<b>12,579,958</b>	<b>18,544,065</b>	<b>(16,395,977)</b>	<b>(1,020,584)</b>	<b>13,707,462</b>

<sup>1</sup>CJSC Electric Networks of Armenia on 28.12.2016 is removed from the list of affiliated persons of the Company

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Presence and flow of loans issued to subsidiaries and associated companies within the year 2015 are shown in the table below less interest.

<b>Name of related party</b>	<b>Loan balance as of December 31, 2014</b>	<b>Issued in 2015</b>	<b>Repaid in 2015</b>	<b>Balance of exchange rates differences</b>	<b>Loan balance as of December 31, 2015</b>
CJSC Moldavskaya GRES	2,993,044	–	(865,276)	714,657	2,842,425
CJSC Electric Networks of Armenia	2,266,876	–	–	404,638	2,671,514
JSC Electroluch	2,314,354	–	–	–	2,314,354
LLC BGC	1,300,000	950,195	–	–	2,250,195
RAO Nordic Oy	–	822,168	(138,678)	113,482	796,972
JSC Petersburg Energy Retailing Company	209,276	2,600,000	(2,300,000)	–	509,276
LLC RGT	–	481,012	(57,012)	–	424,000
LLC Quartz Group	–	300,000	–	–	300,000
LLC Inter RAO - IT	–	217,716	–	–	217,716
LLC Orel Energosbyt	150,006	–	(21,500)	–	128,506
LLC Ugolny Razrez	–	250,000	(125,000)	–	125,000
JSC INTER RAO – Electrogeneratsia	4,389,618	–	(4,389,618)	–	–
LLC TCC Energy without Borders	23,000	–	(23,000)	–	–
JSC Inter RAO Capital	–	18,192,571	(18,192,571)	–	–
JSC Altayenergosbyt	–	380,000	(380,000)	–	–
PJSC Tomskenergosbyt	–	50,000	(50,000)	–	–
<b>TOTAL</b>	<b>13,646,174</b>	<b>24,243,662</b>	<b>(26,542,655)</b>	<b>1,232,777</b>	<b>12,579,958</b>

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**19.2.6 Loans received from subsidiaries and associated companies**

Long-term loans

In 2015 and 2016 the Company did not attract long-term borrowings from subsidiary and associated companies.

Short-term loans in foreign currency

In 2016 the Company did not attract short-term borrowings from subsidiary and associated companies.

Information on short-term borrowings in foreign currency received from subsidiary and associated companies for 2015 is shown in the table below, including interest:

Name of related party	Loan balance as of December 31, 2014	Issued/accrued for 2015	Repaid in 2015	Balance of exchange rates differences	Loan balance as of December 31, 2015
INTER RAO Credit B.V.	9,178,268	348,815	(10,841,336)	1,314,253	—
including interest	8,149	348,815	(345,636)	(11,328)	—

Short-term loans in rubles

In 2016 the Company attracted short-term borrowings in rubles from subsidiary and associated companies. Interest rate corresponded to the level of interest market rates on the similar borrowings.

Information on short-term borrowings in rubles received from subsidiary and associated companies for the reporting period is shown in the table below, including interest:

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Name of related party	Loan balance as of December 31, 2015	Issued/accrued for 2016	Repaid in 2016	Loan balance as of December 31, 2016
LLC RN-Energo	–	1,633,333	(1,633,333)	–
including interest	–	33,333	(33,333)	–

Information on short-term borrowings in rubles received from subsidiary and associated companies for 2015 is shown in the table below, including interest:

Name of related party	Loan balance as of December 31, 2014	Issued/accrued for 2015	Repaid in 2015	Loan balance as of December 31, 2015
LLC RN-Energo	–	3,167,721	(3,167,721)	–
including interest	–	167,721	(167,721)	–

**Credit facilities**

Information on credit facilities opened by subsidiary and associated companies as of December 31, 2016 is shown in the table below:

Lender	Limit amount	Unutilized balance as of December 31, 2016	Availability period end date
LLC RN-Energo	5,000,000	5,000,000	June 2018
<b>TOTAL</b>	<b>5,000,000</b>	<b>5,000,000</b>	

Information on credit facilities opened by subsidiary and associated companies as of December 31, 2015 is shown in the table below:

Lender	Limit amount	Unutilized balance as of December 31, 2015	Availability period end date
LLC RN-Energo	5,000,000	5,000,000	June 2018
<b>TOTAL</b>	<b>5,000,000</b>	<b>5,000,000</b>	

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Credit facilities opened by subsidiary and associated companies as of December 31, 2014 are shown in the table below:

**19.3 Information on transactions with key management personnel**

The Company attributes Management Board and Board of Directors members to the key management personnel. Their lists are given in the General Information section of these Notes.

In 2016 the Company accrued to the Members of the Board of Directors remuneration for participation in the meetings at the total amount of 32,693 thousand rubles (24,611 thousand rubles in 2015). There were no other payments to the Members of the Board of Directors in 2016 and 2015.

In 2016 the Company accrued to the Members of the Executive Board remuneration (salary, bonuses, benefits) at the total amount of 944,059 thousand rubles (817,803 thousand rubles in 2015). Besides, in 2016 the Company transferred voluntary pension contributions to the Public Pension Fund GAZFUND to the benefit of the Members of the Executive Board at the total amount of 30,467 thousand rubles (29,016 thousand rubles in 2015). There were no other payments to the Members of the Executive Board in 2016 and 2015.

In 2016 the Company accrued (salary, bonuses, benefits, remunerations) to the members of the Audit Commission at the total amount of 8,553 thousand rubles (7,296 thousand rubles in 2015). In 2016 the Company transferred voluntary pension contributions to the Public Pension Fund GAZFUND to the benefit of the members of the Audit Commission at the total amount of 779 thousand rubles (742 thousand rubles in 2015). There were no other payments to the members of the Audit Commission in 2016 and 2015.

To fulfill the Program of options for the Company shares approved by the Board of Directors, in 2011 the Company issued interest-free monetary loans to key management personnel at the amount of 51,733 thousand rubles. As of December 31, 2016, the debt for these loans is fully repaid (1,125 thousand rubles as of December 31, 2015; 40,486 thousand rubles as of December 31, 2014).

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**19.4 Cash flows on transactions with related parties**

Indicator name	Code	For the year 2016	For the year 2015
<b>Cash flows from current transactions</b>			
<b>Proceeds – total</b>	<b>4110</b>	<b>18,825,107</b>	<b>17,684,043</b>
including			
From sales of products, goods, works and services	4111	16,938,770	15,739,547
From sales of electric power (capacity) under commission agreements entered into with JSC FIC	4111	1,758,841	1,715,954
Lease payments, license fees, royalties, commissions and other similar payments	4112	72,028	126,824
Other proceeds	4119	55,468	101,718
<b>Payments – total</b>	<b>4120</b>	<b>(7,507,822)</b>	<b>(6,124,975)</b>
including			
To suppliers (contractors) for raw materials, works and services	4121	(6,183,102)	(4,458,701)
Due to payment of employees' remuneration	4122	(1,128,442)	(999,298)
Interests on debt liabilities	4123	(33,333)	(513,357)
Other payments	4129	(162,945)	(153,619)
<b>Cash flows from investment transactions</b>			
<b>Proceeds – total</b>	<b>4210</b>	<b>23,887,671</b>	<b>19,696,751</b>
including			
From sales of current assets (other than financial investments)	4211	4,610,853	6,847,371
From return of loans provided, from sales of debt securities (rights of money claims to other persons)	4213	16,395,977	8,350,087
Dividends, interest on debt financial investments and similar proceeds from equity participation in other organizations	4214	2,880,841	4,499,145
Other proceeds	4219	–	148

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Indicator name	Code	For the year 2016	For the year 2015
<b>Payments – total</b>	<b>4220</b>	<b>(18,565,068)</b>	<b>(24,248,130)</b>
including			
Due to acquisition of shares (participation interest) in other organizations	4222	(20,683)	(4,019)
Due to acquisition of debt financial investments (rights of money claims to other persons), provision of loans to other entities	4223	(18,544,065)	(24,243,662)
Other payments	4229	(320)	(449)
<b>Cash flows from financial transactions</b>			
<b>Proceeds – total</b>	<b>4310</b>	<b>1,600,000</b>	<b>3,000,000</b>
including			
Obtaining credits and loans	4311	1,600,000	3,000,000
<b>Payments – total</b>	<b>4320</b>	<b>(35,100,444)</b>	<b>(13,604,243)</b>
including			
For payout of dividends and other payments on distribution of profit in favor of owners (members)	4322	(1,824,199)	(108,543)
Due to repayment (repurchase) of bills of exchange and other debt securities, repayment of credits and loans	4323	(1,600,000)	(13,495,700)
Payments under guarantees <sup>1</sup>	4324	(31,676,245)	–

<sup>1</sup> please refer to paragraph 11 Estimated Liabilities of these Notes

## **20. INFORMATION BY SEGMENTS**

Risks and profits of the Company are defined mainly by distinctions between the geographical regions where the Company sells electricity. Thus, the Company distinguishes, as the primary information, geographical segments by the principle of electric power market outlets.

In 2016 share of sales at the domestic market reached 23% (in 2015, 19%).

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Significant volume of electric power was supplied to Finland (22%), Belarus (20%), Lithuania (17%). Other Countries segment includes supplies of electric power to Azerbaijan, Kazakhstan, Ukraine, Georgia, South Ossetia, as well as supplies of power generating equipment to Venezuela and the Republic of Ecuador. The share of revenue falling on sales of each of the listed countries separately is less than 10%.

In the reporting year share of revenue falling on sales of electric power to Ukraine dropped to 1% compared with 12% in the 2015. In the comparative indicators per geographical segments in 2015, the Ukraine Reporting Segment data were included in the Reporting Segment Other Countries.

Indicators of the reporting segments to be disclosed are set out in the assessment, in which they are submitted to the Company's management for decision making (according to management accounting).

Retained income and expenses represent the income and expenses related to the Company in general. Segment assets consist mainly of fixed assets, intangible assets, inventories and receivables. Segment assets generally do not include investments. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and certain types of loans related to the Company in general. Capital expenses include receipt of new fixed assets and intangible assets. Estimated values relate to the segment only if they relate to the assets thereof.

In the reporting period there was no changes in way to assess the indicators used for determining the financial result (profit or loss) of the reportable segment, as compared to previous periods and, accordingly, the effect of changes in the financial result (profit, loss) of the reportable segment in the reporting period.

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The table below presents information on income and profits, as well as assets and liabilities by the Company's geographical segments:

Name	Russia	Finland	Belarus	Lithuania	Other countries	Total
<b>For the year 2016</b>						
Revenue	9,769,883	9,615,986	8,794,941	7,535,545	7,463,866	<b>43,180,221</b>
Cost price	(11,260,944)	(7,160,108)	(4,731,268)	(3,750,929)	(4,766,188)	<b>(31,669,437)</b>
<b>Profit (loss) by segments</b>	<b>(1,491,061)</b>	<b>2,455,878</b>	<b>4,063,673</b>	<b>3,784,616</b>	<b>2,697,678</b>	<b>11,510,784</b>
<b>Retained income and expenses (commercial, administrative, other income and expenses)</b>						<b>87,078,567</b>
<b>Total profit before taxation</b>						<b>98,589,351</b>
Assets by segments	27,712,663	60,917	17,089	743,475	4,581,703	<b>33,115,847</b>
<b>Retained assets</b>						<b>404,806,699</b>
<b>Total on assets</b>						<b>437,922,546</b>
Non-currents assets by segments	57,227	—	—	—	871,284	<b>928,511</b>
<b>Retained non-current assets</b>						<b>360,735,241</b>
<b>Total on non-current assets</b>						<b>361,663,752</b>
Liabilities by segments	2,481,462	12,268	35,002	5,593	2,805,745	<b>5,340,070</b>
<b>Retained liabilities</b>						<b>2,600,509</b>
<b>Total on liabilities</b>						<b>7,940,579</b>
Capital investments	24,069	—	—	—	—	<b>24,069</b>
<b>For the year 2015</b>						
Revenue	8,922,397	5,639,225	7,319,624	7,826,333	16,283,581	<b>45,991,160</b>
Cost price	(11,151,724)	(4,480,511)	(3,939,672)	(3,744,059)	(10,060,527)	<b>(33,376,493)</b>
<b>Profit (loss) by segments</b>	<b>(2,229,327)</b>	<b>1,158,714</b>	<b>3,379,952</b>	<b>4,082,274</b>	<b>6,223,054</b>	<b>12,614,667</b>
<b>Retained income and expenses (commercial, administrative, other income and expenses)</b>						<b>(6,534,684)</b>
<b>Total profit before taxation</b>						<b>6,079,983</b>
Assets by segments	14,267,785	22,993	26,225	824,111	4,975,202	<b>20,116,316</b>
<b>Retained assets</b>						<b>334,555,402</b>
<b>Total on assets</b>						<b>354,671,718</b>
<b>Non-currents assets by segments</b>	<b>83,439</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,141,075</b>	<b>1,224,514</b>
<b>Retained non-current assets</b>						<b>312,466,597</b>
<b>Total on non-current assets</b>						<b>313,691,111</b>
Liabilities by segments	4,609,535	31,059	24,594	7,891	3,025,658	<b>7,698,737</b>
<b>Retained liabilities</b>						<b>12,605,556</b>
<b>Total on liabilities</b>						<b>20,304,293</b>
<b>Capital investments</b>	<b>33,482</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>33,482</b>

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The following table represents information on buyers (customers), sales to which provides revenue at least 10% of total proceeds from sales to the Company's buyers (customers):

<b>Name of the buyer</b>	<b>Total volume of revenue</b>	<b>Share in total revenue from sales, %</b>	<b>Name of the reporting segment</b>
<b>For the year 2016</b>			
JSC FIC	9,634,955	22.31	Russia
RAO Nordic Oy	9,284,829	21.50	Finland
GPO Belenergo	8,794,941	20.37	Belarus
AB INTER RAO Lietuva	7,535,545	17.45	Lithuania
<b>TOTAL</b>	<b>35,250,270</b>	<b>81.63</b>	
<b>For the year 2015</b>			
JSC FIC	8,751,628	19.03	Russia
AB INTER RAO Lietuva	7,826,333	17.02	Lithuania
GPO Belenergo	7,319,624	15.92	Belarus
RAO Nordic Oy	5,333,501	11.60	Finland
State International Activity Enterprise Ukrinterenergo	5,027,400	10.93	Other countries
<b>TOTAL</b>	<b>34,258,486</b>	<b>74.50</b>	
<b>For the year 2014</b>			
JSC FIC	9,643,062	29.54	Russia
AB INTER RAO Lietuva	6,951,195	21.29	Lithuania
RAO Nordic Oy	4,409,664	13.51	Finland
<b>TOTAL</b>	<b>21,003,921</b>	<b>64.34</b>	

These indicators are given in the assessment applicable for reflection in the accounting (financial) statements of the similar indicators of the Company in general.

## **21. DISCLOSURE OF INFORMATION ON OFF-BALANCE ITEMS**

### ***Breakdown of securities and other liabilities issued by the Company***

The total value of guarantees and other liabilities issued by the Company as of December 31, 2016 amounted to 31,574,827 thousand rubles (79,544,020 thousand rubles as of December 31, 2015; 117,479,756 thousand rubles as of December 31, 2014).

**NOTES**  
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Remuneration for issue of sureties is reflected by the Company as part of other income in the Income Statement.

Breakdown of securities and other liabilities issued by the Company is given below:

<b>Name of security issued</b>	<b>Date of issue</b>	<b>The time of performance</b>	<b>Organization, to the benefit of which the surety has been issued</b>	<b>Amount of security as of December 31, 2016</b>
Surety for the credit issued by the Eurasian Bank of Development (Vnesheconombank) to the benefit of JSC SEGRES-2	March 4, 2011	June 23, 2025	JSC SEGRES-2	8,426,789
Surety to LLC Kaliningradskaya Generatsia for fulfillment by LLC Inter RAO-Engineering of its obligations under contractor agreement	September 16, 2016	October 1, 2018	LLC Inter RAO-Engineering	5,334,585
Surety to JSC ING BANK (EURASIA) for fulfillment by Trakya Elektrik A.S. of its obligations under credit agreement	December 4, 2012	May 31, 2020	Trakya Elektrik A.S.	4,766,511
Counter-guarantees of JSC ING BANK (EURASIA) issued to the benefit of ING BANK A.S (Turkey) which issued direct guarantees to the benefit of Trakya Elektrik A.S.	August 23, 2016	February 27, 2017	Trakya Elektrik A.S.	3,192,521
Surety to LLC Kaliningradskaya Generatsia for fulfillment by LLC Inter RAO-Engineering of its obligations under contractor agreement	September 16, 2016	July 28, 2019	LLC Inter RAO-Engineering	2,497,397
Surety to JSC ING BANK (EURASIA) for fulfillment by LLC INTER RAO-Export of all payment obligations under guarantee agreement	January 26, 2016	January 18, 2018	LLC INTER RAO-Export	1,966,681
Liability for payment of funds (return of investments), standby letter of credit issued by PJSC Bank VTB to the benefit of GE Energy Holdings Vostok B.V.	August 17, 2012	August 17, 2020	GE Energy Holdings Vostok B.V.	1,591,661

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<b>Name of security issued</b>	<b>Date of issue</b>	<b>The time of performance</b>	<b>Organization, to the benefit of which the surety has been issued</b>	<b>Amount of security as of December 31, 2016</b>
Counter-guarantees of JSC ING BANK (EURASIA) issued to the benefit of CITIBANK, NA (Ecuador) which issued direct guarantees to the benefit of CELEC EP	September 22, 2015	December 16, 2017	CELEC EP (Ecuador)	1,110,100
Counter-guarantees of JSC ING BANK (EURASIA) issued to the benefit of CITIBANK, NA (Ecuador) which issued direct guarantees to the benefit of CELEC EP	October 3, 2016	December 15, 2017	CELEC EP (Ecuador)	363,542
Pledge of shares of JSC SEGRES-2 (7,559,026 ordinary shares, 50% of authorized capital) as a security of liabilities of JSC SEGRES-2 to the Eurasian Bank of Development (Vnesheconombank)	October 17, 2011	June 23, 2025	JSC SEGRES-2	961,099
Surety for credit issued by European Bank of Reconstruction and Development to the benefit of JSC Telasi	February 2, 2011	November 4, 2020	JSC Telasi	474,706
Surety to LLC Kaliningradskaya Generatsia for fulfillment by LLC RGT of obligations under supply contract	December 23, 2016	August 14, 2018	LLC RGT	421,020
Surety to LLC Kaliningradskaya Generatsia for fulfillment by LLC RGT of obligations under supply contract	December 23, 2016	February 14, 2018	LLC RGT	173,378
Surety to LLC Kaliningradskaya Generatsia for fulfillment by LLC RGT of obligations under supply contract	December 23, 2016	February 14, 2018	LLC RGT	167,215
Guarantee issued to LLC Siemens Gas Turbines Technologies for fulfillment by JSC INTER RAO-Electric Power Generation of its obligations for payment of ECS services	September 27, 2016	August 29, 2017	JSC INTER RAO – Electrogeneratsia	127,622
<b>TOTAL</b>				<b>31,574,827</b>

**NOTES**  
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***Breakdown of securities for obligations and payments received by the Company***

The total value of guarantees for liabilities and other payments received by the Company as of December 31, 2016 amounted to 42,693,918 thousand rubles (24,627,696 thousand rubles as of December 31, 2015; 34,816,967 thousand rubles as of December 31, 2014).

Breakdown of securities for obligations and payments received is given below:

<b>Name of security received / Guarantor</b>	<b>Period of guarantee</b>	<b>Organization for which the guarantee has been received / pledger</b>	<b>Amount of security as of December 31, 2016</b>
Surety under General Agreement dated May 12, 2012 with JSC Sistema-Invest and Ecu Gest Holding S.A. for fulfillment of contract obligations	November 6, 2018	JSC Sistema Invest, Ecu Gest Holding S.A.	22,500,000
Bank guarantee issued by PJSC Sberbank for fulfillment by LLC Telmamskaya HPP of its obligations under sales and purchase contract for shares of PJSC Irkutskenergo	June 30, 2018	LLC Telmamskaya HPP	9,375,000
Bank guarantee issued by PJSC Bank VTB for fulfillment by LLC Telmamskaya HPP of its obligations under sales and purchase contract for shares of PJSC Irkutskenergo	June 30, 2018	LLC Telmamskaya HPP	9,375,000
Bank guarantee issued by JSC Gazprombank for return of advance payment and fulfillment of obligations under agreement with JSC TYAZHMASH	31 December 2017	JSC TYAZHMASH	952,263
Surety under agreement without number dated October 27, 2015 with JSC Roselectronika for fulfillment by CJSC NTS of its obligations under contract for sales and purchase of shares of OJSC INTER RAO LED Systems	October 27, 2018	CJSC NTS	487,903
Liabilities received from individuals under agreements on sales and purchase of apartments	years 2024-2027	Individuals	3,752
<b>TOTAL</b>			<b>42,693,918</b>

**NOTES**  
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**22. CONTINGENT LIABILITIES AND FACTS OF BUSINESS ACTIVITIES**

**Factors influencing the financial status of the Company**

***Conditions of the Company's activities***

Economic reforms and development of the legal, tax and administrative infrastructure continue in Russia, in order that infrastructure would meet the requirements of the market economy. Stability of the Russian economy will depend to a high degree on the course of such reforms, as well as on the efficiency of the measures taken by the Government in the sphere of economics, financial and fiscal policy.

Negative influence on the Russian economy is made by decrease of oil prices and sanctions introduced against Russia by some countries. Interest rates in rubles still remain high. These factors altogether resulted in lowering of capital availability and increase of its cost, as well as in increase of uncertainty regarding further economic growth, which may negatively influence financial standing, results of activities and economic perspectives of the Company. The Company management believes that it takes adequate measures to support economic stability of the Company in the current situation.

***Taxation***

The Russian tax, currency and customs legislation allows different interpretations and is subject to frequent changes. Interpretation of such legislation by the Company management concerning the operations and activity of the Company may be disputed by competent regional and federal authorities. Established business practice shows that tax authorities may take a stricter position in the interpretation of the laws and the audit of tax calculations. As a consequence, tax authorities may produce claims as to those transactions and methods of accounting to which they have never produced claims before. As a result, significant taxes, fines and penalties may be charged. Determination of amounts of claims under possible but not produced claims, as well as estimation of the probability of negative outcome, are impossible. Tax audits may cover three calendar years of activity immediately preceding to the year of audit. In certain conditions, earlier periods may also be subject to audit.

**NOTES**  
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In the management's opinion, as of December 31, 2016, the corresponding provisions of legislation are interpreted by them correctly, and the probability of preservation of the Company status in connection with the tax, currency and customs laws, considering the recognized estimated liabilities, is deemed high.

In 2016 there was conducted a field tax audit for the period of activity from 2012 to 2014 in the Company. Following the results of the audit, the tax authority issued a decision to make additional payment of taxes, penalties and fines, of which the amount of 60,077 thousand rubles is subject to dispute under pre-court examination in the higher-level authority. The probability of favorable result for the Company is estimated as average.

***Sureties, securities and other liabilities issued by the Company***

As of December 31, 2016 The Company issued sureties, securities and other liabilities to the creditors of third parties which maturity dates have not come yet at the total amount of 31,574,827 thousand rubles (79,544,020 thousand rubles as of December 31, 2015; 117,479,756 thousand rubles as of December 31, 2014). The Company management does not expect any material obligations resulting from these sureties and securities.

**23. EVENTS AFTER THE REPORTING DATE**

In January 2017 the Company received a short-term loan from subsidiary company in the amount of 2,000,000 thousand rubles.

In January-February 2017 the Company issued short-term loans to subsidiary companies in the amount of 4,089,694 thousand rubles.

**NOTES**  
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**24. RISK OF BUSINESS ACTIVITY**

Information on the risks of the Company business activity is published in the quarterly issuer's report published at the Company's web-site in the section "To shareholders and investors" at:  
<http://www.interrao.ru/investors/disclosure/quarterly/2016.php>

Chairman of the Executive Board

*/signature/*

B.Yu. Kovalchuk

*/signature: PUBLIC JOINT STOCK*

*COMPANY \* OGRN*

*1022302933530 \* INTER RAO UES*

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February 14, 2017

Totally bound, numbered and sealed 107 sheets

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