



To effectively utilize hydro resources, to create the conditions required for the reliable performance of Russia's Unified Energy System (UES) and to enhance renewable energy source (RES) usage to benefit the Company's shareholders and society as a whole

To be preliminary approved by a decision of the Board of Directors
and approved by a decision of the Annual General Shareholders Meeting

JSC RusHydro

ANNUAL REPORT

2014

Chairman of the Management Board – CEO

E.V. Dod

Location: 43 Dubrovinskogo Street, Bldg 1, Krasnoyarsk, the Krasnoyarsk Region, Russia, 660017

INN 2460066195

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Registration date: December 26th, 2004

The Zheleznodorozhsky Inspectorate of the Ministry of Taxation of the Russian Federation, Krasnoyarsk, the Krasnoyarsk Region

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Responsibility Statement

We hereby confirm that to the best of our knowledge:

(a) The consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of RusHydro, and the undertakings included in the consolidation, taken as a whole; and

(b) The annual report includes a fair review of the development and performance of the Company's business and position, together with a description of the principal risks and uncertainties that the Company faces.

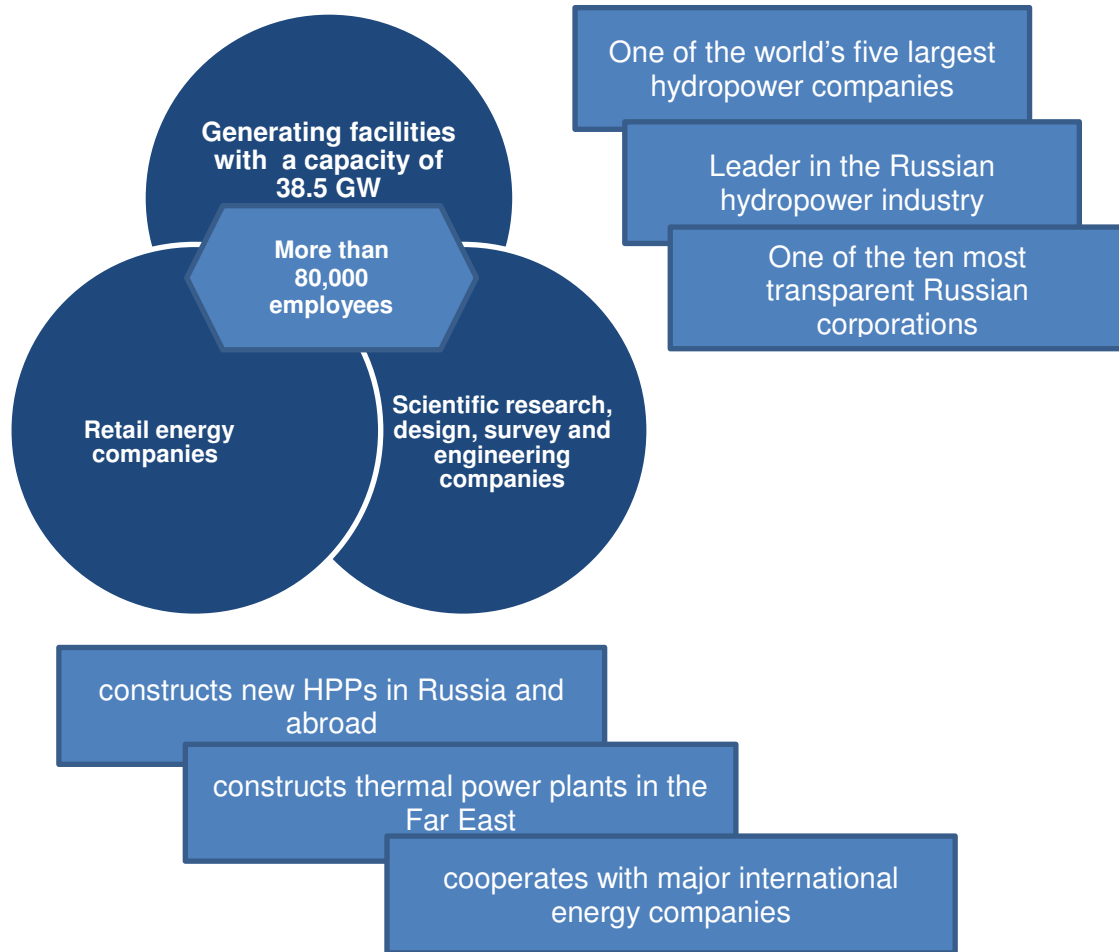
Chairman of the Management Board – CEO

E.V. Dod

Chief Accountant

D.V. Finkel

About RusHydro



THE COMPANY'S MISSION

is to effectively utilize hydro resources, to create conditions required for the reliable performance of Russia's Unified Energy System (UES) and to enhance the usage of renewable energy source (RES) to benefit the Company's shareholders and society as a whole

The diagram illustrates the business model and processes of RusHydro Group, organized into three main horizontal sections.

Top Section: Stakeholders and Interactions

This section shows four stakeholder groups, each represented by a trapezoidal shape pointing to the right, with associated interaction flows below them:

- Shareholders:** Interaction flows include "Investment and development" (downward arrow) and "Dividends and capitalization" (upward arrow).
- State and society:** Interaction flows include "Regulation" (downward arrow) and "Social responsibility" (upward arrow).
- Clients:** Interaction flows include "Revenue" (downward arrow) and "Products and services" (upward arrow).
- Contractors:** Interaction flows include "Products and services" (downward arrow) and "Revenue" (upward arrow).

Middle Section: Managing key processes

This section features a large orange arrow pointing to the right, divided into four segments representing the key processes:

- Design
- Construction
- Operation
- Sales

Bottom Section: Managing supporting processes

This section displays twelve supporting processes arranged in two rows of six boxes each:

- Top Row:** Strategy implementation, Innovations, Finance and economics, Procurements, Staff, Corporate governance.
- Bottom Row:** Security, Risks and monitoring, Information technology, Environment, Society, government and investors' interactions, Administrative support.

JSC RusHydro was established December 26, 2004 as a 100 %-owned subsidiary of RAO UES of Russia. It became an operating company which manages branches, hydropower plants and subsidiaries. Shares of JSCs - hydropower plants owned by RAO UES of Russia were transferred as payment for the authorized capital of JSC RusHydro. During our ten years of operation, the Company has become one of the world's largest hydropower holdings and the Russian leader in terms of energy production using renewable sources.

Installed capacity of the Company's facilities increased 15.1 GW	
2005	2014
23.3 GW	38.5 GW
The number of the Company's facilities doubled (compared with 2005)	Power generation increased 1.7 times (compared with 2005)
The RusHydro Group employs about 80,000 people, but the number of employee will grow: putting new production capacity into operation will require the creation of new highly skilled jobs	In 2012, according to a Decree of the Russian President, RusHydro was included in the list of strategic enterprises and strategic joint stock companies. Currently, RusHydro plays a key role in the Russian energy sector and ensures energy independence of national economy.

2014 rating of companies` corporate transparency <ul style="list-style-type: none"> • 1st place among Russian electric power companies • 2nd place on the disclosure of risk information • 8th place among State-owned companies • 10th place among 700 largest Russian companies 	2014 rating of 250 leading global energy corporations according to Platts <ul style="list-style-type: none"> • 130th place in the rating • Rose 103 positions compared with the 2013 rating 	Expert RA employer attractiveness rating <ul style="list-style-type: none"> • Employer attractiveness rating was confirmed at A. hr, which means "high level of attractiveness of the employer". 	National Competition of corporate media resources "Silver Threads 2014" <ul style="list-style-type: none"> • "Company - Leader: the best corporate media communications system" • "For winner from winner" • "The best photo in corporate media"
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2014 Results

Evgeny Dod, Chairman of the Management Board - CEO of RusHydro

Construction and Reconstruction

Completion of Protracted Construction

The recently completed year draw a line under a major hydropower sector project - construction of the Boguchanskaya HPP, which had stopped in the 1990s. Now the Boguchanskaya HPP has become an ultra-modern plant with a total capacity of 2,997 MW

"Construction, which continued for more than forty years, is almost complete. This is evidence of the extraordinary purposefulness and perseverance of the plant's collective, which has continued to believe in its success, even during the most difficult times."

Restoration After the Accident

The Company has completed major restoration and reconstruction work at the Sayano-Shushenskaya HPP. The plant has not only been restored but its mechanical part was built anew. New hydropower units and generators are not only more effective than older ones, but also have tripled the safety margin. The reconstruction project, which was implemented on time, cost RusHydro RUR 41 billion, which is RUR 2 billion less than planned. The plant's capacity has reached the design value of 6,400 MW, which again makes the Sayano-Shushenskaya HPP the most powerful in Russia.

"The Company fulfilled all social obligations to victims and made serious and the most important findings in terms of reliability and safety, but most importantly – in terms of new work quality standards for all Russian hydropower plants. We have greatly improved reliability and we are confident that the plants will be working efficiently and safely for decades."

International Cooperation

Chairmanship of the Global Sustainable Electricity Partnership

RusHydro organized the summit of the Global Sustainable Electricity Partnership (GSEP) in Moscow, which unites 14 of the world's largest energy companies. One of the key outcomes of the Summit was the decision about the prospects for developing and the creating a new generation of energy systems.

"We will make every effort to implement GSEP initiatives. I am confident that this will allow us to unlock cooperation potential with major energy companies in the field of hybrid and RES-objects."

Developing the Far East power industry

The Company signed an agreement with Three Groges, the Chinese company which manages the world's most powerful hydropower plant of the same name. The agreement is aimed at joining implementation of Russian Far East hydropower projects.

"Commissioning of new hydropower plants will reliably protect the Amur Region against extreme floods and create new generating capacity both to ensure domestic demand and export electricity to China."

RusHydro entered into an agreement with a Chinese concern, PowerChina, on the joint construction of pumped storage plants.

"We believe that this cooperation will create additional value for our shareholders and will be useful for the Russian energy sector as a whole, because the development of highly maneuverable PSPP power is a key factor in enhancing energy system reliability."

Improving Management Efficiency







New composition of JSC RusHydro's Management Board

Effective Organizational Structure

To reduce administrative and management costs, the Company's organizational structure was optimized:

- the number of Management Board members was reduced to five*;
- the categories "Area Directors" and "directorate" units were excluded from the organizational structure;
- the number of departments was almost cut in half - from 40 to 22

* In March 2015, the Company enlarged the membership of the Management Board to six people, including Sergei Kirov, the Deputy CEO for Economics, Investment and Procurement in its membership.

CEO	
	Evgeny Dod, Chairman of the Management Board – CEO
Strategy and Innovation	
	George Rizhinashvili, member of the Management Board
Finance and Economics	
	Michael Mantrov, member of the Management Board
Production	
	Boris Bogush, member of the Management Board
Capital Construction and Engineering	
	Vladimir Tokarev, member of the Management Board
Economics, investment, procurement	
	Sergei Kirov, Member of the Management Board

Introducing a New KPI System

The key performance indicator system for RusHydro to be put into effect in 2015 was developed:

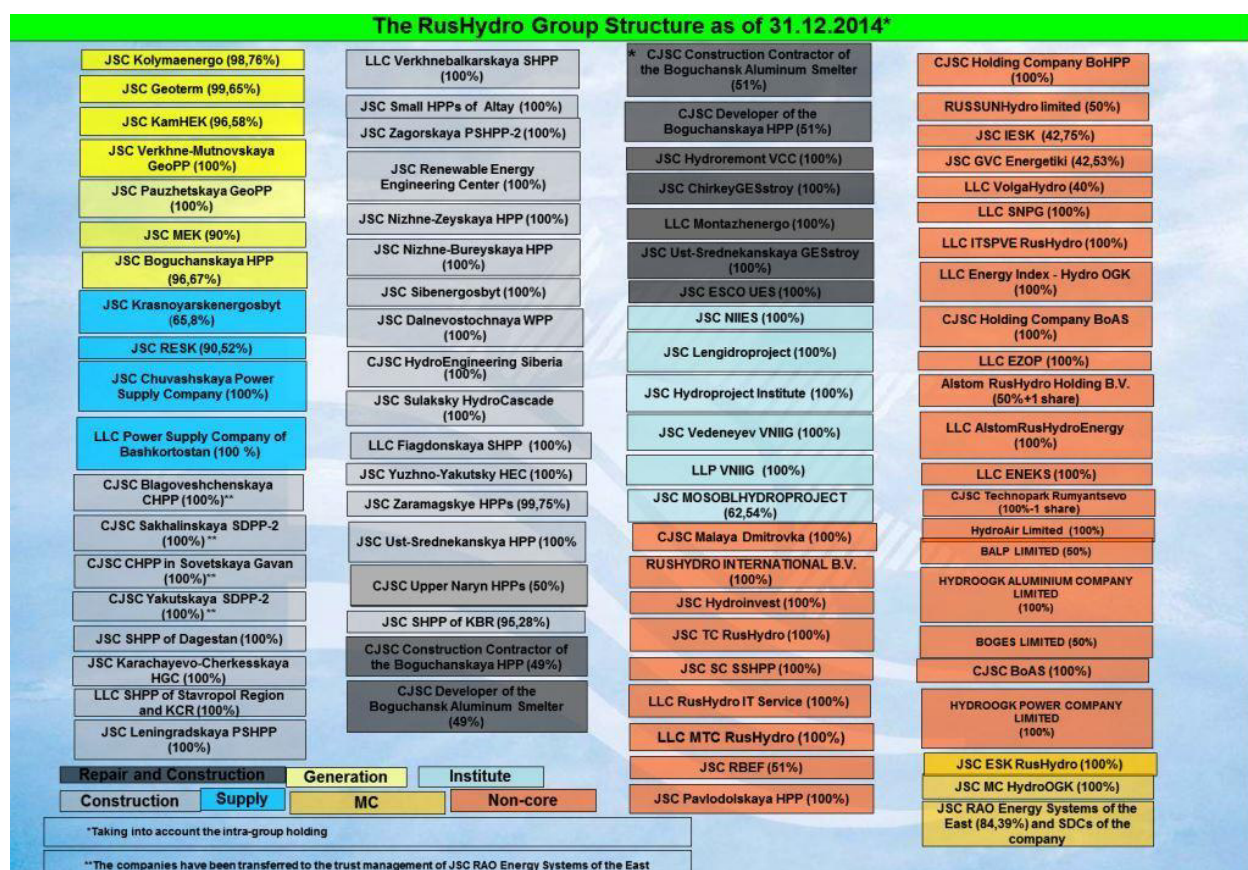
Yearly KPI

- shareholders' return on investment
- return on equity
- share of procurement from small and medium-sized businesses
- reliability criterion
- fulfilling the capacity commissioning timetable and the finance and disbursement plan
- leverage ratio

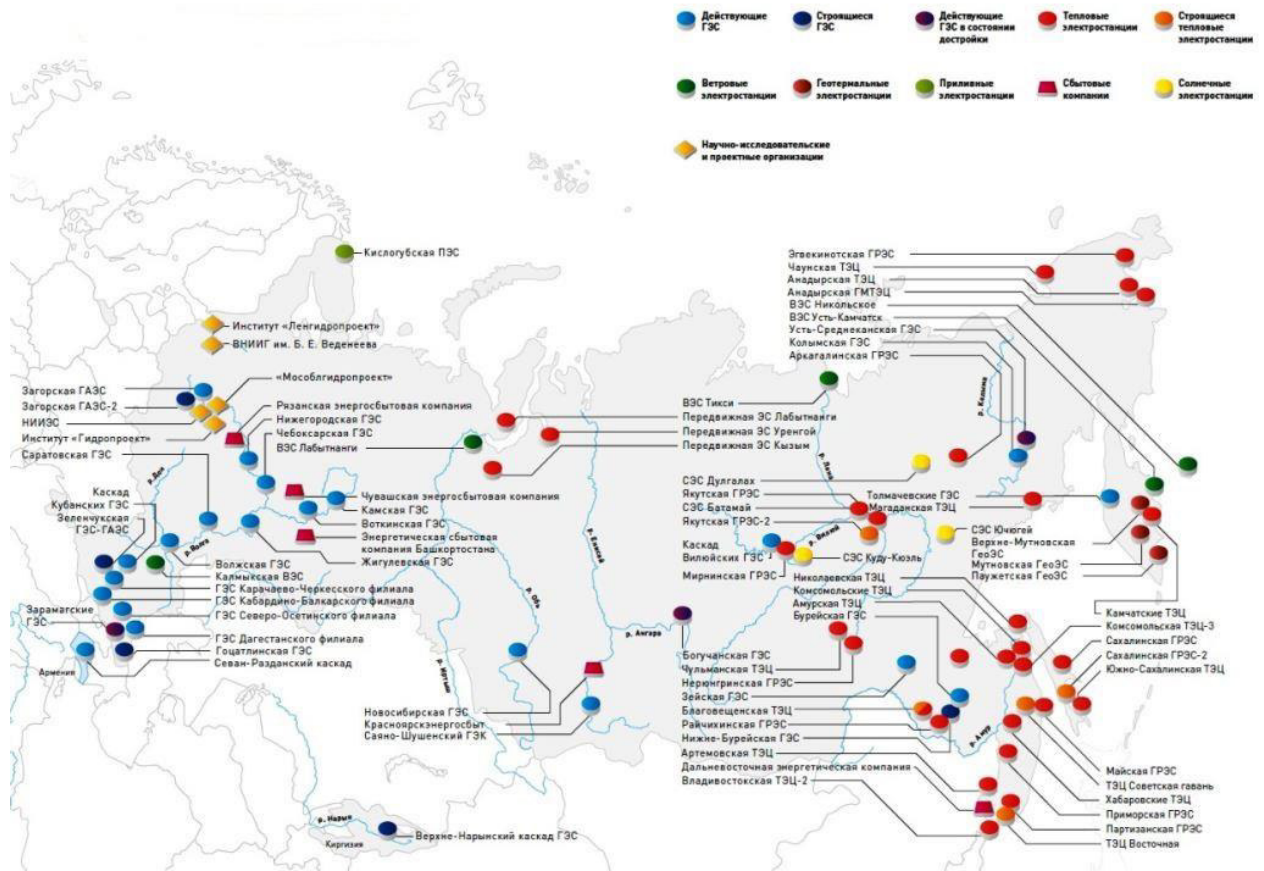
Quarterly KPI

- current liquidity ratio
- reliability criterion
- fulfilling the quarterly timetables for financing and implementing the investment program on a cumulative total from the beginning of the year

Group Structure



Geographic Footprint of the Company



existing HPPs

HPPs under construction

existing HPPs under completion

thermal PPs

thermal PPs under construction

wind PPs
research and design organizations

geothermal PPs

tidal PPs

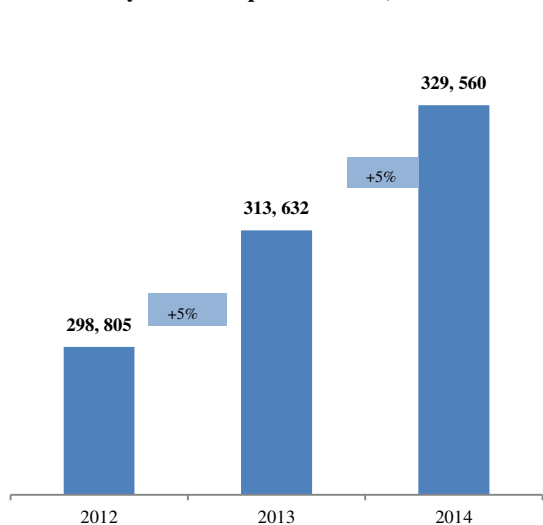
retail companies

solar PPs

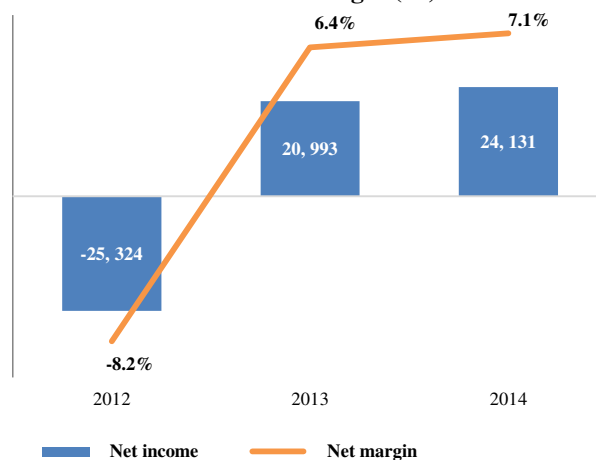
2012-2014 Key Corporate Financial and Operating Indicators

Financial Indicators

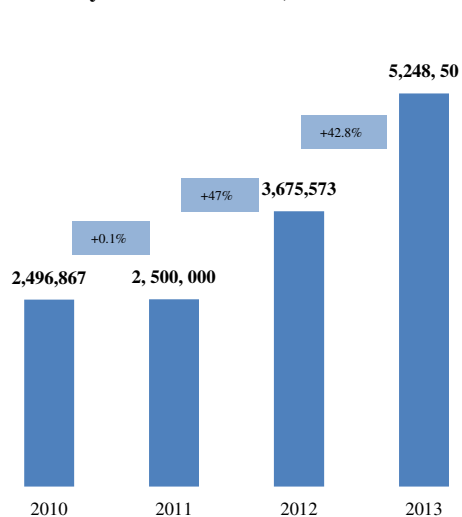
The RusHydro Group's Revenue, RUR million



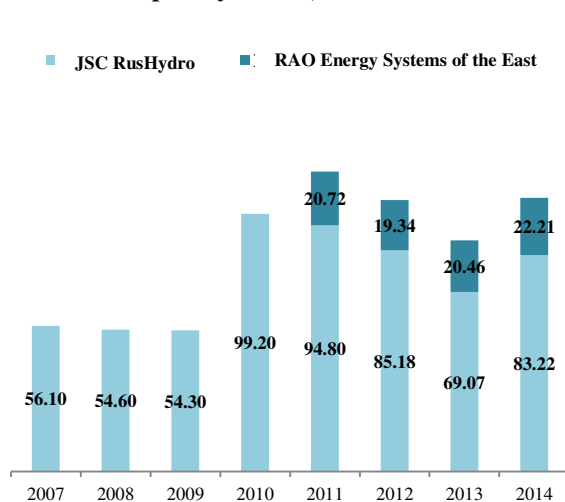
The RusHydro Group's Net Income (RUR million) and Net Margin (%)



JSC RusHydro's Dividends, RUR thousand

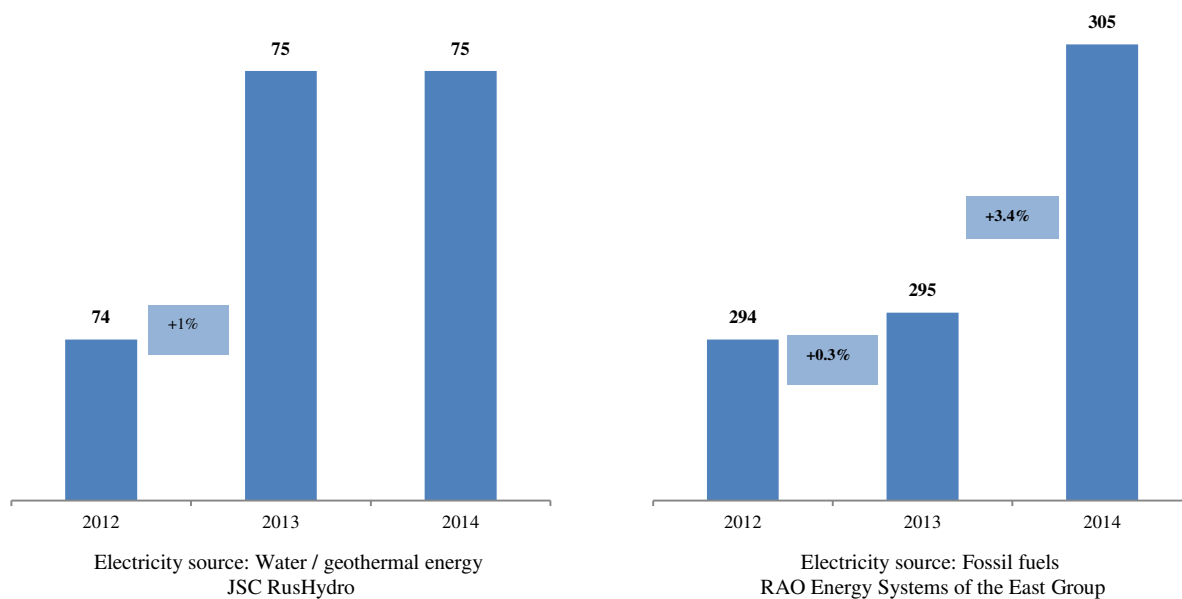


Capex Dynamics, RUR billion

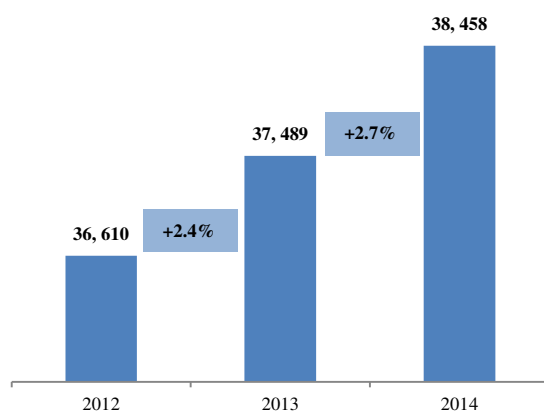


Operating Indicators

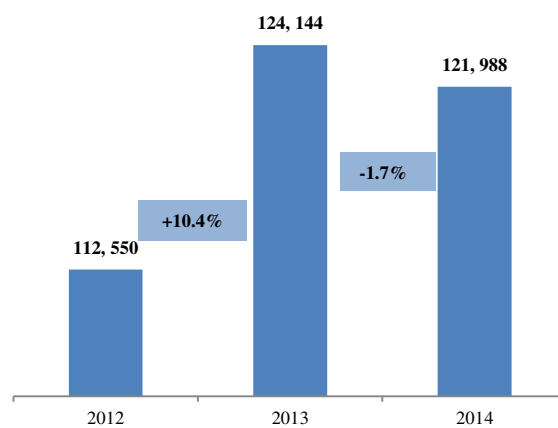
Number of Generating Facilities, units



Installed Capacity, MW *

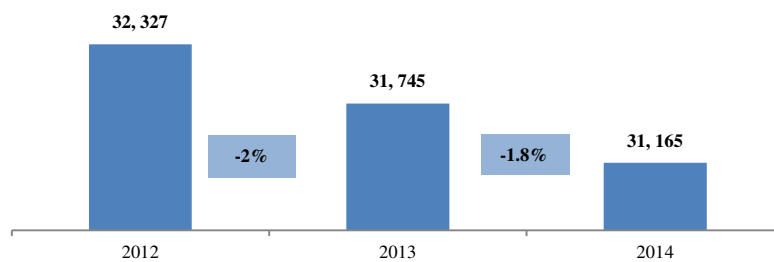


Electricity Production, million kWh



* Information about the Company is presented taking into account JSC RusHydro branches as well as JSC Kolymaenergo, JSC Geoterm, JSC Pauzhetskaya Geothermal Power Plant, CJSC MEK, JSC Boguchanskaya HPP, RAO Energy Systems of the East Group, JSC Ust-Srednekanskaya HPP and KamGEK *

Heat energy output, thousand Gcal



Strategy

KEY ROLE IN THE RUSSIAN POWER INDUSTRY

10-years of success:

Doubling the number of power generation facilities
Increased involvement in the development of the Far East power industry



2014 Major Events

The Sayano-Shushenskaya HPP was restored



The Boguchanskaya HPP was completed



Cooperation agreements with the Chinese corporations were signed

Chairman's Statement

Dear Shareholders,

In 2014, our Company celebrated its 10th anniversary. In this report, we summarize the past decade. Our Company's success is not in doubt - we are building new plants, upgrading outdated equipment, expanding activities on the international market and introducing new energy-related technologies.

Modernization and Construction

One of our most important strategic objectives during this decade was modernizing existing facilities inherited from the Soviet era. We continue to work on implementing the Complex Modernization Program (for generating facilities). As part of this program, by 2025, half of the total HPP fleet of turbines, generators and transformers will be replaced; the installed capacity of facilities will increase 779 MW; and equipment deterioration will be reduced to 25%.

RusHydro, unfortunately, did not avoid all of the difficulties which Russia faced. We turned the pages on two tragic events in the history of the hydropower industry: in 2012, we returned the Baksanskaya HPP, which had been affected by the July 2010 terrorist attack, into operation, and in 2014, we restored the Sayano-Shushenskaya HPP (following the 2009 accident). Both plants have been fully modernized. Now, the Baksanskaya HPP is a state-of-the-art plant in the North Caucasus; its installed capacity increased from 25 to 27 MW. The Sayano-Shushenskaya HPP reached its design capacity of 6,400 MW, and regained the distinguished title of the flagship of the Russian hydropower industry and the status of Russia's most powerful electricity producer.

Another corporate strategic objective is to increase installed capacity via investment project implementation. The most important step in this direction was the completion of two large-scale previously uncompleted construction projects, the construction of which had begun in the Soviet era and had stopped during the perestroika period due to inadequate investment. The Bureyskaya HPP, the largest power plant in the Far East with an installed capacity of 2,010 MW, was put into operation. And in 2014, we completed one of the most complicated projects in the history of the industry - construction of the Boguchanskaya HPP, which had lasted 40 years. The final commissioning of the Boguchanskaya HPP, which is one of Russia's five largest hydropower plants, not only strengthens RusHydro's position, but also offers great prospects for development of the Lower Angara Region, and gives a powerful impetus to the economy of the Krasnoyarsk Territory, a region with huge potential. Now, we are building a total of more than 15 facilities on the territory of the Russian Federation, as well as abroad. In the coming years, we will continue to work with investment projects. In particular, in 2015, three HPPs will be commissioned simultaneously in the North Caucasus.

Developing the Power Industry in the Far East

Our main priority is the Far East, a region with great potential, where a significant number of the Group's large and small plants are located. In 2012, we launched the "Development of the Power Industry in the Far East" project. 50 billion rubles to finance the construction of the four facilities (CHP in Sovetskaya Gavan; the Sakhalinskaya SDPP-2 (1st stage); the Yakutskaya SDPP-2 (1st stage); and the Blagoveschenskaya CHP (2nd stage) were transferred into the authorized capital of RusHydro by a Decree of the Russian President.

During the reporting year, we completed a full cycle of inspections and approvals for all four projects, selected general contractors and equipment suppliers, and began construction and installation work at the sites. These constructed facilities will replace the retired capacity of existing plants, cover the current thermal load deficit in Blagoveshchensk and provide comfortable living conditions for the population of Yakutsk, Sovetskaya Gavan, Blagoveshchensk and Sakhalin Island, as well as create more than 4,000 highly skilled jobs that will significantly improve the region's human and demographic potential.

We believe that the most important breakthrough is the agreement signed between RusHydro and Three Gorges Corporation in Beijing in 2014. In the Amur River basin, we plan to build four flood control hydropower plants with a total capacity of up to 2,000 MW, which will generate clean energy. Project implementation is vitally important for the people of our Far East region. It will provide for large industrial constructions, new jobs, adjacent plants and modern infrastructure.

Expanding Our Presence in International Markets

Our strategy provides for participation in the hydropower industry and RES projects abroad, as well as cooperation with international partners in domestic project work. We are participating in the modernization of two HPPs in Nigeria, conducting pre-project work within the framework of a construction agreement for the largest HPP in India, and are

cooperating with the Austrian company Voith Hydro and the French company Alstom in the localization of state-of-the-art hydropower equipment in Russia. In 2014, RusHydro's portfolio of foreign orders added agreements with two Chinese corporations: one of them, which I already stated above, was concluded with Three Gorges and the second, providing for the construction of a pumped storage power plant in Russia was signed with the PowerChina corporation. In Kyrgyzstan, we began construction of major structures for the Upper Naryn cascade of HPPs. In addition, RusHydro is preparing a reconstruction project for the three Perepadnaya HPPs in the Republic of Abkhazia; the aim of which is to replace core and auxiliary equipment and optimize the plants' installed capacity.

Financial Stability

2014 was not an easy year for the whole country from an economic point-of-view. However, RusHydro managed to maintain a stable financial position. Despite a production decline, we increased revenues 5%. Our net profit rose 15%. The Group's debt burden and profitability relative indicators remained at a comfortable level. The share of foreign currency debt is only 10% of RusHydro's liabilities. In addition, the percentage of imported products in the Company's capital expenditures structure is one of the lowest in the industry.

Year-on-year, we are increasing our dividends, taking into account the intention of the State, which is our key shareholder, to bring dividends up to 25% of net profit under IFRS. In the reporting year, RusHydro's dividend payments increased 43% compared with the previous year.

RusHydro feels optimistic about the future. Ten years of successful development and 2014, which tested our Company's strength, form our foundation. Our plans to develop Russia's power industry lie ahead. We are willing to strengthen international cooperation via the construction of new plants abroad and launching innovative equipment production for the Russian hydropower industry. We are doing our best to improve working conditions and enhance our employees' skills, and we feel their reciprocal support. We extend our thanks to our shareholders, partners and employees for their contribution to RusHydro's development and will make every effort to fulfill our 2015 plans.

Michael Poluboyarinov,
Chairman of the Board of Directors

CEO's Statement

Dear Shareholders,

The past year was rich in events and achievements for our Company. We have done a lot to achieve our goals and fulfill our plans.

This year, the number of the Group's generating facilities increased due to assets located in the Far East. RusHydro became the leader in the Russian energy market in terms of installed capacity, which grew 3% largely due to the launch of our two large Siberian projects – the completed Boguchanskaya HPP and the restored Sayano-Shushenskaya HPP. We will continue to work on production development in 2015, and we expect that the installed capacity indicator will rise again.

Despite the difficult economic situation in Russia, our financial position remains at the same level, and 2014 results were generally in line with our expectations. Our weighted average profit per share increased 8% and the dividend yield rose 2%. RusHydro is one of a few companies in the power sector, which followed the dividend-paying practice, despite the significant budget of the investment program.

Maintaining and strengthening our Company's operating and financial positions became possible due to positive strategy and management changes. In particular, we adopted the RusHydro Group's long-term Development Program, designed to provide for the reliable and safe operation of facilities, and the sustainable development of electricity generation and growth in the Company's value. The Program will help us make managerial decisions aimed at upgrading the Company's efficiency, and remuneration of RusHydro's management will be directly dependent on strategic goal implementation.

We believe that one more way to improve operating efficiency is through employee motivation. During the reporting year, we increased labor costs 14%. In addition, the Company's human resource development costs increased 44%.

In 2014, we undertook a series of steps to upgrade corporate governance: for the first time in our history, an independent evaluation of the Board of Directors and its Committees was completed, and a "road map" to implement a new version of JSC RusHydro's Corporate Governance Code was developed, taking into account the recommendations of the Corporate Governance Code adopted and approved by the Bank of Russia last year.

Finally, to upgrade RusHydro's operating efficiency, we have developed and adopted a new KPI system of the RusHydro Group's Long-term Development Program, as well as changed the Company's organizational structure by optimizing management levels and the number of employees, personifying managerial responsibility and reducing the number of structural divisions.

Despite the economic uncertainty and global geo-political tension, the foundation of our business - a stable asset base, a constant cash flow from operating activities and highly qualified staff - remains attractive on the long-term horizon. We are facing important tasks, the solutions to which will largely determine the level and dynamics of Russian economic development. We are confident that our Company will successfully resolve them and continue to work effectively for the benefit of the country and our shareholders.

On behalf of my colleagues, I would like to thank our employees, partners and suppliers for their support and assistance in RusHydro development. We are improving our business and are focused on becoming the most efficient and powerful company, not only in Russia, but also on the international level. I also thank Management Board members and the Board of Directors for their invaluable experience, which they have shared with me and my colleagues during the course of work, and which has helped us unlock the potential of our Company.

Evgeny Dod,
Chairman of the Management Board of JSC RusHydro

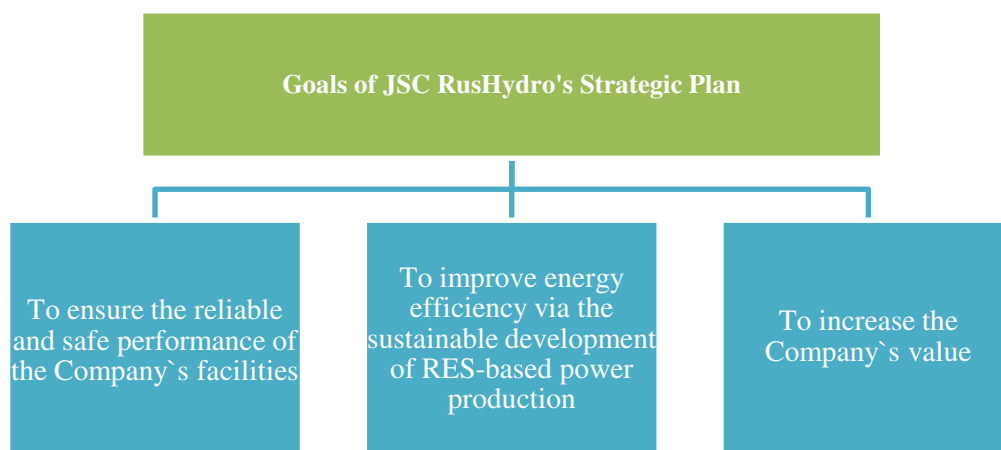
Strategic Management System

The Company's Development Strategy

THE COMPANY'S MISSION

is the efficient use of water resources, the creation of conditions to ensure Unified Energy System (UES) reliability and the expanded use of renewable energy sources to the benefit of shareholders and the society

The Company's strategy is presented as the Strategic Plan till 2015 with a view to 2020, approved by JSC RusHydro's Board of Directors in June 2010¹.



During Strategic Plan implementation, the Company relies on the following strategic indicators:

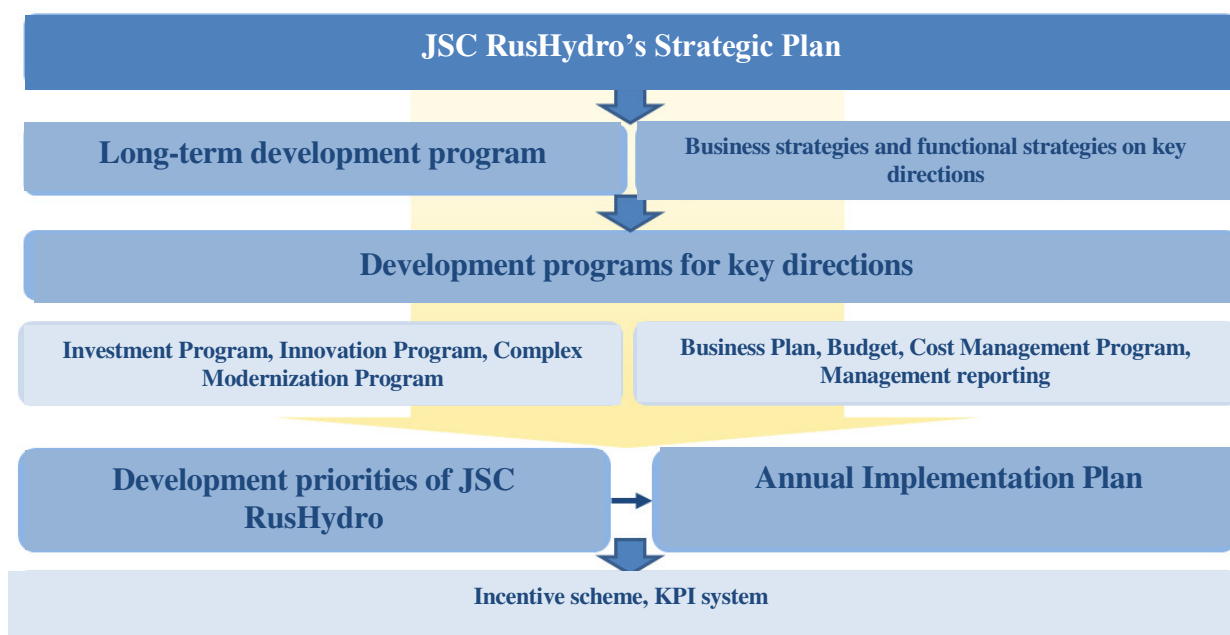
Strategic Indicator	2015 Target Value
Fulfilling the reliability criteria	Accident prevention
Commissioning new HPPs' capacities	5.6 GW
Installed capacity of assets attached / received under management	10 GW
Total installed capacity of RES which are under project documentation development **	500 MW of SHPP, 1,000 MW of WPP
Installed capacity in overseas markets in the ownership and operational management / trust	1 GW
Yearly electricity output **	113 billion KWh

** in case of adopting State support measures to develop the renewable energy sector

*** based on the current business and investment projects for Russian Federation construction

¹ The Strategic Plan approved by JSC RusHydro's Board of Directors (Minutes № 100 as of June 16, 2010).

Mechanisms and Results of the Strategy Implementation



The main instruments to implement the Strategy are the Company's Growth Priorities for the current year and the Strategy Implementation Plan. Both documents refer to the annual strategic management cycle.

The Company's development priorities are a formalized list of key strategic goals, projects and programs, the implementation of which ensures achievement of the Company's strategic goals and maximum synergy during the current year. The purpose of the Priorities is to focus the Company's resources on the most important targets and indicators. Responsibility for implementing Priorities rests on the senior management team, which is jointly responsible for the comprehensive implementation of all Priorities within the framework of the annual bonus. The 2014 Report on the implementation of development priorities was pre-reviewed by the Management Board and the Strategy Committee of JSC RusHydro's Board of Directors, and further approved by the Board of Directors on February 27, 2015 (Minutes №210).

The Strategy Implementation Plan (SIP) is a detailed document that includes a set of annual tasks and performance indicators, the accomplishment of which provides for the Company's strategic goals. The SIP is aimed at implementing the strategy within a one-year period. It contains targets and indicators for the current year, indicating which of the Company's officials and departments are responsible for their implementation. The aggregate of the SIP's indicators in their areas of responsibility is one of the annual key performance indicators (KPIs), based on which the Company's employees are rewarded.

The RusHydro Group's Long-term Development Program

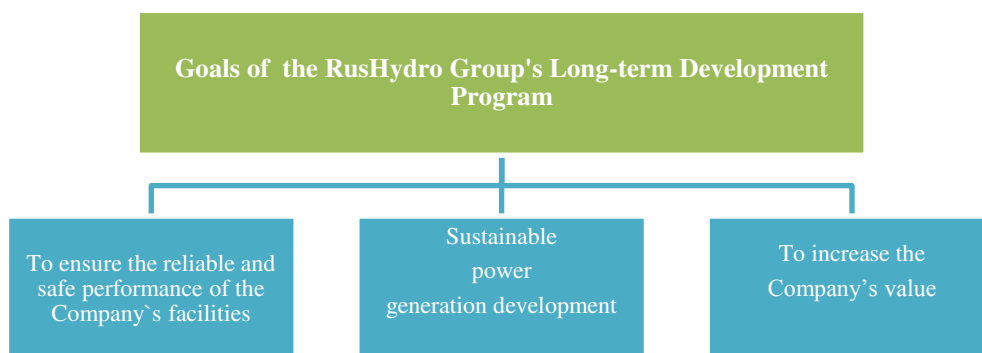
In accordance with the Instructions of the President of the Russian Federation² and the Government of the Russian Federation,³ the RusHydro Group's 2015-2019 Long-term Development Program was developed (hereinafter - the Long-term Development Program, the Program). The Program was reviewed at a meeting of the Government Commission on the development of the electric power industry⁴ and was approved November, 20 2014 by the Company's Board of Directors⁵.

² Instruction № Pr-3086 as of 27.12.2013.

³ Minutes № 3 as of 30.01.2014.

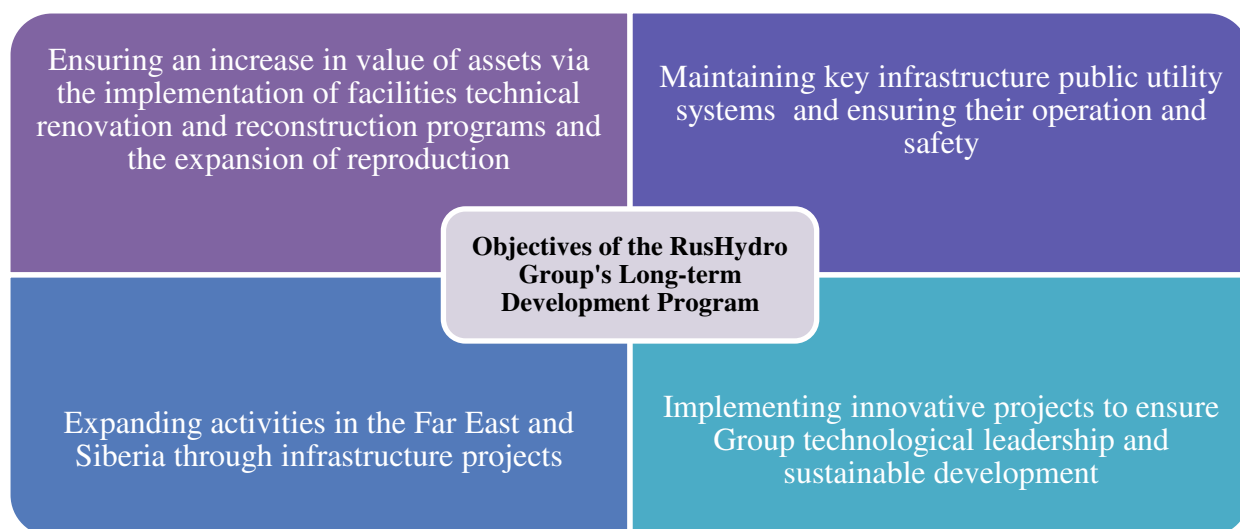
⁴ Minutes № 16 as of 15.10.2014.

⁵ Minutes № 206 as of 21.11.2014.



The RusHydro Group's Long-term Development Program is based on the Strategic Plan, the medium-term consolidated business plan of the RusHydro Group and approved program documents of RusHydro Group (JSC RusHydro and JSC RAO Energy Systems of the East): production programs, investment programs, and the innovative development programs.

The Program, defining basic principles and directions which ensure the effective dynamic development of the RusHydro Group, contains proposals to improve JSC RusHydro's operating and investment activities and proposals to enhance the efficiency and competitiveness of RAO Energy Systems of the East Group's activities, including the implementation of a public-private partnership mechanism in the hydropower industry, as well as measures to upgrade the corporate governance system.



Due to the fact that the Long-term Development Program for the companies of The RusHydro Group was approved in late 2014, and all indicators of the Program were set up starting from 2015, the Program Implementation Report, including the assessment of KPI achievement results, will be formed according to 2015 results.

To audit Program implementation in accordance with the Directive of the Government of the Russian Federation⁶ and Guidelines of the Ministry of Economic Development and Trade of the Russian Federation, the Audit Committee of the Board of Directors⁷ and the Board of Directors⁸ approved the Standard on auditing the implementation of the RusHydro Group's Long-term Development Program. The Standard was developed with consideration of the approved by the Instruction of the Government of the Russian Federation⁹ typical standard on auditing the implementation of long-term development programs of joint stock companies, included in a special list, approved by an Order of the Government of the Russian Federation¹⁰.

⁷ JSC RusHydro

⁸ JSC RusHydro

⁶ Directive № 4955p-P13 as of 17.07.2014

⁷ Minutes № 63 as of 14.11.2014.

⁸ Minutes № 206 as of 21.11.2014.

⁹ Instruction № ESH-P13-2583 as of 15.04.2014.

¹⁰ Order № 91-r as of 23.01.2003.

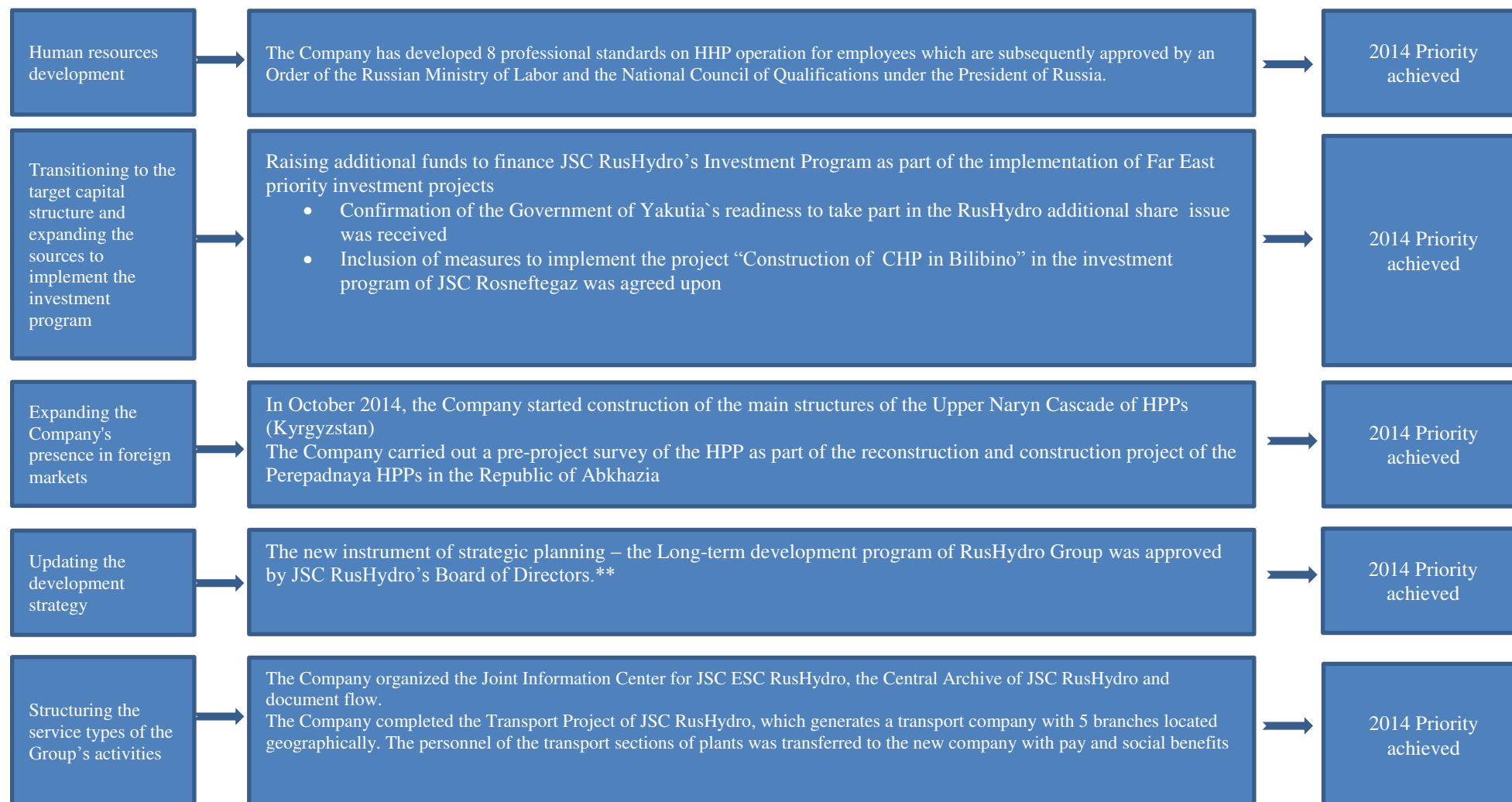
In accordance with the Standard (item 3.2), auditing Program implementation will be conducted every year, starting from 2016 (performance audit of the RusHydro Group's Long-term Development Program at the end of 2015).

Based on the Directive of the Government of the Russian Federation, JSC RusHydro's Board of Directors made a decision to enter information on measures aimed at the planned and phased substitution of import goods (work, services) for the equivalent by technical characteristics and consumer properties of Russian goods (work, services) used in the implementation of investment projects and ongoing activities in the Long-term Development Program.

Strategy Implementation: Development Priorities and Implementation Results in 2014

Ensuring reliability and upgrading existing assets	The Company continued to implement the complex modernization program for JSC RusHydro's generating facilities. As a result of Program implementation, the installed capacity of the existing generating facilities increased 56.5 MW. Restoration of the Sayano-Shushenskaya HPP has been completed	2014 Priority Achieved
Ensuring sustainable functioning of hydropower facilities in flood periods	JSC RusHydro's Science and Technology Council developed and approved the construction program of new hydropower facilities on Amur River tributaries.	2014 Priority Achieved
The increase in installed capacity via the implementation of investment projects	The 9 th hydropower unit with 333 MW capacity was put into operation at the Boguchanskaya HPP.	2014 Priority Achieved
Providing quality service for customers of retail energy companies	The Company continued to implement the Program for Improving Customer Loyalty for companies managed by JSC ESK RusHydro for 2014-2015.	2014 Priority Achieved
Improving project complex competitiveness	The Management Board developed and took into consideration the Concept for the reorganization of JSC RusHydro's science and engineering and technological complex management system.	Priority transferred to 2015
Creating an effective innovation management system and forming a continuous innovation process in the Company	In 2014, as part of the 2011-2015 Innovative Development Program of JSC RusHydro with a view to 2021: <ul style="list-style-type: none"> • 22 R&D projects worth about 1 billion rubles selected for implementation; • 25 Russian patents obtained; • Work underway to establish a joint fund with Russian development institutes. 	Priority transferred to 2015

Strategy Implementation: the Development Priorities and the Results of their Implementation in 2014 (continued)



Mission:

RAO Energy Systems of the East Group, as the main producer of electric and heat energy on the territory of the Far East Federal Region, sees its mission as ensuring a reliable and safe energy supply for existing and prospective consumers in the territory in which it is present

The basis for developing the strategy of the RAO Energy Systems of the East Group is the Strategic plan of JSC RusHydro for the period till 2015 with an outlook till 2020, approved by the Board of Directors of JSC RusHydro on June 16, 2010, and RusHydro Group's Long-term Development Program, approved by JSC RusHydro's Board of Directors on November 21, 2014.

Strategic Goals of RAO Energy Systems of the East Group

Provision of the reliable and uninterrupted supply of electric and heat energy to consumers

- The Group, as the main producer of electric and heat energy in the Far East Federal Region (DFO), understands the fullness of its social responsibility and spends maximum effort on ensuring sustainable and effective development of the electric energy industry on the territory of DFO, the creation and maintenance of a single management path, realization of the State policy in the field of the development of the region's power industry, as stipulated in program documents at the federal and regional levels, and, primarily, ensuring reliability and safety of the utilized equipment and facilities.

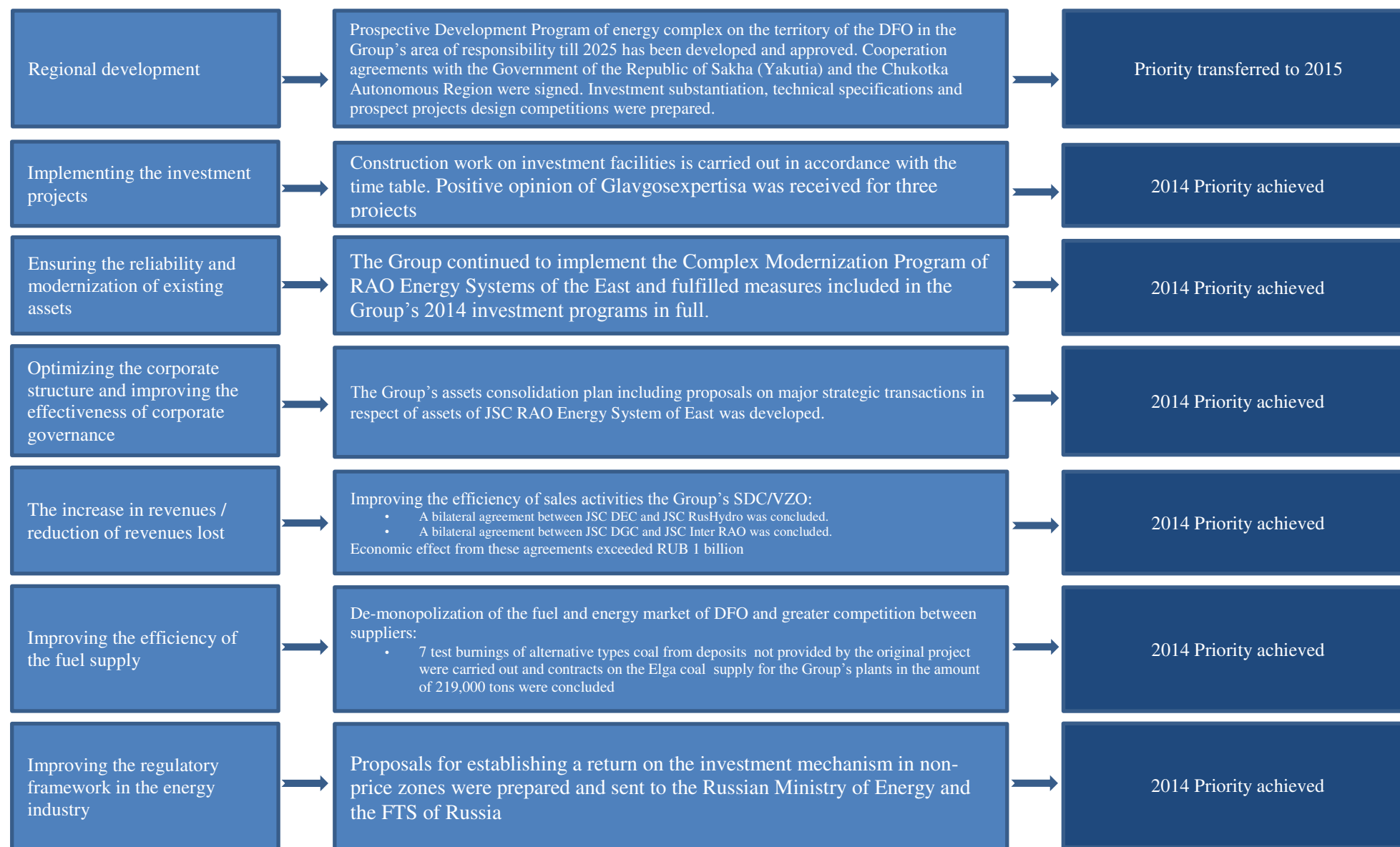
Entering new markets

- Among the prospective directions of business expansion is the development of the heat energy business in the regions in which the Group operates and development of electric energy export.

Ensuring sustainable growth of the fundamental value in the long-term

- The Group aims to increase its fundamental value and grow its value for shareholders, employees and society. Instruments for achieving this goal include both gradual vertical integration and optimization of the Group's operational activities as well as an increase in the effectiveness of business processes and the development of the management system.

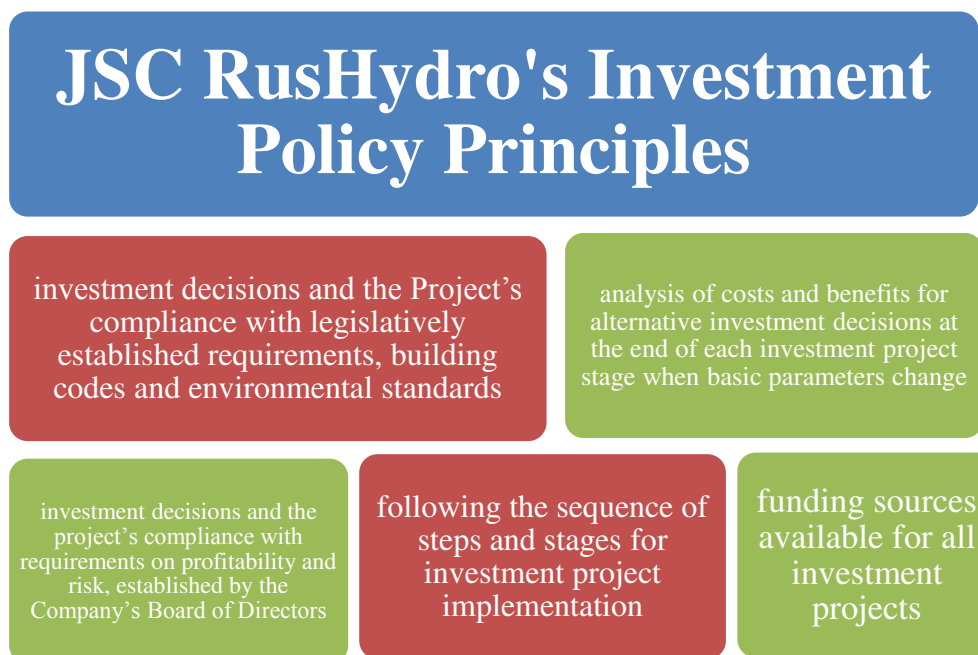
Implementation of the Strategy of RAO Energy Systems of the East Group: Development Priorities and the Results of their 2014 Implementation



Investment

Investment Policy Principles

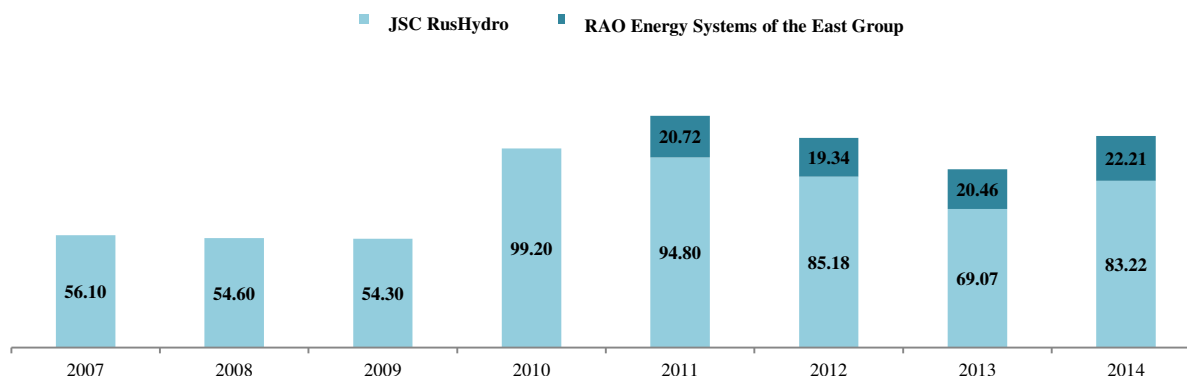
The Company's investment policy and the adoption of related decisions are based on the following principles:



The Company's investment activity is regulated by a single consolidated document – the Regulations on the Investment Management Process in the Form of Capital Investments.

Approval of the Company's Investment Program is the responsibility of the Company's Board of Directors. The investment programs, before being approved by JSC RusHydro's Board of Directors, are agreed upon with executive authorities and approved by the Russian Ministry of Energy.

Capex Dynamics, RUR billion

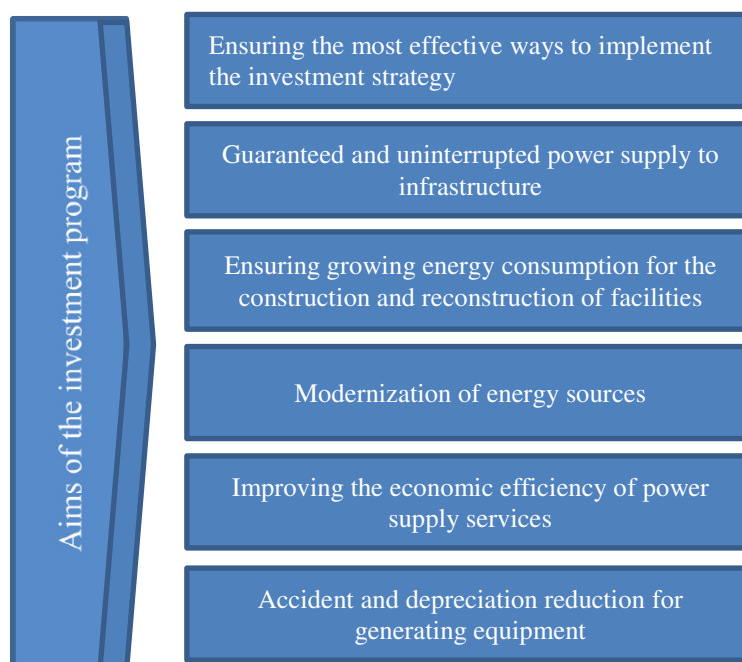


2014 Investment Program

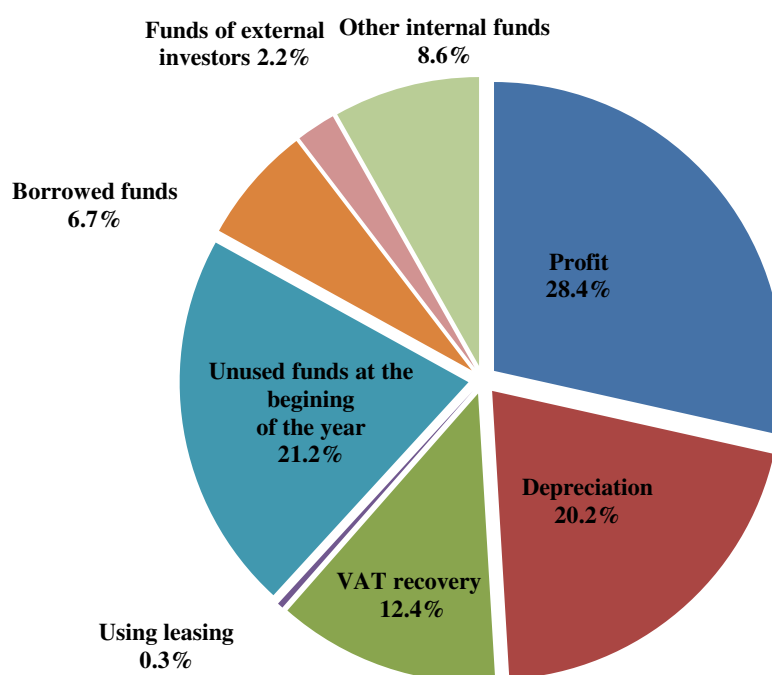
The Company's 2014-2016 investment program was approved by Order No 640 of the Russian Ministry of Energy as of September 24, 2013¹¹. In December 2014, the parameters of the 2014 investment program were adjusted due to

¹¹ The Board of Directors of JSC RusHydro (Minutes № 193 as of 19.02.2014), made a decision on the approval of JSC RusHydro's 2014 investment plan, including the 2014 investment program of JSC RusHydro, and approved the 2015-2018 business plan of RusHydro, including the 2015-2018 investment program of JSC RusHydro.

the need to change the schedules of investment project implementation and, as a consequence, planning for financing them and commissioning capacities. The total amount of the adjusted 2014 investment program ¹² was RUR 85,725.79 million.

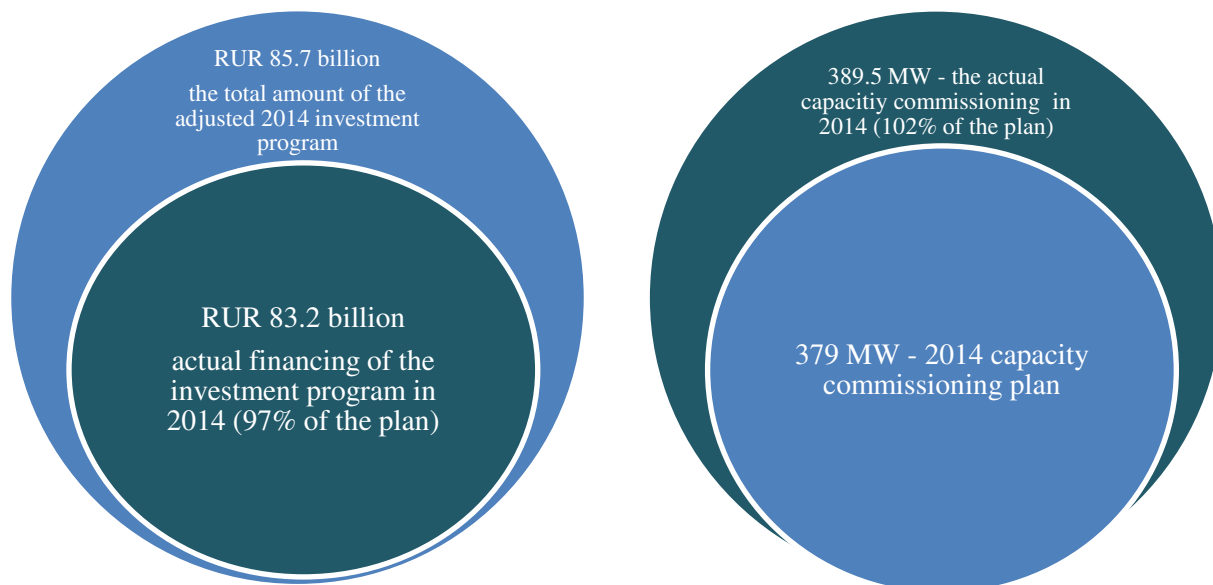


Structure of Funding Sources used in 2014



¹² The adjusted investment program of JSC RusHydro for 2014 was approved by Order №919 of the Russian Ministry of Energy dated 12.12.2014, a resolution on the approval of the Company's adjusted Business Plan for 2014 in respect to the investment program of JSC RusHydro for 2014 was taken by JSC RusHydro's Board of Directors (Minutes № 209 dated 26.12.2014).

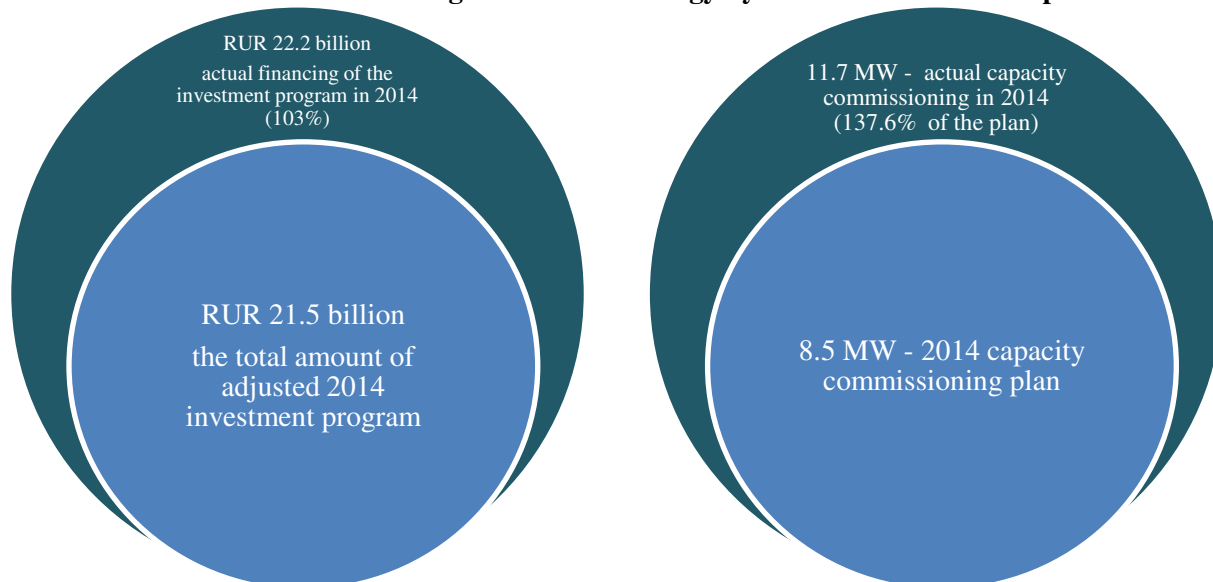
Fulfilment of JSC RusHydro's Investment Program in 2014



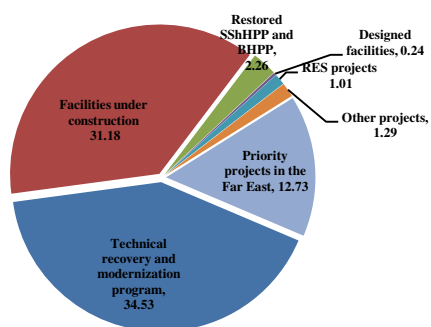
Overfulfillment of the capacity commissioning plan in 2014 became possible due to the commissioning of an additional 10.5 MW of the Zhigulevskaya HPP.

The 2014 investment program of the RAO Energy Systems of the East Group was formed in the amount of RUR 21,548.5 million, including VAT. Following 2014 results, the parameters of the investment programs of the following RAO Energy Systems of the East Group's companies were adjusted: JSC RAO ES of the East, JSC Sakhalinenergo, DRSK, JSC DGC, JSC DEK, JSC Mobile Energy, JSC Kamchatskenergo, JSC IuESK, JSC Yakutskenergo, JSC Sakhaenergo, and JSC Chukotenergo.

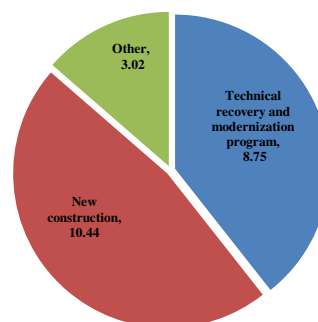
Fulfilment of the Investment Program of RAO Energy Systems of the East Group in 2014



2014 Key Directions of JSC RusHydro Investment, RUR billion



2014 Key Directions of RAO Energy Systems of the East Group's Investment, RUR billion



Key Investment Projects

Object	Project Stage	Design Capacity, MW	Start of Construction	Completion of Construction	Capacity Commissioning 2014	Capacity Commissioning 2015 (plan)
Priority Projects in the Far East						
2nd stage of the Blagoveschenskaya CHP The aim of construction is to liquidate the existing capacity deficit and meet future heat energy consumption growth, improve energy supply reliability as well as to meet the irregular part of the load schedules of UES of the East.	Construction	120	2011	2015	-	120
1st stage of the Sakhalinskaya TPP-2 The new TPP will replace the decommissioned capacity of the Sakhalinskaya TPP, as well as increase the efficiency of Sakhalin energy system performance.	Construction	120	2011	2017	-	-
The CHP in Sovetskaya Gavan The CHP is constructed to substitute the decommissioned capacity of the Mayskaya TPP and ensure meeting the growing energy needs of the special economic zone in the Sovetskaya Gavan port	Construction	120	2010	2016	-	-
1st stage of the Yakutskaya TPP-2 The project is realized to replace the decommissioned capacity of the Yakutskaya TPP and meet consumption growth for energy and to enhance energy supply reliability	Construction	193.48	2011	2016	-	-
TOTAL:					-	120
Facilities under Construction						
The Ust-Srednekanskaya HPP The aim of the project is to supply electric energy to consumers of the central load center of the Magadan Region and partly of customers of the Oimyakon District of the Sakha Republic, as well as the supply of reasonably priced energy to new gold and other precious metals mining companies.	Construction	310.5	1991	2018	-	-
The Boguchanskaya HPP Completion of the construction of the HPP is critically important for the development of the Lower Angara Region and the Siberian economic region. More than half of all electric energy generated by the HPP will be used for the aluminum plant. In 2014, the whole design capacity of the plant was introduced (acceptance acts were signed by all nine hydropower units at 2,997 MW), until 2016 it is planned to complete end work that do not affect plant capacity commissioning.	Construction	2,997	1980	2016	333	-
The Gotsatinskaya HPP The aim of the project is to supply electricity and power to consumers of the deficient UES of the North Caucasus, which will have a beneficial impact on	Construction	100	2007	2016	-	-

remedying the socio-political situation and improving the social status of the Republic of Dagestan						
The Zagorskaya PSPP-2 The second stage of the Zagorskaya PSPP is built to partially solve the problem of maneuverable regulation power deficit in the Central Region of Russia, as well as preventing accidents in Moscow and the Moscow Region.	Construction	840	2006	2018	-	
The Zaramagskie HPPs The hydropower complex on the Ardon River in the North Ossetia consists of two interconnected plants and aims to solve the problem of energy deficit in the Republic.	Construction	352	1976	2018	-	
The Zelenchukskaya HPP-PSPP The aim of the project is to enhance the reliability of the energy supply to the North Caucasus energy system and balance the daily schedule of the Kuban River.	Construction	140	2009	2015	-	140
The Nizhne-Bureyskaya HPP This HHP will be a compensating reservoir of the Bureyskaya HPP, levelling daily water fluctuations in the river resulting from the work of the hydropower plant. This will remove the restrictions on the regimes of operation of the Bureyskaya HPP and prevent winter floods in several villages located downstream.	Construction	320	2010	2017	-	-
The Zaragizhskaya SHPP The start of the third stage of the Nizhne- Chereksky Cascade will be an important step towards fully achieving existing and future needs in electric power in Kabardino-Balkaria.	Construction	30.6	2011	2015	-	30.6
TOTAL:					333	170.6

2015 Investment Program

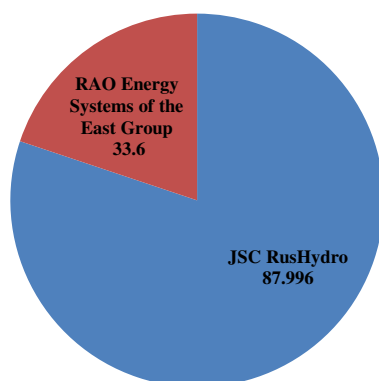
JSC RusHydro's 2015-2017 investment program was approved by Order No 93 of the Russian Ministry of Energy as of 26.02.2015.

Pursuant to the instructions of the Deputy Prime Minister of the Russian Federation A.V. Dvorkovich as of 30.12.2014 No AD-P9-220pr (item 6) from 13.01.2015 № AD-P9-52 (item 8) and as of 30.01.2015 No AD-P9-25pr (item 5), an optimized version of the draft JSC RusHydro 2015-2017 investment program was prepared. It was considered at a meeting of the Government of the Russian Federation on April 3, 2015. Following the results of the Government of the Russian Federation's consideration, the finalized version of the investment program was sent in its prescribed procedure to the Russian Ministry of Energy.

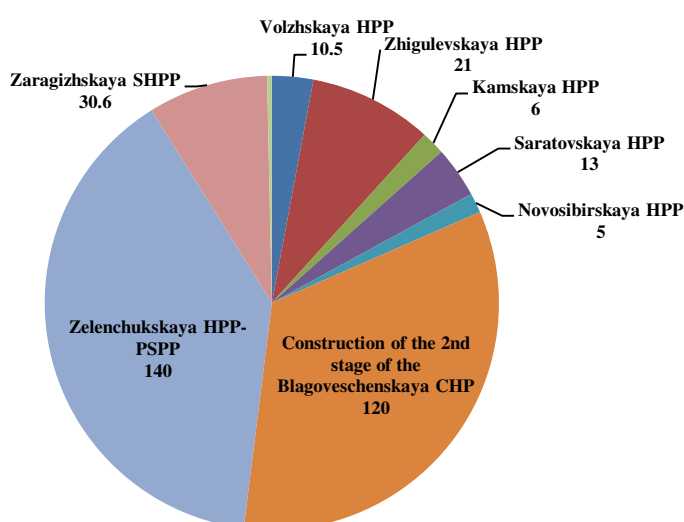
Considering the above mentioned, a draft 2015-2019 business plan for JSC RusHydro has been formed in accordance with the parameters of a draft adjustment of JSC RusHydro's 2015 investment program and a draft 2016-2018 investment program.

Currently, a draft 2015-2019 business plan for JSC RusHydro has been approved by the Management Board of JSC RusHydro (Minutes No 903pr as of 31.03.2015).

2015 Planned Investment Amount, RUR



JSC RusHydro 2015 plan for commissioning capacity, MW



RAO Energy Systems of the East Group's 2015 plan for commissioning capacities:

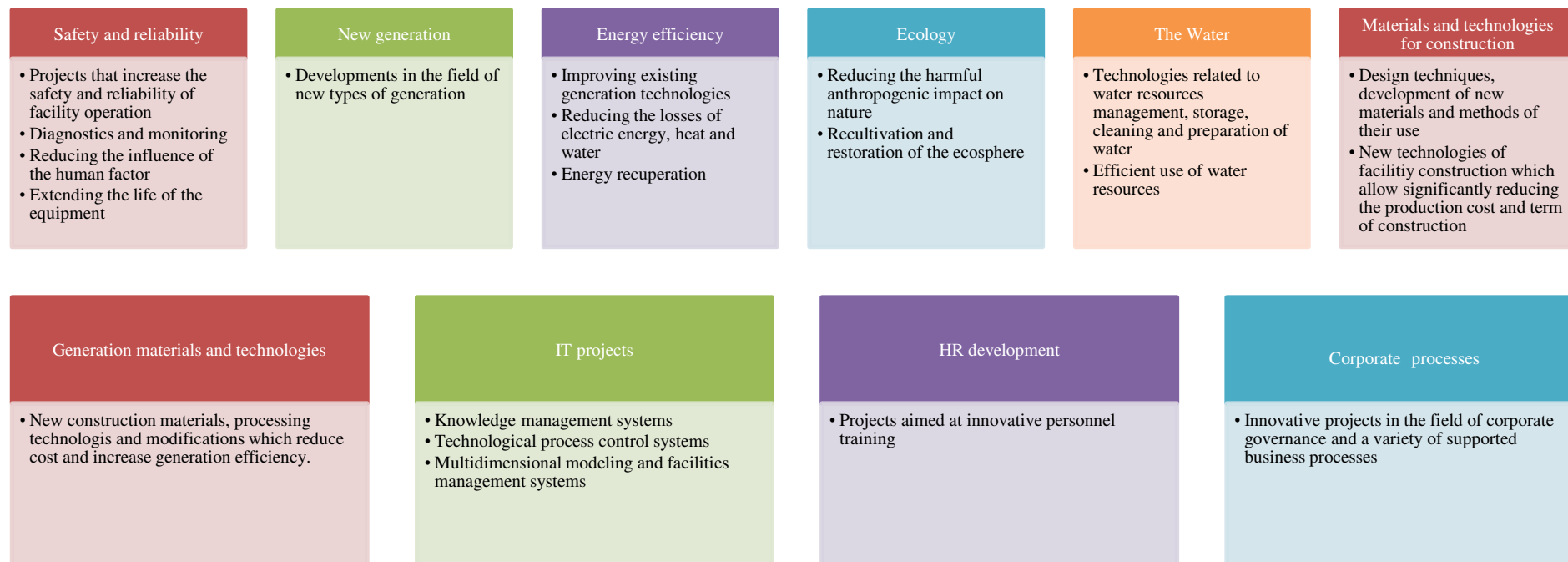
Generation: 141.95 MW
Grid network: 513.32 km
Transformer capacity: 254.18 MVA
Heat energy: 121 Gcal*h

Innovative Development

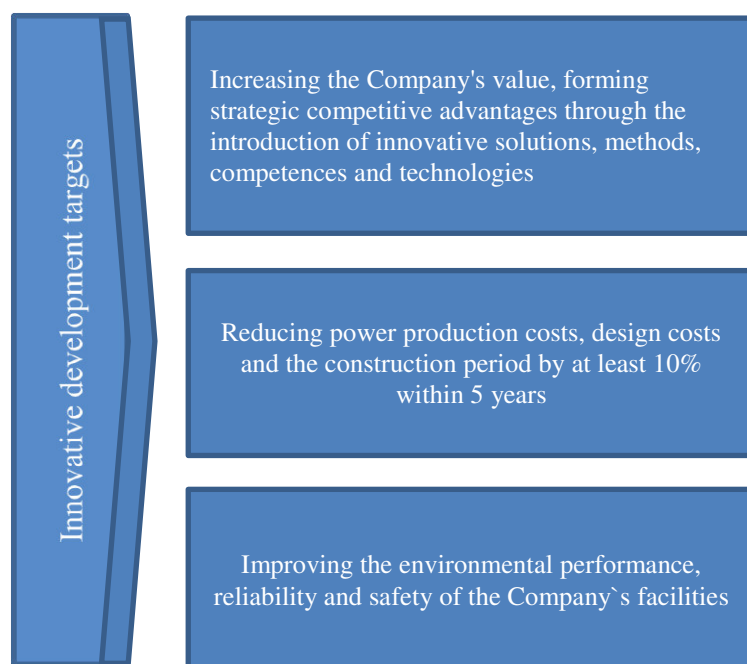
Today, RusHydro is the innovation leader in Russia's energy sector. New technologies are being actively implemented in all activity areas of the Company - from design to production asset management.

Innovative Development Program

JSC RusHydro's 2011-2015 Innovative Development Program with a prospective till 2021¹³ includes the following priority directions for innovation development:



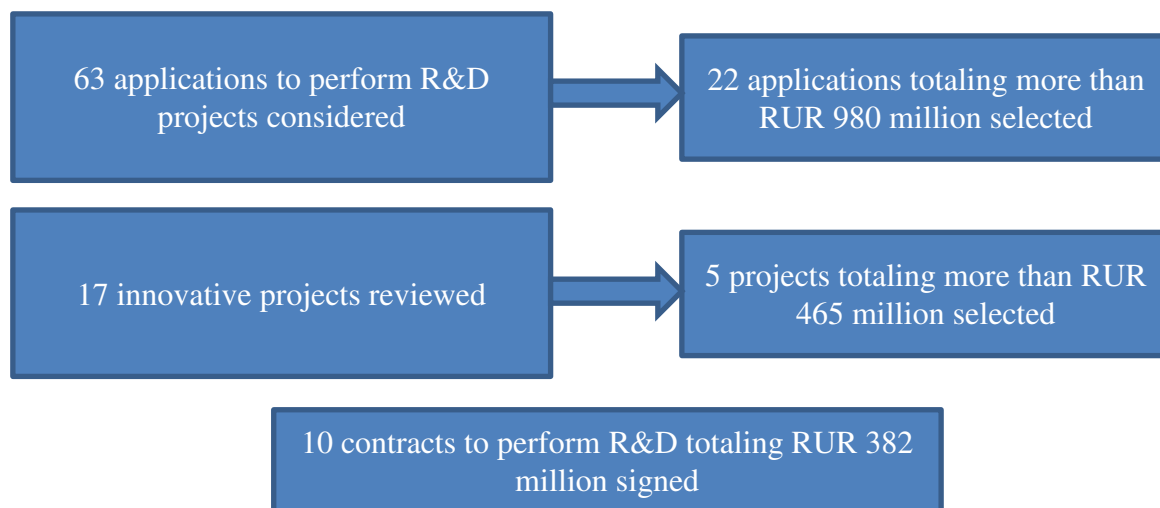
¹³ 2011-2015 Innovative Development Program of JSC RusHydro with prospects till 2021 was approved by JSC RusHydro's Board of Directors, Minutes №130 as of 02.08.2011.



In 2015, the innovative development program will be updated - it will be formulated for the whole RusHydro Group. The new integrated program will consist of a part which is common to all Group companies and include a description of the innovative development management system, strategic goals of innovative activities, the basic principles, as well as two groups of priority directions for innovative development: for JSC RusHydro and RAO Energy Systems of the East Group.

2014 Results of the implementation of the Innovation Development Program

Selecting applications and implementing projects



Interaction with Higher Educational Institutions and Scientific Organizations

Developing the "Hydropower and RES" Department in NRU "MPEI"

A year ago, the Company opened the basic "Hydropower and renewable energy sources" Department in the National Research University "MPEI". During the reporting year, the financing of equipment purchases consisting of five stands and the "smart grid" technology which models the joint work of the HPPs, PSPPs, WPPs, SPPs and power transmission lines in "smart grid" technology was started to equip the experimental laboratory complex. Switching the training simulator of the HPP on which students will learn during 2015 traineeship was also transferred to the department.

RusHydro and Universities - R&D Cooperation

The funding of R&D performed by universities at the request of RusHydro was RUR 31,892 million¹⁴. In 2014, the Company, in collaboration with leading Russian universities, has been working on the following R&D projects:

Improving the reliability of radial-axial turbines by extending the recommended areas of work	Optimizing the water and energy regime of the Volga-Kama HPP Cascade to increase power generation	Justifying parameters on greenhouse gas emissions of under construction and operated water-storage reservoirs of RusHydro's HPPs
The Moscow Power Engineering Institute, one of the largest universities in the field of energy, electrical engineering, radio engineering, electronics and information technology, became a contractor for the project. University experts analyzed the effect of regime parameters on the dynamic load fastening elements of medium- and high-head hydropower plants, developed a procedure to assess the impact of dynamic loads on the strain-stress state of fastening elements of hydropower turbines, and conducted metallographic examination of samples of material of old and new studs of SSHPP. Currently, the Company is conducting bench tests of real studs from the mounting kit of the unit.	The Moscow State University of Environmental Engineering was selected to work on this project. Its staff has developed an optimization model for the Volga-Kama HPP cascade, model of runoff formation in the reservoir of the Volga-Kama HPP cascade, as well as a procedure to assess the energy effect from the optimization of the pre-flooding drawdown of reservoirs of the Volga-Kama Cascade and special spring water releases to the lower reaches of the Volga. The economic effect from the use of the model of runoff formation (in conjunction with a simulation model) will be more than RUR 2 billion per year.	At present, the internationally accepted procedure for calculating greenhouse gas emissions is a procedure developed for reservoirs located in areas of warm and temperate climates. Experts of the St. Petersburg Polytechnic University assessed the possible carbon neutrality of large HPP reservoirs in northern climatic zones. The study showed that the methane flux on average for the reservoirs is 0.7 mg / (m ² · day), which is significantly lower than in most reservoirs of the Canadian HPPs (3-27 mg / (m ² · day)) located in the boreal climate zone. The average value of the carbon dioxide flux (2,357 mg / (m ² · day)) was close to the values of carbon dioxide fluxes from HPPs' reservoirs in Canada (1 000-3 000 mg / (m ² · day)) of similar age (~ 35 years).

Innovative Cooperation with Russian and Foreign Companies

RusHydro's Year of Chairmanship in the Global Sustainable Electricity Partnership (GSEP) ended with the Partnership Summit in the presence of representatives from the world's largest energy companies. The Partnership Project Committee defined and implemented joint pilot projects in terms of renewable energy sources and small HPPs on the territory of developing countries. Among the projects implemented within the GSEP involving the Company are the successful implementation of a joint program along with the Global BrightLight to install 5,000 solar panels for households in Nepal, the opening of a hybrid wind-diesel complex in Argentina, the commissioning of a biogas micro-station in Uruguay, the launch of a program of public-private partnerships for energy industry sustainable development and a cyber-security project.

In 2014, the Company worked jointly with JSC RUSNANO in the field of modern high-tech development, including nanotechnology equipment, materials and other products, as well as the creation of conditions to utilize the scientific and technical potential of project companies established with the participation of RUSNANO. Projects to be implemented have been selected.

In the reporting year, the Company has successfully worked on creating and coordinating project documents which regulate science and technology cooperation with the Canadian company Hydro Quebec.

In 2014, purposeful work to develop the renewable energy industry, including the hydropower industry, continued. A key element of these activities was the Company's work as a coordinator of the technology platform "Promising renewable energy technologies." In 2014, Platform participants fulfilled RES projects worth more than RUR 450 million raised through the Platform.

¹⁴ Including subcontracts.

2014 RusHydro Innovative Projects

Control and Accounting Instrumental-Technical System of water resources at the HPPs

In 2013, the Company began work to develop control and accounting instrumental and technical systems for water resources at the HPPs. The aim of the project was to update the initial data for setting water-power regimes of HPP operation and clarify operation characteristics of the hydropower units for working in the optimal efficiency ratio zone by the direct measurement of water flowing through the hydro turbine. The Uglichskaya HPP was chosen as a pilot object. 2014 work results were the creation of a prototype system, including software development which provides data on water flowing through the site of the hydropower complex in real time and transmit them to RusHydro's dispatching control center.

The introduction of the turbine water flow measurement system, as part of the water resources accounting system, will allow operating HPPs in the area of the highest efficiency ratios of the turbine equipment. Output increases may exceed 1.5%. For the Uglichskaya HPP, proceeds from the sales of additional production will be RUR 5.76 million per year. In the future, the system will be introduced at the Company's run-of-river HPPs; it is expected that the annual revenue from the introduction of the system at all objects will reach RUR 852.3 million. In addition, production is expected to increase due to the more accurate setting of water and energy regimes.

Pumped storage power plant (PSPP) with an underground reservoir

In the European part of Russia, where PSPPs are required, elevation differences between the upper and lower reservoirs do not exceed 100 meters, so the cost of the construction of PSPPs in Russia's Central Region is quite high. One of the best solutions to this problem is to construct PSPPs with an underground location of the lower reservoir at great depths.

RusHydro, along with leading Russian design and research institutes, as well as with European partners, develops design solutions to the PSPP with an underground reservoir. In 2014, the Company has been working on a computational model to determine the stress-strain state of the rock mass and the hydropower model of the lower reservoir. In the future, promising sites for constructing PSPPs of this type will be selected.

A Procedure for Optimizing the Water and Energy Regime of the Volga-Kama HPP Cascade

Optimizing HPP operation with the use of additional design solutions in the tail pond will increase the production of the Volga-Kama HPP Cascade, and at the same time, provide for the necessary level of flooding of the Volga-Akhtuba floodplain. In the reporting year, the Company's specialists worked to create a complex mathematical model which effectively manages water regimes and hydropower units across the whole HPP cascade.

2015 Innovative Plans

In 2015, the Company plans to update the innovative development management system in accordance with recommendations received during the examination of the implementation of the innovative development program. In addition, the work to establish the RusHydro-RUSNANO joint venture fund will continue. In the field of design activities, RusHydro will implement innovative projects aimed at improving the operating efficiency of corporate divisions and key subsidiary and dependent companies.

Financial Performance

FINANCIAL STABILITY AND DIVIDEND GROWTH

10-years of success:
JSC RusHydro's dividend grew nine-fold

2014 key events

5% revenue growth
15% profit growth
43% dividend growth

This section is prepared based on the consolidated financial statements of the RusHydro Group for 2014 in accordance with International Financial Reporting Standards (IFRS).

In 2014, the RusHydro Group maintained its stable financial position and succeeded in increasing revenue 5%, while the amount of government subsidies decreased (despite a decline in production volume and the net supply of electricity), at the same time maintaining the rate of increase in operational costs within the inflation rate, increasing dividend payments by 39% and net profit by 15%. The relative debt load indicators also remained at comfortable levels.

The key events influencing the financial performance of the RusHydro Group in 2014 were the following:

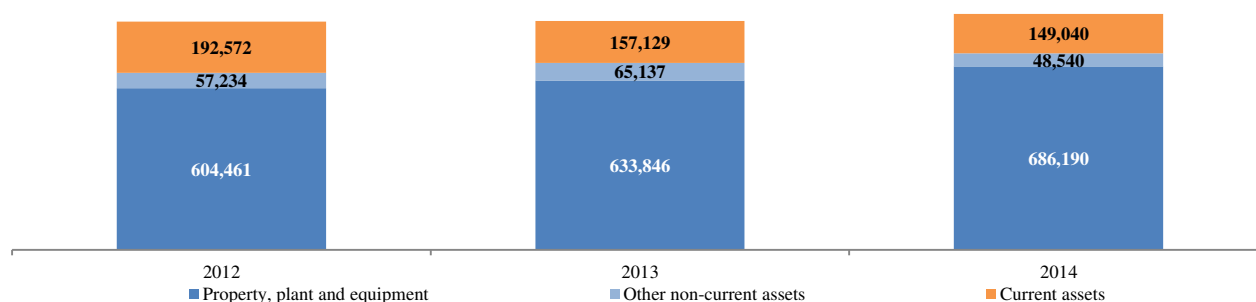
- ❖ 8.5% year-to-year decline in electricity output due to a low water inflows at the Volzhsko-Kamskiy Cascade and the Sayano-Shushenskaya HPP, as well as a decrease in demand in the second price zone;
- ❖ Further implementation of the investment program: RusHydro's capital expenditures in 2014 increased 32% and amounted to RUR 93,022 million. For the implementation of its investment program, the Group attracted a number of loans, the largest of which was a loan in the amount of EUR 190 million with a 15 year-term provided for financing the modernization of the Saratovskaya HPP hydropower turbines by a syndicate of ING Bank and Crédit Agricole Corporate & Investment Bank Deutschland;
- ❖ The Group put into operation all nine hydropower units of the Boguchanskaya HPP, the installed capacity of RusHydro increased to 38.5 GW¹⁵, which is the highest value in Russia;
- ❖ In June, the General Meeting of Shareholders adopted 2013 dividend payments in the amount of 0.0136 rubles per share in the overall amount of RUR 5,248 million;
- ❖ The Group closed a fully non-cash transaction with JSC Eurosibenergo involving a swap of 25 percent minus one share in JSC Krasnoyarskaya HPP against 3.39% own shares of JSC RusHydro, which were obtained by JSC Hydroinvest;
- ❖ RusHydro reaffirmed its status as a socially responsible company. The expenses for Group labor remuneration increased 14% as of the end of 2014 despite a decline in operational indicators and the deterioration of external economic conditions.

Assets, equity and liabilities

(RUR million)	2012	2013	2014	Change
Property, plant and equipment	604,461	633,846	686,190	52,344
Other non-current assets	57,234	65,137	48,540	(16,597)
Current assets	192,572	157,129	149,040	(8,089)
Total assets	854,267	856,112	883,770	27,658
Equity	540,405	596,707	595,151	(1,556)
Liabilities	313,862	259,405	288,619	29,214
Total liabilities and equity	854,267	856,112	883,770	27,658

¹⁵ JSC Boguchanskaya HPP is a joint venture of the RusHydro Group. The results of JSC Boguchanskaya HPP are accounted for under the equity method in the Group's consolidated financial results (according to IFRS).

Assets structure and dynamics, RUR million

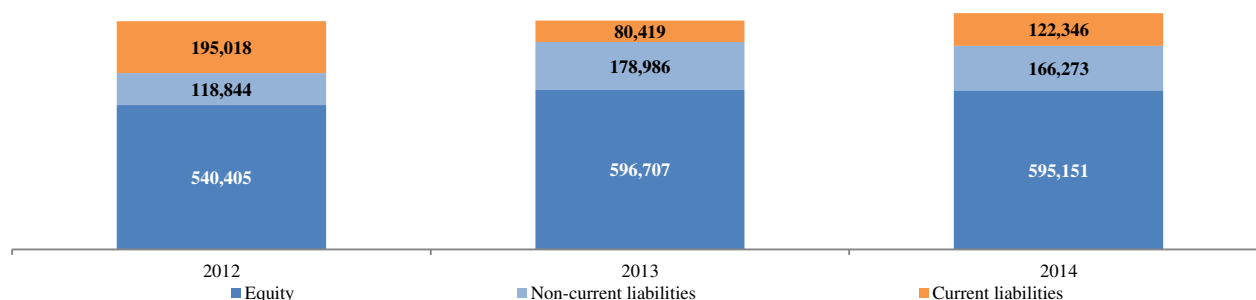


As of the end of 2014, the total assets of the RusHydro Group increased RUR 27,658 million (3%) amounting to RUR 883,770 million. The key factor contributing to Group asset growth during the reporting year was the increase in property, plant and equipment by RUR 52,344 million (8%) due to further implementation of the investment program and significant Group investment in infrastructural objects that are nationally significant.

At the same time, other non-current assets decreased 16,597 rubles (25%), which is due to an exchange of 25% minus 1 share of JSC Krasnoyarskaya HPP for 3.39% shares of the Company by the Group, while current assets decreased RUR 8,089 million (5%), mostly due to reduced short-term deposits. At the same time, cash assets remained at the 2013 level.

As a result, the share of property, plant and equipment in the Group's 2014 total balance increased to 78%. The Group maintains a stable structure of assets despite structural problems in the economy and a decrease in electricity output in 2014.

Liabilities structure and dynamics, RUR million



RusHydro Group equity, as of the end of 2014, amounted to RUR 595,151 million, which is marginally lower than the amount as of the end of the previous year. The increase in retained earnings and other Group reserves by RUR 14,821 million (9%) was offset by the growth in "treasury stock" after receiving own shares in payment for the disposal of share in PJSC Krasnoyarskaya HPP.

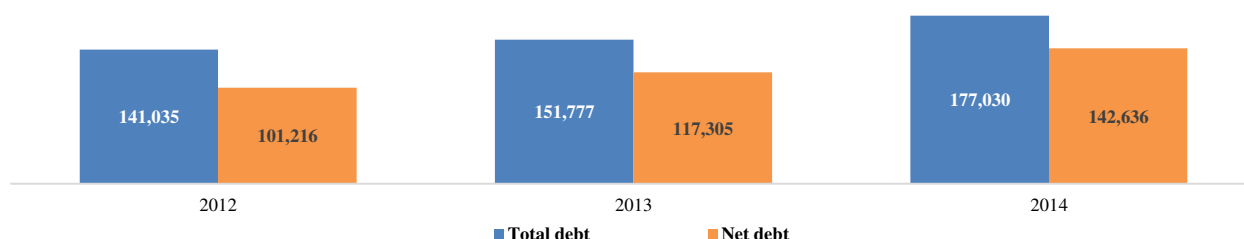
The total Group liabilities increased RUR 29,214 million (11%) and amounted to RUR 288,619 million in 2014, which is due to the necessity of attracting funds for financing investment. Current liabilities constitute 42% of total liabilities, while such an increase during the reporting year was due to the approaching maturity of numerous significant loans.

Liquidity and Debt Indices

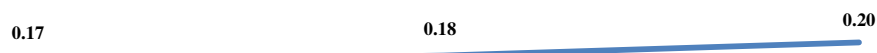
	2012	2013	2014	Change
Current Ratio	0.99	1.95	1.22	(0.73)
Acid-Test Ratio	0.89	1.69	1.04	(0.65)
Absolute Liquidity Ratio	0.20	0.43	0.28	(0.15)
Financial Independence Ratio	0.63	0.70	0.67	(0.03)

Against the background of a decrease in short-term liabilities in 2014, compared with the previous year, the relative liquidity ratios of the RusHydro Group decreased. At the same time, all the key ratios for current, quick assets and absolute liquidity significantly exceeded recommended values, which is evidence of RusHydro's high level of financial stability and the implemented prudent financial policy.

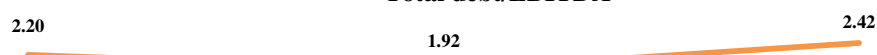
Debt dynamics, RUR million



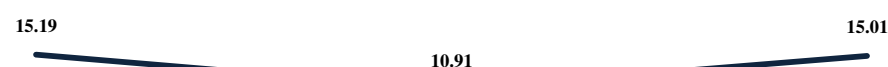
Total debt/Assets



Total debt/EBITDA



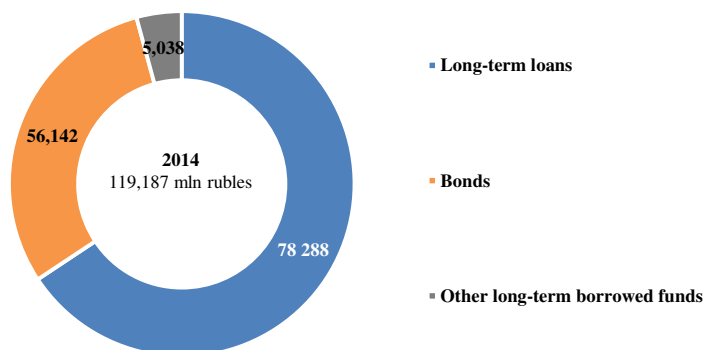
EBITDA/Interest expense



As of the end of 2014, the total debt of the RusHydro Group amounted to RUR 177,030 million, which exceeded the previous year's level by RUR 25,253 million (17%). The key factor contributing to the Group's debt increase during the reporting year was the increase in the volume of RusHydro's investment program together with maintaining profitability indicators at the 2013 level and an increase in dividend payments. The largest borrowing of the Group in 2014 was the attraction of a loan in the amount of EUR 190 million with a 15 year-term provided for financing modernization of the Saratovskaya HPP hydro turbines by a syndicate of ING Bank and Crédit Agricole Corporate & Investment Bank Deutschland.

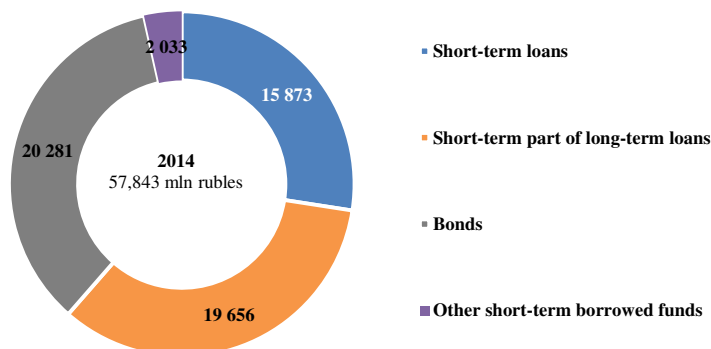
The Group's net debt as of the end 2014 amounted to RUR 142,636 million rubles. The relative leverage ratios of RusHydro remain at comfortable levels which reaffirms the Group's stable financial position.

Long-term debt structure, RUR million



The long-term debt of the Group decreased 12,703 million rubles (10%) in 2014 totaling 119,187 million rubles due to the approaching maturity of a number of significant loan agreements and Eurobonds. As of the end of 2014, 66% of the Group's long-term debt was formed by credit funds, while 30% was formed by bonds placed by the Group and 4% by other long-term financing sources.

Short-term debt structure, RUR million



The Group's short-term debt amounted to RUR 57,843 million as of the end of 2014. The significant increase in short-term debt was due to carrying over a part of long-term loans to short-term liabilities and bonds due to approaching maturity. As a result, the percentage of the part of long-term loans in the Group's short-term debt amounted to 34%, whereas 27% are formed by short-term loans, 35% – by placed bonds and 4% – by other short-term financing sources.

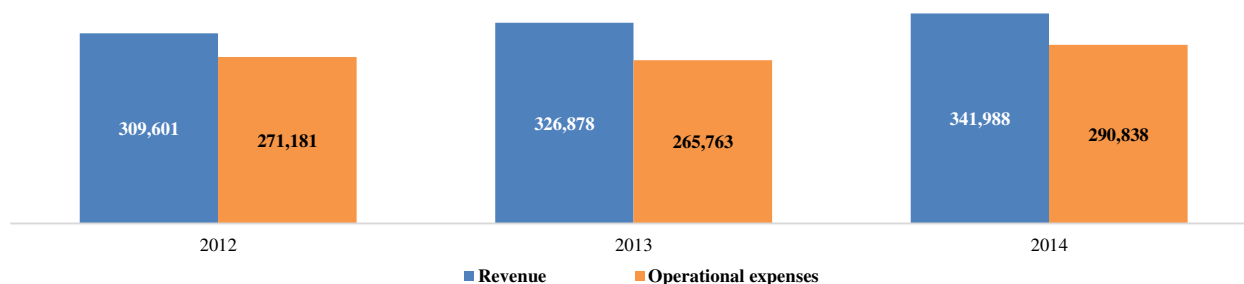
As of the end of 2014, more than 90% of the debt is ruble-denominated, which makes the Group immune to the impact of currency risks. At the same time, more than 40% of the overall volume of debt financing are the commitments to major Russian State banks. The Group also has open credit lines in the largest Russian banks. The sum of the unused loans amounted to approximately 13 million rubles¹⁶, which significantly decreases the potential negative impact of financial risks.

Despite the increase in Group total debt and deterioration in the macroeconomic environment as of the end of 2014, the amount of interest paid on the RusHydro Group loans increased only RUR 128 million (1%), amounting to 13,708 million rubles.

¹⁶ Given the conversion rate of foreign currency according to the Bank of Russia's rate, as of 31.12.2014.

Revenue and expenses

Revenue and expense dynamics, RUR million*



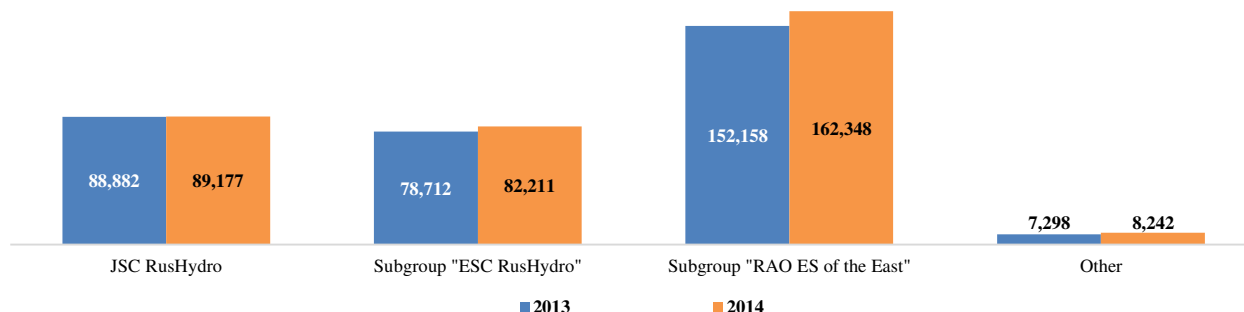
- In this section, the total revenue includes government subsidies; operating costs exclude impairment loss.

As of year-end 2014, RusHydro Group revenue (including government subsidies) increased 15,110 million rubles (5%), amounting to 341,988 million rubles. The following factors contributed to the increase in the Group's revenue:

- ❖ Price increase in the day-ahead market of the second price zone;
- ❖ Price increase for capacity at capacity auctions in the first price zone, due to indexation;
- ❖ Price growth for capacity at capacity auctions in the second price zone after market "liberalization" (since May 1, 2014);
- ❖ Tariff indexation for electricity and capacity starting from the second half of 2013;
- ❖ Increase in electricity output by companies of JSC RAO Energy Systems of the East.

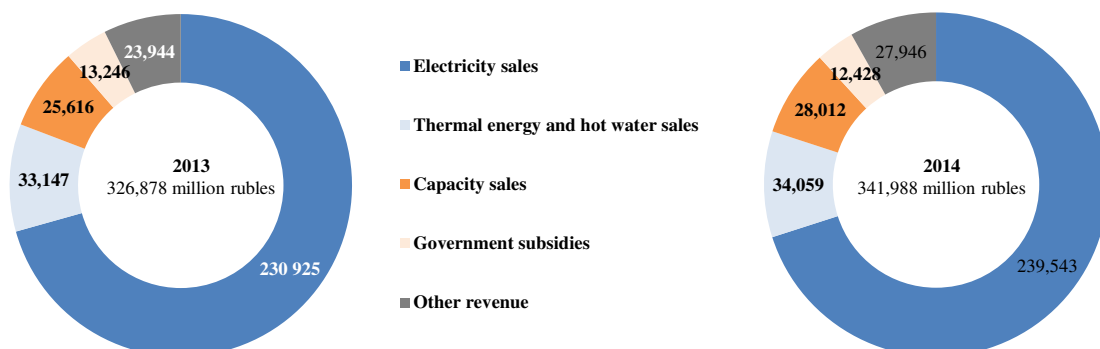
The operational expenses of the RusHydro Group in 2014 increased 25,075 million rubles (9%) to 290,838 million rubles, which corresponds with the task of limiting expense growth by the annual inflation rate. At the same time, the Group reaffirmed its status as a responsible employer – the key factor contributing to the increase in the Group's operational expenses was the increase in labor remuneration expenses.

Revenue structure for Group companies (excluding intragroup operations), RUR million

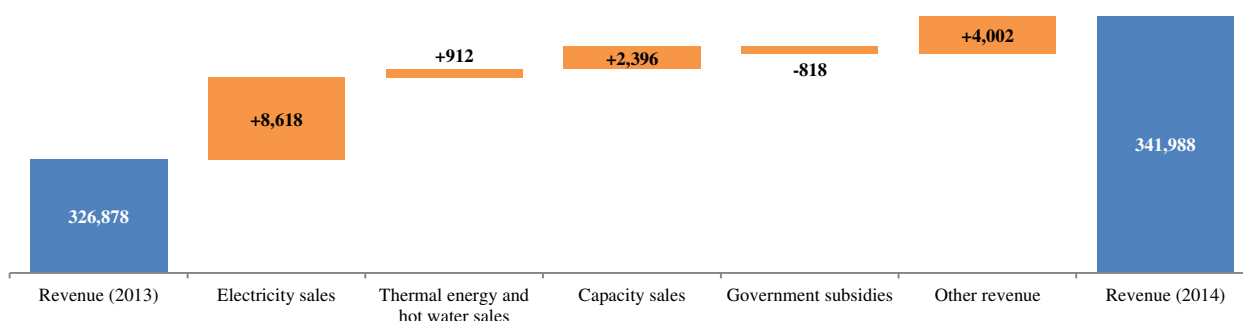


In 2014, revenue increased for all segments of Group companies. The most significant rate of revenue growth in volume terms was demonstrated by the RAO Energy Systems of the East subgroup, the revenue of which increased 10,190 million rubles (7%), reaching 162,348 million rubles against the background of electricity production growth.

Revenue structure breakdown by types of activities, RUR million



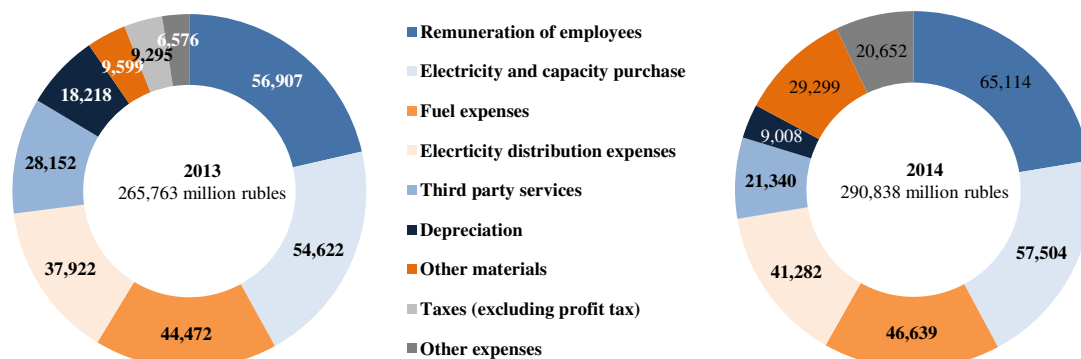
Change in revenue by types of activities, RUR million



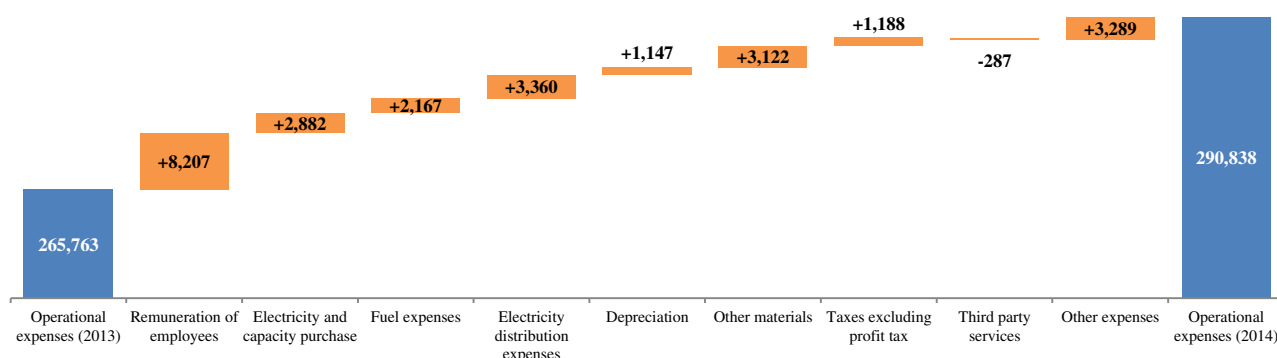
During the reporting year, the revenue increased for all segments of RusHydro Group activities including electricity sales, the revenue from which increased RUR 8,618 million (4%) to RUR 239,543 million. At the same time, the amount of government subsidies received by the Group for the purpose of eliminating inter-regional cross-subsidization in electricity tariffs as well as compensation for the difference between approved electricity and heat energy rates and reduced rates for the consumers as well as compensation for the loss on fuel in the Far East regions by 818 million rubles (6%) to 12,428 million rubles.

The RusHydro Group maintains a stable revenue structure by activity types. In 2014, 70% of the revenue was formed by electricity sales, 10% by heat energy and hot water sales, 8% by capacity sales, 8% by other revenue, and 4% was formed by government subsidies.

Structure of operational expenses, RUR million



Change in operational expenses, RUR million



The most significant growth rate among the Group's operational expense items was demonstrated in 2014 by labor remuneration, which increased 8,207 million rubles (14%), reaching 65,114 million rubles. The RusHydro Group, adhering to high standards in the corporate social responsibility sphere, considers employee motivation with the purpose of improving operational efficiency as one of the priorities.

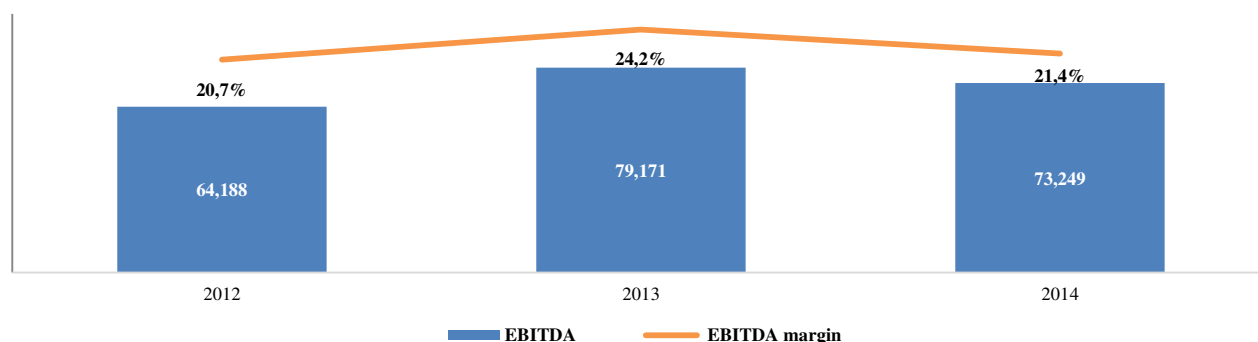
In the structure of the Group's operational expenses, labor remuneration expenses form 22% of the total, being the most significant expense item. At the same time, 20% of costs are formed by expenses from the purchase of electricity and capacity, 16% are formed by fuel expenses, 14% are formed by expenses on electricity distribution, 7% by amortization, 3% by taxes paid, excluding profit tax, and 10% on expenses on services provided by third-party contractors, including the services of JSC "SO UES" and JSC "ATS", whereas 4% are formed by other materials and 4% – by other expenses.

Profitability indicators

	2012	2013	2014	Change
EBITDA, RUR million	64,188	79,171	73,249	(5,922)
EBITDA margin, %	20.7%	24.2%	21.4%	(2.8%)
Net profit (loss), RUR million	(25,324)	20,993	24,131	3,138
Net margin, %	(8.2%)	6.4%	7.1%	(0.7%)
Net profit (loss) per one share, RUR	(0.078)	0.0638	0.0689	0.0051
Return on assets (ROA), %	-3.0%	2.5%	2.7%	0.2%
Return on equity (ROE), %	-4.7%	3.5%	4.1%	0.6%

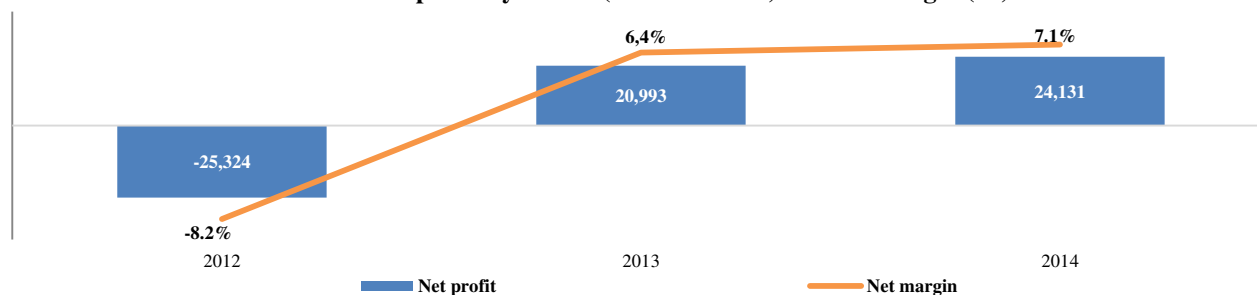
(sales revenue margin)

EBITDA dynamics (RUR million) and EBITDA margin (%)



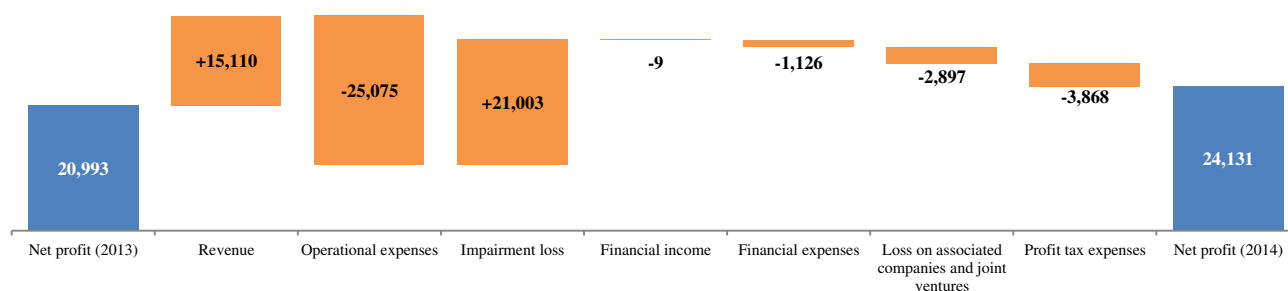
In 2014, Group EBITDA decreased by 5,922 million rubles (7%) amounting to 73,249 million rubles, which can be attributed to lower rates of revenue growth due to a decrease in production output relative to the rate of the increase in operational expense items. At the same time, the Group's EBITDA margin remained at a high level, totaling 21.4% for the reporting year.

Net profit dynamics (million rubles) and net margin (%)



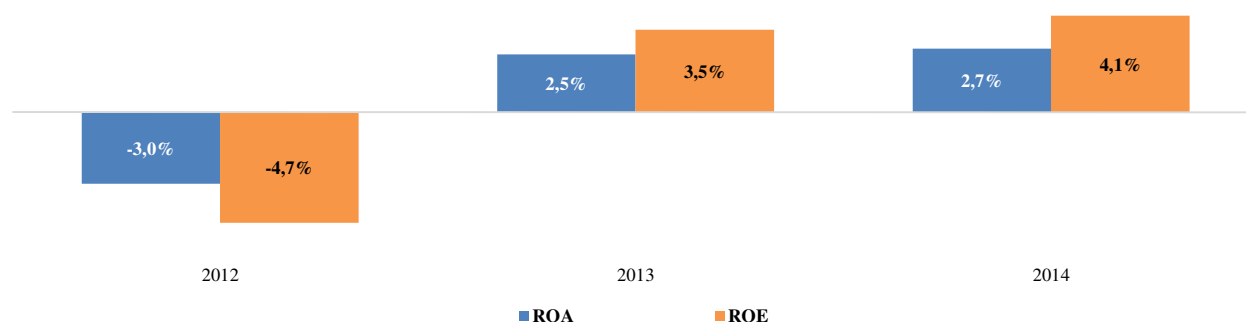
In 2013, the Group returned to net profit after a loss in the previous year. During the reporting period, the trend continued – at year-end 2014, RusHydro recorded net profit in the volume of 24,131 million rubles, which exceeds the previous year's result by 3,138 million rubles (15%). The Group's net margin increased to 7.1%.

Change in net profit, RUR million



The key factor contributing to the Group's increase in net profit in 2014 together with revenue growth was the significant decrease in non-cash losses from the impairment of RusHydro assets – property, plant and equipment, accounts receivable, financial assets available for sale and long-term notes, and also loss from the revaluation of net assets of a subsidiary acquired exclusively with a view to resale. As of year-end, the total of the respective losses, more than half of which was formed by the impairment of property, plant and equipment, amounted to 17,268 million rubles, which is 21,003 million rubles (55%) less than the respective indicator for the previous year.

Return on assets and return on equity, %



The relative profitability indicators of the Group also increased in 2014 due to net profit growth, together with maintaining the debt structure, as well as the capital structure. Return on asset (ROA) increased from 2.5% to 2.7% during the year, while return on equity (ROE) increased from 3.5% to 4.1%.

Cash flow

(RUR million)	2012	2013	2014	Change
Net cash generated by operating activities	58,876	62,428	57,926	(4,502)
Net cash used in investment activities	(121,626)	(51,155)	(60,433)	(9,278)
Net cash generated by (used in) financing activities	55,213	(16,706)	1,091	17,797
Foreign exchange gain (loss) on cash	(20)	48	1,338	1,290

balances				
Decrease in cash and cash equivalents	(7,557)	(5,385)	(78)	5,307
Cash and cash equivalents at the end of the year	39,857	34,472	34,394	(78)

The Group's net cash generated by Group operating activities decreased 4,502 million rubles (7%) to 57,926 million rubles.

At the same time, the net flow of funds used in financing activities increased 9,278 million rubles (18%), reaching 60,433 million rubles. During 2014, the Group implemented a large-scale investment program, increasing capital expenditures 22,769 million rubles (32%) to 93,022 million rubles.

In RusHydro's financial activities, a net cash inflow in the amount of 1,091 million rubles was recorded during the reporting period against the background of a decrease in the volume of repaid borrowings compared with the previous year.

Despite the deterioration of macroeconomic conditions, the Group avoided a significant exchange rate loss in 2014 due to a significant share of ruble-denominated loans in the overall debt structure. At the same time, the foreign exchange gain on RusHydro Group cash balances decreased almost 28 times, totaling 1,338 million rubles.

It is against this background that the Group maintained the volume of cash and cash equivalents at a practically unchanged level as of end of the year; and it amounted to 34,394 million rubles, which is 78 million rubles (0.2%) less than the respective value as of the beginning of the year.

Distribution of the Company's net profit

The issue of the distribution of the Company's net profit* based on FY 2014 results, including the issue of the payment (declaration) of dividends, will be submitted for consideration to the Annual General Meeting of shareholders on June 26, 2015.

On June 27, 2014, the Annual General Meeting of shareholders approved the distribution of profits (including the payment (declaration) of dividends) and corporate losses based on FY 2013 financial results.

	Amount in RUR	Share, %
Retained profit (loss) of the reporting period	35,321,324,606.01	100 %
Distribute to:		
Reserve fund	1,766,066,230.30	5%
Accumulation fund	28,307,008,383.96	80%
Dividends	5,248,249,991.75	15%
Covering losses from previous years	0	0%

* 15% of JSC RusHydro's RAS net profit or 25% of the Group RusHydro's IFRS net profit is allocated for dividends.

Credit rating

Rating Agency	Fitch Ratings	Standard&Poor's	Moody's (together with CJSC "Moody's Interfax Rating Agency")
National rating	AA(rus)	ruAA+	Aa1.ru
International rating (in foreign currency)	BB+	BB+	Ba1
Outlook	Negative	Negative	Negative
Outlook revision date	21.01.2015	28.03.2014	21.10.2014

KPI System

The effectiveness of the Company's strategy implementation is evaluated using a system of key performance indicators (KPIs). The development and implementation of the KPI system is an important component in corporate strategic planning. The KPI system is designed to regularly plan and monitor performance indicators defined by the Company's strategy.

2014 KPIs of RusHydro

JSC RusHydro's 2014 KPI List approved by the Company's Board of Directors on 05.12.2013 (Minutes No191). The Company's target values for yearly and quarterly KPI approved by the Company's Board of Directors on 17.02.2014 (Minutes No193) (appendix to the Company's 2014-2018 business plan).

The 2014 KPIs have been fully implemented by the Company.

2014 KPIs Target and Actual Values

No	Name	2014 KPI target values
Yearly		
1.	Reducing goods (work, services) acquisition costs per unit produced (%)	10%
2.	Reliability criterion - both:	
	- Not exceeding the limit for accidents in the Company (pcs.)	0
	- Corporate readiness factor (coefficient)	> 1
3.	EBITDA ratio, RUR million	42, 198
4.	Fulfilling capacity commissioning timetable and the finance and disbursement plan, %	100
5.	Leverage ratio (coefficient)	≤ 1.5
Quarterly		
6.	Reliability criterion - both:	
	- Accident rate (compared with the previous year) in the Company (coefficient)	< 1
	- Lack of fatal industrial accidents or group Company accidents, if there is a victim with a severe outcome (pcs.);	0
	- receipt (availability) of a readiness passport on the Company's facilities within a prescribed period (%) (Q1 and Q4)	100
7.	Current liquidity ratio (coefficient)	≥ 1
8.	Fulfilling quarterly timetables to finance and implement the investment program in a cumulative total from the beginning of the year, %	100

2013 – 2014 Actual KPI Values:

No	Name	2013 actual KPI values	Degree of target value achievement in 2013, %	2014 actual KPI value	Degree of target value achievement in 2014, %
Yearly					
1.	Reducing goods (work, services) acquisition costs per unit produced (%)	14.3%	100%	11.6%	100%
	Reducing costs due to the implementation of the cost management program, % *	4.9%*	100%	.*	.*
2.	Reliability criterion – both:				
	- Not exceeding the limit for	0	100%	0	100%

	accidents in the Company (pcs.)				
	- Corporate readiness factor (coefficient)	> 1	100%	> 1	100%
3.	EBITDA ratio**, RUR million	58, 334	100%	53, 048	100%
4.	Fulfilling capacity commissioning timetable and the finance and disbursement plan, %	97%	100%	101%	100%
5.	Leverage ratio (coefficient)	0.31	100%	0.2	100%
Quarterly					
6.	Reliability criterion – both:				
	- Accident rate (compared with the previous year) in the Company (coefficient).	< 1	100%	< 1	100%
	- lack of fatal industrial accidents or group Company accidents, if there is a victim with severe outcome (pcs.)	0	100%	0	100%
	- receipt (availability) of a readiness passport on the Company's facilities within a prescribed period (%) (Q1 and Q4)	100	100%	100	100%
7.	Current liquidity ratio (coefficient)	3.7	100%	6.4	100%
8.	Fulfilling quarterly timetables to finance and implement investment program in cumulative total from the beginning of the year, %	95%	100%	102%	100%

* The indicator "Lower costs due to the implementation of the cost management program, %", established in 2011 by an Order of the Russian Ministry of Energy (Minutes as of 23.12.2010 g-NoASH 446pr) was introduced according to said Minutes for a 3-year period. Within the framework of the established indicator, the Company implemented an adopted program for improving JSC RusHydro's 2011-2013 operational efficiency. The program provided for reducing costs, to a maximum allowable level that is not critical for ensuring the normal functioning of objects and maintaining technological reliability, by 10% of the 2010 base within three years. And, it has been fully implemented within the prescribed period. In accordance with the above-mentioned, the indicator was excluded from the list of 2014 target KPI values

** The target EBITDA value is set in accordance with data from the Company's business plan for the reporting year

Causes of Deviations of Achieved KPIs from Planned Indicators

1. Actual EBITDA, calculated at the end of 2014, is RUR 10, 823 million more than the planned value, which is due to an increase in net revenues from the sales of electricity / power and saving of operating costs (cost optimization measures introduced by the Company's management);
2. The KPI "Fulfilling quarterly timetables to finance and implement investment program on a cumulative total from the beginning of the year" was exceeded by 2% compared to the plan due to the actual fulfillment of development objects scope of the investment program at 107%;
3. The KPI "Fulfilling capacity commissioning timetable and the finance and disbursement plan" was exceeded by 1% due to the actual fulfillment of the commissioning capacity plan at 103% within the framework of the investment program;
4. The KPI "Lower acquisition costs of goods (work, services) per unit of production" was exceeded by 1.6% due to savings in implementing the scheduled procurement program.

The KPIs of the RusHydro Group's Long-term Development Program

The long-term development program contains key performance indicators established for the 2015-2019 period. The calculation of the target values for the KPIs of the RusHydro Group's long-term development program is made in compliance

with the parameters for the 2015-2019 Business Plan and take into account measures provided for by the RusHydro Group's programs.

The KPIs of the RusHydro Group's Long-term Development Program for 2015 – 2019*

Indicator		2015	2016	2017	2018	2019
1	Total shareholders return (TSR) ¹⁷	100%	100%	100%	100%	100%
2	Return on equity (ROE), %	4.0%	3.4%	3.1%	3.2%	3.6%
3	Leverage ratio	≤ 1.5	≤ 1.5	≤ 1.5	≤ 1.5	≤ 1.5
4	Limitation on the debt burden (Net Debt/EBITDA)	≤ 4	≤ 3.8	≤ 3.5	≤ 3.5	≤ 3.5
5	Reliability criterion:					
	Not exceeding the limit for accidents (pcs.)	0	0	0	0	0
	Readiness factor	> 1	> 1	> 1	> 1	> 1
6	Compliance with the capacity commissioning schedule for core new construction facilities	313.5 MW	970 MW	762 MW	142.5 MW	0*
7	Share of buying from small- and medium-sized business entities ¹⁸	≥ 18%	≥ 18%	≥ 18%	≥ 25%	≥ 25%
8	Effectiveness of share capital (EBITDA / yearly average share capital)	11.9%	11.7%	11.2%	11.6%	12.2%
9	Labor efficiency (number of employees per 100 MW of available capacity) ¹⁹	27.7	26.0	24.5	24.3	24.1
10	Introducing the corporate governance code and ensuring compliance with its requirements	The Code approved by the Board of Directors	100%	100%	100%	100%
11	Integral innovative KPI	85%	85%	90%	90%	95%

* In accordance with the draft of JSC RusHydro's 2015-2019 Investment Program and the draft of the 2015-2017 Investment Program of JSC RAO Energy Systems of the East, commissioning of core greenfields are not planned in 2019.

2014 KPIs of JSC RAO Energy Systems of the East

Indicator	Actual	Implementation
Achieving yearly KPIs and bonus conditions by SDCs and controlled companies, transferred under the trust agreement,	81%	Implemented
Reducing goods (work, services) acquisition costs per unit produced, %	12.1%	Implemented
Fulfilling the Annual Investment Program of JSC RAO Energy Systems of the East	98.2%	Implemented

RusHydro KPIs for 2015

In December 2014, JSC RusHydro's Board of Directors approved and made a decision to enter into force from January 1, 2015, the following documents:

- ❖ Regulation on the key performance indicators system of JSC RusHydro;
- ❖ List of yearly and quarterly key performance indicators of JSC RusHydro for 2015;
- ❖ Procedure for calculating and evaluating JSC RusHydro's key performance indicators for 2015.

The list of KPIs has been significantly expanded compared to KPI lists from previous years. Now, it includes the criteria of the return on investment (TSR) and authorized capital (ROE), as well as a criterion for the share of purchases from small- and medium-sized enterprises.

¹⁷ Achievement of the TSR target level.

¹⁸ JSC RusHydro

¹⁹ JSC RusHydro

The List of RusHydro's 2015 KPIs

KPI	Target, %
Yearly KPIs:	
1. Total shareholders return (TSR)	100%
2. Return on equity (ROE)	3.1% *
3. Share of buying from small- and medium-sized business entities	18% **
4. Reliability criterion - both: - Not exceeding the limit for accidents; - Readiness factor;	0 > 1
5. Compliance with capacity commissioning schedules and with the finance and disbursement schedule;	100
6. Leverage ratio (LR)	≤ 1.5
Quarterly KPIs:	
1. Current liquidity ratio (CLR);	≥ 1
2. Reliability criterion - both: - accident rate; - lack of fatal industrial accidents or group accidents, if there is a victim with a severe outcome; - receipt (availability) of a readiness passport in due time*	< 1 0 100
3. Compliance with quarterly finance and disbursement schedules of the investment program, in cumulative total from the beginning of the year	100

* The amount of equity capital as of the end of 2015 does not include a possible increase in the amount of the additional issue of Company shares to implement the priority projects "Construction of the Upper Naryn Cascade of HPPs in Kyrgyzstan" and "Reconstruction (construction) of the Perepadnye HPPs 2-4 in Abkhazia."

** Government Resolution No 1352 (dated 11.12.2014) "On the peculiarities of the participation of small- and medium-sized enterprises in the procurement of goods, work and services of certain types of legal entities"

*** The indicator is set for Q1 and Q4 of the reporting year.

The Company on the Securities Market

Authorized share capital

Authorized share capital of JSC RusHydro as of December 31, 2014

Nominal value, rubles	Number of ordinary shares	Nominal value of 1 share	Number of authorized ordinary shares	State registration number of the issue
386,255,464,890	386,255,464,890	1 ruble	54,047,237,489	1-01-55038-E

List of shareholders owning more than 2% shares (as of December 31, 2014)

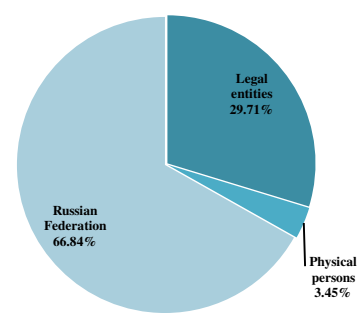
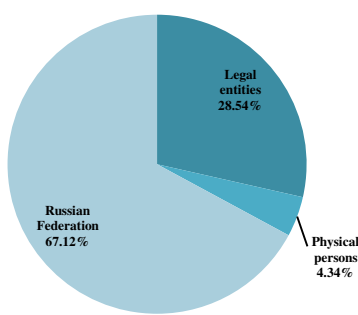
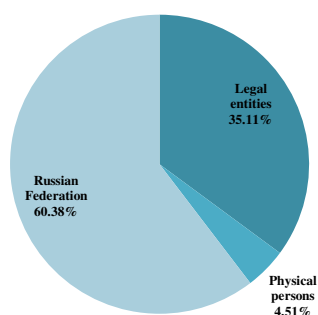
Shareholder name	Type of registered entity	Number shares	Percentage of share capital
The Russian Federation represented by the Federal Agency for State Property Management	Holder	258,161,535,606	66.84
Non-bank credit organization CJSC National Settlement Depository	Nominee holder	112,435,510,802	29.11
Limited liability company Depository and Corporate Technologies	Nominee holder	8,370,726,663	2.17

Shareholding structure

As of the record date – May 24, 2012

As of the record date – May 23, 2013

As of the record date – May 26, 2014



Source: JSC Registrator R.O.S.T.

More than 360 thousand foreign and domestic investors are corporate shareholders. The government holds the controlling stake in the Company. There were no significant changes in shareholder capital structure during 2014.

Circulation of Securities on the Russian Market

Since 2008, RusHydro shares have been traded on the MICEX Stock Exchange under the ticker symbol HYDR, and in March 2013, the Company's shares were among the first on the Russian Stock Market, which were admitted to trading on the T+2 trading system with partial collateral and deferred trade execution.

The Company's shares are included in the list of liquid securities traded on the Stock Exchange. They are included in the calculation base of the Russian MICEX and RTS indices, the blue chip index of the Moscow Exchange (RTSSTD), Moscow Exchange Broad Market (MICEX BMI), and indices for the shares of utility sector companies (MICEX PWR and RTSu), as well as the MSCI Russia international index.

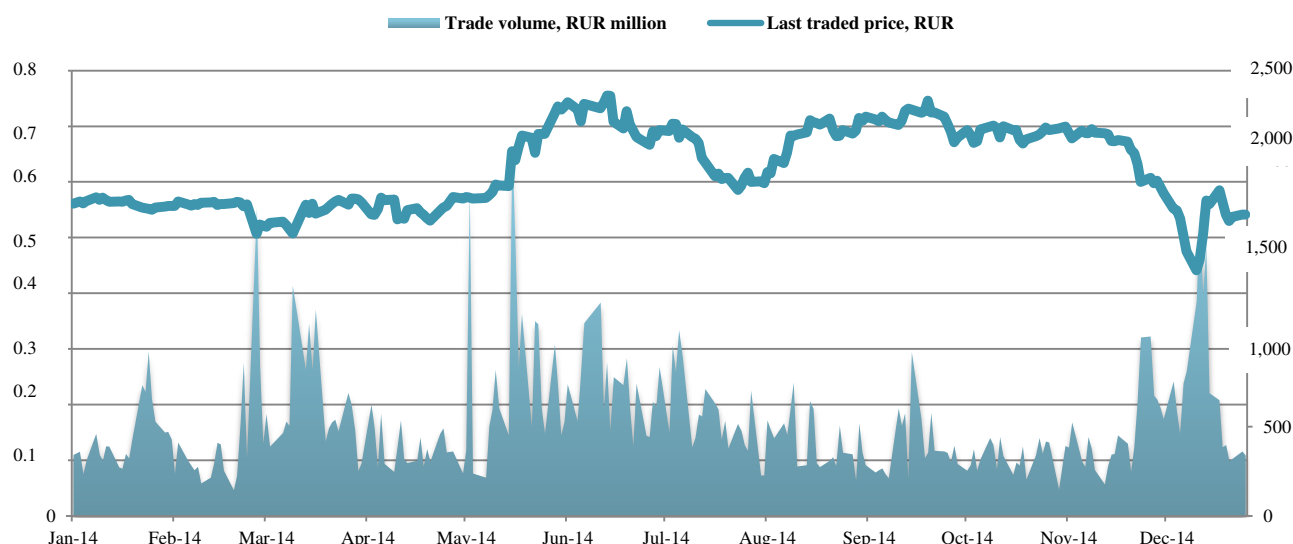
Trading results for the Company's shares in the stock market, 2012-2014

	2012		2013	2014
Trading sectors	Main market	Standard market	T+2	T+Shares and DRs
Trading currency	RUR	RUR	RUR	RUR
The highest transaction price	1.2092	1.25	0.7920	0.755

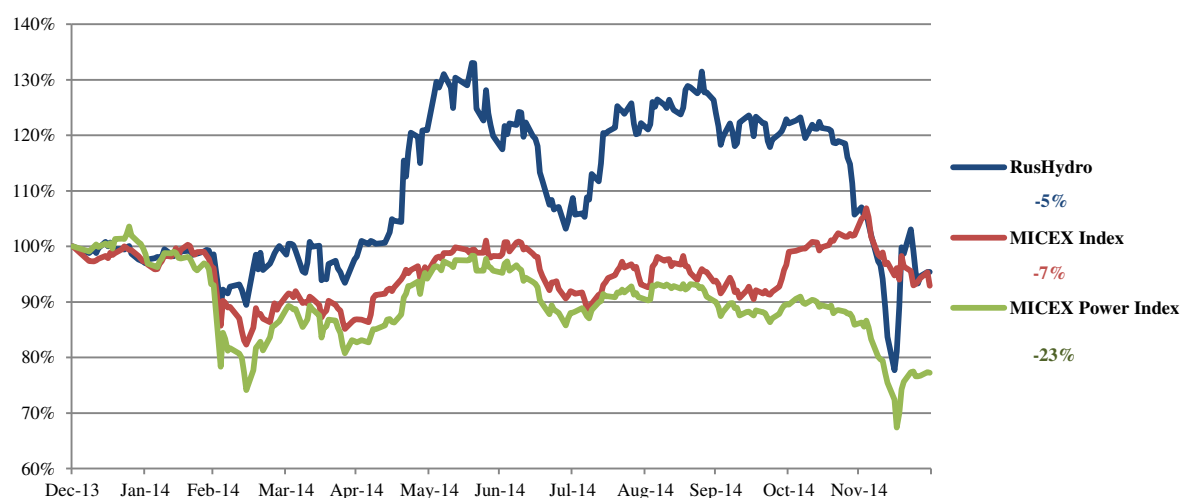
The lowest transaction price	0.7154	0.716	0.4537	0.441
Year end transaction price	0.7335	0.73	0.5675	0.5415
Trading volume	140 billion	202 billion	181 billion	130 billion

Source: <http://moex.com/>

2014 share performance and trade volume dynamics



The Company's 2014 share price performance versus the MICEX Index and MICEX Power Index

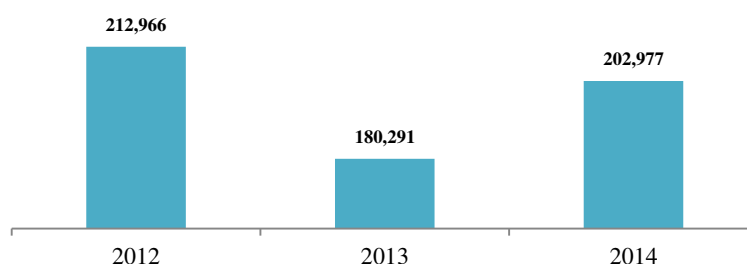


Source: <http://moex.com/>

In 2014, the main indicator of the Russian stock market MICEX index decreased 7.1% while the MICEX Power Index decreased 23%. The main negative factors for the Russian market were a sharp decrease in oil prices in H2, as well as the economic sanctions of Western countries against Russia. The outpacing rate of the decrease for the industry index in comparison with the MICEX index was due to the low investment attractiveness of companies within the sector, against the background of the restraining tariff policy, including the zero indexation of tariffs in 2014.

RusHydro's shares generally performed better than the market and significantly better than the industry index, reaching peak values in June and September (+31%). The factors supporting the Company's shares were the following: liberalization of the capacity market for Siberian HPPs, results of the capacity auctions for 2015, which were favorable for the Company, an increase in the electricity price for the second price zone in the second half of the year, and the Company's stable financial position, as well as 2013 dividend payments. At the same time, the negative development of Russia's economic situation in Q4 led to the active sale of Russian assets by investors, which prevented the Company from maintaining positive share dynamics as of year-end.

2012-2014 Company's capitalization, RUR million



Source: <http://moex.com/>

The Company's market multipliers

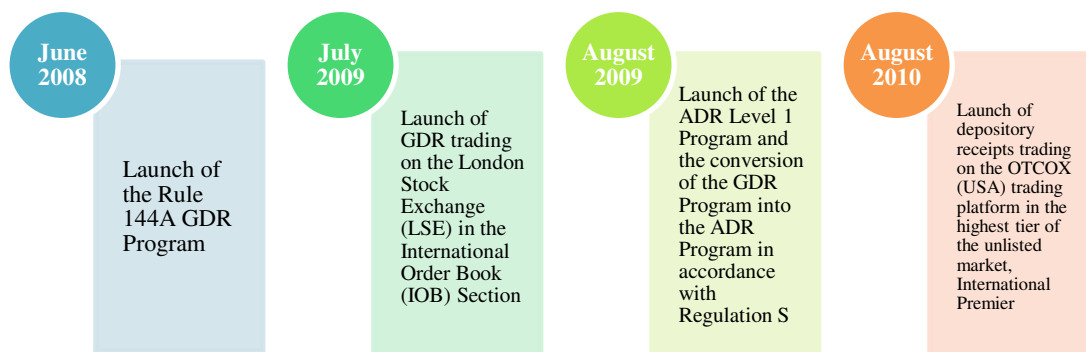
	2012	2013	2014
P/E	6.6	8.6	8.4
P/S	0.7	0.6	0.6
EV/EBITDA	8.2	5.6	6.7
P/BV	0.2	0.2	0.2

The calculation is based on the Company's IFRS financial statements

The Company Securities on the international securities markets

As of December 31, 2014, 204,548,945 depository receipts for 20,454,894,500 ordinary shares have been issued, which accounts for 5.3% of the Company's total number of ordinary shares.

Development stages of the DR program



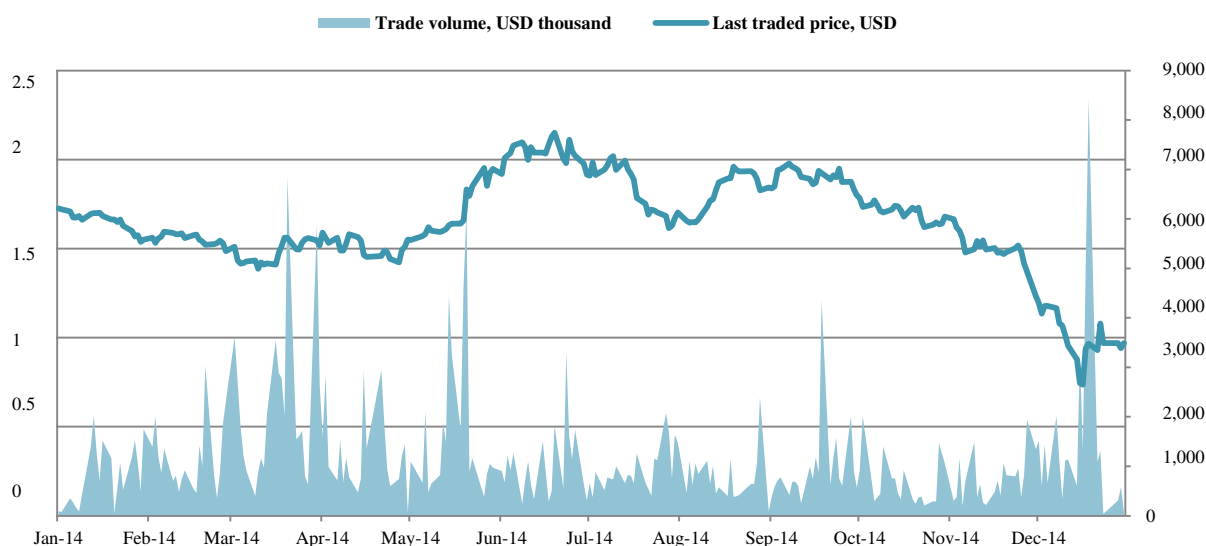
Description of the depository receipts program

Type of program	Program launch date	Depository bank	Ratio	Ticker symbol	CUSIP number	Maximum volume of the program, shares	Trading floor
Rule 144A GDR	June 17, 2008	The Bank of New York Mellon	1 GDR = 100 ordinary shares	HYDR	466294204	832,131,000	London Stock Exchange (Main Market – IOB)
ADR level 1	August 7, 2009	The Bank of New York Mellon	1 ADR = 100 ordinary shares	HYDR	466294105		OTCQX International Premier Portal

Results of depositary receipts trading on the LSE

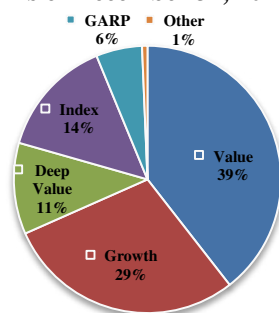
	2012	2013	2014
Ticker symbol	HYDR		
Trading currency	USD		
The highest transaction price	4.18	2.610	2.151
The lowest transaction price	2.21	1.366	0.736
Year-end transaction price	2.31	1.726	0.932
Trading volume	688 mln	473 mln	293 mln

2014 ADR performance and trading volume, LSE (IOB), 2014

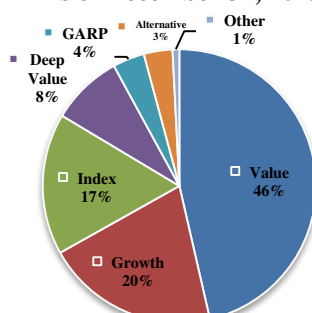


2012-2014 distribution of DR holders by investment strategy

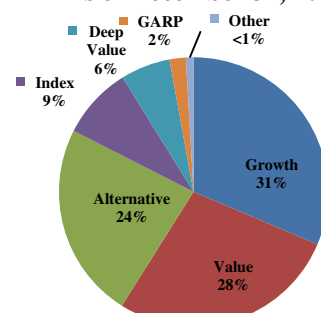
As of December 31, 2012



As of December 31, 2013



As of December 31, 2014

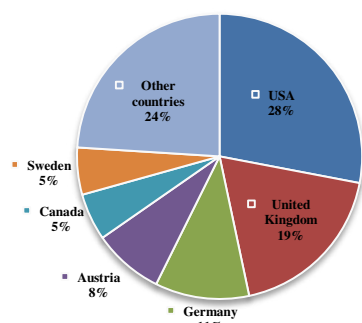


Source: Depositary Bank: The Bank of New York Mellon.

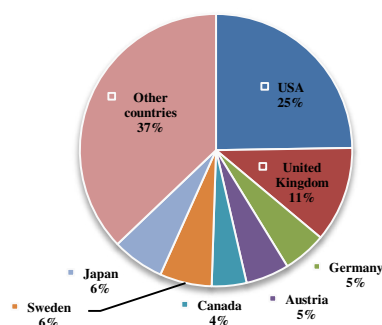
The analysis of the structure of the holders of the Company's depositary receipts for the last three years demonstrates a significant share of investors adhering to Value and Growth investment strategies. In 2014, the number of investors with an active Alternative Strategy significantly increased and a tendency was outlined toward a decline in demand for depositary receipts by investors holding an Index, Deep Value and GARP strategy.

2012-2014 geographic distribution of DR holders

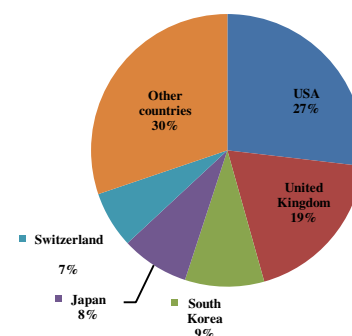
As of December 31, 2012



As of December 31, 2013



As of December 31, 2014



Source: Depository Bank: The Bank of New York Mellon.

Analysis of geographical structure of depositary receipts holders demonstrates that the main holders are investors from the United States and the United Kingdom, and during 2014, the number of investors from Japan and South Korea increased.

Dividend policy

The main purpose of the Company's dividend policy is to provide for the strategic development of RusHydro and increase shareholder wealth by establishing an optimal balance between dividend payments to shareholders and profit capitalization.

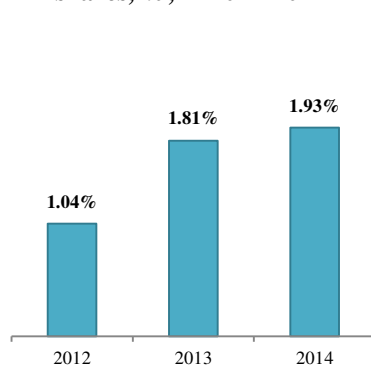
To ensure transparency on defining the size of dividends and their payment, RusHydro adopted a Provision on dividend policy. In March 2014, the amended version of the Provision was adopted. The Board of Directors prepares recommendations on the dividend size for adoption by the General Meeting of Shareholders, taking into account net profits in accordance with the RusHydro Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) and Russian Accounting Standards (RAS), as well as the need for financing the Company's investment program. A total of not less than 5% of the RusHydro Group's profit for the period in accordance with IFRS consolidated statements can be allocated to annual dividend payments.

Report on the payment of declared (accrued) dividends on the Company's shares for 2013

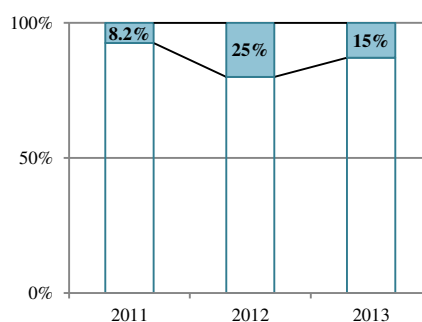
In accordance with a resolution of the Annual General Meeting of Shareholders (dated June 27, 2014), 5,248,249,991.75 rubles (15% of the net profit calculated based on RAS or 25% of the net profit of the RusHydro Group calculated based on IFRS) was allocated to dividend payments for 2013, which is 43% more than 2012. The payments were made in full to all persons registered in the shareholder register, excluding RUR 27,097,524.20, which were not paid due to reasons beyond the control of the Company: absent or incorrect registration address or postal address; incorrect bank details provided to the registrar by shareholders, who had indicated "bank transfer" as the payment method.

The Company fully completed its obligations on dividend payments to the federal budget – a total of 3,507,772,000 rubles was paid to the budget. There are no dividend arrears payable to the federal budget.

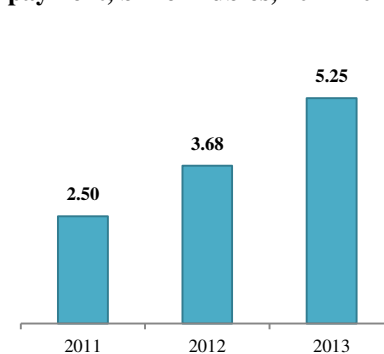
Dividend yield of the Company's shares, %, in 2012-2014



Share of net profit calculated based on RAS, allocated to dividend payments, %, 2011-2013



Amount allocated for the dividend payment, billion rubles, 2011-2013



2005-2013 dividend history

Reporting period, subject to the dividend payment	Total amount of declared (accrued) dividends, RUR thousand	Declared dividends per share, RUR
9M 2005	27,889	0.000268289
2005	565,695	0.005441922
Q1 2006	223,600	0.002151
H1 2006	110,588	0.00106384
9M 2006	1,146,504	0.005739439
Q1 2007	1,119,000	0.00793872
2010	2,496,867	0.00860091
2011	2,500,000	0.00789317
2012	3,675,573	0.00955606
2013	5,248,250	0.01358751

Bonds

As of December 31, 2014, there are four outstanding bond issues of RusHydro with a total nominal value of 35 billion rubles, as well as a Eurobond issue with a nominal value of 20 billion rubles.

Main parameters of the bond issues

General parameters			Series 01, Series 02	Series 07, Series 08
Type of bond	Documentary non-convertible interest-bearing bearer bonds with mandatory centralized custody	State registration number	4-01-55038-E 4-02-55038-E	4-07-55038-E 4-08-55038-E
Par value	1,000 rubles	Registration date	23.09.2010	27.12.2012
Nominal amount of issue	10 billion rubles	Placement date / Offer date /	25.04.2011/ 22.04.2016, type - put, price 100%/	14.02.2013/ 15.02.2018, type – put, price – 100%
		Maturity date	12.04.2021	02.02.2023
Placement price	100%	Coupon rate	1-10 coupons - 8%, 11-20 coupons – determined by the Issuer	1-10 coupons – 8.5%, 11-20 coupons – determined by the Issuer
Placement method	Public offering, bookbuilding	Yield at pricing	8.16%	8.68%
Coupon frequency	On a biannual basis	Yield at last transaction price, as of 30.12.2014, %	Series 01 - 10.36, Series 02 - 16.47	Series 07 – 13.31 Series 08 – 10.69

Main parameters of the Eurobond issue

Type of securities	Eurobond (LPN Notes, Eurobond convention)
Issuer	Rushydro Finance Ltd. (Ireland)
Borrower	JSC RusHydro
Volume	RUR 20 billion
Maturity date	28.10.2015
Coupon rate	7.875% per annum
Issue rating	S&P: BB+ / Moody's: Ba1 / Fitch: BB+
Listing	London Stock Exchange
Regulating law	English law

Business Overview

10 YEARS OF THE COMPANY'S OPERATION RESULTED IN THE FULFILLMENT OF THREE GOELRO²⁰ PLANS:

The installed capacity has grown 65%.
The number of generating facilities has doubled.
Electricity production has grown 1.7 times.

Key 2014 events include:

The startup of the Boguchanskaya HPP made Russia the world's leader in terms of installed capacity



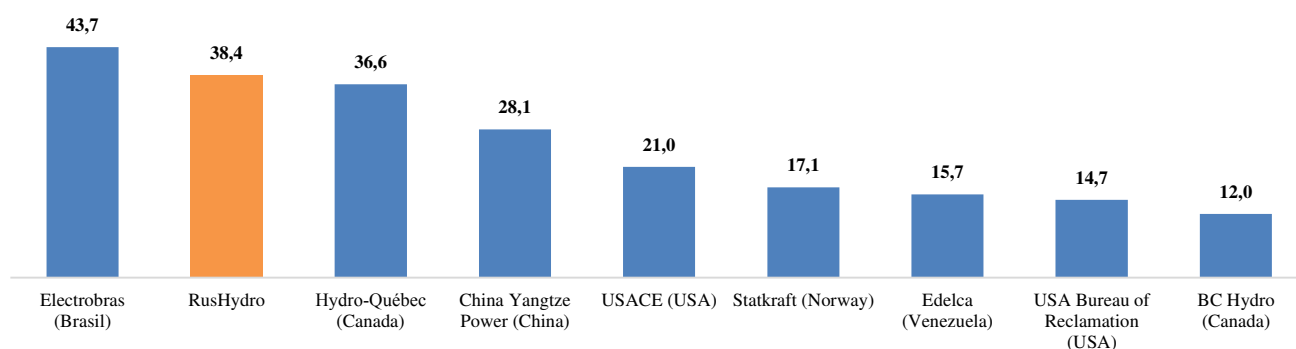
The Company has concluded cooperation agreements with Chinese corporations concerning the construction of HPPs and PSPPs.

Competitors and Competitive Advantages

The RusHydro Group controls numerous Russian hydropower facilities, and is active in the popularization of renewable energy sources. The Group is fully aware of the significance of the tasks it deals with, striving to continuously develop its performance and participating in Russia's environmental and technological advances, while recognizing the Group's high social responsibility. The Group currently controls more than 72 electric power facilities, including 30 hydropower plants, the Kislogubskaya power plant, the only tidal power generation facility in Russia, 3 geothermal power plants generating more than 90% of the country's geothermal energy, and thermal power plants and retail companies.

This body of assets makes the Group a unique power generating company globally, or the second largest company among the world's hydropower companies (in terms of installed capacity).

Installed capacity of the world's major peer group companies, GW



Sources: JSC RusHydro and competitor data

²⁰ GOELRO plan was the first-ever Soviet plan for national economic recovery and development. It became the prototype for subsequent Five-Year Plans drafted by Gosplan. GOELRO is the transliteration of the Russian abbreviation for "State Commission for Electrification of Russia"

The world's major hydropower generating companies are controlled by the governments of their respective countries due to the strategic importance of the hydropower industry. Compared with global peers, RusHydro Group activities are characterized by very complex climatic and landscape conditions and widespread operational geography. The Group's facilities are located all over the country, ranging from Murmansk Region to the Primorie Region and from Chukotka to the Republic of Dagestan. Furthermore, the Group is engaged in international operations, managing the Sevan-Hrazdan Cascade of HPPs in Armenia and building the Upper Naryn Cascade of HPPs in the Kyrgyz Republic. The continuous, reliable and safe operation of infrastructural facilities vital for the country, with facilities separated by tens of thousands kilometers, poses a Herculean task for Group employees, who have successfully dealt with these challenges for 10 years, striving to implement the Group's Mission and Strategic Goals.

Having implemented a large-scale investment program for more than 10 years of stand-alone operation, the Group has increased the installed capacity of its generating facilities more than 1.5 times. 2014 was a milestone year for the Group as the commissioning of the Boguchanskaya HPP increased the Group's total capacity to more than 38.5 GW, thus making the Group Russia's largest company in terms of said capacity.

Russia's major competitors of the RusHydro Group in the sphere of electric energy generation

Holding Company	Holding Company's Generating Companies
Rosatom	Rosenergoatom Corporation PPGHO SHK
Inter RAO UES	INTER RAO Electricity Generation (incorporates the assets owned by OGK-1 and OGK-3) TGK-11 Bashkirsкая Generating Company
EuroSibEnergo	Irkutskenergo Krasnoyarskaya HPP GAZ TPP
Gazprom Energy Holding	TGK-1 JSC Mosenergo (TGK-3) OGK-2 (incorporates the assets owned by former OGK-2 and OGK-6) MOEK
KES-Holding	TGK-5 TGK-6 TGK-7 (Volzhskaya TGK) TGK-9
E.ON	OGK-4
Enel	OGK-5
SGK (SUEK)	Kuzbassenergo (TGK 12) EniseiskayaTGK-13(TGK-13)
LUKOIL	LUKOIL-Ekoenergo (TGK 8)
RU-COM	SIBEKO (Novosibirskenergo)
Sintez Group	TGK – 2
Unexim	Quadra (TGK – 4)
Fortum	Fortum (TFK – 10)
RZHD	TGK- 14
TAIF	TGK - 16

Sources: data from JSC RusHydro and its competitors

The RusHydro Group's main competitors on the power generation market include independent Russian utility companies formed as a result of RAO UES of Russia reform. The Group considers the use of renewable energy sources as one of its priorities and increases installed capacity by building new power plants and commissioning new power generation facilities. The balanced decisions of the Group's Board of Directors based on the strategic advantages of the hydropower industry greatly contribute to the RusHydro Group achieving its leading position.

The Group's Key Competitive Advantages

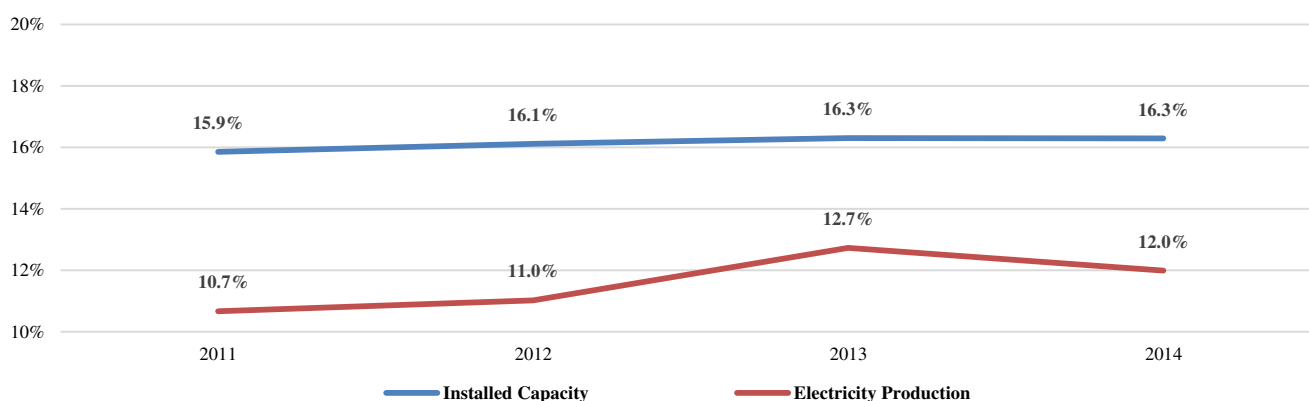
Environmental friendliness	<ul style="list-style-type: none"> The Group's main segment is hydropower generation. RusHydro is also active in developing other renewable energy sources, contributing to a decrease in hydrocarbon emissions and the preservation of fossil fuel resources
Flexibility	<ul style="list-style-type: none"> The hydropower industry is the only power industry sector capable of increasing or decreasing the volume of power generation promptly when required to compensate for peak loads or excess capacity
Self-sufficiency	<ul style="list-style-type: none"> The generation of energy using water resources is independent from the use of hydrocarbons. Therefore, the Group's performance is not subject to the risks of fuel price changes. This allows for long-term guarantees for the supply of energy generated by the Group at fixed prices
Social significance	<ul style="list-style-type: none"> The hydropower industry is socially significant, as HPP water bodies are used to supply water for industrial and household needs, thus encouraging the development of agriculture and transport facilities. In addition, HPPs serve as major employment providers in the regions of its operation

Market Share

The domestic market share of RusHydro, in terms of generation and installed capacity, are consistently high.

Due to the objective reasons listed in the “Performance Results” section below, the Group decreased its relative share in domestic power generation in 2014, but a favorable trend still prevails and the Group aspires to achieve record results for both indicators in 2015.

The Group's Domestic Market Share in Terms of Installed Capacity and Power Generation, %



Sources: JSC SO UES, JSC RusHydro data, including the Boguchanskaya HPP, and excluding JSC MEK

Price Formation

2014 electricity and capacity market overview

Electricity and capacity market structure

Currently, we have a two-level (wholesale and retail) electricity and capacity market. The sellers and buyers on the wholesale electricity and capacity market (WECM) include: generating companies and supply organizations, major electricity consumers, guaranteeing suppliers which became the subjects of the wholesale market, the market council, commercial operators and other organizations providing for the functioning of the commercial infrastructure of the wholesale market and the functioning of the engineering infrastructure of the wholesale market (an organization managing the unified national (all-Russian) electric grid), the system's operator.

WMEP Price and Non-Price Zones

- 1 - First price zone
- 2 - Second price zone
- 3, 4, 5 – Non-price zones where due to technical reasons the organization of market relations in the power sector is not yet possible. In these regions, the sales of electricity and power on the wholesale market are carried out at regulated tariffs.



The wholesale electricity and capacity market functions within territory of regions united into price zones. The first price zone includes the territories of the European part of Russia and the Urals, while the second price zone includes Siberia. The WECM's non-price zones include: the Arkhangelsk and Kaliningrad Regions, the Komi Republic and the territories of the Far East and the Crimea Federal District. For process reasons, no market relations in the industry are presently possible. Therefore, electricity and capacity is sold in these areas in accordance with special rules.

There is no wholesale electricity and capacity market in stand-alone energy systems that are not integrated into the country's Unified Energy System. Therefore, electricity is supplied based on regulated four-party retail agreements.

The majority of electricity generated by RusHydro production facilities is sold on the wholesale market, whereas JSC RAO UES of the East operates on the territories of isolated non-price regions.

The Structure of the Wholesale Electricity and Capacity Market

Electricity market
There are numerous sectors functioning on the wholesale electricity market, which differ in terms of the conditions of transactions and supply terms. The sectors include a regulated contracts sector, a sector of non-regulated contracts, a day ahead market and a balancing market.
Regulated Contracts (RC) concerning electricity supplied to the public

<ul style="list-style-type: none"> Starting from 2011, the regulated contracts (RC) within the price zones of the wholesale electricity and the capacity market are concluded only in regard to the volumes of electricity intended for supply to the public and to consumer groups similar to the public, and till January 1, 2015 to the guaranteeing suppliers functioning in several zones of wholesale market (the Republic of Buryatia, the Republic of Dagestan, the Republic of Ingushetia, the Kabardino-Balkarian Republic, the Karachaevo-Cherkessian Republic, the Republic of North Ossetia-Alania, the Republic of Tuva and the Chechen Republic). The prices (rates) for electricity supplied pursuant to the regulated contracts are calculated based on the indexation method: the base calculated in 2007 is adjusted annually according to consumer price index calculated by the Ministry of Economic Development of the Russian Federation. This method is used for the new plants from the second year of operation. The volumes of electricity and capacity supplied pursuant to regulated contracts are set within the frameworks of the consolidated forecast balance of production and the supply of electricity formed by the Federal Tariff Service. The balance is determined in such a manner as to make the volumes of electricity supplied per regulated contracts by any producer included into the balance not more than 35% from the total supply of electricity supplied to the wholesale market for the corresponding producer.
Non-regulated Bilateral Contracts (NRBC)
<ul style="list-style-type: none"> Concluding non-regulated contracts, the parties are free to determine contractors, prices and supply volumes.
Day Ahead Market (DAM)
<ul style="list-style-type: none"> The Day-Ahead Market (DAM) consists of the competitive selection of price bids made by suppliers and buyers on the day preceding the day of the actual electricity supply, with the prices and volumes of electricity set for each hour of the day. The choice is made by the commercial operator (JSC ATS). The DAM determines marginal prices, i.e. the price is determined by balancing supply and demand. The marginal prices are valid for all market players. According to the data supplied by Market Council Non-Commercial Partnership, the average weighted index of balanced prices for electricity in 2014 grew 5.4% in the European part of Russia and the Urals, totaling RUR 1 163.4 MWh. The Siberian average weighted balance prices index grew 9.9%, amounting to RUR 788.9 MWh
The Balancing Market (BM)
<ul style="list-style-type: none"> The volume of electricity sold pursuant to bilateral contracts and the DAM form planned electricity consumption. But, the actual consumption differs from the planned. The volumes deviating from the planned production/consumption are sold in real time on the balancing market. For each 3 hours preceding actual supply, the system's operator performs an additional competitive selection of suppliers' bids, taking into account forecast consumption in the energy system, the economic efficiency of the plants' load and the systems' reliability requirements. The differences between actual and planned consumption are qualified by internal or external initiatives. An internal initiative occurs due to the actions of the market player (consumer or supplier), while an external initiative is caused by the commands of the system operator or by an accident resulting in a forced change in electricity production or consumption regime. The players on the Balancing Market with the most considerable differences between the actual and the planned consumption and production caused by the internal initiatives are fined, while the players adhering to the planned consumption and accurately following system operator commands are awarded.
Capacity market
<p>Starting from June 1, 2008, capacity has been sold based on the capacity auctions (KOM) performed by the system operator. The participants of the wholesale market permitted to access the KOM are also allowed to submit bids in the volume not exceeding the maximum available capacity taken into account by the Russian Federal Tariff Service in the forecast balance for the corresponding regulatory period. The buyers are obliged to pay for the total capacity taken off in their price zone pursuant to the KOM. The suppliers in each price zone bear joint liability for the performance of their obligations in regard to capacity supply.</p> <p>The intermediate capacity market provided for an opportunity to sell a part of capacity at non-regulated prices pursuant to electricity and capacity sales contracts (ECSC), including sales on the stock exchange and the sales and purchases of capacity based on competitive take off results.</p>
Regulated Contracts (RC) concerning capacity supplied to the public
<ul style="list-style-type: none"> Starting from 2011, the regulated contracts (RC) within the price zones of the wholesale electricity and the capacity market are concluded only in regard to the volumes of capacity intended for supply to the public and to consumer groups similar to the public, and till January 1, 2015 to the guaranteeing suppliers functioning in several zones of wholesale market (the Republic of Buryatia, the Republic of Dagestan, the Republic of Ingushetia, the Kabardino-Balkarian Republic, the Karachaevo-Cherkessian Republic, the Republic of North Ossetia-Alania, the Republic of Tuva and the Chechen Republic). The prices (rates) for capacity supplied pursuant to the regulated contracts are calculated based on the indexation method: the base calculated in 2007 is adjusted annually according to consumer price index calculated by the Ministry of Economic Development of the Russian Federation. This method is used for the new plants from the

second year of operation. The volumes of electricity and capacity supplied pursuant to regulated contracts are set within the frameworks of the consolidated forecast balance of production and the supply of electricity formed by the Federal Tariff Service. The balance is determined in such a manner as to make the volumes of electricity supplied per regulated contracts by any producer included into the balance not more than 35% from the total supply of electricity supplied to the wholesale market for the corresponding producer.
Non-Regulated Bilateral Electricity and Capacity Supply Contracts (NRBECS)
<ul style="list-style-type: none"> Non-regulated capacity supply contracts are concluded by a supplier and a consumer at the agreed upon price.
Capacity Supply Contracts (CSC)
<ul style="list-style-type: none"> The Capacity Supply Contracts are concluded for the sale of capacity from new electricity generation plants. A generating facility commissioned pursuant to the CSC receives guaranteed capacity payments for 10 years (20 years for the NPPs and the HPPs), thus ensuring the return of capital and agreed upon operation costs; The capacity supply contracts similar to the CSC have been concluded with RusHydro and JSC Rosenergoatom Concern. RusHydro has completed construction of the Kashkhatau HPP pursuant to a corresponding CSC, while the projects involving the construction of the Gotsatlinskaya HPP, the Zagorskaya PSPP-2, and the Zelenchukskaya HPP-JSC totaling 1.4 GW are under implementation; The commissioning of new facilities will eliminate the lack of capacity in regions suffering from power shortages and improve entire market efficiency.
Capacity auctions (KOM)
<ul style="list-style-type: none"> The KOM is conducted annually by JSC SO UES based on the selection of the most efficient generating facilities, with hydropower being one of the most efficient. During the KOM, the capacity taken off in the first place includes the capacity taken off pursuant to the capacity supply contracts (CSC) and similar CSC contracts concluded with the NPPs and HPPs.
Capacity sales contracts are concluded with generating facilities supplying capacity in the forced regime (FR)
<ul style="list-style-type: none"> Capacity not taken off during the capacity auctions is not paid for, except for the capacity of generating facilities, operating to maintain the engineering regimes of the operation of the energy system, or to supply heat energy (forced generators). The capacity and electricity generated by forced generators is paid for based on the rate set by the Federal Tariff Service.

		New Plants		Existing Plants		
		CSC facilities	HPP non-CSC facilities	1 st price zone	2 nd price zone	Non-price zone
Electricity	RC	Tariff	Tariff	Tariff	Tariff	
	Quadripartite contracts					Tariff
	DAM	Non-regulated sector of the Wholesale Electricity Market (NRWEM)				
	NRBECS					
	NRBC					WEM
Capacity	RC		Tariff	Tariff	Tariff	
	Quadripartite contracts					Tariff
	KOM		WEM	WEM	Tariff/WEM	
	CSC	Tariff				
	NRBECS		WEM	WEM	WEM	

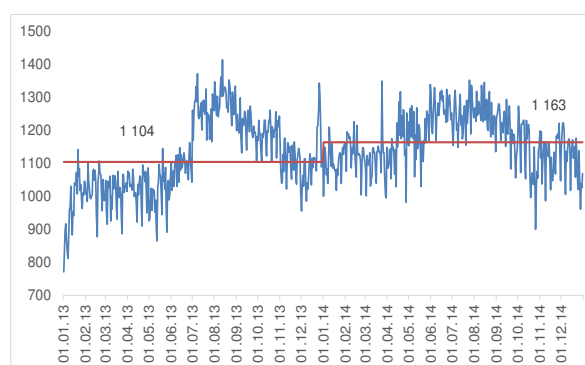
Until May 1, 2014, all capacity generated in the WEM's second price zone by RusHydro-owned facilities, taken off as the result of the KOM, was sold at prices equal to the RC prices. Starting from May 1, the price of the capacity generated by power plants located in the second price zone and sold as a result of the KOM is determined based on the RC capacity supply prices and the KOM prices. This resulted in an increase in KOM capacity sales by Group facilities, adding to RusHydro revenues from capacity sales.

2014 Market Trends

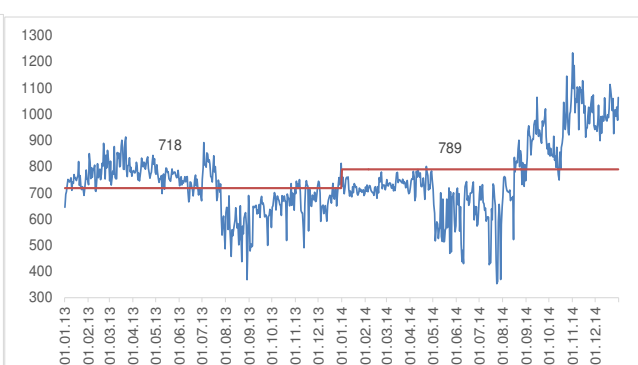
Price Dynamics

In 2014, the average weighted index of the equilibrium prices for electricity in the European part of Russia and the Urals increased 5.4% compared with 2013, to 1,163.4 rub. / MWh. In Siberia, the average weighted index of equilibrium prices in the past year rose 9.9% - to 788.9 rub. / MWh.

Equilibrium Price Index for Buying Electricity in the First Price Zone



Equilibrium Price Index for Buying Electricity in the Second Price Zone



Source: NP "Market Council"

The lack of gas price indexation and an increase in power generation from nuclear power plants in H2 had a restraining effect on price increases in the first price zone in 2014.

The price increase in the second price zone, caused the renewal of a historical price peak of prices in H2 2014, is driven by lower water inflows, as well as an increase in the volume of the power exchange between the first and second price zones in August after the removal of cross section restrictions between the UES of Siberia and the UES of Urals.

Freezing Tariffs in 2014

During the reporting period, the Government adopted a decision to freeze gas, electricity and rail freight service tariffs for the industry in 2014 to support companies facing seriously reduced demand, a negative trend in costs and a decline in profits. Among the consequences of this decision is a rise in electricity, gas and heat prices:

	2014	2015F	2016F
Increase in electricity prices for a final consumer	7.3%	5.9%	6.2%
Average increase in electricity prices for the industry	7.2%	6.3%	6.7%
Growth in network tariffs for the electricity	4.5%	2.5%	4.8%
Gas tariff growth for the industry	7.6%	2.2%	4.9%
Heat tariff growth	7.4%	3.7%	3.4%

Source: Russian Ministry of Economic Development and Trade

The Company analyzed the possible impact of freezing tariffs on its activities and developed the following optimization measures:

- ❖ reduction in financing capital expenditures relating to 2014 planned figures;
- ❖ reduction in commercial and administration costs;
- ❖ sales of assets.

Indexation of Prices for the 2014 Capacity Auctions

Applicable rules for trading power on the wholesale market based on capacity auctions' results provides for the indexation of prevailing prices based on outtake results for the consumer price index, calculated in accordance with the established procedure. In 2014, in general the peak price level for the first price zone was set at 133,000 rub./MW per month; for the second – 144,000 rub./MW per month. This positively impacted the Company's 2014 financial position.

2014 Electricity and Capacity Sale Tariffs

WEM's Average Weighted Electricity Tariffs Dynamics, RUR/MWh

	2013	2014	Change, %
Center	382.24	378.97	-0.9%
Siberia	118.57	118.93	+0.3%
Far East	585.37	612.69	+4.7%

Caucasus	724.74	759.63	+4.8%
Wholesale market	323.36	325.36	+0.6%

2014 witnessed a moderate growth in average electricity supply tariffs in all regions in which RusHydro operates, except for Central Russia. On the whole, the WEM average weighted tariff grew 0.6%, amounting to 325.36 RUR/MWh.

RusHydro's DAM and KOM Price Dynamics

	2013	2014	Change, %
DAM price, RUR/MWh	957.8	1 072.9	+12.0%
1 st price zone DAM price, RUR/MWh	1 124.4	1 126.9	+9.1%
2 nd price zone DAM price, RUR/MWh	658.0	776.8	+18.1%
KOM price, RUR/MWh monthly	110 577.4	116 190.6	+5.1%
1 st price zone KOM price, RUR/MWh monthly	134 435.7	140 566.7	+4.6%
2 nd price zone KOM price, RUR/MWh monthly	60 009.3	68 492.8	+14.1%
Single rate tariff, RUR/MWh	1 018.8	1 139.5	+11.8%

An increase in Siberian DAM and KOM prices is objectively caused by numerous factors: firstly, by low water inflows and a subsequent decrease in the HPPs' production volume, by the liberalization of the capacity market for HPPs, by peculiarities in the choice of working generating equipment, and by putting the new grid and generating equipment into operation; this eliminated limits for exchanges between the price zones, led to the emergence of competition between suppliers in the first and second price zones, and to a bigger load of Siberian generation.

Tariff Formation at RAO Energy System of East Group

RAO Energy Systems of the East Group operates based on tariffs set by the Russian Federal Tariff Service and by regional regulatory authorities. Non-regulated tariffs are not valid in the Far East Federal District. The tariffs for the production, transmission and sales of electricity (capacity) for the RAO Energy Systems of the East Group's member-companies are set using the following tariff regulation methods:

- ❖ The sale of electricity to end consumers. The tariff is set by the regulators within the limits of the threshold levels approved by the Russian Federal Tariff Service in accordance with the approved guidance pertaining to the calculation of regulated rates and prices for electric (heat) energy on the retail (consumer) market;
- ❖ The tariff for the production of electricity (capacity) on the territory of the Far East Federal District, a non-price zone, is set by the Russian Federal Tariff Service based on indexation. The basis calculated in 2010 is indexed yearly based on the consumer price index calculated by the Russian Ministry of Economic Development.
- ❖ Electricity transmission: tariffs for the transmission of electricity on the territory of the Far East Federal District, a non-price zone (except for the Republic of Sakha (Yakutia)), accomplished via the grids owned by JSC DRSK, are approved by the regulators on the basis of the RAB method, agreed upon with the Federal Tariff Service. The current long-term period of regulation will end in 2017. The method specified above provides for the return and profit on invested capital.

When calculating rates for the production and sale of heat energy:

- ❖ The tariffs for the heat generated in combined regime are approved by the regional regulatory authorities based on economically feasible costs (expenses). Tariffs are within the limits of the maximum rates for heat energy produced as the result of the combined generation of electric and heat energy;
- ❖ The sale of heat energy to end consumers. Tariffs are approved by regulatory authorities based on economically feasible costs (expenses). The tariffs are within the limits of the maximum rates for heat energy supplied to consumers by heating supply organizations.

In 2014, a moderate growth of tariffs for basic services provided by energy companies of RAO Energy Systems of the East Group was registered; the growth was within the limits established by the Federal Tariff Service of Russia.

2015 Price and Consumption Forecast

In 2014, the Russian government proceeded with support for the moderate growth in prices for goods and services provided by natural monopolies. In particular, an increase in 2015 prices for electricity transmission and gas for industrial consumers will be implemented as planned in accordance with forecast (and not actual) 2014 inflation. According to the approved 2015 forecast of Russian social and economic development and forecast development for the planned 2016-2017 period:

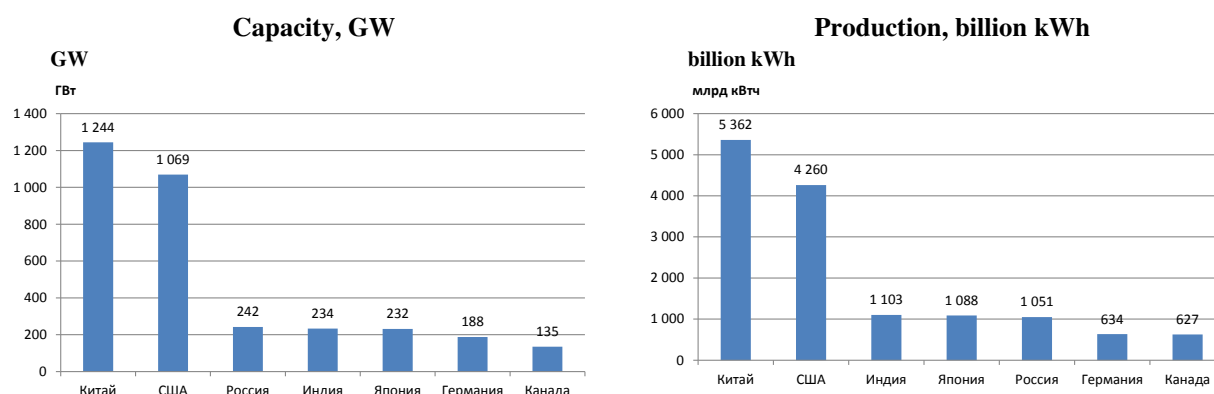
- ❖ The prices for electricity for all categories of consumers, including the public will grow 8.7-8.9% on average, and 8.6-9.6% annually in 2016-2017;
- ❖ In 2015-2017, the indexation of regulated electricity tariffs for the public will be carried out in July. The tariffs will grow 5.5-8.5% annually, starting from July 1 (2015-2017);

- ❖ The indexation of regulated tariffs for grid organizations will also be accomplished in July. Starting from July 1, 2015, the tariffs will be indexed by 7.5%; and they will be indexed annually by 4.5-5.5% in 2015-2016;
- ❖ The regulated natural gas tariffs for consumers including the public will be indexed 7.5% beginning from July 1, 2015 and by 3.6-5.5% annually in 2016-2017.

Pursuant to the country's social and economic development forecast (approved by the Russian Ministry of Economic Development, despite present economic problems), electricity (capacity) production in 2015 will be equal to that of 2014, amounting to 1 billion, 55.8 million KWh. The volume of electricity produced by Russian HPPs will grow 5.1% with its share in the total electricity production balance rising to 17.4%.

Total installed capacity and power generation both in Russia and globally

As to installed capacity and production volumes, the Russian energy industry places third and fifth, respectively, in the world.



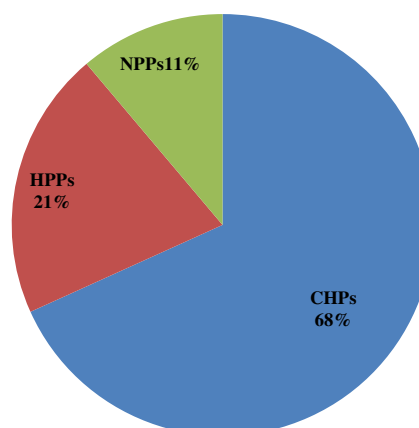
Source: BP Statistical Review of World Energy 2014, EIA, IEA, Rosstat

The Installed Capacity Structure of UES of Russia Power Plants as of January 1, 2015

The installed capacity of UES of Russia as of January 1, 2015 totaled 232,451.81 MW.

The growth in the installed capacity of UES of Russia power plants is 5,981.63 MW.

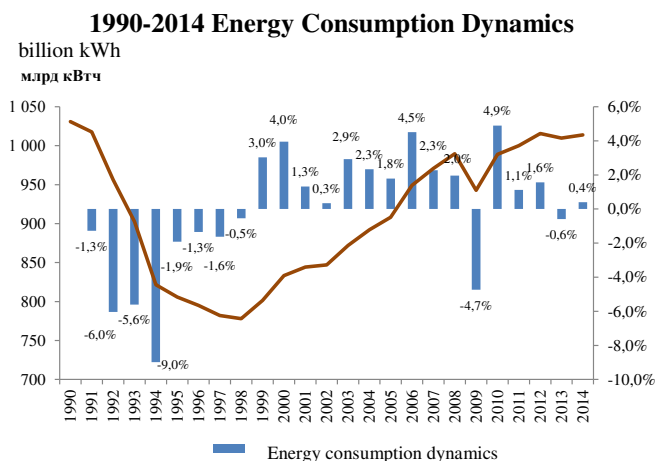
Decommissioned – 1,762 MW.



Source: SO UES

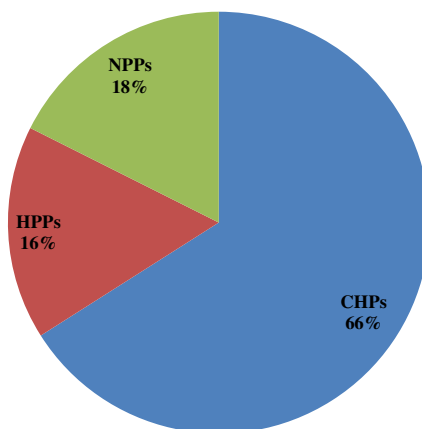
The growth of energy consumption in UES of Russia is 0.4% (up to 1,013.86 billion kWh).

The growth in the power generation of UES of Russia power plants is 0.1% (1,024.94 billion kWh).



Source: SO UES

The Structure of Power Generation by Types of UES of Russia Power Plants, 2014



Source: SO UES

Performance Results

The key events which influenced RusHydro's 2014 performance include the following:

- ❖ The inflow of water to the reservoirs of Volga-Kama Cascade of HPPs and the Sayano-Shushenskoye water reservoir was below its mean level;
- ❖ Other hydropower plants operated in average water inflows conditions;
- ❖ The last three generating units at the Boguchanskaya HPP were commissioned in H2 2014, resulting in decreased demand for electricity generated by RusHydro branches;
- ❖ The last tenth generating unit started up in November, marking the completion of the modernization of the Sayano-Shushenskaya HPP;
- ❖ During 2014, new equipment was put into operation at the Volzhskaya HPP, Zhigulevskaya HPP, Kamskaya HPP, Rybinskaya HPP, Cheboksarskaya HPP, Novosibirskaya HPP, Votkinskaya HPP and at the Kubanskaya HPPs. The equipment was put into operation to implement the Group's Development Strategy and Comprehensive Modernization Program;
- ❖ An increase in the volume of electricity generated by the Far East thermal power plant, resulting from a decrease in the volume of electricity generated by the hydropower plant integrated into the United Energy System of the East and an increase in the region's electricity consumption;
- ❖ The consumption of electricity in Russia underwent a slight increase, with growth observed in almost all electricity and capacity sales tariff categories.

RusHydro Production Assets

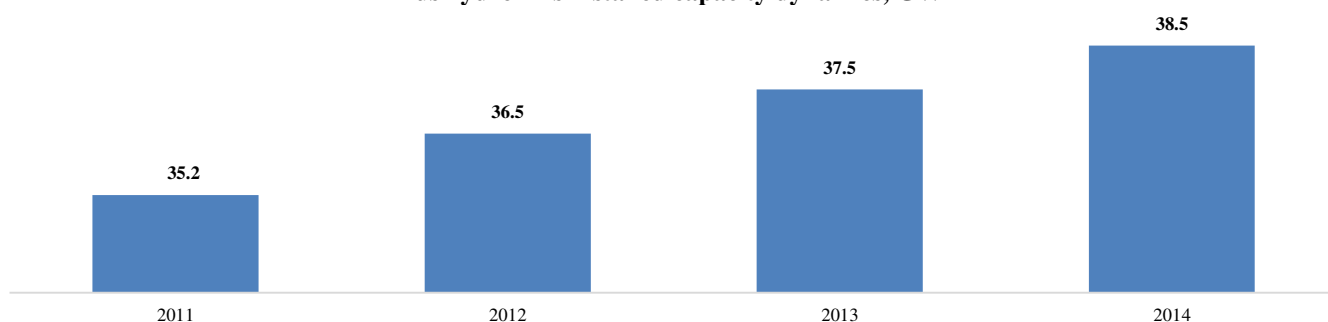
BES-UES of Russia	Regions of Operation	RusHydro Facility Description	Sector	Installed capacity, MW	Available capacity, MW	Change 2014/2013	Electricity production GWh	Change 2014/2013
East, non-price zone	Amur Region	The Bureiskaya HPP	WECM	2,010	1,988.9	-0.1%	6,114	-7.2%
		The Zeyskaya HPP	WECM	1,330	1,330	-	6,428	-6.3%
Isolated districts	Magadan Region	The Kolymskaya HPP	REM	900	878.3	-1.1%	1,558	-19.0%
		The Ust-Srednekanskaya HPP	REM	168	96.7	+101%	373	+208%
	Kamchatka Region	Geothermal Power Plant	REM	62	52	-1.7%	406	+3.3%
Siberia	Novosibirsk Region	The Novosibirskaya HPP	WECM	460	454.5	+2.9%	2,118	-11.8%
	Republic of Khakassia	The Sayano-Shushenskaya Cascade of HPPs	WECM	6,721	4,794.2	-25.8%	20,375	-18.1%
Ural	Perm Region	The Kamskaya HPP	WECM	543	517.1	+1.0%	1,998	+0.7%
		The Votkinskaya HPP	WECM	1,020	1,007.5	+1.1%	2,793	+10.5%
Center	Yaroslavl Region	The Upper Volga Cascade of HPPs	WECM / REM	476.6	437.6	+1.5%	863	-47.5%
	Moscow Region	The Zagorskaya pump storage plant	WECM	1,200	1,200	-	1,860	+24.8%
Middle Volga	Nizhny Novgorod Region	The Nizhegorodskaya HPP	WECM	520	514.6	+6.8%	1,281	-31.5%
	Chuvash Republic	The Cheboksarskaya HPP	WECM	1,370	639.3	+12.7%	1,890	-17.5%
	Samara Region	The Zhigulevskaya HPP	WECM	2,383	2,300.3	+3.1%	10,484	-10.4%
	Saratov Region	The Saratovskaya HPP	WECM	1,378	1,354.4	+2.5%	5,600	-6.7%
South	Volgograd Region	The Volzhskaya HPP	WECM	2,639.5	2,616.5	+1.7%	11,566	-9.9%
	Stavropol Region	The Kubanskaya Cascade of HPPs	WECM	476.5	424.3	+0.2%	1,384	-6.8%
	Karachaevo-Cherkessia Republic	Karachaevo-Cherkessia branch	WECM/ REM	160.6	0.6	-99.2%	2	-99.6%
	Kabardino-Balkaria Republic	Kabardino-Balkaria branch	WECM / REM	157.5	107	+1.,2%	565	-1.8%
	North Ossetia-Alania Republic	North Ossetia branch	WECM / REM	94.5	59	-3.1%	293	-17.9%
	Dagestan Republic	Dagestan branch	WECM / REM	1,785.5	1,730.4	+0.5%	4,014	-22.9%

		Total for Russia's HPPs and pump storage plants		25,856	22,503	-5.9%	81,963	-12.4%
East, isolated districts	Primorie Region, Khabarovsk Region, Sakhalin Region, Jewish Autonomous District, Amur Region, Magadan Region, Yakutia Republic, Kamchatka Region, Chukotka Autonomous District	RAO Energy Systems of the East	REM	9,020	8,702	+0.1%	31,237	+3.8%
---	Republic of Armenia	The Sevan-Hrazdan Cascade of HPPs	---	561.4	552.4	-	475	+1.5%
		Total for RusHydro Group		35,437	31,758	-4.2%	113,675	-8.4%
Siberia	Krasnoyarsk Region	The Boguchanskaya HPP	WREM	2,997	1,951.4	+32.7%	8,362	+70.7%

(*) – taking into account the Puzhetskaya geothermal power plant and the Kamchatka Geo-ecological Complex

In 2014, the Group's total installed capacity amounted to 38,458 MW, unchanged compared with the previous year. The decrease in the capacity of the power plants of JSC RAO Energy Systems of the East was offset by growth in the capacity of generating sets by 56.5 MW. Said growth was achieved due to re-labelling equipment at the HPPs of the Volga-Kama cascade. Together with the Boguchanskaya HPP, the installed capacity of RusHydro power plants grew 3% year-on-year to amount to 38,458 MW. At the same time, the total available capacity fell 3% in 2014 due to systemic limitations at the Sayano-Shushenskaya HPP, which arose after repair and restoration completion at the HPP.

RusHydro PPs installed capacity dynamics, GW*

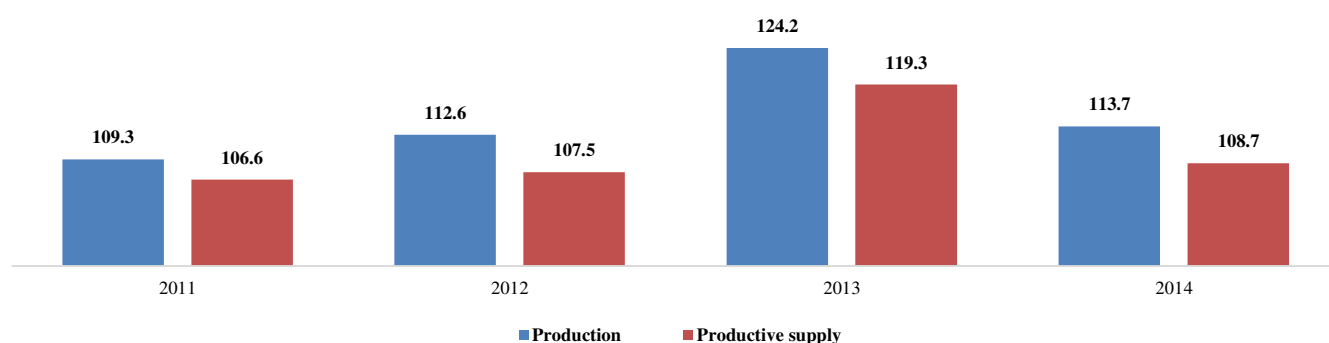


* Taking into account the Boguchanskaya HPP

In 2014, the RusHydro Group became Russian's top company in terms of power plants' installed capacity. The Group is consistent in increasing its production potential, with the Group's capacity growing more than 1.5 times over the 10 years of self-sustained operation. The Group's investment program provides every opportunity for further capacity growth.

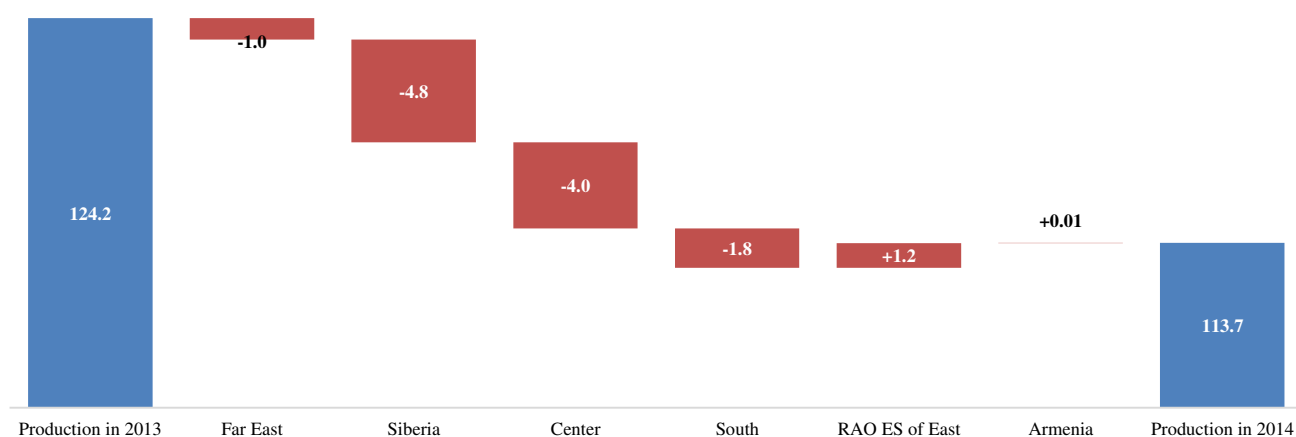
According to reporting year results, the volume of electricity generated by RusHydro Group fell 8.4% year-on-year, amounting to 113 675 million KWh. The fall was caused mainly by insufficient water inflows at the Group's key facilities, including the Volga-Kama Cascade of HPPs and the Sayano-Shushenskaya HPP. Another reason consisted in the decline in electricity demand after the start-up of the Boguchanskaya HPP. The commercial output of electricity by RusHydro fell 8.8% to 108 745 million KWh.

RusHydro electricity production and supply dynamics, million MWh



Based on 2014 results, electricity production by all Group facilities fell in all price zones due to the reasons listed above. A production increase was observed at JSC RAO Energy Systems of the East power plants and at the Sevano-Razdansky Cascade of HPPs in Armenia.

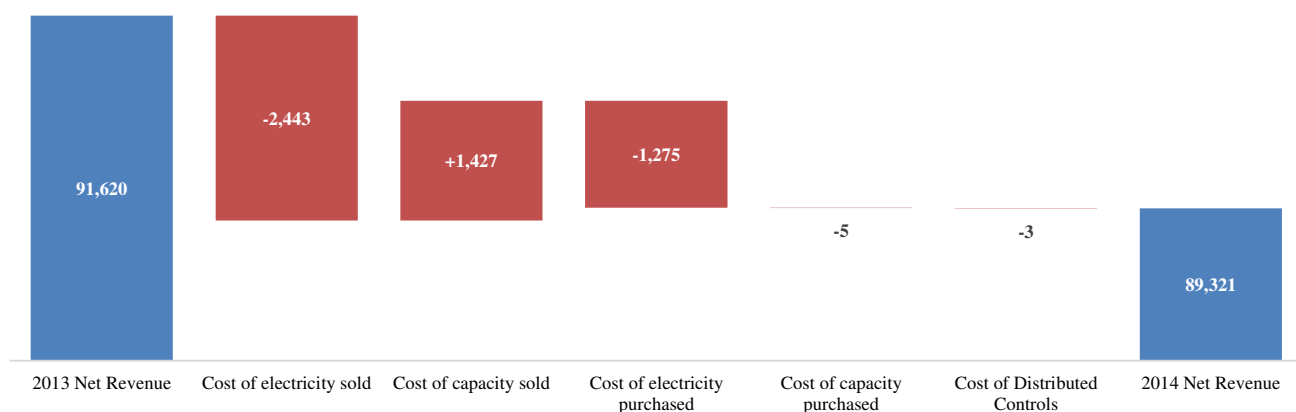
Change in the Group's electricity production in 2014, million MWh



Electricity and Capacity Sales

The Group's 2014 net revenue from electricity and capacity sales fell 2.5 pp year-on-year to RUR 89,321 million, taking into account the cost of electricity and capacity purchases. The decline was caused by an overall decrease in electricity production by RusHydro branches' HPPs by 12.7%, while the tariffs for sales, as well as for the purchase of electricity and capacity, grew in both price zones. The growth in the first price zone was caused by price indexation, while prices in the second price zone grew due to the elimination of limits for inter-zone electricity overflow and the liberalization of the HPP capacity market.

RusHydro's Net Revenue Change, RUR million



Electricity Sales

The majority component in the structure of revenue generated by RusHydro member-companies is DAM revenue. During 2014, the share of DAM revenue fell from 80.5% to 77.5% on the back of growing volumes of electricity sold on the balancing market (40% growth) and the consistent sales of electricity pursuant to non-regulated bilateral contracts.

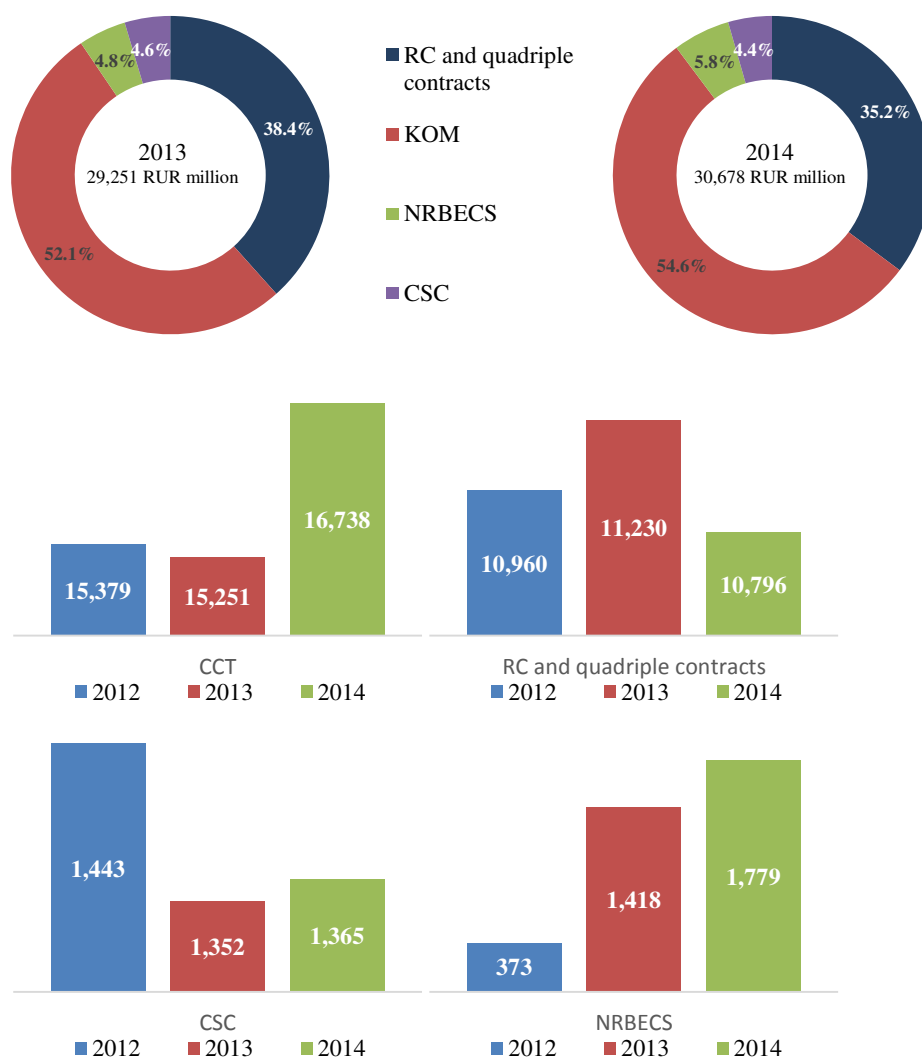
RusHydro electricity sales structure and dynamics, RUR million



Capacity Sales

The major part of the revenue generated by RusHydro branches is made up by Capacity auction contracts (KOM). In 2014, the share of capacity sales pursuant to the KOM contracts grew 54.6%, with a corresponding 10% revenue increase. The share of capacity sales pursuant to NRBC and CSC contracts also grew, with corresponding 2014 revenue increasing 25.5% and 0.9%, respectively.

RusHydro capacity sales structure and dynamics



Energy Efficiency

The Company's key segment is the hydropower industry, which is one of the most energy efficient sectors of the entire power industry. In addition, the Company is active in developing electricity generation from renewable sources, such as tides, geothermal energy, and wind. The renewable sources are environmentally friendly and efficient. RusHydro facilities are capable of increasing energy efficiency due to the modernization of capital equipment and the implementation of innovative energy-saving technologies and the optimal usage of water resources, as well as due to lowering power consumption for own needs.

The Company pays significant attention to environmental and energy efficiency issues. To develop the aspects in question, the Group has adopted a program concerning energy saving and energy efficiency improvement for the 2010 to 2015 period.

Power consumption by hydropower plants depends essentially on the water inflows and generation modes set by the system operator. Taking this into consideration, the main target selected during the development of the Group's Innovative Development Program consists in "providing a possibility for electricity production growth." The electricity production growth planned for the period from 2011 to 2020 is up to 3.3 billion KWh.

The Company has 6 key tasks intended to improve energy efficiency; it proceeded with active implementation of these tasks in 2014.

Energy Efficiency Tasks

Development of the hydropower industry and other renewable energy sources which reduce the use of organic fuel and atmospheric emissions

The development of renewable power sources is the Group's priority. Based on 2014 results, the installed capacity of such power plants grew 3.7%, amounting to 29.4 GW.

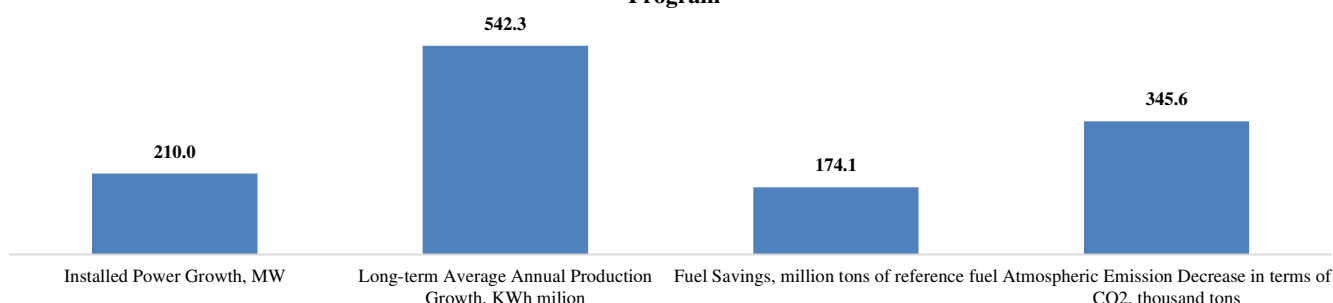
Construction of energy efficient generating facilities

The Boguchanskaya HPP, with 9 hydro-power units put into operation in 2014, complies with the strictest global requirements on energy efficiency. The in-house energy consumption of the Boguchanskaya HPP is 0.7% of its productive output. The in-house energy consumption of the reconstructed Sayano-Shushenskaya HPP is 0.5% of its production output, which is several times less compared with the average market values.

Upgrading energy efficiency at the existing generating facilities

The Company is implementing a set of measures at the existing power plants to upgrade the plants' energy efficiency. RusHydro started performing an energy audit at its facilities in 2009, followed by the preparation of an energy efficiency improvement action plan for each facility. In 2014, the Company replaced turbines and generating sets at the Volzhskaya, Zhigulevskaya, Kamskaya, Saratovskaya and Sayano-Shushenskaya HPPs. The total replacement cost amounted to RUR 7.3 billion. The replacement has a positive impact on the energy efficiency of the HPPs in question.

Key results of energy efficiency improvement initiatives implemented by RusHydro pursuant to the 2011-2014 Modernization Program



In 2014, implementation of the Group's energy efficiency improvement program contributed to growth in the installed capacity of the Company's generating facilities (46.5MW), as well as to the increase of electricity production by 155 million KWh equivalent to fuel savings in the amount of 53.4 thousand tons of reference fuel, to the decrease of atmospheric emissions in terms of CO₂ by 100.3 thousand tons. Furthermore, the Company implements initiatives to decrease harmful atmospheric emissions. The volume of said substances emitted to the atmosphere in 2014 amounted to 908 tons.

Optimizing water resource usage

The Company exercises great care in efficiently using water resources in its operations. To this effect, the Company implements numerous programs, including the following:

- ❖ The development of a network of weather observation facilities. In 2014, corresponding programs have been implemented in the Group's Dagestan branch, at the Sayano-Shushenskaya HPP and at the Volga-Kama Cascade of HPPs. The Group has installed and renovated 29 gauging stations and 20 snow-sampling heliport decks;
- ❖ The implementation of a mid-term planning program at the HPPs. In 2014, programs were implemented at the HPPs in the Far East, Siberia and the Volga-Kama Cascade of HPPs. The mid-term planning modules have been developed and implemented for more than 10 power plants;
- ❖ Implementation and control over the efficiency of intra-plant operation modes. Compared with the previous year, in 2014 the production growth resulting from controlling the optimal choice of equipment amounted to 90.9%.

According to 2014 results, the total water consumption by the RusHydro Group on the whole fell 1.5% to 63.4 million cubic meters.

Lowering power consumption for all operations

To foster successful operation, the Company needs to concentrate on savings due to lowering power consumption by all RusHydro facilities. In 2014, the in-house electricity consumption for RusHydro totaled 1,192.2 million KWh, or 1.5% of the annual production volume. Compared with 2013, the Company's total in-house consumption fell 4% due to energy efficiency improvement initiatives.

Power resources used by RusHydro in 2014

Supply points group	Electricity purchased on the wholesale market, KWh	Cost of electricity purchased on the wholesale market, RUR billion	Volume of power resources consumed, KWh
In-house needs supply points group, HPP/pump storage plants	0.88	1.01	0.81
Consumption points group, pump storage plant (pumping mode)	2,99	2.76	2.60
Total	3.88	3.77	3.41

Encouraging electricity consumers to improve energy efficiency

RusHydro provides energy audit services and issues energy compliance certificates, which are available to the Group's companies, as well as to third-party organizations and external consumers.

When interacting with consumers, the Group's retail companies provide advice on the following:

- ❖ Organizational, normative, technical, financial and economic issues in regard to energy efficiency in industry, housing and utilities infrastructure and budget organizations;
- ❖ Energy audit performed in companies and organizations for the purpose to establish available fuel and energy saving options and prepare energy compliance certificates;
- ❖ Power supply services, including legal aspects and types of power supply contracts;
- ❖ Assistance in regards to handling databases on energy-saving equipment and technologies.

During 2014, the Company proceeded with the development of regional energy-saving and energy efficiency centers established by power supply subsidiaries in different Russian regions.

According to the 2014 results, RusHydro spent more than RUR 14.68 billion to implement energy efficiency improvement initiatives in its subsidiaries. The major projects included the restoration of the Sayano-Shushenskaya HPP, accompanied by the commissioning of three generating sets, and the modernization of the Zhigulevskaya, Saratovskaya and Cheboksarskaya HPPs.

International Activity

The development of international activity is one RusHydro priority, with these operations aimed at broadening the Group's operational geography due to the implementation of projects abroad and the attraction of the best foreign investments and technologies to promising hydropower and renewable generation projects implemented in Russia. RusHydro makes every effort to establish long-term and mutually beneficial cooperation with international partners in compliance with Russia's strategic interests.

Investments

In 2011, the RusHydro Group acquired "Mezhdunarodnaya Energeticheskaya Korporatsiya" JSC (JSC MEK) (the International Energy Corporation), which owns seven hydropower plants at the Sevan-Hrazdan Cascade of HPPs in Armenia with a total installed capacity of 561.4 MW. JSC MEK is one of the major players on the Armenian electricity market and the Group performs the modernization and technical re-equipment of the HPP Cascade pursuant to the Program adopted for the period till 2017. This process has its effect on the Cascade's performance results – in 2014, electricity production at the Sevan-Hrazdan Cascade of HPPs grew 1.5% to 475GWh.

Starting from 2013, the company has begun implementing construction and operation of the Upper Naryn Cascade of HPPs. One of the largest infrastructure projects in Middle Asia is being implemented by the Group pursuant to the Inter-government Agreement between Russia and the Kyrgyz Republic. The Cascade in question will incorporate four consecutive stages with an installed capacity of 237.7 MW, with an average annual electricity production of approximately 1,000 GWh. In 2014, the Group completed preparations for the construction of the HPP Cascade, commencing survey work related to the project.

In 2014, the Company jointly with foreign engineering corporations proceeded with projects aimed at localizing Russian-based manufacturing of innovative hydropower equipment intended to modernize existing Group facilities.

International Partnership

In addition, during the reporting year, the Company has concluded a series of agreements with major foreign energy corporations concerning the cooperation and implementation of joint projects. The milestone agreements include contracts with

Power Construction of China (PowerChina) and China Three Gorges Corporation, as well as the Cuban Union Electrica. The contracts were concluded during the official visits of the President of Russia V.V. Putin to China and Cuba. The contracts in question stipulate the implementation of long-term joint projects, including the construction of new generating facilities in Russia using advanced technologies. The projects will contribute to the attraction of investment flows to the country, demonstrating the strategic importance of RusHydro and its expansion abroad.

Inter-corporate documents signed by RusHydro with international partner-companies in 2014

Contract Information	Description of Cooperation	Cooperation Advantages
Strategic Cooperation Agreement between RusHydro and PowerChina (20.05.2014)	Cooperation in the sphere of investment, design, construction, operation and the technological development of small-scale power generation on the territory of Russia and third party countries	- The development of distributed generation on Russian territory - Investment and technology attraction
Memorandum of Understanding between RusHydro and Union Electrica, Cuba (11.07.2014)	Cooperation development in the field of the modernization of reconstruction of the existing HPPs and the construction of new HPPs in Cuba, including the development of small-scale power plants and the use of renewable energy sources	- Using the Group's resources on foreign markets having sustainable electricity demand
Strategic Cooperation Agreement between RusHydro and Siemens LLC, a subsidiary of Siemens AG (20.10.2014)	Cooperation in the field of reconstruction and modernization and technical re-equipment of the existing facilities and the construction of new hydro and heat power generation facilities in Russia, including joint participation in investment projects based on Russian renewable energy sources and third countries, and localizing the manufacturing of renewable source generation equipment in Russia	- Use of advanced technologies in constructing and modernizing existing power production facilities - Localization of power production equipment on Russian territory
Preliminary Shareholder Agreement between RusHydro and China Three Gorges Corporation (09.11.2014)	The Agreement stipulates basic conditions for the implementation of the project involving the construction of four flood control HPPs on Amur River tributaries, envisaging the establishment of a joint venture to finance, construct and manage the HPPs in question (with a total capacity of up to 2,000 MW)	- Attracting investments to construct flood control HPPs - Increasing electricity exports to Asian-Pacific countries
Cooperation Agreement between RusHydro and a consortium of Chinese companies – PowerChina and Zhefu Holding Group – concerning the construction of pump storage power plants (09.11.2014)	Cooperation development concerning the construction of pump storage power plants in Russia and third countries, envisaging financing and investing in the construction of “turn-key” projects (including with involvement of Chinese financial institutions), a long-term exchange of research data and technical support, equipment supply and further facilities operation	- Attraction of investments for the construction of pump storage power plants on the territory of Russia and third countries - Exchange in scientific and technological information

RusHydro is a regular participant in intergovernmental commissions on commercial-economic and research and technical cooperation between the Russian Federation and foreign countries. The Company is also a member of the power industry task forces formed by such commissions. It also participates in international forums hosted by the Russian Union of Industrialists and Entrepreneurs and by the Russian Chamber of Industry and Commerce.

The Company's representatives work in committees and task forces established by numerous non-commercial partnerships and international organizations in which RusHydro is a member, including the following:

- ❖ The Global Sustainable Electricity Partnership (GSEP);
- ❖ The World Economic Forum (WEF);
- ❖ The International Hydropower Association (IHA);
- ❖ The International Commission on Large Dams (ICOLD).

The Company cooperates with numerous industry-specific international organizations without assuming any membership. The cooperation involves joint scientific research, participation in expert groups, and professional seminars and conferences. These are the following organizations:

- ❖ The Canadian Center for Energy Advancement through Technological Innovation (CEATI);
- ❖ The International Council on Large Electric Systems (CIGRE);
- ❖ Réseau International des Organismes de Bassin (RIOB).

RusHydro also cooperates with governmental international organizations and integrational associations, including the following:

- ❖ The CIS Electric Power Council (SIC EPC);
- ❖ The Eurasian Economic Commission (EEC);

- ❖ The International Energy Agency (IEA)
- ❖ Asia-Pacific Economic Cooperation (APEC);
- ❖ The Baltic Sea Region Energy Cooperation (BASREC).

Interaction with major international organizations, associations and partnerships contributes significantly to the Company's successful operation, providing an opportunity for experience sharing and involvement in international projects, while defending and supporting Russian interests globally.

The Russian Year in the GSEP

For the period from June 2013 to July 2014, the Company chaired the Global Sustainable Energy Partnership (GSEP), the largest partnership in the industry. The agenda suggested by the Group and formulated as "Innovations – a fast track to a sustainable world" has determined the vector for discussions within the Partnership, as no sustainable development is possible without innovative breakthrough.

In March 2014, the Company successfully hosted meetings of the Project, Political and Management Committees of the Partnership in Irkutsk. The GSEP summit, which was attended by leaders and representatives of the world's largest GSEP member-companies, was organized by the Group in May 2014 in Moscow. One of the Summit results included decisions made concerning the development prospects and the establishment of new generation (adaptive) energy systems. Furthermore, RusHydro participates in the GSEP-led Argentina-Patagonia Project. In 2014, the Company took part in completing and commissioning hybrid diesel power plants and a small-scale hydropower plant in Argentina.

Corporate Governance Report

TRANSPARENCY AND EFFICIENCY GROWTH

Achievements during 10 years of operation

The highest corporate governance rating – 8
First place in the corporate transparency rating among
Russian power companies

Key 2014 events include:

Optimization of the Company's organizational structure
Independent audit of the activities of the Company's Board of
Directors and its Committees
Adoption of a new KPI for the 2015-2019 period

Corporate Governance Compliance Statement

RusHydro is one of the largest Russian utility holding companies with the State being the main shareholder of the Company. The total number of the Company shareholders exceeds 360 thousand. The Group's corporate governance practices are based on the observance of the requirements of the Russian law and of the requirements set for the companies listed at Moscow and London stock exchange. The Group also maintains balance of the interests of the State and of all stakeholders.

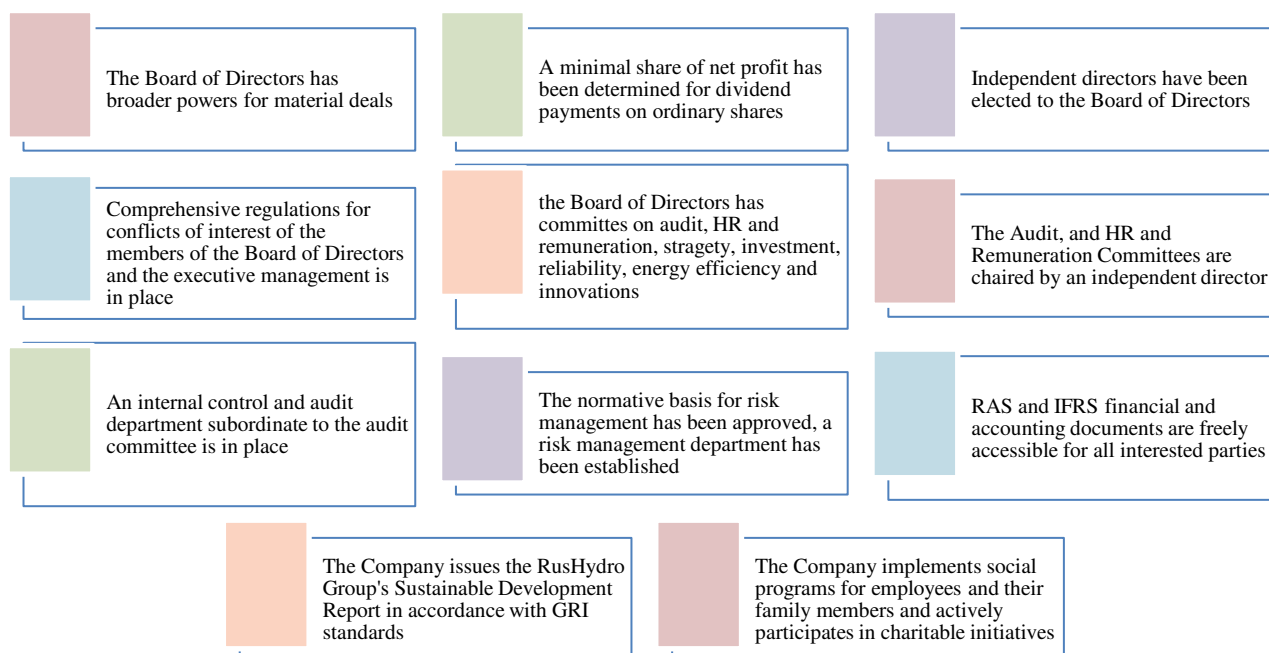
The Group's highest governance body is the General Meeting of Shareholders which provides for the implementation of shareholders' right to participate in corporate governance. The Board of Directors is responsible for the development of the strategy and control over the executive bodies, providing for the observance of rights and legitimate interests of the Company shareholders. To facilitate the development of the most efficient solutions the Board of Directors has five committees, with two of the committees – the Audit Committee and the HR and Remuneration Committee consisting exclusively of independent directors. The Management Board is responsible for achieving goals, implementing development strategies and managing the Company's daily operations. The work of the Management Board is organized by the Chairman, the Chief Executive Officer, who is the sole executive body of the Company.

A new Code of Corporate Governance was recommended for joint stock companies by the Bank of Russia in the beginning of the last year. The Board of Directors of RusHydro assigned a task of performing a comparative analysis of the principles of corporate governance currently used in the Company and of the principles contained in the recommended new Russian Code of Corporate Governance. The analysis resulted in the preparation of an action plan (a road map) concerning the implementation of the new edition of the Group's Code of Corporate Governance, which is to be approved by the Board of Directors in 2015.

A report on the observance by RusHydro of principles and recommendations of the Code of Corporate Governance approved by the Bank of Russia and the British Code of Corporate Governance compliance report is to be found in the Supplement to the Annual Report. The observance of the principles of corporate governance by RusHydro was assessed by means of comparing each provision of the Code with the Company's practices of corporate governance, taking into account the confirming internal documents.

M.I. Poluboyarinov
The Chairman of the Board of Directors

RusHydro's Corporate Governance Practices



Improving Corporate Governance Practices in 2014			
The shareholders approved new versions of the Company's Articles of Association and the procedure for convening the General Meeting of Shareholders	The Company introduced new annual and quarterly KPI and KPI calculation and assessment methods. The KPIs will become effective as of January 1, 2015	The implementation of the Company's new organizational structure to optimize management levels and headcount	The work of the Board of Directors has been subjected to independent assessment

According to the 2014 results, RusHydro's corporate governance was rated at the 8th level, the highest level of the National Corporate Governance Rating

M.I. Poluboyarinov Chairman of the Board of Directors	V.I. Danilov-Danilyan Deputy Chairman of the Board of Directors, Independent Director
In 2014, the Board of Directors, Committees of the Board of Directors, the Chairman of the Management Board – the Chief Executive Officer were successful in dealing with priority issues related to the development of RusHydro, including the approval of the Long-term Development Program, the approval of Key Performance Indicators (KPI), the optimization of the Company's organizational structure and the improvement of purchasing activities. On the whole, the work of the Company's management bodies can be considered successful and professional. Decisions of the Board of Directors were based on information materials prepared by the Management Board, as well as on the recommendations of the Board's committees. An independent assessment of the work of the Board of Directors and related committees was conducted for the first time, resulting in continuous improvement for the work in question.	<ol style="list-style-type: none"> <i>What is the role of an independent director of the Board of a State-owned company?</i> RusHydro is a company with a well-developed system of corporate governance, consisting of the Board of Directors with independent directors, Committees, and the Management Board. This system also includes control and risk management systems. One role of an independent director on the Board of Directors of a company which is partly State-owned is upgrading the transparency of governance and the maintenance of balancing the interests of the State and majority and minority shareholders, and corporate interests too. <i>How the attendance of independent directors on the Board of Directors and its Committees contribute to an efficient process of undertaking resolutions?</i> The independent directors on the Company's Board of

Directors contribute to more comprehensive discussions resulting in balanced decisions, including decisions on issues initiated by the State. The HR and Remuneration and Audit Committees under my chairmanship include only independent directors. We dealt with such issues as the approval of the auditor and the rate of the auditor's remuneration, risk management, election of the CEO, optimization of the management structure and assigning personal responsibilities to members of the Management Board for the implementation of the Long-term Development Program, which were scrupulously reviewed by committee members, resulting in the development of recommendations to be followed by the Board of Director in its decision-making.

3. You have been a member of the Board of directors of RusHydro since 2011. How have the Company's corporate governance practices changed during this time?

RusHydro focuses on following best corporate governance practice. During this time, we adopted and updated numerous internal corporate documents, such as: the Internal Audit, Internal Control and Risk Management Policy. The Dividend Policy has been amended, and we have also worked on increasing procurement transparency. In 2014, we optimized the Company's management system. Moreover, the Company issues a Sustainable Development Report meeting GRI standards on an annual basis.

Shareholder and Investor Relations

RusHydro is active in liaising with stock market players, improving information transparency and communicating the Group's strategic priorities and plans. Information is disclosed in accordance with Russian legal requirements, the regulators of Russian and foreign securities markets, the Company's internal regulations and the rules of the stock exchanges where the Company's securities are listed.

Corporate website	www.rushydro.ru , www.eng.rushydro.ru
Information disclosure web-page	http://www.e-disclosure.ru/portal/company.aspx?id=8580
Official print publication	Rossiyskaya Gazeta
Hot line telephone number for shareholders	8-800-555-99-97
E-mail	rushydro@rost.ru

The Company's home page, www.rushydro.ru, www.eng.rushydro.ru, offers basic information on RusHydro's current activities. The pages contain direct links to decisions of the Board of Directors and the information on past and upcoming general meetings of shareholders, and financial statements. Other content includes the latest news on the Company and its subsidiaries and dependent companies.

In 2014, the Company disclosed 132 material facts pertaining to its activities, including the decisions of its executive bodies, interested party transactions and messages that have an essential impact on the price of the securities. The Company publishes its press-releases daily at <http://www.rushydro.ru/press/news/>, and the website has a dedicated section for disclosing IR news at http://www.rushydro.ru/investors/IR_news/.

The IR Directorate, a specialized structural unit, is responsible for investor relations. According to a vote organized by ThomsonReutersExtel among market participants, the Company's IR Directorate was recognized as the best IR department in the industry.

In 2014, corporate representatives took part in major international investment conferences, including those hosted by the Bank of America Merrill Lynch, Morgan Stanley, Goldman Sachs, Deutsche Bank, and Sberbank CIB. Other events attended by corporate representatives included the "Russia is Calling" Forum hosted by VTB Capital. For corporate management, these conferences served as places to meet managers of international and Russian investment funds.

In addition, in April, the Company hosted RusHydro Investor's Day attended by Group managers and E.V. Dod, the Chairman of RusHydro's Management Board and the CEO. The Company organizes periodic conference calls for analysts, investors and

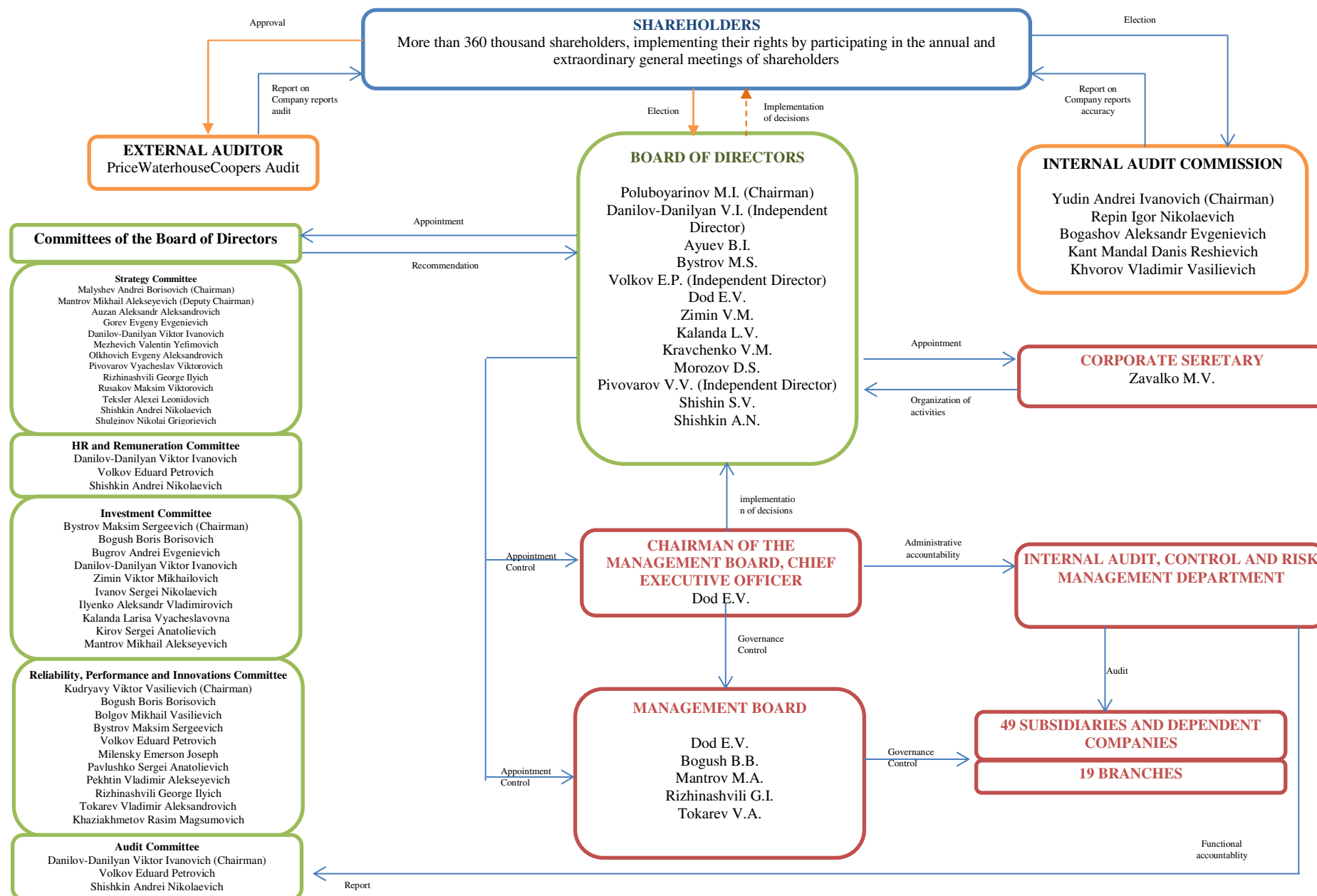
rating agencies based on financial results. You can find the Company's IR events calendar at http://www.rushydro.ru/investors/IR_events/.

2015 IR Events Calendar	
January 21-23	Deutsche Bank Conference (London)
January 21-24	World Economic Forum (Davos)
January 29	2014 performance results
March 5	2014 RAS financial statements
March 25	2014 IFRS financial statements. Conference call
March 26-27a	HSBC Conference (New York)
March-April*	VTB Capital's "Russia is calling!" Forum (New York)
April 13	Investor's Day (Moscow)
April 14-17	Sberbank CIB's "Russia" Forum (Moscow)
April 15-18	Raiffeisen Bank Conference (Zurich)
April 23	Q1 2015 performance results
April 29	Q1 2015 RAS statements
April 28-30	JPMorgan CEEMEA Conference (London)
May*	VTB Capital's "Russia is calling!" (London)
May 20-21	Morgan Stanley GEMs Conference (London)
June 9-10	BofA Merrill Lynch Utilities & Renewables Conference (London)
July*	Renaissance Capital Conference (Moscow)
End of June*	Annual General Meeting of Shareholders
Beginning of July*	Shareholders Registry closure date to receive dividends
July 8-9	Morgan Stanley GEMs Conference (New York)
June 30	Q1 2015 IFRS statements. A conference call
July 23	QII 2015 performance results
July 30	H1 2015 RAS statements
August 28	H1 2015 IFRS statements. Conference call
Beginning of September*	Sberbank CIB's Russia and CIS (London)
September 10	HSBC Conference (London)
September 17	Morgan Stanley Power & Utility Summit (London)
September 30-October 2	VTB Capital's "Russia is calling" Forum (Moscow)
October 22	9 months 2015 performance results
October 29	9 months 2015 RAS financial statements
November*	Bank of America Merrill Lynch Russia and CIS Conference (London)
November 9-10	Goldman Sachs CEEMEA Conference (London)
December 15	9 months 2015 IFRS statements. Conference call

* Event dates are to be determined

The shareholders can ask questions concerning their rights by dialing the hotline of JSC Registrator R.O.S.T., the Company's registrar, or by sending an e-mail. Depositary receipt owners can forward their inquiries to the Bank of New York Mellon, or to the Company's Corporate Governance Department and IR Division.

JSC RusHydro Corporate Governance Model



Governing Bodies

General Meeting of Shareholders

The annual General Meeting of Shareholders²¹ was held June 27, 2014 in Krasnoyarsk (Minutes No 12 dated June 27, 2014). The shareholders have approved the annual report, the annual accounting statement, and the allocation of profit according to 2013 results. Other approvals covered dividend amounts and the date for preparing the list of persons entitled to receive dividends. The shareholders have also elected the Board of Directors, the Audit Committee and the auditor (JSC PricewaterhouseCoopers Audit). Decisions were also made concerning the payment of remuneration to members of the Board of Directors based on results of their work from 28.06.2013 to 27.06.2014²². Remuneration is to be paid in the amount and in accordance with the procedure set by the Payment of Remunerations to Members of the Board of Directors (more detailed information on remuneration is available in “*Remuneration for Governing and Control Bodies Report*”). The shareholders have also approved the new version of the Company’s Articles of Association and the Policy for convening and conducting the General Shareholders Meeting. Other approvals included RusHydro leaving the Siberian Energy Association (SEA) and interested party transactions.

The Board of Directors

The Board of Directors acts on the basis of the Policy on the procedure for convening and conducting meetings of JSC RusHydro’s Board of Directors. According to the Articles of Association, the Board of Directors consists of 13 members. The current membership of the Board of Directors was elected at the General Meeting of Shareholders on June 27, 2014. The Board of Directors includes three independent directors (Danilov-Danilyan V.I., Volkov E.P., and Pivovarov V.V.) and one executive director (Dod E.V.).

Directors elected to the Board are highly professional and experienced in the power industry, economics and corporate governance. Many Directors have academic titles, while some are graduates of international business schools.

V.I. Danilov-Danilyan, the Deputy Chairman of the Board of Directors and the Chairman of the HR and Remuneration Committee and the Audit Committee, has been included in the list of the “50 Best Independent Directors” based on the results of the “Director of the Year 2014,” the IX National Prize.

Changes in the membership of the Board of Directors in 2014

Changes in the membership of the Board of Directors in 2014 took place due to requirements stipulating an obligation to elect members of the Board of Directors at the General Meeting of Shareholders (June 27, 2014). In 2014, four new directors were included in the Board: Volkov E.P., Kalanda L.V., Kravchenko V.M. and Shishkin A.N. The remaining nine directors were elected as suggested by the Russian Federation, the Company’s major shareholder. They are Poluboyarinov M.I., Danilov-Danilyan, Ayuev B.I., Bystrov M.S., Dod E.V., Zimin V.M., Kravchenko V.M., Morozov D.S. and Pivovarov V.V.



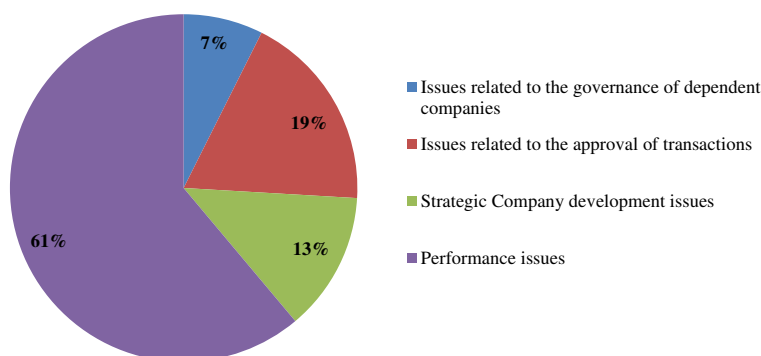
Performance results of the Board of Directors in 2014

²¹ Minutes №12 dated 27.06.2014.

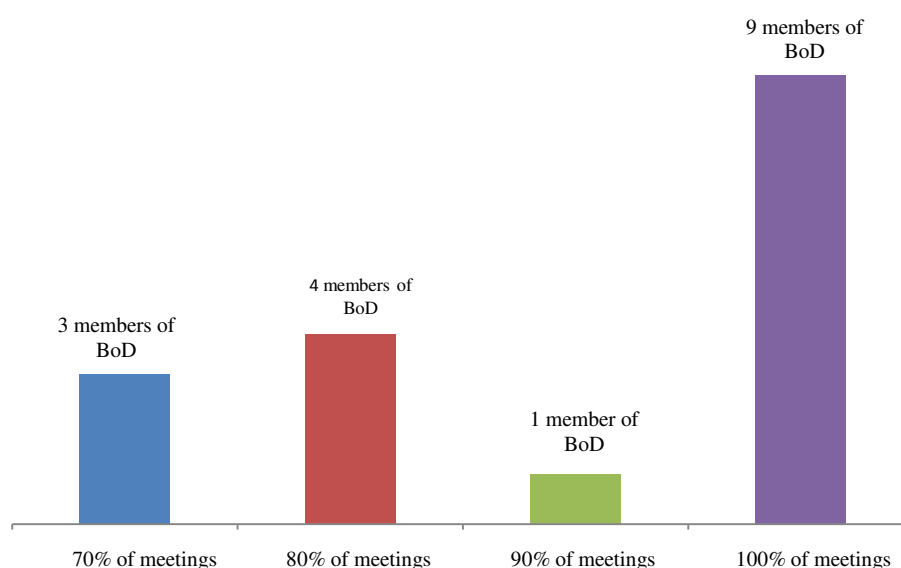
²² More information is available in the section “Report on Remuneration of Governance and Control Bodies”.

The Board of Directors conducts regular meetings in accordance with the approved Action Plan which contains issues to consider, the Board members responsible for the preparation of materials, the schedule and the form of conducting meetings. In 2014, the Board of Directors conducted 17 meetings (compared with 22 in 2013). Three of these 17 meetings were conducted in presentia.

The structure of issues reviewed at Board of Directors meetings in 2014, %



Attendance of the meetings of the Board of Directors ²³



The average attendance at Board of Directors meetings amounted to 90% of all 2014 meetings.

During the reporting year, the Board of Directors reviewed more than one hundred issues. Apart from operating performance, other matters included convening the annual General Meeting of Shareholders, the execution of orders, the approval of interested party transactions, the development of a transparent system of purchasing management and improvement in purchasing control efficiency, and issues relating to the governance of subsidiaries. The Board of Directors made numerous important decisions concerning corporate development. The decisions are the following:

- ❖ Approval of 2014 Business Plan of JSC RusHydro, including investment program, the annual and quarterly KPI values, and the 2014 quarterly financing and capital investment implementation plans. Besides, the Board of Directors approved the Company's business plan for 2015-2018 period, including the corresponding investment program amounting to RUR 360 868.55 million.
- ❖ The approval of JSC RusHydro's Long-term Development Program till 2019 and of the standard procedure for annual checking of the Program implementation starting from 2016. The checking will result in the development of

²³ The attendance statistics for Board of Directors members with powers effective in the reporting year.

managerial decisions intended to improve the efficiency of the Group's activities. The remuneration for the Group's management is tied to the achievement of the Program's strategic goals.

- ❖ The approval of the Policy on the system of key performance indicators and of a list of annual and quarterly KPI, and the method of KPI calculation and assessment. The KPI will become effective from January 1, 2015.
- ❖ The approval of electricity sales in 2015 to default power suppliers operating on the territories of the subjects of the Russian Federation representing the second price category of the wholesale electricity and capacity market. The sales will be effected pursuant non-regulated bilateral electricity sales contracts. The approval of the procedure of price formation for the electricity sold by RusHydro pursuant the sales contracts.
- ❖ The review and approval of the report on the execution of RusHydro's development priorities in 2013. The priority key tasks and initiatives pertaining to the implementation of the Strategic Plan of JSC RusHydro have been recognized as fulfilled. One of the 2013 priorities consisted in ensuring the reliability and modernization of the existing facilities. The implementation of the comprehensive modernization program at the Company facilities resulted in commissioning of 9 reconstructed generating sets with total capacity of 737MW.
- ❖ The approval of the report on the implementation of the action plan of JSC RusHydro innovative development program for the first half of 2014 as part of the implementation of the mid-term action plan for 2014-2016. The total amount of financing of the initiatives pursuant to the Program during said period comprised RUR 781.2 million.
- ❖ The extension of the powers of E.V. Dod, the chairman of the Management Board, for the period of 5 years.
- ❖ The approval of the new organizational structure of RusHydro intended to improve the governance of the Company. The improvements include the optimization of the management levels and headcount, the personification of responsibilities of the leaders and the reduction of the number of structural units. The new organizational structure resulted in the decrease of the number of the members of the Management Board from 14 to 5. The deputy chairmen of the Management Board were excluded, while 8 deputy area CEOs were introduced to replace 18 area directors. The number of directorates was decreased by 10 structural units, while the number of departments fell from 40 to 22.

More detailed information on the issues reviewed by the Board of Directors is available at <http://www.rushydro.ru/corporate/board/minutes/> and in the Supplement to the Annual Report.

The optimization of the Company's organizational structure is expected to result in the following:

- ❖ Prompt solutions for issues facing the Company and a flexible response to new challenges;
- ❖ Well-managed "vertical," as well as "horizontal," allocation of tasks, powers and responsibilities among leaders, with the provision of required details at each management level;
- ❖ Well-managed and optimally staffed executive office;
- ❖ A decrease in the number of executive employees and a reduction in administrative and managerial costs.

Assessing the performance of the Board of Directors

Two assessments of the performance of the Board of Directors were performed in 2014 for the first time, with one of the assessments evaluating the contribution of the Russian Federation's representatives to the Company's development, taking into account the corporate development strategy. Said assessment was performed based on a method approved by the Russian Federal Property Management Agency. The assessment confirmed the control of the federal authority over State representatives on the Board of Directors. The second assessment was performed by "The Association of Independent Corporate Directors", an independent consultancy body, known as a non-commercial partnership assisting professional activities. The second assessment was performed at the end of 2014, in the beginning of 2015. The assessment was conducted remotely with Board of Directors members filling in questionnaires on the website of the above-mentioned partnership. The assessment resulted in a report that was presented to the Board of Directors in February 2015 and a plan of initiatives to improve the work of the Board.

Personal Composition of the Board of Directors

	Full name and position	BoD member status	Year of Birth	Citizenship information	Education	Biographical data	Ownership of the Company shares
1.	POLUBOYARINOV Mikhail Igorevich <i>Chairman of the Board of Directors</i> First Deputy Chairman. Member of the Management Board of Vnesheconombank State Corporation	Non-executive director (professional counsel)	1966	Russian Federation	The Moscow Financial Institute (the Financial Academy attached to the Government of the Russian Federation), crediting and economics department, qualification - economist (1988) The Moscow Financial Institute (the Financial Academy attached to the Government of the Russian Federation), crediting and economics department, qualification - economist (1988) Ph.D. in Economics	Deputy General Director of JSC Aeroflot – Russian Airlines (2003 – 2009), various positions in Vnesheconombank State Corporation (2009), including: Director of the Infrastructure Department (2009-2011), Deputy Chairman (2011) and member of the Management Board (2012), First Deputy Chairman of Vnesheconombank State Corporation (since 2012) Current positions include the member of the Board of Directors of JSC Leader, JSC Sovkomflot, JSC Zarubezhneft and JSC Rostelecom Holds the position of a member of the Board of Directors of JSC RusHydro since 2011	Owns no Company Shares
2.	DANILOV-DANILYAN Viktor Ivanovich <i>Deputy Chairman of the Board of Directors</i> Director and Chairman of the Academic Board of the Institute for Aquatic Issues of the Russian Academy of Sciences (RAS)	Independent director	1938	Russian Federation	Moscow State University (named after M.V. Lomonosov), the Mechanical-Mathematical Department (1960). Ph.D. in Economics, Professor, Associate Member of the Russian Academy of Sciences (RAS)	Director and Chairman of the Academic Board of the Institute for Aquatic Issues of the Russian Academy of Sciences (2003); Head of the Chair of Environmental Sciences and the Management of Water Resources and member of the Academic Board of the Russian University of People’s Friendship (2005); Editor-in-Chief of the Encyclopedia Publishing House (2007); Head of the Chair of Natural Resources Management and member of the Academic Council of Moscow State University (named after M.V Lomonosov) (since 2009) Currently, serves as the Chairman of the Board of Directors of the Sustainable Development Fund Holds the position of the member of the Board of Directors of JSC RusHydro since 2011	Owns no Company Shares
3.	AYUEV Boris Ilyich Chairman of the Management Board of JSC SO UES	Non-executive director (professional counsel)	1957	Russian Federation	The Urals Polytechnic Institute, electric power stations (1979) Ph.D in technical sciences, full member of the Academy of Engineering Sciences named after A.M. Prokhorov, the author of over 70 research and technical articles and monographs	Member of the Management Board of JSC RAO UES of Russia (2004-2008), Chairman of the Management Board and member of the Board of Directors of JSC SO UES (since 2004) Current positions include: member of the Board of Directors of JSC Russian Grids, and Chairman of RNK SIGRE Non-Commercial Partnership Holds the position of the member of the Board of Directors of JSC RusHydro since 2012	0.008024%
4.	DOD Evgeny Vyacheslavovich Chairman of the Management Board, the Chief Executive Officer of JSC RusHydro	Executive director (professional counsel)	1973	Russian Federation	Moscow Aviation Institute (the State Technical University), Machine-tool Facilities Management and Economics (1995). PhD in Economics	General Manager of CJSC INTER RAO UES (2000-2008); Chairman of the Management Board of JSC INTER RAO UES (2008-2010); Chairman of the Management Board of JSC RusHydro (since 2009); Chairman of the Management Board, the Chief Executive Officer of JSC RusHydro (since 2014). Current positions include the Chairman of the Board of Directors of JSC RAO ES of East, member of the Supervisory Board of JSC VBRR Russian Hydropower Non-commercial Partnership, RusHydro International B.V. , member of the Management Board of the all-Russian Association of Employers “Russian Union of Industrialists and Entrepreneurs” and RSPP LLC, member of the Board of Managers of MCUER Autonomous Non-Commercial Association, member of the Russian National Committee of the World Energy Council, member of the Board of Trustees and the Foundation Council of the Non-Commercial Organization Charitable Foundation "Awareness" Holds the position of the member of the Board of Directors since 2010	0.118435%
5.	BYSTROV Maksim Sergeevich Chairman of the Management Board of JSC ATS and of the Market Council Non-commercial Partnership for the organization of an efficient system of wholesale and retail electricity and capacity sales.	Non-executive director (professional counsel)	1964	Russian Federation	Moscow Civil Engineering Institute named after V.V. Kuibyshev, hydro-power engineering of river structures and hydro-power plants (1986), Russian Foreign Trade Academy, global economy (1998)	Ministry of Economic Development of the Russian Federation (2001-2007), the Federal Agency for Management of Special Economic Zones, Deputy Minister of Regional Development (2007). Director of work with government agencies and NGOs, En Management LLC (2008-2009), Deputy Plenipotentiary Representative of the President of the Russian Federation in the North Caucasus Federal District (2010 to 2013), Chairman of the Management Board of JSC ATS, Chairman of the NP Market Council. Member of the Board of Directors of JSC FGC UES, JSC SO UES and the Chairman of the Board of Directors of JSC North Caucasus Health Resorts and “Mineralnye Vody Airport Managing Company” LLC. Holds the position of the member of the Board of Directors of JSC RusHydro since 2013	Owns no Company shares
6.	VOLKOV Eduard Petrovich General Director of JSC Energy Institute named after G.M. Krzhizhanovsky	Independent director	1938	Russian Federation	Moscow Energy Institute, heat power engineering, 1961 Ph.D in Technical Sciences, an associate member of the Russian Academy of Sciences	General Director of JSC Energy Institute named after G.M. Krzhizhanovsky” (since 1986), the member of the Board of Directors Holds the position of the member of the Board of Directors of JSC RusHydro since 2014	0.00002%
7.	ZIMIN Viktor Mikhailovich Prime Minister of the Government of the Republic of Khakassia	Non-executive director (State official)	1962	Russian Federation	The Tomsk State Architectural and Construction University, motor car engineering, engineer (2007)	Deputy Head and Head of the Construction Department for newly constructed facilities of the Abakan Branch of the Krasnoyarsk Railways, a branch of JSC Russian Railways (2004-2007); member of the Russian State Duma (2007-2009) and member of the State Duma Committee on Agriculture; Head and the Chairman of the Government of the Republic of Khakassia (since 2009) Holds the position of the member of the Board of Directors of JSC RusHydro since 2010	Owns no Company shares
8.	KALANDA Larisa Vyacheslavovna State Secretary – Vice President of JSC NK Rosneft,	Non-executive director	1964	Russian Federation	Sverdlovsk Institute of Law, legal studies, 1985. Honoured Jurist of the Russian Federation	Vice-President of JSC NK Rosneft responsible for legal provisions concerning financial and operating activities of the company, development and organization of the legal policy in regard of the protection of the assets and interests of the company, its shareholders and	Owns no Company shares

	Acting General Director of JSC ROSNEFTEGAZ, Senior Vice President on Relations with Russian Authorities, JSC RN-Management					subsidiaries and dependent companies (2006 – 2012). Deputy Chief of the Management Board of JSC NK Rosneft (2009). The member of the Management Board, the State Secretary and Vice-President of JSC NK Rosneft (since May 2012). The member of the Board of Directors of JSC ROSNEFTEGAZ Holds the position of the member of the Board of Directors of JSC RusHydro since 2014	
9.	KRAVCHENKO Vyacheslav Mikhailovich Deputy Minister of Energy for the Russian Federation	Non-executive director (State official)	1967	Russian Federation	Moscow State University named after M.V. Lomonosov, law studies, 1995	General Director of RN-Energo LLC (2008-2011); General Director of the United Power Supply Company (2010-2012); Chairman of the Management Board of Market Council Non-commercial Partnership (2012-2013); Deputy Minister of Energy of the Russian Federation (2013) Current positions include the member of the Board of Directors of JSC INTER RAO, JSC Rossety, JSC FGC UES, JSC SO UES, JSC MOESK, the Chairman of the Board of Directors of CJSC Center for Financial Settlements”, represents the State in the Supervisory Board of Market Council Non-commercial partnership Holds the position of the member of the Board of Directors of JSC RusHydro since 2014	Owns no Company shares
10.	MOROZOV Denis Stanislavovich Representative of the Russian Federation on the Board of Directors for the European Bank for Reconstruction and Development, the Executive Director on behalf of the Russian Federation, Belarussia, and Tajikistan	Non-executive director	1973	Russian Federation	Moscow State University named after M.V. Lomonosov, political economy (1993), science of law (1996) Ph.D in Economics. Swiss Banking School (2000), Harvard Business School, in-depth business administration (2009), Foreign Relations and State Administration School, Columbia University, Master of Governmental Administration (Economics Management) (2011)	Various financial and credit organizations (1992-1999); leading positions in Norilsky Nickel Company (2007-2009); General Director of JSC Uralkaliy (2010- 2011); the Director of the European Bank for Reconstruction and Development on behalf of the Russian Federation (from March 2011). Current positions include the member of the Board of Directors of JSC Rossety; the member of the Supervisory Council of JSC AK AIROSA and the Chairman of the Supervisory Council of JSC RosSelkhozBank Holds the position of the member of the Board of Directors of JSC RusHydro since 2013	Owns no Company shares
11.	PIVOVAROV Vyacheslav Viktorovich General Director of Altera Capital LLC	Independent director	1972	Russian Federation	The State Academy of Management named after Sergo Ordzhonikidze, global economy, 1995; the American University in Paris, applied economics, 1995; Stanford Business School, MBA, 2002	An extraordinary adviser to the Minister of Economic Development (2009 – 2011); General Director of Altera Capital LLC (2011) Holds the position of the member of the Board of Directors of JSC RusHydro since 2013	Owns no Company shares
12.	SHISHIN Sergei Vladimirovich Senior Vice President of JSC Bank VTB	Non-executive director	1963	Russian Federation	Higher Border Patrol Academy attached to KGB of USSR, 1984; Higher KGB Institute, 1990; Civil Service Academy attached to the President of the Russian Federation, governmental and municipal administration, 1999.	Military service (1980 – 2007); Senior Vice-President of JSC Bank VTB; the member of the Supervisory Council of JSC VBRR Holds the position of the member of the Board of Directors of JSC RusHydro since 2011	Owns no Company shares
13.	SHISHKIN Andrei Nikolaevich Vice President for Energy, Health, Safety and Environment of JSC NK Rosneft	Non-executive director	1959	Russian Federation	Moscow Petrochemical and Gas Industry Institute named after I.M. Gubkin, industrial heat power engineering, 1985; Financial Academy attached to the Government of the Russian Federation, 1996; MIRBIS Moscow International Business School, industrial heat power engineering and banking MBA, 2002 Ph.D in Economics	Various managerial positions in different financial and credit organizations (until 2005); General Director of the JSC Ural Energy Management Company (2005); head of JSC Tumen Power Supply Company; head of JSC TGK-10; First Vice-President of JSC Complex Energy Systems (KES-Holding) (2008-2009); Deputy Minister of Energy of the Russian Federation (2010-2012); Vice-President of JSC Rosneft (2012). Current positions include the member of the Board of Directors of JSC Tumen Power Supply Company; Rusenergo Fund; JSC Rossety; JSC United Shipbuilding Company; the member of the Supervisory Council of the Market Council Non-commercial Partnership, the Chairman of the Board of Directors of JSC Okha TPP Holds the position of the member of the Board of Directors of JSC RusHydro since 2014	Owns no Company shares

* Information on the ownership of the Company shares by members of the Board of Directors is dated December 31, 2014. The ownership is represented in the form of shares of chartered capital and in the form of ordinary shares owned. The shares coincide, as the Company has issued only ordinary shares.

The Committees of the Board of Directors

The Board of Directors of JSC RusHydro has five committees attached to it for the purpose of preliminary investigation of essential issues referred to the competence of the Board of Directors. The committees are as follows: the Investment Committee, the HR and Remuneration Committee, the Reliability, Energy efficiency and Innovations Committee.

The committees are staffed with highly trained and experienced specialists who improve the efficiency and quality of the Board of Directors' functioning. The Committee's quantitative composition is optimized to enable comprehensive discussion of issues under review, taking into account differing opinions. The Committees function based on the Policy on Committees attached to the Board of Directors.

In accordance with best corporate governance practices, the Audit and HR and Remuneration Committees are staffed only with independent directors.

Committee members are elected for the period till the next General Meeting of Shareholders, when new members of the Board of Directors are elected. The changes in the membership of the Board of Directors in 2014 were due to the election of new members to the Board of Directors in June 2014. Current committee members were elected pursuant to a decision of the Board of Directors, as of August 8, 2014.

The Strategy Committee Report

The Strategy Committee contributes to improving Company efficiency in the long run, developing recommendations to adjust the Company's current development strategy.

Committee members from 15.07.2013 to 27.06.2014		Committee members from 08.08.2014	
1.	Malyshev Andrei Borisovich (Chairman)	1.	Malyshev Andrei Borisovich (Chairman)
2.	Rizhinashvili George Ilyich (Deputy Chairman)	2.	Mantrov Mikhail Alekseevich (Deputy Chairman)
3.	Auzan Aleksandr Aleksandrovich	3.	Auzan Aleksandr Aleksandrovich
4.	Pivovarov Vyacheslav Viktorovich	4.	Gorev Evgeny Evgenievich
5.	Gorev Evgeny Evgenievich	5.	Danilov-Danilyan Viktor Ivanovich
6.	Danilov-Danilyan Viktor Ivanovich	6.	Mezhevich Valentin Efimovich
7.	Mantrov Mikhail Alekseevich	7.	Olkhovich Evgeny Aleksandrovich
8.	Mezhevich Valentin Efimovich	8.	Pivovarov Vyacheslav Viktorovich
9.	Shulginov Nikolai Grigorievich	9.	Rizhinashvili George Ilyich
		10.	Rusakov Maksim Viktorovich
		11.	Texler Aleksei Leonidovich
		12.	Shishkin Andrei Nikolaevich
		13.	Shulginov Nikolai Grigorievich

In 2014, Committee membership was extended to 13 members, with 3 elected corporate representatives (Mantrov M.A, Gorev E.E, and Rizhinashvili D.I.) and 3 members of the Board of Directors (Danilov-Danilyan V.I, Pivovarov V.V, and Shishkin A.N.).

In 2014, the Committee conducted 9 meetings (compared with 12 meetings in 2013). The Committee pays special attention to implementing priority projects involving the construction of four facilities in the Far East. Last year, information on project implementation was provided to the Committee by Company management on a periodic basis. The development of the Company's long-term development program is one more important issue in the Committee's work. The Committee has presented its remarks to the program developed by corporate management. This resulted in approval of the program, which was recommended for approval by the Board of Directors. The Committee has also performed a preliminary analysis of the terms of 13 transactions with the shares and interests of the organizations before said issues were suggested for consideration by the Board of Directors.

A list of all issues reviewed at Committee meetings is available in the Supplement and at the corporate website, <http://www.rushydro.ru/corporate/committees/stratcom/>.

The Audit Committee Report

The Audit Committee is used by the Board of Directors to exercise control over the Company's financial and operating activities. The Audit Committee establishes tasks for the Company's internal audit, develops recommendations on the selection of independent auditing organizations and relations with the internal audit commission and the external auditor.

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
1. Danilov-Danilyan Viktor Ivanovich (Chairman)	1. Danilov-Danilyan Viktor Ivanovich (Chairman)
2. Berndt Christian Andreas	2. Volkov Eduard Petrovich
3. Ivanov Sergei Nikolaevich	3. Shishkin Andrei Nikolaevich

In 2014 the Committee conducted 9 meetings (compared with 12 in 2013). The Committee pre-reviewed the Company's RAS and IFRS reports and developed recommendations for the Board of Directors concerning the choice of an external auditor (CJSC PriceWaterhouseCoopers) and the remuneration for its services, approved the annual Plan of control measures of internal audit of JSC RusHydro. The Committee reviewed reports on the implementation of the Company's scheduled Action Plan on the Company's compliance with the requirements of the law of the Russian Federation concerning the prevention of illegal use of insider information and market manipulations, and of the Insider Information Policy. The Committee also analyzed the Company's annual report on the implementation of the Comprehensive Program on prevention of performance of illegal acts by the Company employees in 2013. The Committee reviewed the Company's 2013 performance results report and recommended it to be presented for approval to the General Meeting of Shareholders. To improve efficiency and to optimize the cost of control in accordance with the recommendations of Code of Corporate Governance the Committee suggested the candidates for the Internal Audit Commission to be selected from the employees of the Company's internal control department. Following the results of 2014 the Committee approved the initiatives on the development of the risk management system in RusHydro, and the development program for internal control and risk management systems.

A list of all issues reviewed at the meetings of the Committee is available in the Supplement to this Report and at the corporate website at (<http://www.rushydro.ru/corporate/committees/audit/>).

HR and Remuneration Committee Report

The HR and Remuneration Committee attached to the Board of Directors is intended to attract qualified specialists to the Company management and to generate the incentives required for their successful work. The Committee is tasked with the development of principles and criteria to determine the amount of remuneration and material encouragement of the members of the Board of Directors, the Chairman and the members of the Management Board, and the issuance of recommendations (conclusions) to the Board of Directors concerning the issues above.

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
1. Danilov-Danilyan Viktor Ivanovich	1. Danilov-Danilyan Viktor Ivanovich (Chairman)
2. Bugrov Andrei Evgenievich	2. Volkov Eduard Petrovich
3. Ivanov Sergei Nikolaevich	3. Shishkin Andrei Nikolaevich

In 2014 the Committee conducted 6 meetings (compared with 8 in 2013). The Committee reviewed the changes to the Policy on the procedure of payment of remunerations and compensations to the members of the Management Board. The Committee recommended to assign personal responsibilities to the members of the Management Board for the fulfillment of the Group's Long-term Development Program. The responsibilities will be assigned in the form of setting the Key Performance Indicators. The Committee also assessed the work of the sole executive body of JSC RusHydro, represented by Dod Evgeny Vyacheslavovich in the period from 2009 to 2014. The work was assessed positively and the Committee recommended to the Board of Directors to extend Mr. Dod powers for the next term. In order to approve a new organizational structure of the Company, the Committee recommended to the Board of Directors to appoint 5 members of the Management Board and to terminate the powers of 10 members of the Management Board. This resulted in the Board of Directors extending the powers of the four members of the Management Board: Dod E.V, Bogush B.B, Mantrov M.A, and Rizhinashvili D.I. Tokarev V.A. was elected as a new candidate. The Committee also agreed the issue of combining by the members of the Management Board of positions in the management bodies of other organizations.

A list of issues reviewed at the meetings of the Committee is available in the Supplement to this Report and at the corporate website at (<http://www.rushydro.ru/corporate/committees/hr/>).

Investment Committee Report

The Investment Committee performs preliminary reviews of investment projects and programs, and improves and develops the Company's investment practices.

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
1. Bystrov Maksim Sergeevich (Chairman)	1. Bystrov Maksim Sergeevich (Chairman)
2. Bogush Boris Borisovich	2. Bogush Boris Borisovich
3. Bugrov Andrei Evgenievich	3. Bugrov Andrei Evgenievich
4. Danilov-Danilyan Viktor Ivanovich	4. Danilov-Danilyan Viktor Ivanovich

5. Zimin Viktor Mikhailovich
6. Ivanov Sergei Nikolaevich
7. Ilyenko Aleksandr Vladimirovich
8. Kirov Sergei Anatolievich
9. Mantrov Mikhail Alekseevich
10. Rizhinashvili George Ilyich
11. Snikkars Pavel Nikolaevich²⁴

5. Zimin Viktor Mikhailovich
6. Ivanov Sergei Nikolaevich
7. Ilyenko Aleksandr Vladimirovich
8. Kalanda Larisa Vyacheslavovna
9. Kirov Sergei Anatolievich
10. Mantrov Mikhail Alekseevich
11. Rizhinashvili George Ilyich
12. Snikkars Pavel Nikolaevich

In 2014 the Committee conducted 11 meetings (compared with 10 in 2013). The committee paid special attention to the issues pertaining to the fulfillment of the Group's Business Plan and the reports on the Group's Key Performance Indicators. The Committee recommended to the General Meeting of Shareholders to approve the allocation of the Group's 2013 profit in the amount of RUR 35 billion, including RUR 5.2 billion to be paid out in the form of dividends. The Committee also reviewed and recommended to approve the Policy on Key Performance Indicators, the list of annual and quarterly KPIs and the method of their calculation and assessment. The documents were approved by the Board of Directors and effected from January 1, 2015.

A list of all issues reviewed at the meetings of the Committee is available in the Supplement to this Report and at the corporate website at <http://www.rushydro.ru/corporate/committees/Investments/>.

Reliability, Energy efficiency and Innovations Committee Report

The Committee pre-reviews the issues pertaining to the formation of technical policy, environmental policy and energy-saving policy and energy efficiency, as well as the development of the internal standards for technical regulations. Other issues in focus include long-term planning of hydropower industry and renewable sources energy development.

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
1. Kudryavy Viktor Vasilievich (Chairman)	1. Kudryavy Viktor Vasilievich (Chairman)
2. Alzhanov Rakhmetulla Shamshievich	2. Bogush Boris Borisovich
3. Bellendir Evgeny Nikolaevich	3. Bolgov Mikhail Vasilievich
4. Bogush Boris Borisovich	4. Bystrov Maksim Sergeevich
5. Bolgov Mikhail Vasilievich	5. Volkov Eduard Petrovich
6. Bystrov Maksim Sergeevich	6. Milensky Emerson Joseph
7. Volkov Eduard Petrovich	7. Pavlushko Sergei Anatolievich
8. Voskresensly Sergei Modestovich	8. Pekhtin Vladimir Alekseevich
9. Ivanov Sergei Nikolaevich	9. Rizhinashvili George Ilyich
10. Pavlushko Sergei Anatolievich	10. Tokarev Vladimir Aleksandrovich
11. Rizhinashvili George Ilyich	11. Khaziakhmetov Rasim Magsumovich
12. Khaziakhmetov Rasim Magsumovich	12. Shkatov Vladimir Aleksandrovich

In 2014 the Committee conducted 5 meetings (compared with 12 in 2013). The issues reviewed at the meetings of the Committee included the fulfillment of the Company's Investment Program, including the Program for comprehensive modernization of generating facilities. The management's fulfillment reports were approved by the Committee. The Committee also analyzed and approved a transaction between JSC Leningradskaya Pump Storage Station and JSC RusHydro for the amount of RUR 718.9 million. The subject of the transaction in question is the sale of fixed assets, non-material assets and facilities under construction intended to produce, transmit, dispatch and distribute electricity and heat power.

A list of all issues reviewed at the meetings of the Committee is available in the Supplement to this Report and at the corporate website at <http://www.rushydro.ru/corporate/committees/reliability/>.

The Management Board and the Chairman of the Management Board, the Chief Executive Officer

The Management Board acts based on the Policy on the Management Board, being guided by the decisions of the General Meetings of Shareholders and of the Company's Board of Directors. The general management of the Company's activities is performed by the Chairman of the Management Board, the Company's Chief Executive Officer, Dod Evgeny Vyacheslavovich, elected by the decision of the Board of Directors in 2009. Based on the decision of the Board of Directors dated June 27, 2014, the powers of the Chief Executive Officer were extended for another 5 years.

²⁴ Snikkars P.N. was elected pursuant to a separate decision of the Board of Directors dated 19.02.2014 to replace Tikhonova M.G. who terminated her powers early.

Top 1000 Leading Managers of Russia

Evgeny Dod, the Chairman of the Management Board, is ranked fifth among top managers
Boris Zverev, the Communications Director, is 1st in the rating of public and corporate relations directors

Changes in the membership of the Management Board in 2014

On October 28, the Board of Directors decided to make changes to the Company's organizational structure by reducing the number of members of the Management Board from 14 to 5 members²⁵. The new membership of the Management Board includes managers responsible for managing financial and economic activities, production activities, capital construction and engineering activities, innovations and strategy formation.

Members of the Management Board from 17.09.2013 to 28.10.2014	Members of the Management Board from 28.10.2014
<ol style="list-style-type: none">Dod Evgeny Vyacheslavovich (Chairman of the Management Board)Alzhanov Rakhmetulla Shamshievich (Deputy Chairman of the Management Board)Mantrov Mikhail Alekseevich (Deputy Chairman of the Management Board)Pekhtin Vladimir Alekseevich (Deputy Chairman of the Management Board)Rizhinashvili George Ilyich (Deputy Chairman of the Management Board)Tsoi Sergei Petrovich (Deputy Chairman of the Management Board)Abrashin Sergei NikolaevichBessmertny Konstantin ValerievichBogush Boris BorisovichVoskresensky Sergei ModestovichGorbenko Yuri VasilievichGorev Evgeny EvgenievichSavin Stanislav ValerievichTolstoguzov Sergei Nikolaevich	<ol style="list-style-type: none">Dod Evgeny Vyacheslavovich (Chairman of the Management Board, Chief Executive Officer)Bogush Boris BorisovichMantrov Mikhail AlekseevichRizhinashvili George IlyichTokarev Vladimir Aleksandrovich

Report on the activities of the Management Board in 2014

In 2014, the Management Board conducted 73 meetings, with more than 500 issues reviewed, said issues being related to the current activities of the Company. Other activities included preliminary discussion for all strategically significant issues referred to the competence of the Board of Directors. The Management Board prepared reports on the fulfillment of the Key Performance Indicators, and the Company's Business Plan. The Management Board also approved the target values for the Key Performance Indicators of the Company subsidiaries and dependent companies. The Management Board reviewed reports on the achievement of said target values.

Attendance at Management Board Meetings

On the average, the attendance of Management Board meetings amounts to 80% of all meetings held in 2014. Dod E. V., the Chairman of the Board, took part in all meetings.

²⁵ On 16.03.2015, the Board of Directors elected Sergei Kirov, the Company's Deputy General Director responsible for economics, investment and procurement, to serve as a member of the Board of Directors. The expansion of the Board was conducted for strengthening the Company's financial and economic unit.

Members of the Management Board

Full Name and Position		Frame of Reference	Year of birth	Citizenship information	Education	Biographical data	Ownership of Company Shares
1.	DOD Evgeny Vyacheslavovich Chairman of the Management Board, Chief Executive Officer of JSC RusHydro	Managing the activities of the Company	1973	Russian Federation	Moscow Petrochemical and Gas Industry Institute named after I.M. Gubkin, industrial heat power engineering, 1985; Financial Academy attached to the Government of the Russian Federation, 1996; MIRBIS Moscow International Business School, industrial heat power engineering and banking MBA, 2002 Ph.D in Economics	Various managerial positions in different financial and credit organizations (until 2005); General Director of the JSC Ural Energy Management Company (2005); head of JSC Tumen Power Supply Company; head of JSC TGK-10; First Vice-President of JSC Complex Energy Systems (KES-Holding) (2008-2009); Deputy Minister of Energy of the Russian Federation (2010-2012); Vice-President of JSC Rosneft (2012). Current positions include the member of the Board of Directors of JSC Tumen Power Supply Company; Rusenergo Fund; JSC Rossety; JSC United Shipbuilding Company; the member of the Supervisory Council of the Market Council Non-commercial Partnership, the Chairman of the Board of Directors of JSC Okha TPP Holds the position of the member of the Board of Directors of JSC RusHydro since 2014	0.118435%
2.	BOGUSH Boris Borisovich Fist Deputy Chief Executive Officer, Engineer in Chief of JSC RusHydro	Managing the production activities, Engineer in Chief	1952	Russian Federation	The Saratov Polytechnic Institute, mechanical engineering, 1975; Academy of the People's Economy attached to the government of the Russian Federation, 2004	Various positions in JSC RusHydro in 2007-2009 (the member of the Management Board, the Managing Director, the head of the Production Unit); the Managing Director, the head of the Production Unit of JSC RusHydro (2009-2010) Current positions include the member of the Board of Directors of VolgaHydro LLC, the member of the Board of Trustees of Involvement Charity Fund, the member of the Supervisory Board of Hydropower industry of Russia, non-commercial partnership Holds the position of the member of the Management Board of JSC RusHydro since 2010	0.004234%
3.	MANTROV Mikhail Alekseevich Fist Deputy Chief Executive Officer of JSC RusHydro	Managing financial and economic activities	1965	Russian Federation	Moscow Energy Institute (Technical University), power systems cybernetics, electrical engineering, 1988; the Academy of People's Economy attached to the government of the Russian Federation, financial management, 1996	Deputy Chief Executive Officer of CJSC INTER RAO UES (2000-2008); Deputy Chairman of the Management Board, the head of the Corporate Center of JSC INTER RAO UES (2008-2009); works in JSC RusHydro since 2009 Holds the position of the member of the Board of Trustees of Involvement Charity Fund Holds the position of the member of the Management Board of JSC RusHydro since 2009	0.024186%
4.	Rizhinashvili George Ilyich First Deputy Chief Executive Officer of JSC RusHydro	Managing strategy and innovation	1981	Russian Federation	Master Degree Program of the Moscow State University named after M.V. Lomonosov, economics, 2004 Ph.D in Economics	Head of the Department of Strategy and Investments of CJSC INTER RAO UES (2007-2008); the deputy head, Director for Strategy and Investment, the head of Strategy and Investment Unit, the member of the Management Board of JSC INTER RAO UES (2008-2009); works in JSC RusHydro since 2009. Holds the position of the member of the Board of Trustees of Involvement Charity Fund Holds the position of the member of the Management Board of JSC RusHydro since 2009	0.014193%
5.	TOKAREV Vladimir Aleksandrovich First Deputy Chief Executive Officer of JSC RusHydro	Managing capital construction and engineering activities	1977	Russian Federation	Moscow State University for Economics, Statistics and Information, legal studies, 2000 Ph.D in Economics	Deputy head of the Directorate for the repair of the passenger rolling stock of JSC Russian Railway (2004-2006); deputy head of the Federal Agency for Railway Transportation (2006-2009); Deputy Minister of Regional Development of the Russian Federation (2009); Deputy Minister of the Regional Development of the Russian Federation, the head of the Federal Agency for Construction and Housing Utilities of the Russian Federation (2013); Deputy Minister of Construction and Housing Utilities of the Russian Federation (2013-2014); Chief Executive Officer of JSC MC Hydro UGC and first Deputy Chief Executive Officer of JSC RusHydro (2014) Current positions include the member of the Board of Directors of JSC MC Hydro UGC and the Chairman of the Board of EnergoStroiAliyans Non-commercial Partnership Holds the position of the member of the Management Board of JSC RusHydro since 2014	Owns no Company shares

*Information on the ownership of Company shares by members of the Board of Directors is dated December 31, 2014. The ownership is represented in the form of shares of the chartered capital and in the form of ordinary shares owned. The shares coincide, as the Company has issued only ordinary shares.

Information on transactions involving shares owned by Management Board members

Full name of the member of the Management Board	Transaction date	Description of the transaction	Number of shares involved	Share of Chartered Capital before the transaction	Share of Chartered Capital after the transaction
Dod E.V., Chairman of the Management Board, Chief Executive Officer, member of the Board of Directors	24.03.2014	Purchase of shares	18 110 000	0.095461%	0.100150%
	27.03.2014	Purchase of shares	70 630 000	0.100150%	0.118435%

Liability Insurance for Members of the Management Board and Officers

RusHydro has liability insurance practices in place (Director & Officers Insurance, otherwise known as D&O) to protect the Company, its subsidiaries and related members of the governing bodies from possible third-party suits which may arise as a result of the professional activities of the Company's directors and officers.

An open tender is carried out each year to select an insurance company for the D&O insurance contract. The insurance contract which is concluded for one year implies a period of six years for the disclosure of insurance claims against officers who have resigned. The indemnity limit for an insurable event is USD 30 million. An additional indemnity limit of USD 1 million is set for independent directors, with USD 2 million set as a total indemnity limit for independent directors.

The liability coverage for members of the governing bodies complies with international standards on this type of insurance in terms of the volume of risks insured.

External and Internal Control Systems

RusHydro has an efficient system of financial and operating performance control, ensuring smooth interactions between the Company's governing bodies and the integrated internal and external control system.

The main principles, tasks, methods and processes of the control system are determined in internal documents approved by JSC RusHydro's Board of Directors, namely the following:

- ❖ The Corporate Governance Code;
- ❖ The Internal Control and Risk Management Policy;
- ❖ The Internal Audit Policy;
- ❖ Policy on the Audit Committee of the Board of Directors;
- ❖ Policy on the Internal Audit Commission.

Internal Audit Commission

The Internal Audit Commission operates in accordance with the norms of Russian law, the Articles of Association and the Policy on the Internal Commission. The five Commission members are elected by the General Meeting of Shareholders for a period of one year.

Members of the Internal Audit Commission from 28.06.2013 to 27.06.2014	Members of the Internal Audit Commission from 27.06.2014
1. Khadziev Alan Fedorovich (Chairman)	1. Yudin Andrei Ivanovich (Chairman)
2. Drokova Anna Valerievna	2. Repin Igor Nikolaevich
3. Tikhonova Maria Gennadievna	3. Bogashov Aleksandr Evgenievich
4. Neganov Leonid Valerievich	4. Kant Mandal Denis Rishievich
5. Khvorov Vladimir Vasilievich	5. Khvorov Vladimir Vasilievich

Members of JSC RusHydro's Internal Audit Commission own no Company shares and hold no positions in its governance bodies.

In 2014, the Internal Audit Commission checked the Company's 2013 financial and performance results. The Commission's opinion on the audit results were presented to the General Meeting of Shareholders (June 27, 2014). The audit confirmed that the data contained in the Company's reports and financial documents are true and that the accounting practices and financial statements comply with requirements of the current law and the Company's internal regulations. In the opinion of the Commission, the Company's financial and operating activities were performed in the interests of the Company and its shareholders.

Internal Audit, Control and Risk Management

The Company's system of internal control and risk management complies with international standards. The System's general principles and approaches are listed in the Internal Control and Risk Management Policy and the Internal Audit Policy.

To improve the Company's governance system in relation to cutting administrative and managerial costs, the internal audit, control and risk management departments were re-organized in 2014: a unified Internal Audit, Control and Risk Management Department was established to replace the internal audit and internal control departments and the risk management directorate.

Internal Audit

The Department internal audit functions based on annual action plans approved by the Audit Committee. The Audit Committee reviews the report of the Department's Director on action plan fulfillment. The report contains a brief description of material violations revealed during implementation of the action plan, including comments on defects in the work of the Company and its subsidiaries and dependent companies, as well as suggestions pertaining to how to improve the efficiency of the internal control system.

Internal Audit Functions

The internal audit provides independent and objective guarantees and advice meant to achieve corporate goals and to enhance its operations based on a systematic and comprehensive approach to the evaluation and improvement of the efficiency of risk management, control and corporate governance.

Internal audit function	<ul style="list-style-type: none">❖ Organization and performance of internal audits of the Company and its subsidiaries and dependent companies.❖ Evaluation of efficiency of the Company's internal control and risk management system and the system of corporate governance applicable to the Company, its subsidiaries and dependent companies.❖ Organizing methodology support and control over the activities of the representatives of the Company in the audit commissions of the Company's dependent companies.❖ Liaising with the Audit Committee attached to the Company's Board of Directors
Organization and performance of internal audits of the Company and its dependent companies ²⁶ .	<ul style="list-style-type: none">❖ Development of the draft and the preparation for the approval of risk-focused yearly control initiatives plan.❖ Auditing the Company, its subsidiaries and dependent companies in accordance with the yearly plan approved by the Audit Committee attached to the Board of Directors.❖ Performance of extraordinary audits as assigned by the Audit Committee attached to the Board of Directors, the Management Board of the Company, the Chairman of the Management Board, the Chief Executive Officer of the Company and the director of the Department.❖ Preparation of reports and memorandums on essential violations in the activities of the Company, its subsidiaries and dependent companies. The reports and memorandums, as well as recommendations pertaining to the elimination of said violations are submitted to the sole executive bodies of the Company, its subsidiaries and dependent companies, the Audit Committee of the Board of Directors.❖ Preparation of notices to the chairmen of the boards of directors of the Company subsidiaries and dependent companies and to the HR and Organizational Development Department, informing them on essential violations revealed during the audit of the Company, its subsidiaries and dependent companies.❖ Preparation of administrative documents based on the results of audits for the purpose of development of assignments on the elimination of the violations revealed and on the accountability of those to blame.❖ Collection of audit evidence, execution of the documents on the measures implemented within the specialized program in accordance with the adopted standards.❖ Subsequent follow up on measures developed by the management of the Company, its subsidiaries and dependent companies to rectify the violations revealed.
Evaluation of the efficiency of the internal control, risk management and corporate governance systems of the	<ul style="list-style-type: none">❖ Control over the compliance of business operations with the interests of the Company.❖ Auditing the accuracy of the accounting (financial) and performance reports of the Company, its subsidiaries and dependent companies.❖ Auditing business processes, including IT audits, audits of purchasing operations, goods (work, services) price analysis, etc.❖ Auditing the security of assets owned by the Company, its subsidiaries and dependent companies.

²⁶ In accordance with the Policy on Planning and Implementation of Control Measures approved by JSC RusHydro.

Company, its subsidiaries and dependent companies ^{27, 28} ;	<ul style="list-style-type: none"> ❖ Checking the efficiency and expediency of use of the resources of the Company, its subsidiaries and dependent companies. ❖ Auditing the spending of funds allocated for the construction of generating facilities, their reconstruction and modernization. ❖ Analyzing the construction price formation system in use and controlling the maintenance of permissions and executive documents, as well as the performance of technical and designer supervision. ❖ Identifying the internal control system's defects which will prevent (or are preventing) the Company to achieve its goals. ❖ Evaluating the sufficiency and maturity of the elements of the risk management system (goals, infrastructure, process organization, normative provisions, reporting). ❖ Evaluating the completeness and correctness of assessment of the risks by the Company management at all management levels. ❖ Analyzing the efficiency of control procedures and other risk management tools. ❖ Analyzing the information on the risks that came true (identified during the internal audits and pertaining to violations or non-achievement of the Company goals, and the facts of court proceedings and accidents). ❖ Accessing the compliance of the efficiency of risk management measures with the Company's risk appetite. ❖ Evaluating the Company's and its subsidiaries and dependent companies' strategic goals, monitoring and controlling the achievement of said goals. ❖ Analyzing the execution by the Company management of decisions of the General Meeting of Shareholders and the Board of Directors of the Company, its subsidiaries and dependent companies. ❖ Evaluating the adequacy and reliability of procedures intended to prevent illegal actions, abuse and corruption.
Interaction with the Audit Committee of the Board of Directors ²⁹	<ul style="list-style-type: none"> ❖ Controlling the preparation of materials by the departments of the executive body of the Company, pertaining to the issues included into the frame of reference of the Audit Committee of the Board of Directors in accordance with the Audit Committee's plan for the corresponding corporate period. ❖ Preparing periodic reports for the Audit Committee based on the results of the audits conducted in accordance with the plan of control measures approved by the Audit Committee of the Board of Directors. ❖ Developing the agendas for the meetings of the Audit Committee of the Board of Directors, organizing the meetings, formation of minutes, decisions and assignments.
Organizing methodological support and control over the activities of the representatives of the Company in the internal audit commissions of the Company subsidiaries	<ul style="list-style-type: none"> ❖ Employees of the Department acting as the members of the internal audit commissions of the Company' subsidiaries and dependent companies in accordance with the decisions of the annual General Meetings of Shareholders of said subsidiaries and dependent companies, the requirements of the federal law "On Joint Stock Companies" and the federal law "On Limited Liability Companies". ❖ Preparation of conclusions and reports expressing the opinion on the credibility of reports of the subsidiaries and dependent companies, followed by the submission of said opinion to the annual General Meetings of Shareholders of said subsidiaries and dependent companies. ❖ Preparation of minutes, inquiries and other documents of the internal audit commissions in accordance with the requirements of the policies on internal audit commissions approved by the annual General Meetings of Shareholders of said subsidiaries and dependent companies.

The Company's policy on internal audit³⁰ includes basic principles of organization and functioning of the Company's internal audit and requirements for the formation of unified approach to the implementation of the internal audit in the Company. The policy is based on the International Standards of the Internal Audit and the recommendations of the Federal Property Management Agency of Russia on organizing the internal audit functions in joint stock companies with the participation of the Russian Federation. The policy is intended to present the information on the main principles of internal audit functions in the Company to interested parties, such as employees, shareholders, auditors, portfolio and strategic investors, as well as to financial and investment analysts, etc. The Policy is available on the corporate website at http://www.rushydro.ru/corporate/regulations_and_docs/documents/other_doc/. The Policy is mandatory for all internal auditors of the Company. It is also recommended for the internal auditors of the Company subsidiaries and dependent companies.

Improving the internal audit function in 2014

²⁷ In accordance with the Methodic recommendations on checking the internal control system and the business processes of RusHydro Group

²⁸ In accordance with the Internal Audit Policy of JSC RusHydro.

²⁹ In accordance with the Policy on the Audit Committee of the Board of Directors and the Policy on the interaction of the Audit Committee of the Board of Directors of the Company and the Director for Internal Control and Risk Management approved by the Company.

³⁰ Approved by Order № 751 of JSC RusHydro dated 12.08.2013.

In 2014 the Company has developed and approved the internal audit development program with integrated feedback (external evaluation) system to reflect the results of the control measures (questionnaires for the leaders of the Company subsidiaries and dependent companies). The improvements included the automation of assessment of the internal auditors based on the results of each projects. The control over the dates of implementation of control measures were also automated, using TeamMate software. Besides, in 2014, the Company has developed a policy on the planning of control measures to be performed by the Company's internal auditors,³¹ taking into account the international standards of the internal audit. The policy also determines the main parameters, principles and procedures involving the planning of control measures performed by the internal auditors in regard of the Company and its subsidiaries and dependent companies, as well as the parameters, principles and procedures for the implementation of control measures. The Company has updated its regulations on the Internal Audit, Control and Risk Management Department, as well as the policy on the units of the department, the functional charts and job descriptions of the employees.

2014 Internal Audit Report

In 2014 the internal auditors of the Company have audited the Company's subsidiaries engaged in the design, construction and operation, as well as the repair of the generating facilities. The auditors also checked the implementation of measures pertaining to the management of critical risks of the Company. The reports generated in the result of the audits were submitted to the Chairman of the Management Board – the Chief Executive Officer and to the directors of the Company's subsidiaries and dependent companies. Each audit resulted in the development of a set of measures to eliminate the violations and defects identified. The Company monitors the implementation of said program, and exercises control in order to prevent the occurrence of similar violations and defects in future.

Internal Control

In 2014, in order to enhance the effectiveness of the Company management, including control over the targeted use of funds, the Company carried out staffing measures aimed at improving the existing internal control and risk management system, as well as bringing it into line with current requirements and recommendations of regulatory documents issued by the regulatory authorities, including information from the Russian Ministry of Finance № PZ-11/2013 dated December 25, 2013 "Organization and implementation by an economic entity of internal control over items of business operations, accounting records maintenance and preparation of accounting (financial) statements," letter of the Bank of Russia № 06-52/2463 dated April 10, 2014 "On the Corporate Governance Code" and a number of other documents.

In accordance with the approved Regulations on the Internal Audit, Control and Risk Management Department, the tasks of internal control structural divisions forming part of the Department include the organization of an effective corporate internal control system and anti-corruption system operation in the Company, the development and monitoring of implementation of plans and programs to improve the corporate internal control system of RusHydro, the interaction with external regulatory bodies and the Audit Commission of the Company on internal control and audit, as well as in the course of their audits of the Company and its SDCs.

As part of implementation of these tasks, the internal control divisions fulfill, among other things, the following functions:

- ❖ Analyzing the design of control procedures as part of internal control audits in the Company's business processes;
- ❖ Maintaining and updating information and the internal control system of the Company, including maintaining the register of control procedures in business processes;
- ❖ Ensuring control over execution of action plan to address deficiencies in the internal control system;
- ❖ Checking for compliance of business processes implemented by the Company with the laws, rules and standards in order to identify risks related to the failure to meet requirements (adherence to appropriate standards in the markets, management of conflicts of interest, anti-money laundering, anti-corruption, observance of ethic standards of conduct, etc.) and making an evaluation of the adequacy of control procedures being implemented by the Company and SDCs' management to reduce non-compliance risks in accordance with internal risk assessment methodology;
- ❖ Making sure the employees comply with the norms and rules of the Company's Code of Ethics;
- ❖ Monitoring of a conflict of interest in the activities of the Company and its employees. Making a verification of income, property and liability information submitted by the Company and SDCs' management to detect characteristic features of a conflict of interest in the RusHydro Group;
- ❖ Making a compliance verification of members of the executive bodies of the Company and its employees with the provisions of the legislation and the Company's internal documents relating to insider information;

³¹ Approved by Order № 259 of JSC RusHydro dated 09.04.2014.

- ❖ Participating in the development of internal documents and organization of activities to combat corruption;
- ❖ Reviewing and responding to hotline messages in the manner approved by the internal local regulatory documents;
- ❖ Implementing measures of the programs to improve the internal control and risk management systems in terms of the Department's responsibility;
- ❖ Developing methods and conducting regular maturity assessments of the corporate internal control systems of the Company and SDCs / second-tier subsidiary and dependent companies;
- ❖ Regular monitoring of infrastructure and other organizations' requirements to build a corporate internal control, internal audit and risk management system and making an analysis of the Company's compliance with the specified mandatory and recommendatory requirements, initiating necessary changes in business processes of the Company and its SDCs following the results of the analysis;
- ❖ Monitoring targeted and efficient spending of special-purpose budgetary resources allocated to the Company and its subsidiaries;
- ❖ Coordinating activities with external control bodies, as well as persons providing advisory services in the area of internal control and risk management;
- ❖ Organizing external audits of the Company's long-term development programs.
- ❖ Ensuring interaction and coordination of work with the Company's Audit Commission during audits of the Company's financial and economic activities and a number of other functions;

Improvement of the Company's internal control and risk management system is also provided through implementing the plan of activities approved in the Company to analyze and upgrade the internal control system of business processes, within the framework of which the Company is making an analysis, identification and evaluation of available risks and an inventory of control procedures to minimize these risks.

Risk Management

A unit for the organization of risk management processes has been established in the Company in 2010. In the end of 2014 it was transformed into the Risk Management Unit, an integral part of the Internal Audit, Control and Risk Management Department. The Department is tasked with the organization of an efficient corporate system for risk management and the assessment of its efficiency. The Department also controls the disclosure of information on the risks of the Company and its subsidiaries.

The main tasks set before the Risk Management Department include the following:

- ❖ Organizing the functioning of an efficient risk management system;
- ❖ Developing and monitoring the execution of plans and system improvement programs;
- ❖ Controlling the disclosure of information on the risks of the Company and its subsidiaries and dependent companies.

In accordance with its tasks the Risk Management Department fulfills the following functions:

- ❖ Collecting, processing and analyzing the information on the identification of risks received from the structural units of the Company;
- ❖ Classifying and analyzing the Company-related risks, developing and updating the standard risk registries of the Company and its subsidiaries;
- ❖ Determining the risk appetite of the Company and calculating the tolerance of the Company towards its risks and quantifying the risks using the methods approved by the Company;
- ❖ Developing suggestions on risk management;
- ❖ Alignment of suggestions and coordinating the interaction among structural units of the executive body during the development of plans pertaining to risk management in order to account for the risk management expenses in the course of strategic and financial and economic planning. Consolidating and providing for the approval by the units of the executive body of risk management action plans;
- ❖ Administration of the Automated System of Internal Control and Risk Management (ASICRM);
- ❖ Development of actions pertaining to the implementation of the Company's long-term development program in regard of risk management. Alignment of said actions with structural units of the executive body and preparation of a set of documents for the approval of programs for the improvement of corporate system of risk management according to the preset procedures;
- ❖ Development and monitoring of the key indicators of the implementation of the initiatives to enhance and develop the corporate system of risk management;
- ❖ Development of methods and the performance of periodic assessment of the maturity of the corporate system of risk management;
- ❖ Periodic monitoring of requirements of infrastructural and other organizations concerning the establishment of the corporate system of risk management and analyzing the Company's compliance with said mandatory and voluntary

- requirements. Initiation of the introduction of necessary changes in business processes of the Company and its subsidiaries based on the results of the analysis;
- ❖ Generation of conclusions concerning risks and the assessment of the quality and completeness of information on risks contained in supporting materials within the frameworks of making managerial decisions in the Company, including the programs of strategic transactions and investment programs;
 - ❖ Preliminary review and alignment of reports on risk management before the reports are reviewed by the governing bodies of the Company and its subsidiaries;
 - ❖ Preparation and alignment of materials concerning the information on risks in public reports of the Company and its subsidiaries;
 - ❖ Interaction with officials of the subsidiaries who are responsible for the implementation of corporate risk management system, and the boards of directors of subsidiaries on the implementation of risk management procedures and business processes, and the collection of reports on managing the risks of the Company subsidiaries;
 - ❖ Generation of reports on functioning and efficiency of the corporate risk management system to be presented to the management of the Company, the Audit Committee of the Board of Directors and the Board of Directors.

The Company's risk management activities in fully described in the Risk Management section.

The Independent External Auditor

JSC RusHydro's financial (accounting) statements are subjected to an independent external audit in accordance with Russian and international accounting standards. In 2013 and 2014, the Company's approved auditor was PricewaterhouseCoopers Closed Joint Stock Company (CJSC PwC Audit), a member of the self-regulating body of auditors of the Russian Audit Chamber, a non-commercial partnership.

In 2014, CJSC PwC audited the Company's 2013 RUS and IFRS statements. The Audit Committee positively assessed the conclusion of the external auditor and recommended to the Board of Directors to present the conclusion to the General Meeting of Shareholders. The conclusion was presented at the General Meeting of Shareholders in June 2014, among other materials made available to the shareholders.

Control over Major and Interested Party Transactions

RusHydro has an efficient system of internal control over transactions in place. The policy adopted by the Company regulates a unified procedure for reconciliation, conclusion and execution of contracts concluded on behalf of RusHydro. The contract drafts are subjected to the corporate expert assessment in order to comply with the laws and to reduce the risk of challenging the contracts by the agents and shareholders of RusHydro. The assessment includes the identification of the need for the contracts to be approved by the governance bodies of RusHydro or these of the agent's.

In 2014 RusHydro concluded interested party transactions listed in the Supplement to the Annual Report, together with information on the related subjects, interested parties and approvals. All transactions have been approved by the Board of Directors or the General Meeting of Shareholders in accordance with the requirement of the law, therefore the transactions concluded contain no conflict of interests.

Preventing the use of Insider Information

A new version of the Insider Information Policy was approved in September 2014. The Policy regulates the Company practices of observing the Russian law pertaining to the prevention of illegal use of insider information and market manipulation. The Policy has been developed taking into account the international practices of corporate governance, including the requirements of the Disclosure and Transparency Rules of the UK Financial Conduct Authority.

The Policy sets the categories of persons included by RusHydro in the list of insiders. The Policy also regulates the access to the confidential insider information and the rules of its protection, as well as the limitations imposed on the use of such information by insiders for the purposes of operations with the Company's financial tools and the transfer of data on insider information to third parties. The list includes the employees of RusHydro having access to the data and documents containing insider information due to the performance of their duties as employees of the Company. In 2014 the Company issued 92 notices on the inclusion and exclusion of persons in/from the list.

A new version of the insider information list was approved in May 2014. The insider information list is drawn in Russian and in English languages to be published at the Company's website at www.rushydro.ru and www.eng.rushydro.ru. The insider information is published by the Company in Russian language in the newsfeed of Interfax, the authorized information agency at www.e-disclosure.ru. The English language version of the information is published in RNS newsfeed at <http://www.londonstockexchange.com/exchange/prices-andnews/news/market-news/market-news-home.html>.

The observance of the requirements pertaining to insider information is controlled by the Company's Auditor, who submits the resulting reports to the Audit Committee on quarterly basis. The Audit Committee includes the information on the observance of the above requirements in the corresponding report to be approved by the Board of Directors.

Anti-corruption Policy

The Company is consistent in its anti-corruption initiatives, having an integrated program intended to prevent the Company employees from performing illegal acts. When any violations are identified, the Company conducts on-site investigations, followed by the development and implementation of measures to prevent and eliminate the defects. The employees guilty of violations are subject to disciplinary measures in accordance with the current law. To prevent the conflict of interests the members of the Board of Directors are obliged to notify the Company of their affiliates in accordance with the provisions of the Corporate Code of Conduct.

RusHydro joined the Anti-corruption Charter of Russian Business approved by the Russian business community in 2012 to implement the National Anti-corruption Plan. The Charter was initiated by the Russian Chamber of Commerce and Industry, the Russian Union of Industrialists and Entrepreneurs, Business Russia, an all-Russian NGO and Opora Rossii, an all-Russian Small and Medium Business NGO. In 2014 the monitoring department of the Russian Union of Industrialists and Entrepreneurs analyzed the data on the implementation of anti-corruption initiatives in over 50 companies included in the Charter members' register. In the opinion of the experts the Company's anti-corruption practices were recognized among the best.

Whistle-blowing Line

The Company has a Whistle-blowing Line at <http://www.rushydro.ru/form/>, which has been established for providing anonymous feedback in case any violations are identified concerning HR issues, purchasing activities, environmental problems, or the illegal use of electricity or unlawful actions. All feedback sent via the whistle-blowing line in 2014 were analyzed and reviewed.

Adherence to the Code of Conduct

The Company informs employees on ethical norms and recommendations in case any signs of illegal actions are identified. The Company performs employee surveys to rate business processes in terms of the degree of the risk of illegal actions. The Company has an interactive anti-fraud training course to inform employees about initiatives intended to prevent fraud and corruption.

In addition to following Corporate Ethics Code requirements, corporate employees shall:

- ❖ Abstain from actions leading or potentially leading to a conflict between the interests of an employee and Company interests;
- ❖ Notify the Company in case of illegal actions, the receipt of gifts, etc., and disclose information on any commercial activities not related to corporate interests;
- ❖ Inform the Company in writing about the absence of conflicts of interest on a quarterly basis;
- ❖ Inform the Company on income, property, or material obligations in relation to himself/herself, his/her family members and close relatives.

Preventing the Conflict of Interests

To identify and prevent the conflict of interests of the Company employees, the Company established requirements for senior managers of the RusHydro Group to present annual declarations on income, property and material obligations in relation to themselves and their close relatives. The Company has a procedure for the disclosure of the chain of beneficiaries by the agents and a HR Commission is in place.

The Company established an automated process for checking declarations. The automation is implemented in the form of the Affiliated Persons' Customer software.³² To develop the software module intended to identify and control the affiliated persons in 2014 the Company established an automated process for the collection of information and the identification of conflicts of interests. Starting from 2014 all declarations of the Company employees and their relatives are submitted, processed and analyzed using the software in question. The implementation of this software resulted in considerable decrease of labor costs related to the checks of submitted data, thus allowing for the minimization of risks associated with human factor.

The conflict of interests check conducted in 2014 showed that there appeared a tendency for a decrease in the number of the conflict of interest violations by the employees, which is a proof of the positive results of the Company activities.

³² Federal Intellectual Property, Patent and Trademark Service's certificate № 2014617320 dated 17.07.2014.

To provide for additional transparency the Company made its requirements for the contractors more severe – in particular, when concluding contracts, each contractor shall provide information and confirming documents relative the entire chain of owners of the contractor, including end beneficiaries. The Company contractors shall also sign a guarantee letter on non-involvement of flight-by-night companies in the performance of the contractors' contractual obligations.

Report on Remuneration for Governance and Control Bodies

The Board of Directors

A decision on remuneration to the Board of Directors is made by the General Meeting of Shareholders in accordance with the amount and the procedure set by the Policy on remuneration for members of the Company's Board of Directors.

According to the above-mentioned Policy, remuneration is calculated based on the basic part of remuneration amounting to RUR 900 thousand, taking into account the total number of Board of Directors meetings during the past corporate year and the number of meetings attended by a member of the Board of Directors. Additional remuneration is based on the following:

- ❖ 30% for the Chairman of the Board of Directors;
- ❖ 20% for the Chairman of a Committee of the Board of Directors;
- ❖ 10% for a member of a Committee of the Board of Directors.

The total remuneration for a member of the Board of Directors shall not exceed RUR 1 million. No compensation (transportation costs, accommodation expenses, etc.) related to the exercise of the powers of a member of the Board of Directors shall be paid.

The Policy on the payment of remuneration to members of the Board of Directors does not cover members of the Board of Directors who at the same time are the sole executive body or members of the Management Board (during a part or the entire term of their powers), and Board of Directors members who are prohibited from receiving any payments from commercial organizations by Russian federal law.

Remuneration paid to the Board of Directors, RUR

	2012	2013	2014
Remuneration for the work on the governing body	6,862,864.71	4,852,958.59	7,442,307.68
Salary			
Bonuses			
Commission			
Benefits			
Cost compensation			
Other types of remuneration			
Total	6,862,864.71	4,852,958.59	7,442,307.68

The Management Board

The remuneration for the executive bodies (the Chairman of the Management Board – the Chief Executive Officer and the members of the Management Board) is determined on the basis of the labor contracts and the Policy on the payment of remuneration and compensations to the members of the Management Board of JSC RusHydro. To improve the dependency of remuneration on the Company's performance results a ratio of the fixed and variable parts of salary is set 30% to 70% correspondingly. The system of motivation is directly linked to the Company's system of Key Performance Indicators (KPIs)³³. The Company has no long-term motivation program for the executive bodies.

The remuneration Policy envisages quarterly and yearly bonuses for the achievement of KPI set by the Board of Directors for the Company, its Chairman of the Management Board – Chief Executive Officer and for the members of the Management Board (bonus of 50%) and the individual KPI for each member of the Management Board (bonus of 50%), depending on the allocation of powers and responsibilities among the leaders. The performance is assessed in terms of financial as well as of operating results.

The Chairman of the Management Board – the Chief Executive Officer and the members of the Management Board achieved the KPI set for 2014.

³³ Up to 2014 inclusive, the total fulfillment of priorities was the yearly KPI for JSC RusHydro's top managers. Starting from 2015, this KPI for top managers was replaced by the KPI "Implementation of the Long-term Development Program."

The amounts and conditions of payment of compensations paid to the Chairman of the Management Board, Chief Executive Officer and to the members of the Management Board in connection with the termination of labor contracts are listed in the Policy. The Company provides no golden umbrellas for early termination of labor contracts concluded with the Chairman of the Management Board, Chief Executive Officer and the members of the Management Board.

Remuneration paid to the Management Board, RUR

	2012	2013	2014
Remuneration for the work on the governing body			
Salary	125,973,836.86	111,936,811.92	137,114,174.90
Bonuses	799,240,671.00	500,324,406.00	769,336,045.00
Commission			
Benefits			
Cost compensation			
Other types of remuneration			
Total	925,214,507.86	612,261,217.92	906,450,219.90

Internal Audit Commission

The members of the Internal Audit Commission are subject to the payment of a lump sum remuneration in accordance with the Policy on the payment of remuneration and compensations to the members of the Internal Audit Commission of JSC RusHydro.

The amount of remuneration is equal to the sum equivalent to twenty five monthly base rates of the first degree worker set by the sectoral tariff agreement in Russian power industry during the period of examination (revision), taking into account the indexation set by the agreement. The amount of remuneration paid to the Chairman of the Commission is increased by 50%.

No remunerations and compensations are paid to the members of the Internal Audit Commission who are limited or banned from receiving any payments from commercial organizations.

Remuneration paid to members of the Internal Audit Commission, RUR.

	2012	2013	2014
Remuneration for work in the Commission		242,450.00	497,000.00
Salary			
Bonuses			
Commission			
Benefits			
Cost compensation			
Other types of remuneration			
Total	0	242,450,00	497,000,00

External Auditor

The amount of remuneration paid for the services of the Internal Auditor is approved by the decision of the Board of Directors based on the recommendation of the Audit Committee. In 2014 the actual amount paid to CJSC PwC Audit for auditing the 2013 Company statements in accordance with RAS and IFRS comprised RUR 72 303 750, including VAT.

Loans (credits) issued to the governing and control bodies

JSC RusHydro or the Group's member companies issued no loans or credits to the members of the governing and control bodies.

Governance over the Company's Subsidiaries and Dependent Companies

JSC RusHydro has its share in the chartered capital of the companies engaged in design, construction, repair, service, technical re-equipment and reconstruction of power facilities, as well as in production and sales of electricity.

The Company interacts with subsidiaries and dependent companies for the purpose of implementation of its strategy and ensuring sustainable economic development and investment attractiveness, as well as protection of rights and interests of the Company and its subsidiaries and dependent companies.

The Company exercises governance over the dependent companies via its representatives at the general meetings of shareholders and in the boards of directors and control bodies of said dependent companies. The governance is exercised in accordance with the Articles of Association and the Policy on interaction of JSC RusHydro with organizations where the Company has its interest.

The making of decisions relating to the governance over the dependent companies 100% owned by JSC RusHydro is within the framework of reference of the Company's Management Board. The position of the Company on the strategic issues relating to the activities of the dependent companies (concerning re-organization, liquidation, changes in the charter capital, approval of major transactions, the interest of a dependent company in other organizations) is determined by the Company's Board of Directors.

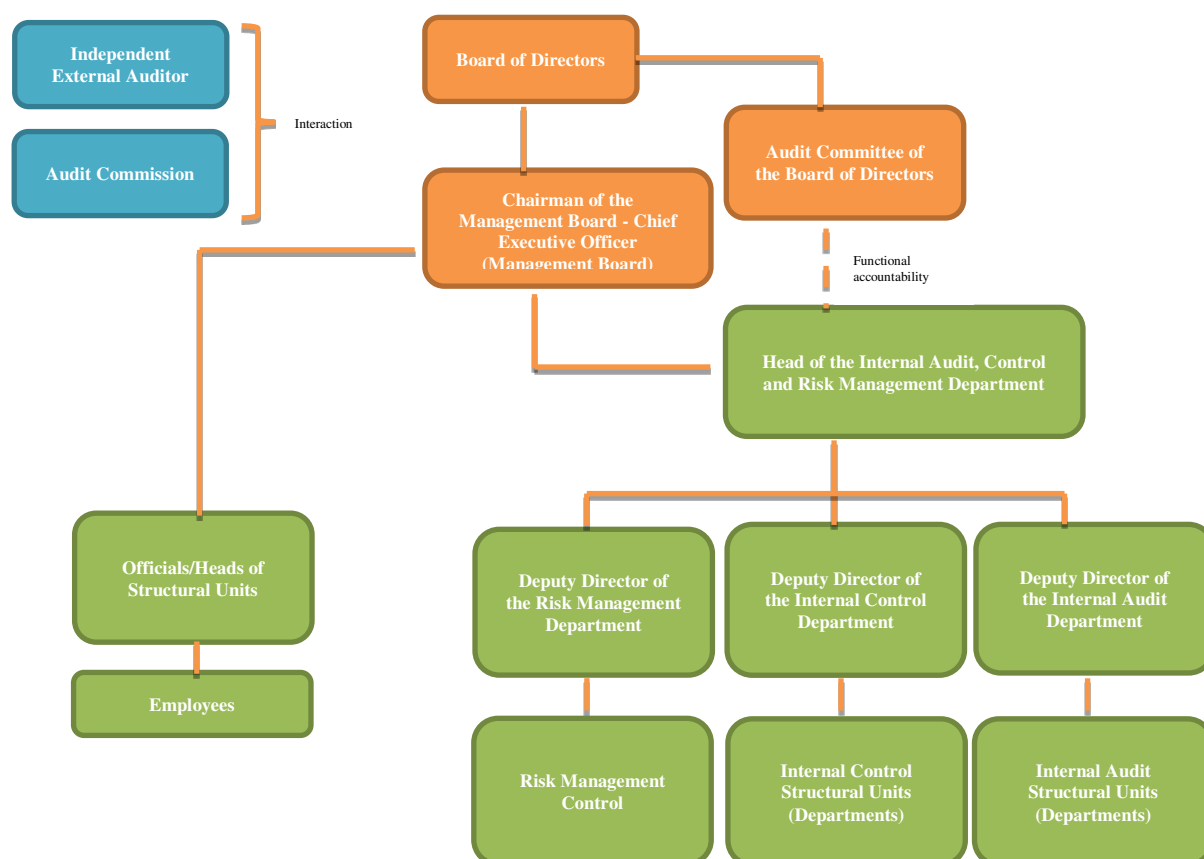
JSC RusHydro pays much attention to improving corporate governance concerning its subsidiaries and dependent companies, implementing initiatives to increase the level of transparency of the dependent companies and controlling the adherence by the dependent companies to the requirements of the law pertaining to mandatory disclosure of information.

Risk Management

Corporate Risk Management Strategy

The activities of the Company are prone to numerous risks which under certain circumstances may affect its performance and financial results, as well as the Company's social and natural environment. To decrease the negative impact of potential hazards and to optimize favorable opportunities, the Company has established an efficient risk management system intended to ensure implementation of the corporate strategy.

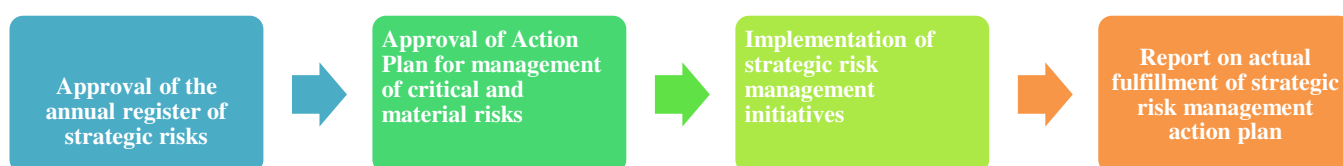
Organizational Structure of Control over JSC RusHydro's Financial and Operational Performance and Risk Management



The Main Stages and Methods of Risk Management

The process for managing the Company's strategic risks and the corresponding KPI is set by the Company's Strategic Management Policy.

Risk Management Stages



The Company draws up a list of strategic risks annually, specifying risk owners. The list is approved by the Management Board. A strategic risk management plan is drawn up for critical and material risks, specifying the action implementation term

and the results expected as of the end of the reporting period. The implementation of actions is taken into account when issuing employee bonuses. The Company's risk managers conduct independent monitoring of the implementation of the strategic risk management plan, controlling its fulfillment.

At the end of the reporting period, the risk managers prepare reports on the implementation of the strategic risk management plan, which is then approved by the Chairman of the Management Board, the Chief Executive Officer. The Company's risk managers interact with the Board of Director's Audit Committee on a periodic basis to control the functioning of the corporate risk management system. This interaction fully complies with the Guidelines on the organization of the work of the committees of the Boards of Directors of joint stock companies with the Participation of the Russian Federation (approved by Order No 86 of the Russian Property Management Agency dated 20.03.2014).

Starting from 2012, the Company has implemented a project involving the use of an automated system of internal control and risk management intended to provide technical support to the risk management process (by processing huge databases and accomplishing online monitoring of key risk indicators). The project was completed and put into operation in December 2014. In 2015, the Company will continue this system's development and its implementation in corporate subsidiaries.

Improving the Risk Management System in 2014 and 2015 Plans

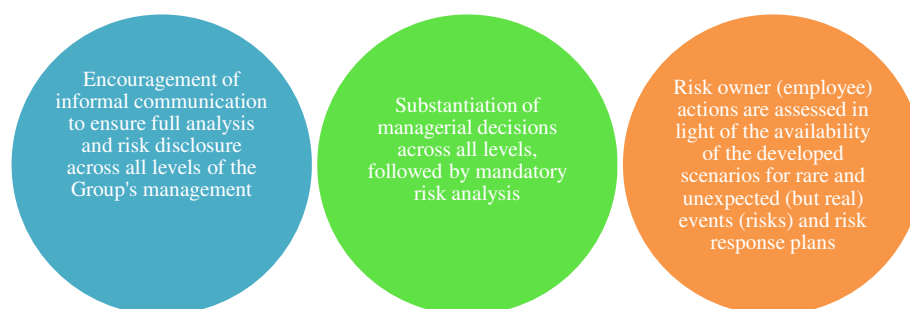
In 2014, the Company continued development of its risk management system by approving a new version of RusHydro's Policy on Insurance Protection. The new version of the Policy contains improved requirements for the insurance of construction and equipment installation risks, action plans for increasing the profitability and decreasing the liquidity deficit for each retail company and the analysis of the information security system and an independent expert and technical assessment of the Company's information security. The Company has also approved a Policy on the corporate project management system.

The Company has completed the process of implementing the corporate risk management system in JSC RAO Energy Systems of East, which started in 2012. The system, which is based on RusHydro principles and standards, is fully functional now.

Risk management pertaining to the investment projects involving the construction of four power facilities in the Far East, the thermal power plant in Sovetskaya Gavan, a thermal power plant (TPP-2) (1st stage) in Sakhalin, the TPP-2 in Yakutsk (1st stage), and a thermal power plant in Blagoveschensk (2nd stage), which are the priorities for RusHydro deserve special mention. To implement investment projects within the specified frameworks, the Company carries out risk management initiatives, such as concluding fixed price work and service contracts, the integrated incoming inspection of equipment and materials, and comprehensive control over adherence to the facilities' construction schedules, as well as the development of local regulations providing for the efficient interaction of all parties involved in investment project implementation.

Based on the Internal Control and Risk Management Program adopted by JSC RusHydro for the period till 2019, the risk management systems of JSC RusHydro and Group member companies will be integrated, including the collection of reports and the aggregation of data on risk management using an automated internal control and risk management system.

The Development Principles for the Company's Risk Management System



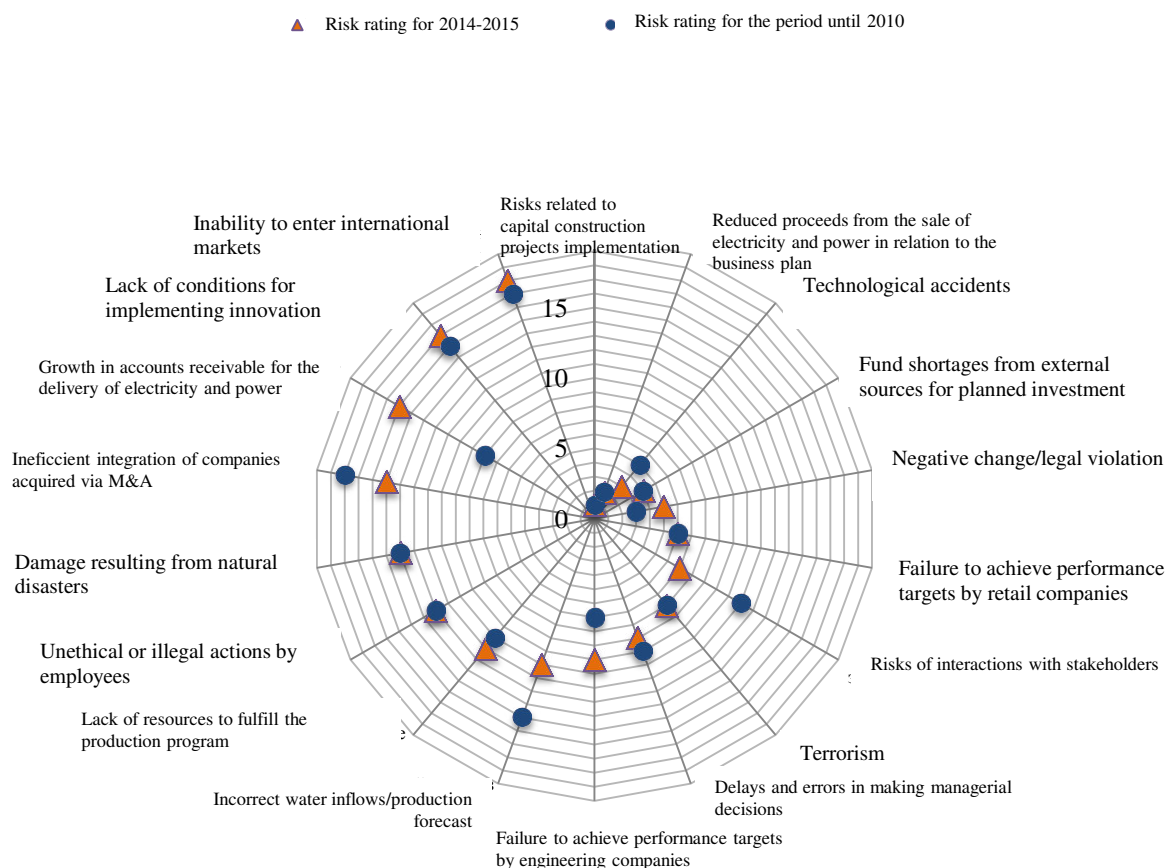
Third Party Risk Assessment

The Company has performed a third party risk assessment on an ongoing basis. In 2014, the insurance broker Willis CIS LLC surveyed 10 Company facilities. In addition, the Company monitors the fulfillment of the surveyer's recommendations that have been issued in the past, with monitoring results sent to the re-insurance broker to assess risks by the Company's insurers and re-insurers. The risk assessment of mergers and acquisitions involves due diligence, taking into account the recommendations of the Company's external auditor.

Risk Register

The Company's risk register is based on the 2013 Risk Registry, the analysis of the risk management of the world's largest power companies, reports generated by insurance and consulting companies in regard to typical risks for fuel and power companies and the report on global risks prepared at the annual Davos Economic Forum. The Company's Risk Register was reviewed with the risks rated against the critical ones specified in the international industry survey conducted by Ernst & Young Company and the top ten priority risks and opportunities of the power industry.

Risk Radar for the Period up to 2020



The risks listed in the Radar are rated against their possible impact on RusHydro's business. The priority risks are located in the center, while the least influential risks are located on the edges. The Radar reflects the forecast changes in the Company's risk profile in the period up to 2020.

RusHydro 2014 Risk Register

Critical Risks

Risk Description	Risk Factors	Risk Neutralization Measures
Risk of implementation of capital construction projects	<p>The risk is critical due to large scale investment projects implemented by the Company.</p> <ul style="list-style-type: none"> Great uncertainty in the projects' feasibility studies; Non-compliance of the quality of design documents, work and services, as well as of the equipment with the requirements set; considerable dependence of the projects' economic parameters on the external factors (the availability of grid infrastructure and 	<ul style="list-style-type: none"> The existing corporate project management system systemizes the data on existing and designed facilities; Improvement of the efficiency of functioning of design institutes, optimization of purchasing activities intended to reinforce the role of the Company's own design institutes in performing the internal assessment of the design and tender documents; Regulating the internal expert

	<p>markets by the date of commissioning of the facility constructed);</p> <ul style="list-style-type: none"> ❖ Increase of the cost of equipment and materials during the construction; ❖ Supply chain interruptions due to various reasons; ❖ Problems with the preparation of flood zones 	<ul style="list-style-type: none"> ❖ assessment of design documents; ❖ Liability insurance of design organizations and contractors against any harm caused in the results of defects of construction; ❖ Optimization of insurance and purchasing systems in regard of construction and mounting activities; ❖ Development of regulatory documents in regard of performance of individual types of work, the implementation of an authorization system permitting the employees to perform such types of work, and enabling the suspension of individual employees from the performance of work in case of any material violations; ❖ Development of the quality control of supplied equipment (including equipment manufacture and shipment/delivery); ❖ Development and implementation of a unified system accounting the optimization of control and ongoing monitoring of repair and construction activities of the Company subsidiaries and dependent companies; ❖ Analysis of existing legal framework regulating the preparation of flood zones for the facilities under construction, followed by the development of design documents and sending to the federal executive power bodies of proposals concerning the formulation/conceptual changes of the legal framework. In 2014 JSC RusHydro developed a draft of the federal law "On Particular Parameters of Design, Construction and Commissioning of Water Bodies and the Introduction of Changes in Individual Acts of the Russian Federation". The draft was developed jointly with the Ministry of Construction of the Russian Federation.
Decrease in revenues generated by electricity and capacity sales as compared with indicators set by the business plan	<p>The risk is critical due to over-regulation of the electricity and capacity market, highly volatile electricity prices on WECM, variability of fuel prices, decreasing payment capacity of contractors resulting from the effects of financial crisis, unfavorable conditions (dry years), difficulties in forecasting the payload of the equipment. The risk correlates closely to the risk of inaccurate forecast of water inflows.</p>	<ul style="list-style-type: none"> ❖ Preparation of proposals on changes to be introduced in legal documents regulating power industry; ❖ Periodic review of the marketing policy of RusHydro, taking into account the changes in the risk situation; ❖ Implementation of a system of commercial dispatching; ❖ Activities intended to decrease the amount of debt for electricity and capacity supplied
Accidents caused by human factor	<p>The Company pays much attention to the risk of different accidents caused by human factor which may threaten the lives and health of people or lead to interruptions in production and subsequent loss of revenues by the Company.</p> <ul style="list-style-type: none"> ❖ Design defects revealed during operation, and physical equipment wear, ❖ Violations in the conditions of operation and untimely repair, re-equipment and reconstruction, ❖ Human factor and the effects of the environment, which may result in equipment failures and destruction of hydraulic structures 	<p>The Company assesses the probability of equipment and structures failure as statistically average. All key production facilities of RusHydro are insured. Besides, the Company implements a set of measures to ensure proper reliability of equipment and structures, namely the following:</p> <ul style="list-style-type: none"> ❖ Performance of full-scale repairs and the implementation of the Program of technical re-equipment and reconstruction; ❖ Development of the system controlling the quality of the equipment supplied, including the manufacturing and

		<p>shipment/delivery/installation/construction and start-up, and improving the level of contractual responsibility of contractors involved in manufacture and delivery of equipment and materials;</p> <ul style="list-style-type: none"> ❖ Claim administration in relation to unfair contractors/suppliers; ❖ Implementation of recommendations issued in the result of surveys performed at the facilities of RusHydro; ❖ Fostering control over contractor/subcontractor organizations at the production sites in order to decrease accident rate, number of fires, non-ethical conduct and thefts; ❖ Development of normative and technical documents intended to improve the quality of design and construction management; ❖ Development of lifecycle management system in regard to the equipment of existing power plants, and the inclusion in the production programs of the Company and its subsidiaries of information and analytical systems, gas-turbine power plants' equipment monitoring systems, based on the periodic analytical reports and recommendations issued by the Company's Analytical Center (JSC VNIIG named after B.E. Vedeneev and JSC NIIES) to provide for the safety and reliability of the Company's water control equipment and structures; ❖ Implementation of advanced methods of equipment diagnostics without stopping, and up-to-date production assets management technologies, including the information technologies required; ❖ Optimization of the structure of volume of spare parts inventory; ❖ Performance of periodic technical audits and implementation of initiatives to improve the quality of incoming control during repairs, retooling and reconstruction of equipment and structures; ❖ Preparing and certifying the personnel, advancing employee qualifications and performing psychologic examinations to mitigate risks caused by human factor.
Lack of money from external sources to make planned investments	<p>This risk is closely related to the risk of implementation of capital construction projects. The reduction in the number of a part or of all sources to finance the investment program may result in violation of the terms of project implementation, or in triggering a scenario which will force the Company to suspend the construction or preserve a number of generating facilities. Taking into account high cost of preservation of facilities under construction, which in some cases is comparable with the cost of proceeding with the construction, this fact will affect the economic efficiency of the Company's investment projects, as well as its financial and performance results</p>	<ul style="list-style-type: none"> ❖ Maintaining the availability of money and financial resources in sufficient amounts by ensuring adequate loan facilities; ❖ Implementation of a balanced model of financing the working capital by using short and long-term sources; ❖ Control over the observance of credit agreements to prevent any violation of financial covenants of the Company; ❖ Placement of temporarily available funds in short-term financial tools (bank deposits and promissory notes); ❖ Contracting the contractors using standard financial conditions; ❖ Managing the interest and currency risks taking into account the credit policy of RusHydro;

		<ul style="list-style-type: none"> ❖ Preparing the flood zones of power plants under construction using the funds of the federal budget and of the budgets of the subjects of the Russian Federation; ❖ Monitoring the economic situation and undertaking additional prompt measures to manage the liquidity
Unfavorable changes and violations of law	The critical risk of unfavorable changes/violations of law is one of the most significant for the power industry not only in Russia, but worldwide.	<ul style="list-style-type: none"> ❖ Continuous monitoring of initiated and reviewed changes of the law which may affect the activities of the Company; ❖ Monitoring and review of existing standards and normative documents in the sphere of technical regulation; ❖ To present the Company interests, its representatives of the Company participate in major events and round table discussions concerning changes of the law, such events and discussions organized by the bodies of legislative, executive and judicial powers, by non-governmental organizations, industry associations, by legal unions and associations; ❖ Performance of periodic environmental audits and adhering to the resulting recommendations; ❖ Participation in the work of task forces of the Russian Ministry of Energy on issues of technical regulation (concerning Technical Procedures) and in the work of Technical Committee No 330 of the Russian Technical Regulation Authority (concerning national standards)

Material Risks

Name of the Risk	Risk Factors	Measures to Mitigate the Risk
Failure to achieve performance targets set by retail companies	<ul style="list-style-type: none"> ❖ High level of competition; ❖ Risk of losing the status of a guaranteeing supplier in retail regions; ❖ Possibility that large consumers will construct alternative electricity supply facilities. 	<ul style="list-style-type: none"> ❖ Monitoring the Company's compliance as a guaranteeing supplier with financial stability criteria in accordance with retail market rules; ❖ Actively working with consumers to establish a mutually beneficial relationship, including through JSC ESK RusHydro. A program to retain customers has been approved. ❖ Introducing a corporate risk management system for JSC RusHydro in its subsidiary sales companies; ❖ The plans for anti-recessionary measures to improve profitability and reduce liquidity shortage in each subsidiary sales company have been developed.
Lack of key personnel in all areas of the Company	<ul style="list-style-type: none"> ❖ Inadequate legal framework and rigid mechanisms to change the education system, which makes the education system not ready to innovative introductions required by the Company; ❖ Insufficient mechanisms to retain qualified personnel; ❖ Non-conformity of the vocational training system to companies' needs and 	<ul style="list-style-type: none"> ❖ On November 27, 2014, there was a meeting of the National Council under the President of the Russian Federation on Professional Qualifications. 8 draft professional hydropower standards are recommended for approval; ❖ The Company has made agreements with the following educational

	<p>requirements imposed to personnel training;</p> <ul style="list-style-type: none"> ❖ Lack of personnel reserve for certain divisional manager positions of operating personnel of JSC RusHydro's branches; ❖ Aging of qualified personnel. 	<p>institutions: 1. The Federal State Autonomous Educational Institution of Higher Professional Education "Siberian Federal University" (Supplementary Agreement); 2. The Federal State Budget Educational Institution of Higher Professional Education "Moscow State Institute of International Relations" (University) of the Ministry of Foreign Affairs of the Russian Federation). The Company made joint development plans of 4 secondary vocational education institutions with which agreements had been concluded in 2013;</p> <ul style="list-style-type: none"> ❖ 17 best graduates were given employment at JSC RusHydro's branches in accordance with their demands for young professionals.
Risks of interactions with stakeholders	<ul style="list-style-type: none"> ❖ Incorrect interpretation of information by representatives of the target audience, including environmental (ecological) organizations, which can damage the Company's reputation and/or cause its shares to fall; ❖ Dissemination of false and black information about the Company in the media and social networks, including projects; ❖ Delayed response to the information in the media. 	<p>To develop cooperation with stakeholders, the Company:</p> <ul style="list-style-type: none"> ❖ Organizes joint public events; ❖ Conducts special activities for the mass media; ❖ Regularly updates information in the corporate blog, in the community in LiveJournal, on Facebook; ❖ Regularly monitors the mass media. ❖ Has approved the Public Activity Regulation and the Information Activity Regulation.
Terrorism	<p>Due to the tense political and social situation, a high probability of local and regional armed conflict, a growing threat of international terrorism, increased political instability in several developing countries due to the economic crisis, the activity of radical organizations, development of industrial terrorism, JSC RusHydro is in fear of possible risks associated with terrorist activity, including at the facilities located in this region and the regions adjacent to the Ukrainian border. Special attention is paid to a growing threat of using undeclared capabilities and software and hardware bugs of the network and server equipment of foreign production to break operational capability of computer networks and production.</p>	<p>In order to minimize these risks, the following measures are regularly carried out to ensure the safety of the fuel and energy complex:</p> <ul style="list-style-type: none"> ❖ A comprehensive plan of main measures to ensure that the power facilities are safe has been developed and implemented; ❖ The Company conducts quarterly anti-terrorism exercises, as well as special tactical and command-and-staff training exercises; ❖ Technical security equipment packages have been created and are being modernized; ❖ Interaction Plans have been developed with the executive authorities to prevent acts of unlawful interference (AUI) from being carried out or the threat of acts of unlawful interference at corporate facilities; ❖ Access to JSC RusHydro's fuel and energy complex is effected in accordance with the requirements of access control and internal security regime. <p>In order to ensure physical security and anti-terrorist protection of RusHydro's power facilities, non-departmental security forces of the RF Ministry of Internal Affairs and Departmental Security forces of the Russian Ministry of Energy are used. In conjunction with law enforcement agencies, theft</p>

		<p>prevention measures are also organized.</p> <p>It is worth noting that this risk (terrorism) is marked as one of the three key risks for Russia in the Global Risks Report of the annual World Economic Forum in Davos (Global Risks 2015), along with the risk of inter-state conflicts and sharp fluctuations in energy prices.</p> <p>The Company's fixed assets insurance package includes insurance against the risks of terrorism and sabotage. In the period under review, the Company held a road-show and undertook other similar measures to mitigate negative effects on positioning the occurring insured events related to terrorism and the sabotage risk on the international insurance market.</p> <p>Due to a growing threat of using undeclared capabilities and software and hardware bugs of the network and server equipment of foreign production to break operational capability of computer networks and production, the Company has made a strategic decision to increase the share of equipment certified by the Federal Service for Technical and Export Control and home equipment when building protection systems.</p> <p>The Company on a regular basis carries out information and technical security audit to improve the security of corporate facilities from hacker attacks on the Company's information resources and external communication channels.</p>
Delays and errors in management system upgrades	<ul style="list-style-type: none"> ❖ Changing structure of the Holding Company; ❖ Conflict of interests between shareholders and the Company's management, conflicts of interest between employees; ❖ Delayed approvals by the stakeholders of the Company; ❖ Imperfection of the Company's business processes; ❖ Imbalance between strategic objectives and the management system model; ❖ Slow rate of making approvals and management decision-making; ❖ Rejection of documents on formal grounds / artificial delays in business processes. 	<p>In order to manage this risk, the following activities are carried out:</p> <ul style="list-style-type: none"> ❖ Developing a system to regulate business process activities and management; ❖ Optimizing the timing and coordination of procurement; ❖ Interacting with stakeholders; ❖ Analyzing the main business processes to improve the control system and upgrade process efficiency; ❖ The Company's management and officers have third party liability insurance; ❖ The Company is implementing corporate management standards into the newly acquired or founded SDCs and is introducing a management system for organizational projects, grading employees, and certifying management personnel and implementing individual employee development plans.
Failure to achieve performance targets by engineering companies;	<ul style="list-style-type: none"> ❖ Possible loss of the engineering part of the business due to inadequate efficiency and strong competition; ❖ Risks of loss of immovable property; 	<p>To reduce the impact of this risk, the following activities are carried out:</p> <ul style="list-style-type: none"> ❖ Implementing a development program of engineering

	<ul style="list-style-type: none"> ❖ Risks of inefficient management and use of immovable property 	<ul style="list-style-type: none"> ❖ subsidiaries; ❖ Developing personnel and training scientific manpower; ❖ Working out standard work scope sheets for equipment and waterworks repair operations; ❖ Creating a single repair and service company, JSC Hydroremont-VCC, which enables to optimize the cost of operating and maintenance expenses, ensuring the required level of reliability of production assets, as well as expands the technical competence and capabilities of maintenance personnel; ❖ Transfer of immovable property to the RusHydro Group's Unified Immovable Property Management Center.
Incorrect forecast of water inflows / production plans;	The inability to accurately predict the volume of electricity produced over both the medium- and long-term.	<p>To reduce the negative impact of the risk on the Company, the following activities are carried out:</p> <ul style="list-style-type: none"> ❖ Optimizing the water resource usage of RusHydro's Energy Saving Program; ❖ Developing an industry hydro-meteorological observation system and protecting the interests of the HPPs in inter-agency operational groups under the Federal Agency for Water Resources (Rosvodresurs). ❖ In 2014, the Company completed the installation of the automated hydrologic complex (AHC) on the island Kuzminskiy in Minusinsk; ❖ In 2014, the Company mounted 8 automated hydrologic complexes at the headrace of the Sayano-Shushenskaya HPP and 20 snow-measuring posts which are ready for acceptance, as part of the first stage of constructing the Hydrometeorological Forecasting Center.
Lack of resources to fulfill the production program	<ul style="list-style-type: none"> ❖ Failure of suppliers and contractors to meet their time limits due to insufficient production capacities and poor condition of the equipment used; ❖ Poor planning of the production program; ❖ Significant part of the equipment has exceeded its standard period of operation; ❖ Foreign power equipment is not adapted for use at power facilities of the Russian Federation; ❖ Adverse change in exchange rates, in particular, the significant increase of euro rate against ruble (correlates with risk 4 in terms of currency risk management); ❖ Low equipment quality (low technological production practices); ❖ Fund shortages from external sources for planned investment 	<ul style="list-style-type: none"> ❖ Prompt performance of claims work in response to low quality of repairs, inadequate quality of equipment, violation of delivery time; ❖ Using the recommendations of the Analytical Center when making production programs; ❖ Implementing the Comprehensive Modernization Program (CMP) until 2025; ❖ Creating an industry certification system for equipment and materials
Unethical or illegal actions by employees;	<ul style="list-style-type: none"> ❖ Abuse by employees of their official powers and activities of employees, resulting in a conflict of interest; 	The Company is adopting a policy on combating corruption and fraud which includes the following measures:

	<ul style="list-style-type: none"> ❖ Disclosure of confidential information. 	<ul style="list-style-type: none"> ❖ Carrying out a comprehensive program to prevent unlawful acts by employees; ❖ Introducing an integrated automated system to control the distribution of commercial information, ❖ Monitoring compliance by the Company's employees with Regulations on insider information; ❖ Monitoring compliance the Code of Conduct, Regulations on the procedure to notify the employer of any applications to impel the employees into illegal actions, the Regulations on reporting on any gifts received by employees in connection with their protocol events, business trips and other official events, Regulations on the procedure to prevent and resolve conflicts of interest. ❖ Maintaining a telephone trust line; ❖ Building a comprehensive automated system to monitor dissemination of confidential information, including information containing trade secrets and personal data.
Damage as a result of natural disasters and man-made accidents at locations other than the Company's facilities.	There is a possibility of accidents of a systemic nature, as well as of losses due to natural disasters.	<ul style="list-style-type: none"> ❖ To ensure reliability throughout the grid in the event of local failures, the Company has implemented a centralized emergency control system, which is being modernized to meet today's requirements; ❖ The Company complies with Russian legislation in the field of industrial safety and uses a production control system functioning on a legislative basis; ❖ The Company performs systematic monitoring of the situation at the projects that are in close proximity to the Company's facilities and carries out forecasting and planning of employees' actions in emergency situations in close cooperation with regional bodies of the Ministry of Emergency Situations of Russia; ❖ The Company's employees are provided with personal protective equipment, depending on the type of danger the Company's facility can be exposed to; ❖ The Company has made provision to use volunteer emergency response teams created in the Company to carry out accident rescue and other emergency operations in emergency situations.

Risks of lower priority

Name of the Risk	Risk Factors
Growth in accounts receivable for the delivery of electricity and power	<ul style="list-style-type: none"> ❖ Reduced solvency of counterparties as a result of the financial crisis; ❖ Failure to perform obligations by counterparties due to bankruptcy; ❖ Lack of effective mechanisms to collect debt; ❖ Technical default of the counterparties in the event of changes in the regulatory environment and other market conditions.
Inefficient use of resources for implementing innovation	<ul style="list-style-type: none"> ❖ Lack of required expertise and experience to create and implement innovations; ❖ Widening gap between the applied technologies and international best practices; ❖ Intellectual property management risks.
Inability to enter international markets;	<ul style="list-style-type: none"> ❖ Non-compliance with the legislation requirements due to frequent changes (unstable legal environment) outside the Russian Federation; ❖ Difficult economic conditions outside the Russian Federation, associated with large volumes of illegal activities and corruption; ❖ Great influence of organized crime and, as a consequence, the weakening of state power and the deterioration of the investment climate outside the Russian Federation; ❖ Adoption of government measures to tighten regulation of the financial sector outside the Russian Federation; ❖ Governmental support of weak corporations in the areas of finance and production outside the Russian Federation; ❖ Changes in the rules and bureaucratization of the various industry sectors outside the Russian Federation; ❖ High volatility in exchange rates due to the instability of the world economy because of the financial crisis; ❖ Rise in interest rates; ❖ High inflation outside the Russian Federation; ❖ Illegal activities related to political-military conflicts; ❖ Corruption component, including when entering foreign markets; ❖ Deterioration in the Chinese economy; ❖ Changing requirements of international regulators in respect of projects and activities of the Company; ❖ Nationalization / loss of assets (events in Africa and the Middle East, Libya, Egypt, Syria); ❖ Political and economic isolation of Russia and Russian companies; ❖ Establishment of barriers to cooperation of national (foreign) companies with companies which are of Russian origin and have Russian shareholders; ❖ Establishment of non-tariff restrictions on interaction with Russian companies and RusHydro; ❖ Establishment and / or strengthening of political and military instability in countries that are attractive in terms of business development of RusHydro; ❖ Zero (or low) cost-effectiveness to implement projects abroad.
Inefficient integration of companies acquired via mergers and acquisitions (M&A).	<ul style="list-style-type: none"> ❖ Deterioration of the market position and financial performance of the companies involved in mergers / acquisitions during the period prior to completion of the merger / acquisition; ❖ Challenging transactions, invalidation of merger and / or acquisition transactions in full or in part by virtue of legal restrictions or partnership agreements; ❖ Shortfall in cash from the sale of shares of acquired companies; ❖ Lack of state support to finance the needs of JSC RAO ES of the East; ❖ Failure to comply loan agreements; ❖ Gaps in protection against leaks of confidential information; ❖ Revaluation of shares of target company; ❖ Underestimation of the amount of additional investment, the purchase of a financially insolvent company; ❖ Suboptimal change in the structure of the project portfolio as a result of the consequences of the crisis.

** Measures to mitigate the risks are not specified, as in accordance with the Internal Control and Risk Management Policy, insignificant risk management shall be exercised within the employment duties of each employee of the Company.*

In the reporting year, risks associated with the introduction of international sanctions against the Russian Federation, as well as currency and interest rate risks were relevant, but given the measures taken to mitigate the above-mentioned risks, these risks did not have a material impact on the Company.

In 2014, the risk of man-made accidents was realized. In June, there occurred a forced shutdown of hydraulic generator №3 at the Zeyaskaya HPP due to the vibration increased above the allowable values. It was discovered that a part of the impeller blade turning mechanism had gone wrong. RusHydro took timely measures to address the effects of the risk realization: the Company sent the damaged part the manufacturer and to JSC NIIES to identify the cause of the damage. In addition, the Company drew up an inspection report of the Zeyaskaya HPP equipment and performed procedures to compensate for damage.

Country Risks

The Russian economy is vulnerable to market downturns and slowing global economic growth. Currently, a drop in world prices for natural gas and oil, as well as the outflow of foreign investment significantly impact the Russian economy. These events can limit access of RusHydro to the capital market and have an adverse effect on the purchasing capacity of goods and service consumers. The Company plans to carry out all actions aimed at reducing the impact of such events on its operations by optimizing the use of credit resources in times of crisis.

Under the conditions of the crisis in global financial markets and the decline in industrial production there is a risk of reduced demand for electricity, which can result in a reduction in sales and a decrease in the Company's revenues, as well as the risk of growth in accounts receivable due to non-payment by electricity consumers.

Exposure to country risk with certain assumptions can be indirectly assessed by a credit rating (excluding political risk for business). Due to external factors such as a decrease in oil prices and the fall of the ruble at the end of 2014, Russia's sovereign rating was lowered from BBB with a stable outlook to BBB- with a negative outlook (according to Fitch) and to BB + by the rating agency Standard & Poor's, which is certainly a negative factor, but it has specifics related to the anti-Russian sanctions. Depending on the continuation of this policy or its cancellation, the level of country risk will be subject to change. In this regard, there might be an increase of risks associated with the failure of individual foreign suppliers to fulfill their commitments, the reduction of market outlets and the revision of contracts.

In addition to economic factors, the political situation in Russia (the State is the Company's largest shareholder), inconsistent and frequent changes in tax and currency legislation, imperfections in the judicial system and high levels of depreciation for infrastructure facilities in the energy and transportation spheres may negatively impact corporate activities.

In order to diversify the country risk, RusHydro is actively working with partners in the BRIC countries: China and India. The Company has signed a number of agreements with Chinese power companies, which in the future will allow the RusHydro Group to expand cooperation with China both in the construction of new power facilities and in terms of electricity exports.

Financial Risks

Financial risks can be categorized as the risk of growth rates in bank loans, foreign currency risk, inflation risk and liquidity risk. The impact of these risks on the Company's performance is not considered to be material to the Company.

Financial metrics, liquidity, financing sources and RusHydro's performance are not very responsive to changes in the exchange rate and interest rates, because the Company sells energy on the domestic market, as well as settles accounts with resource suppliers, and accrues and receives payments from consumers mainly in the national currency - Russian rubles. Besides, almost all corporate liabilities are denominated in rubles, while the liabilities denominated in foreign currency are in total less than 10%.

The Company received several loans with floating interest rates denominated in rubles. To minimize the interest rate risk on financial liabilities, the Company entered into swap contracts; these swap contracts, for the most part, fixed the floating interest rates on all interest payments until the maturity date.

The inflation rate depends directly on Russia's political and economic situation in which the Company operates. The negative impact of inflation on the Company's financial and economic performance may be due to the following risks:

- ❖ risk of losses associated with a decrease in the true cost of the accounts receivable in case of a significant delay or past due payments;
- ❖ risk associated with an increase in the cost of debt;

- ❖ risk associated with an increase in the cost of goods, products, work and services due to an increase in energy prices, transport costs, and wages, etc.;
- ❖ risk associated with a reduction in the true cost of funds raised to finance the investment program;
- ❖ risk associated with an increase in the cost of borrowings.

According to forecasts of the Ministry of Economic Development and Trade, taking into account all the negative factors, inflation is expected to peak in March-April 2015 when it can reach 15-17% but at the end of the year of its size is expected to be 10-11%, below the critical level of inflation of at least 20% per annum which is considered by the Company to be the rate at which the Company may experience difficulties.

The Company manages liquidity risk by maintaining sufficient cash and marketable securities to fulfill current obligations. Temporarily free funds placed in short-term financial instruments are mainly bank deposits and promissory notes.

Due to the aggravation of the international situation in 2014 and the worsening of the outlook of international rating agencies' credit ratings of the Russian Federation and due to current economic sanctions and the possible occurrence of force majeure, the risks that the Company will have difficulties associated with the access to credit funds of foreign counterparts, appreciation of the Company's debt obligations and losses due to the rise of the exchange rates and interest rates are relevant. These risks are controlled by reduction of the limits for counterparty banks with lowered ratings, stress-testing of possible losses due to the increase in exchange rates and interest rates based on the methods approved by the Company to manage currency and interest rate risks, and legal support of contract base. Practically all proceeds of the credit lines have been drawn down and there is no risk of unavailability of significant credit resources on previously opened credit lines.

Industry Risks

The Company is exposed to industry-specific risks primarily due to possible changes in the power industry. It should be noted that this risk is offset by the adoption of the "target" Rules of the Wholesale Electricity and Capacity Market³⁴. To manage these risks, the Company is taking necessary measures to form a favorable regulatory and legal framework of the electricity and capacity market. The Company is actively taking part in the development of the power generating industry laws and regulations exercised by the RF Ministry of Energy, the NP Market Council and the Federal Tariff Service of Russia.

Norms that regulate the activities of Russian energy companies and relate to the establishment of electricity tariffs, power market operations and the relationships between electricity producers and consumers are undergoing significant changes. Under the current market model, the risk that the level of prices achieved on the long-term capacity market may be insufficient to cover fixed costs, remains relevant.

The government tightens control over the spending of allocated budget funds by electricity sector companies. RusHydro undertakes necessary measures to prevent the negative impact of the abovementioned risks on its activities. In particular, **key attention** is paid to ensuring the transparency and reliability of control procedures for budget fund expenditures in the execution of the investment program and the implementation of risk management measures.

Information about Possible Circumstances that Objectively Hamper the Company's Activity

Risks associated with the region's geographical features include the risk of losses (for example, the risk related to the decommissioning of fixed assets) due to seismic activity, avalanches and mudslides, possible landslides and rainfall related floods and other adverse weather conditions (hurricanes, heavy snowfalls and frosts).

In general, the regions in which the Company operates have a developed transportation infrastructure and are not exposed to the risks associated with the disruption of the transportation link. However, some generating assets are located in remote areas with harsh climates, including in the Krasnoyarsk Region and in the areas of the Far Eastern Federal District. The Company is constantly working to upgrade the technologies of access and work in harsh climatic conditions in these areas. However, one cannot guarantee that no additional costs will be required to overcome technical difficulties associated with the climate and the accessibility of these locations, which may negatively impact earnings, financial conditions, and the Company's performance and prospects. Within the foreseeable future, these risks are estimated as insignificant.

Earthquake-prone areas

Most of the Company's facilities are located in seismically quiet regions. However, such facilities as the Pauzhetskaya GeoPP and the Verkhne-Mutnovskaya GeoPP are located in seismic zones, with possible earthquake intensity up to 9 points on the Richter scale. Currently, work to create the seismological network of the Dagestan Branch is under way. In 2014, VNIIG after

³⁴ Decree № 1172 of the Russian Government as of December 27, 2010.

B.E. Vedenev performed seismic monitoring of the Bureyskaya HPP facilities. The Company has worked out an emergency plan in case of earthquakes and is constantly monitoring the situation. There are seismic monitoring stations at the Company's facilities. Issues relating to the transportation link are worked out in good time with a focus on the above-mentioned risk. Cargo and people delivery schemes are optimized. All corporate facilities comply with earthquake resistance standards.

Seasonal flooding areas

The risk of seasonal floods plays an important role in corporate activities and is regularly included in the list of critical risks. To manage this, a water regime management, including: forecasting and monitoring hydrological regimes, reservoir regulation, spillway construction and operation and other measures, has been implemented.

To prepare for the spring-summer flood discharge at the Company's branches, flood commissions are created. They implement a number of measures aimed at ensuring trouble-free flood season. In particular, they were making a survey of ice conditions in the area of the dam location of the Bureyskaya HPP, inspection of permanent supports to make sure they are ready for work in the flood period, readiness checks of back-up power supply units (diesel generator sets), released the gates of the service spillway from icing and ice fringe so that they could be maneuvered, performed inspections of hydraulic structures, the drainage system of the dam, power house and the installation site, visual inspection of the dam body abutment to the shores from the upper pool and lower pool.

Traditional agreements were signed between the Bureyskaya HPP and the Government of the Amur Region, the administration of the Bureya District and territorial bodies of the Ministry of Emergency Situations and the Russian Technical Supervisory Authority on the procedure to interact on prompt reporting on and rapid response by the Parties to emergency situations during the flood discharge. Agreements were signed between JSC RusHydro's Branch - the Zeiskaya HPP and the Zeiskoye Reservoir Management Office, the administration of the city of Zeya and the Zeya District on the procedure to interact on prompt reporting on and rapid response by the Parties to emergency situations during the flood discharge through the hydraulic structures of the Zeiskaya HPP. Similar work is done at other facilities of the Company.

In addition to the above, all the Company's facilities in the region worked in accordance with the instructions given by the inter-agency working group of the Federal Agency for Water Resources (WAWR of Russia). The Company has strengthened control over the condition of its production assets. No accidents took place at the Company's facilities.

RusHydro Insurance Protection

RusHydro's insurance protection is built based on the normalization principles of the insurance protection system, the optimization of insurance coverage, the unity of approaches to insurance organization, and insurance continuity.

Insurance coverage targets

Providing reliable guarantees against possible losses if adverse situations occur for the Company's performance (insured events)

Minimizing the volume of the Company's financial resources that need to be allocated to eliminate the consequences of insured events

Providing social protection for employees and other persons insured by the Company on account of the corporate social package, using personal insurance mechanisms

Insurance company selection

Insurance company selection is carried out on a competitive basis to select those that offer the best quality-to-price ratio for insurance services. Requirements for the insurance cover terms and conditions are formed based on the Company's current risk situation analysis, insurance market supply analysis, and social policy and legal requirements.

Types of insurance coverage

In 2014, the insurance coverage for JSC RusHydro and its subsidiaries included the following types of insurance: property, automobile and water transport insurance, insurance against construction and installation risks, voluntary medical insurance, personal accident and sickness insurance, compulsory civil liability insurance for owners of motor vehicles and water crafts, third party insurance for owners of hazardous production facilities for causing harm in an accident at the hazardous production facility, civil liability insurance for damage caused as a result of a terrorist attack or sabotage, civil liability insurance for injury resulting from defects of construction work, project documentation preparation work and engineering survey work, and third party insurance for JSC RusHydro's management team and executives.

RusHydro imposes strict requirements with regard to insuring its assets (property insurance against all risks and insurance against construction and installation risks), and due to the limited resources of the Russian insurance market also puts forward additional demands and effects control over risk re-insurance. The Company is implementing a policy of openness to foreign insurance community representatives. Each year, the Company organizes insurance engineering surveys of its facilities, and holds road shows, negotiations and follows reinsurers' recommendations.

The reliability of insurance protection conditions, the experience of insurance settlement and accumulated extensive friendly contacts with both the international and Russian insurance markets help the Company successfully implement risk and finance management activities.

Sustainable Development

SOCIAL DEVELOPMENT AND THE ENVIRONMENTAL SECURITY OF RUSSIAN REGIONS

Achievements of ten years of work

The Company was awarded a high level of employee attractiveness

RUR 5.5 billion were spent on charitable projects

2014 Major Milestones

The Company was named a winner in the all-Russian "Russian Business Leaders: Dynamics and Responsibility – 2013" contest in the category "For the Development of Human Resources."

Developing drafts of the first seven professional hydropower standards.

Entry into force of the new Collective Agreement with enhanced benefits.

Personnel and Social Policy

HR Policy

Staffing the Company with qualified and responsible managerial and engineering personnel is a major strategic objective in personnel management.

Attracting new employees with the necessary competencies, skills and knowledge, including young specialists, increasing employee loyalty and providing education and staff development are the cornerstone of the Company's HR policy.

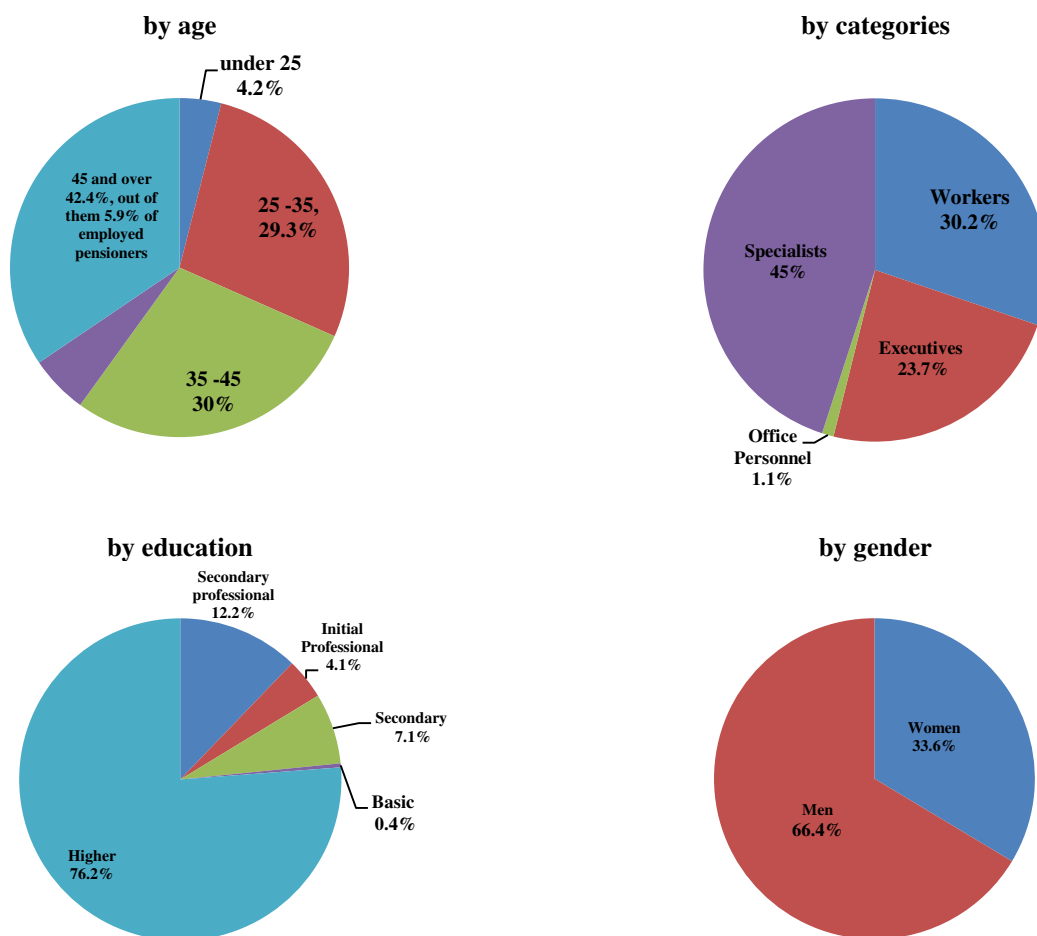
Personnel Structure

As of December 31, 2014, JSC RusHydro's headcount stood at 5,838 employees (compared with 6,305 employees as of December 31, 2013).

In 2014, the Company's headcount decreased 7.4% due to the improvement of the management system in the executive office and the removal of transportation department personnel to the corporate branches.

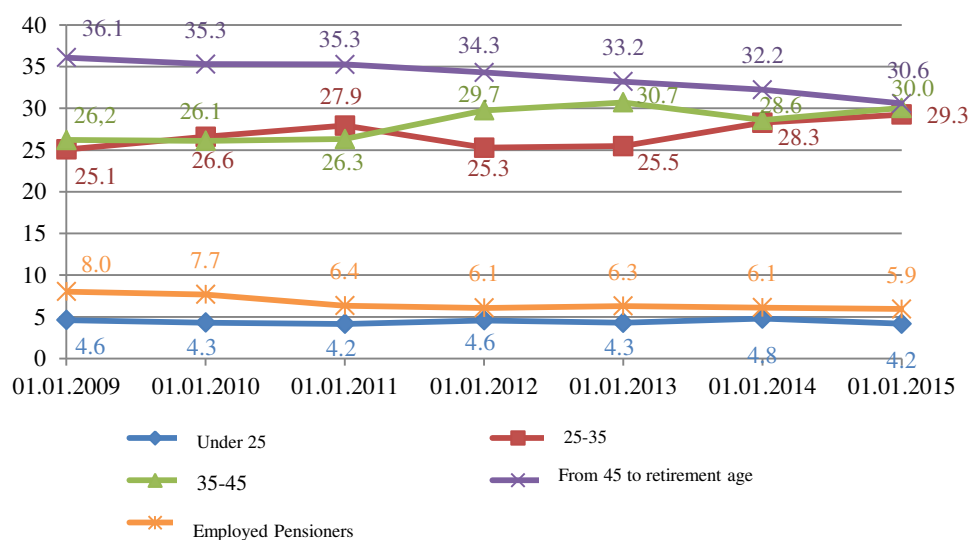
The average duration of employment at the Company was 9.6 years (compared with 9.5 years in 2013). In 2014, the average monthly earnings of corporate employees grew 26% and stood at RUR 113,514 (compared with RUR 89,980.6 in 2013).

2014 JSC RusHydro Personnel Structure, %



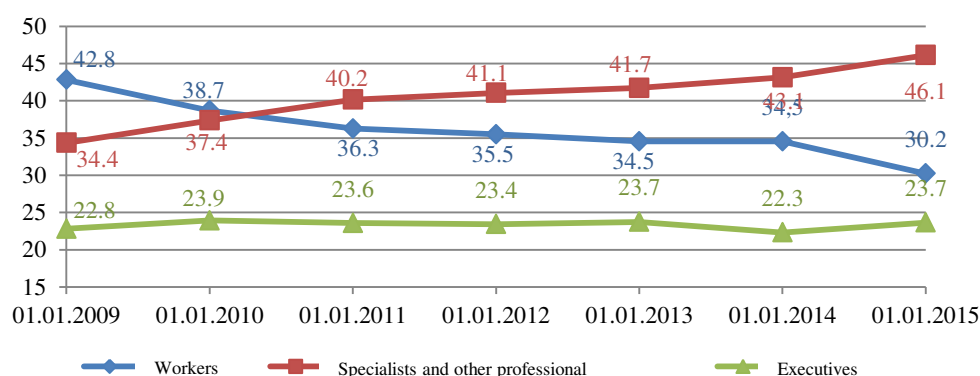
Over the past five years, the Company has enjoyed a rather stable personnel structure, with a trend to employ younger and more highly qualified professionals. The average age of corporate employees is now 41.3.

RusHydro's Personnel Structure Change by Age, 2009-2014, %



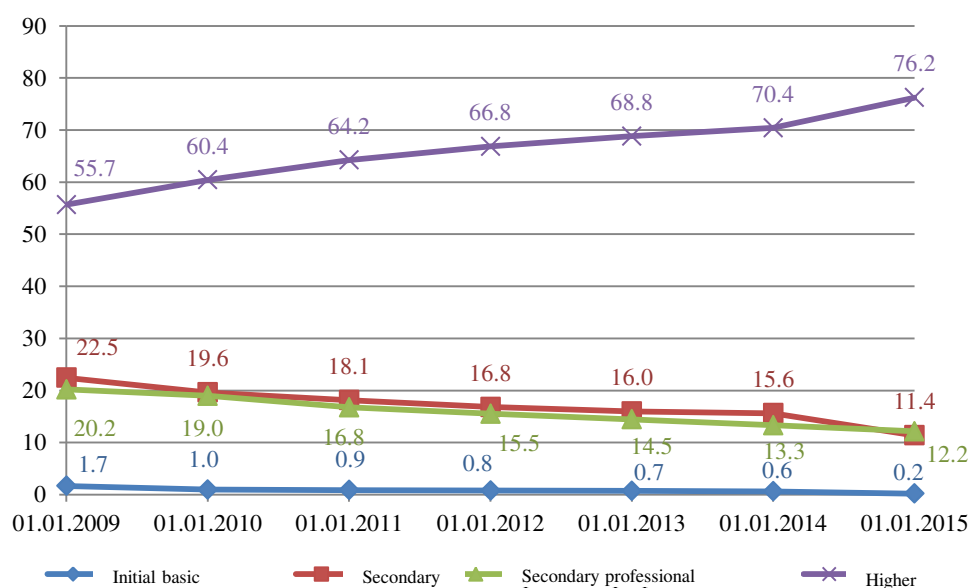
Reduction in employed pensioners' share and increase in working-age employees' share

RusHydro's Personnel Structure Change by Categories, 2009-2014, %



Increase in specialists/office personnel's share and reduction in workers' share

RusHydro's Personnel Structure Change by Education, 2009-2014, %

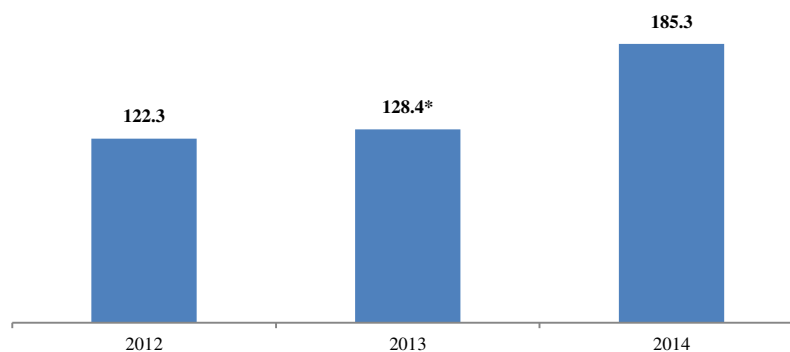


Increase in employees having higher education and a reduction in highly qualified personnel

Developing Human Resource Potential

Human resource potential development is the Company's important strategic activity area which provides effective implementation of its current and future goals and objectives. The Company's management considers expenditures on human resources development as an important component of investment into human capital.

Expenditures on Human Resource Development, 2011-2014, RUR million



* The 2013 expenditures do not reflect the costs for holding the all-Russian HPP Operating Personnel Competitions which JSC RusHydro holds every two years.

Development of professional standards

In 2014, the Company, together with the International Association for Corporate Education and the all-Russian Industrial Association of Electric Power Industry Employers, prepared drafts of the first seven professional hydropower standards. The final versions of the professional standards were approved by the National Council on Vocational Qualifications under the Russian President in Q4 2014.

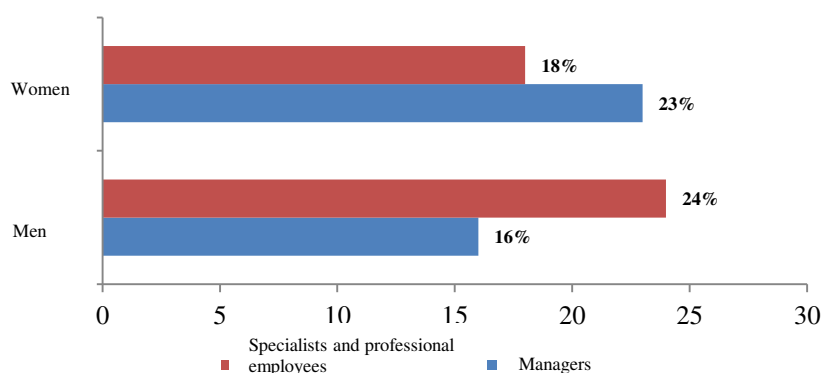
Personnel recruitment

Personnel recruitment for all of the RusHydro Group's vacant positions, including corporate managerial positions, is performed on a competitive basis, which makes it possible to recruit highly qualified personnel that best meet the requirements of the vacant positions. All candidates irrespective of their gender or nationality have equal opportunities to fill any vacancies, depending on the candidate's qualifications. The great majority of participants in the competitive procedure are locals, so no special personnel recruitment procedures are required.

Personnel Rating

The Company's employees are subjected to periodic certification to check their adequacy for the positions that they hold within the Company. Checking involves rating the professional, business and personal attributes of the employees, as well as the results of their occupational activities. The certification procedures, performed once every three years, cover managers, specialists and professional corporate employees regardless of gender.

The percentage of JSC RusHydro branch employees who were subjected to performance and career development assessment, by gender



Social Policy

RusHydro's Social Policy was adopted in 2013 to address the problems of forming long-term human resource management as a major asset, staffing new facilities, performing production programs and attracting young professionals into the industry.

RusHydro's Social Policy

Goals	Tasks	Principles
<ol style="list-style-type: none"> 1. The development of national State projects and the implementation of the Company's socially responsible position 2. The development of mutual responsibility and social partnership practices 3. Upgrading the Company's attractiveness as an employer to attract and retain the best employees 	<ol style="list-style-type: none"> 1. The creation of an institutional environment to attract and retain young specialists 2. The formation of employee commitment to the Company's goals and principles 3. The enhancement of labor relationships with regard to the interests of the employer, the employees, the shareholders and the State 	<ol style="list-style-type: none"> 1. The principle of targeting 2. The principle of integration 3. The principle of succession 4. The principle of correlation with economic results
JSC RusHydro's Social Policy Priorities <ul style="list-style-type: none"> • Interaction with the youth and educational programs; • Support of family values and motherhood; • Healthcare, health protection and the promotion of a healthy lifestyle; • The Pension Plan; • The Housing Program; • Socio-professional adaptation of children from orphanages. 		

Interaction with the youth and educational programs

In 2014, RusHydro was named the winner of the all-Russian "Russian Business Leaders: Dynamics and Responsibility – 2013" contest in the category "For the Development of Human Resources." The Company received an award for the implementation of a systematic approach for the development of human resources and corporate social responsibility. The following corporate Programs were given a high appraisal.

1. Advanced Human Resources Development Program "From the New School to the workplace."

The main objective of the Program is to create a staffing system for RusHydro to maintain a reliable and trouble-free operation of its facilities and improve its operational efficiency. As part of this Program, the Company has created and implemented the permanently functioning corporate lifts system which has enabled the Company to create rules for interaction with the education community and mechanisms to cover the Company's short-term, medium-term and long-term needs for young professionals. These corporate lifts include: "Corporate Lift - New School," "Corporate Lift - Higher Education Institution," "Corporate Lift – the Company." The Corporate Lifts System provides a consistent development of motivation to work in the Company, necessary knowledge and skills, from their

Key 2014 Projects

"Corporate Lift - New School:"

- ❖ Holding a corporate competition in physics "The Energy of Education," as part of the federal competition "The Hope of the Electric Power Industry" for pupils in grades 7-11 at general academic schools;
- ❖ Supporting Technical Creativity Centers for children and young people in the regions in which the Company operates;
- ❖ Holding "Power Classes" in the regions in which the Company operates;
- ❖ Holding the 2014 Summer Energy School in the Volgograd Region (35 children from 11 regions attended);
- ❖ The Company organized and conducted in the regions in which it operates seminars for school teachers from 7 Russian regions on the use of teaching aids for lessons on "The Theory of Inventive Problem Solving;"
- ❖ Delivering teaching aids for hydropower lessons in regional schools;
- ❖ The book "The History of Russian Hydropower" was published.

"Corporate Lift - Higher Education Institution"

- ❖ Purchasing laboratory facilities for the Company's chair "Hydropower and Renewable Energy Sources" at the National Research University MPEI;
- ❖ Developing standard lesson plans to improve corporate employees' skills in the hydropower sphere;
- ❖ Employing 55 graduates of higher educational institutions;
- ❖ Organizing an internship for 338 students in the Company;
- ❖ Cooperating with regional higher educational institutions in the field of education (the

early school years till they join the Company's facilities.

- Sayano-Shushenskiy branch of the Siberian Federal University, the Amur State University);
- ❖ Holding a contest for student papers on hydropower "The Energy of Development 2014";
- ❖ Payment of corporate scholarships and compensation to children of corporate employees, who get good and high grades.

"Corporate Lift – the Company"

- ❖ Holding the second and the third training modules for the advanced personnel reserve "RES-2;"
- ❖ Forming personnel reserve for the position of Branch Director, Head of Production and Technical Department of the Branch and Department of Monitoring for Equipment and Hydraulic Structures of JSC RusHydro branch.
- ❖ Training four groups of participants of the personnel reserve as part of training module 1.

2. The Program of socio-professional adaptation for children from orphanages

The main objective of the Program approved in 2013 is to form an environment for the social and professional adaptation of children from orphanages and train technical and labor manpower motivated to work for RusHydro. Within the framework of the Program, the following measures are being undertaken: social, professional, spiritual and moral development of the orphaned children and children left without parental care, equipping orphanages with teaching aids and educational games. As part of this Program, the Company has also organized a volunteer movement among the Company's employees with the purpose of participating in the life of orphaned children in the regions in which RusHydro operates. The Program's social support involves introducing the list of benefits and incentive payments.

Key 2014 Projects

- ❖ The involvement of experts to develop teaching aids according to the Program;
- ❖ Developing a psychological testing program to assess the engineering abilities of orphaned children; the testing was carried out in all participating institutions;
- ❖ Training employees of the Company's Branches, who are engaged in volunteer support to orphanages as part of the Program;
- ❖ Conducting training seminars and practical training for teachers from orphanages; Undertaking cooperation agreements with orphanages in 7 regions and with industry-specific technical schools;
- ❖ The Company held two charity events to raise funds for children from orphanages.
- ❖ In 2014, 5 children from orphanages entered industry-specific education institutions.

3. Training program for HPP technical personnel

This program was adopted in 2011 and is aimed at creating conditions to attract, retain, train and develop both young professionals and qualified personnel to address production process changes and HPP equipment modernization. The program includes several areas of activity, including: the formation of personnel reserve for the planned replacement of managerial positions of the production unit, functional training within the framework of the activities undertaken, and simulator training for production personnel to develop the necessary skills.

4. The Corporate Hydropower University

In 2007, a special branch – the Corporate Hydropower University (CorHUn) was set up in the the RusHydro Group, which at first was given tasks to develop the competencies and upgrade the qualifications of the Group's employees. Now, CorHUn is a real hydropower academy. With the participation of Corporate University specialists, RusHydro, in the regions of its presence, has opened Power Classes, Technical Creativity Centers for young people, has developed educational materials for teachers, and has organized internships for students of industry-specific higher educational institutions at corporate facilities. These activities make it possible to create a comprehensive training system for the personnel motivated to work in the Company and an effective system of corporate training and social support for young employees and qualified personnel.

2007-2014 Performance Results of CorHUN

The CorHUN has developed **25** professional development programs and dedicated training sessions for the main categories of the HPP's production personnel and more than **100** courses for other personnel categories

118 pupils from **12** Russian regions studied and rested in Summer Energy Schools

1,451 students interned at the Group's facilities

1,893 pupils from more than 50 Russian regions and CIS countries took part in the corporate academic competition "Energy of Education;" 129 of them were prize-winners and winners

More than **30** corporate employees teach in Energy Classes

46% of the graduates of Energy Classes entered higher education institutions in the areas of "Electric Power Industry" and "Hydropower Plants;" **31%** chose technical professions demanded at the Company's facilities

134 training programs in the partner higher education institutions have been updated, taking into account JSC RusHydro's standards

24 video collections and more than **150** practical problems in physics have been created

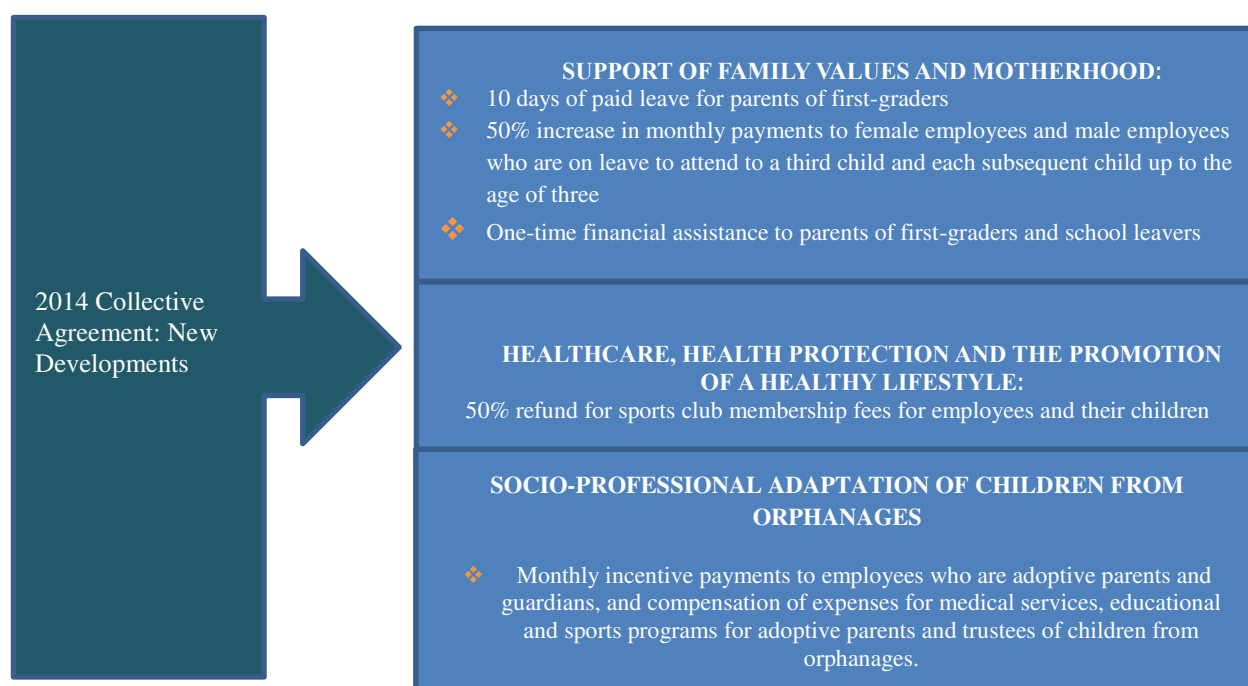
10,173 corporate employees completed on-site training at RusHydro training centers

15,959 people received remote training

550 young employees of RusHydro participated in the talent pool program

Collective Agreement

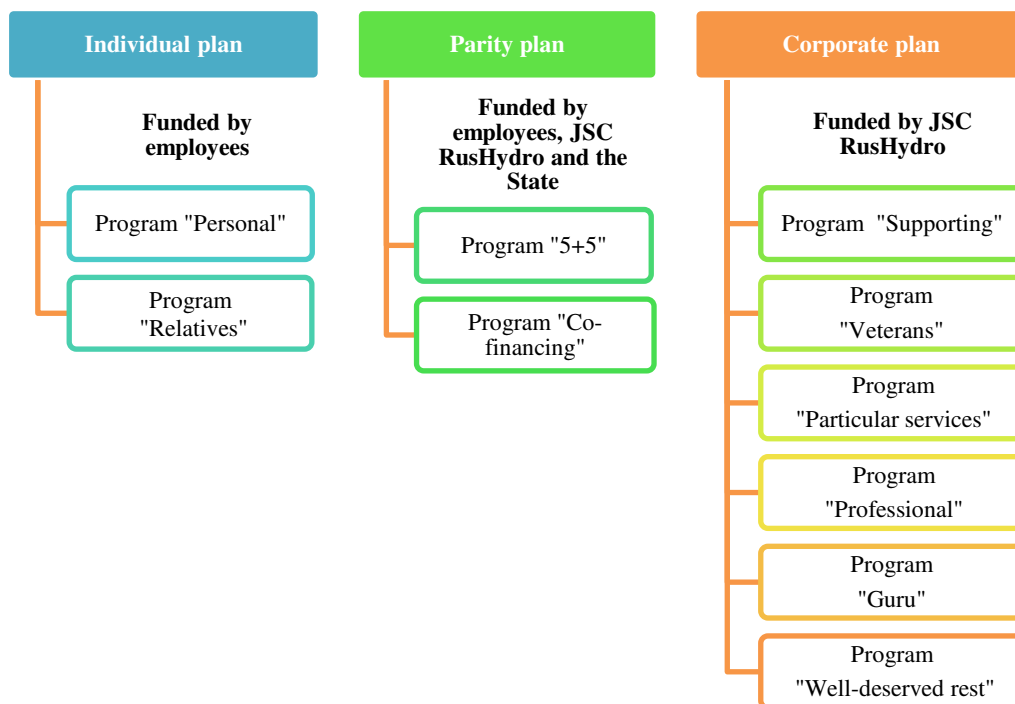
During the reporting year, a new version of the Collective Agreement came into effect, which will be valid at RusHydro till the end of 2016. The document is supplemented by numerous new benefits. However, it did not result in the reduction of its other items. The employee benefits package is preserved in the Company's new Collective Agreement in full.



Non-State pension coverage

Along with the mandatory and voluntary pension and health insurance, RusHydro offers its employees the opportunity to participate in the non-State pension coverage programs. In 2014, the non-State pension coverage system covered approximately 45% of RusHydro employees (compared with 50% in 2013).

Non-State Pension Coverage Structure of RusHydro



Voluntary health insurance

The benefits package for corporate employees includes voluntary health insurance (VHI). To date, VHI policies are provided to 100% of RusHydro employees, with the exception of part-time workers and those who are on probation. The health insurance costs for each employee are approximately RUR 30,550.

Under the voluntary health insurance coverage, employees take advantage of out-patient medical treatment, urgent and non-urgent hospital services, emergency medical services, and healthcare services abroad. In addition, the Company's employees can undergo medical examinations and vaccinations, treatment and preventive examinations in the best Russian and foreign medical facilities.

Housing program

Adopted in 2007, JSC RusHydro's Employee Housing Improvement Program is primarily focused on priority groups of employees: young professionals, professionals who were offered branch positions and relocated from a different location, and production specialists taking key positions in the Company. The main forms of corporate support in upgrading employee housing conditions are granting specific-purpose interest-free loans for the total or partial value of the acquired property and compensation for interest on mortgages. In addition, the Company compensates the rental costs of young professionals who have graduated from higher education institutions with industry-specific specialization and who have found employment at the Company's branches. In 2014, 245 RusHydro employees received compensation for interest on mortgages and rental costs.

Healthy Generation Program

In June 2014, the Company's Board of Directors approved the re-drafted 2014 Insurance Coverage Program of JSC RusHydro. Program changes are associated with implementing the assignment of the Government of the Russian Federation on providing State corporation employees and employees of Russian companies partially owned by the State with vouchers to sanatorium-and-spa resorts in the Autonomous Republic of Crimea. The Company has developed the Healthy Generation program, under

which during the reporting period the Company's employees, their parents and children were able to rest in sanatorium-and-spa resorts of the Crimean Federal District for free.

Charity and Sponsorship

The Charity and Sponsorship Program included in RusHydro's corporate strategy is focused on educating the new generation of professional power engineers and forming a favorable social environment in all regions in which the Company is present.

The Company's 2014 Charity and Sponsorship Program in the amount of RUR 708 million was approved in early 2013. In August 2014, the Company decided to increase the amount of the Program by RUR 500 million to accommodate financial assistance to the Dinamo hockey club. The final amount of the Program stood at RUR 1,208 million. The main areas of the Program include:

Funding for industry-specific and other higher education institutions

RusHydro spent approximately RUR 65 million to support the following Russian higher education institutions:

- ❖ The Moscow State University of Civil Engineering
- ❖ The Saint Petersburg State Polytechnical University
- ❖ The Moscow Power Engineering Institute
- ❖ The Sayano-Shushenskiy Branch of the Siberian Federal University
- ❖ The Amur State University
- ❖ The Saint Tikhon's Academy of Humanities

Implementation of charitable environmental projects

More than RUR 10 million were spent on organizing and conducting various charitable environmental activities, including the "Ecological Paths" project under which the Company organizes hiking routes, builds ecological paths and develops recreation areas in the following nature reserves and sanctuaries:

- ❖ The Zeisky State Nature Reserve
- ❖ The Khinganskiy State Nature Reserve
- ❖ The Homeland of the Crane Nature Reserve, the Moscow Region
- ❖ Elnikovskaya Grove, Novocheboksarsk
- ❖ The North Ossetian State Nature Reserve
- ❖ The Kabardino-Balkar State High-Mountain Nature Reserve
- ❖ The Samarskaya Luka National Park
- ❖ The Preduralye Landscape Reserve, Perm
- ❖ The Darwinsky Biosphere Reserve
- ❖ The Nechkinsky National Park

The "Ecological paths" project teaches respect for nature and provides an opportunity to get acquainted with rare animals and plants and enjoy the beauty of protected parts of Russia.

The "Born by Energy" Action

RusHydro steered more than RUR 10 million towards implementation of the "Born by Energy" Action which equips maternity hospitals and the maternity wards of hospitals in the cities in which the Company's facilities are located with expensive diagnostic and rehabilitation equipment.

Educational activities

In 2014, the Company spent RUR 60 million to fund the Russian Geographical Society's activities, including the creation of a grant fund, the development of outreach and publishing activities, and expedition organization.

More than RUR 28 million were spent by the Company on overhauling Secondary School No. 44 in Sevastopol.

The Company allocated RUR 10 million to create the "Water Room" exhibition in the new building of the Moscow Experimental Museum. This is a unique set of exhibits which will tell you about hydropower, and show the laws of hydropower and hydrodynamics.

The Almanac for children and teenagers "I Want to Know Everything," which was published annually from 1957 to 1990 by the Leningrad branch of the Children's Literature Publishing House, received a second life thanks to mutual cooperation between the St. Petersburg DETGIZ Publishing House and RusHydro. The Almanac includes articles on topics, such as: "Out of the Ground. Space, Stars, Rockets," "The Earth. Atmosphere, ocean, mineral resources, and geography," "Life. Plants, animals, microbes," "Man. Evolution, body, psychology" and "The Second Nature. Energy, engineering, industry." The book has been presented in all regions in which the Company operates and a large part of the circulation has been given to children's homes, schools and libraries.

RusHydro held the ninth annual event "Books as a gift." Visually impaired and blind children in 14 Russian regions received 513 sets of illustrated books in Braille. The action took place in the Dagestan, Kabardino-Balkaria, Karachay-Cherkessia, North Ossetia, Khakassia, Chuvashia, in the Volgograd, Saratov, Nizhny Novgorod, Novosibirsk, Samara and Yaroslavl Regions, and the Perm Territory. Specialized books for preschool age children were published at the expense of RusHydro by Illustrated Books for Small Blind Children, a non-governmental charitable foundation. The books are not sold; they are distributed free-of-charge and in a targeted way thanks to contributions from art patrons and sponsors.

The comprehensive development program of the social infrastructure of the Cheryomushki Village

The comprehensive development program of the social infrastructure of the Cheryomushki Village is being developed and implemented by RusHydro together with the Government of the Republic of Khakassia, with the participation of the city administration of Sayanogorsk. The program provides for a complete renovation and modernization of the social facilities of the village (schools, health facilities, roads, bridges, playgrounds and sports facilities). In 2014, the Company continued to fund the Program, allocating RUR 140.3 million for this objective.

Sports support

During the reporting year, the Company allocated more than RUR 560 million to the support and development of Russian sports, the financing of the Dinamo hockey club, the Russian Whitewater Federation, the Practical Shooting Federation of Russia, the Russian Chess Federation, the Russian Union of Martial Arts and other sports institutions.

Corporate Volunteering

The Company develops corporate volunteering and supports individual employee participation in various social projects. Over the past two years, the Company has repeatedly organized charity events to raise funds for the needy, fairs involving charitable foundations, and donor days. In 2014, the total amount of donations by employees amounted to more than RUR 2.5 million.

Interactions with regional and municipal authorities

Along with international activity development, RusHydro is undertaking efforts to develop strategic interactions with local authorities in the regions in which it operates and create a favorable social climate for efficient Group development, including by developing social partnership in those regions. Completing social and economic cooperation agreements is one of the forms by which RusHydro interacts with regional authorities to address regional socio-economic problems.

As of December 31, 2014, 13 cooperation agreements have been entered into with the following regions:

- ❖ The Republic of Altai;
- ❖ The Republic of Bashkortostan;
- ❖ The Republic of Dagestan;
- ❖ The Kabardino-Balkarian Republic;
- ❖ The Republic of North Ossetia-Alania;
- ❖ The Republic of Khakassia
- ❖ The Krasnoyarsk Region
- ❖ The Stavropol Region (two agreements);
- ❖ The Amur Region (two agreements);
- ❖ The Astrakhan Region;
- ❖ The Moscow Region;
- ❖ St. Petersburg;
- ❖ The Magadan Region.

The Group is convinced that only close interactions with local authorities when developing RusHydro's presence in the respective territories may guarantee continued success.

Safety and Environmental Protection

Industrial security

Ensuring a reliable energy supply and the safe operation of equipment and hydro-power engineering for the population and the environment is one of RusHydro's key strategic objectives.

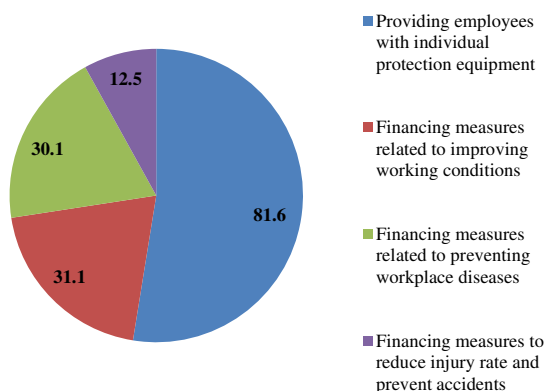
Approaches used to ensure energy supply reliability and the safety of equipment, buildings and structures are fixed in the provisions of RusHydro's Technical Policy, which came into effect in 2011. The instrument used to implement the Technical Policy is the Production Program which is developed based on the results of evaluating equipment condition, the forecasts for energy consumption in the regions and the water inflows of rivers, as well as industry standard requirements. The Program's activities are planned for the medium (6-years) and long-term (15-years).

To identify and analyze insurance risks at production assets, the Company conducts surveys (independent technical expertise), and introduces a system of key performance indicators (KPIs) and limits (control figures), including monitoring how the object can be protected in the event of natural disasters.

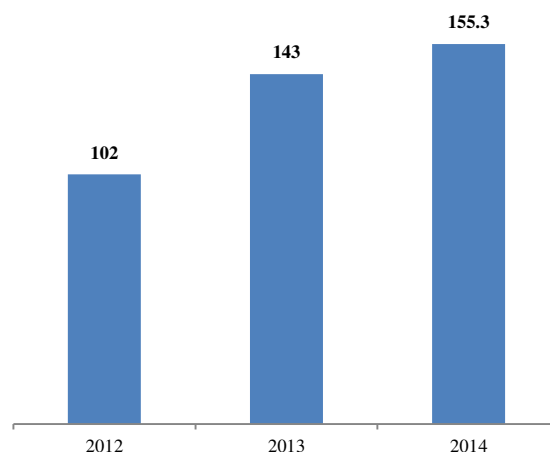
Occupational safety and health

Being as a responsible and socially oriented employer, RusHydro organizes and constantly improves its modern occupational health and safety management system which complies with the latest global trends. The Company implements measures related to preventing workplace accidents and diseases, improving general working conditions, and providing employees with individual protection equipment, as well as organizing medical examinations and special assessments of the personnel's working conditions.

The Company's Expenditures on Occupational Safety and Health, 2014, RUR million



The Company's Expenditures on Occupational Safety and Health, 2012-2014, RUR million



Ecological safety

The Company fulfills Russian legislative requirements in the field of environmental protection; participates in the performance of Russia's obligations that arise from international conventions in the environmental protection sphere, as ratified by the Russian Federation; and aims to continually reduce its (negative) influence on the environment and to prevent environmental pollution.

The introduction of new techniques and technologies under the Comprehensive HPPs Modernization Program is carried out subject to the Company's Environmental Policy objectives and principles, which reduces the production's impact on the environment.

The Company supports the industry and international initiatives to reduce industrial load on the environment and the population, and to promote and establish environmental responsibility standards. The Company carries out compulsory compensatory measures to reduce the environmental load in the zones impacted by the Company's facilities:

- ❖ Stocking and developing natural sites and protected areas;
- ❖ Holding voluntary environmental programs aimed at promoting environmental friendliness (cooperation with the reserves, national parks and other protected areas, as well as with educational institutions and environmental organizations).

RusHydro Group's Sustainable Development Report

The Company prepares the RusHydro Group's Sustainable Development Report on an annual basis which covers the most notable corporate achievements in economic, environmental and social spheres. More information about the social reports of the Company can be found on the corporate website at the following link: http://www.rushydro.ru/sustainable_development/socialotvetstvenost/kso/.

The RusHydro Group's 2013 Sustainable Development Report won first place in a composite rating of the non-financial reporting of companies partially owned by the State, which was carried out by Emerging Communications at the end of 2013. According to analysts, the Company has demonstrated a high degree of corporate social responsibility and has fully disclosed its performance results. The RusHydro Group received the highest score on the extent of information disclosure, being in first place on parameters such as economic impact, and environmental and social details. The RusHydro Group was the only company whose report received assurance from the Global Reporting Initiative (GRI) and one of the two companies which held dialogues with stakeholders as part of report preparation.

The 2013 Report also received public acknowledgment from the Council on Non-financial Reporting of the Russian Union of Industrialists and Entrepreneurs (RSPP), which proves the Company's consistency in developing a reporting process and ensuring activity transparency.

Contacts and Administrative Details

Full name:	Открытое акционерное общество “Федеральная гидрогенерирующая компания – РусГидро”
Abbreviated name:	ОАО “РусГидро”
Full name in English::	“Open Joint Stock Company Federal Hydro-Generating Company – RusHydro”
Abbreviated name in English:	JSC RusHydro
Primary State registration number (OGRN)	1042401810494
Individual taxpayer number (INN)	2460066195
Tax registration code (KPP)	997450001
General classification of enterprises and organizations (OKPO)	75782411
Russian classification of economic activities (OKVED)	40.10.12

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Internet address:	www.pwc.ru

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	http://www.osetia.rushydro.ru/
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Glossary of Key Terms and Abbreviations

Company, RusHydro	JSC RusHydro, including its branches and executive office
The RusHydro Group	JSC RusHydro, including its subsidiaries and dependent companies (SDCs)
RAO Energy Systems of the East Group	JSC RAO Energy Systems of the East
SDCs	Subsidiaries and dependent companies - entities, in which another (main) economic entity due to its majority or greater participation in the charter capital or in accordance with a concluded agreement or in another way, has the opportunity to determine the decisions adopted by said entities.
JSC RAO UES of Russia	The Russian energy company (until July 1 st , 2008). Full name - Open Joint Stock Company Unified Energy System of Russia. The Company previously united almost all of Russia's energy sector under its umbrella. JSC RAO UES of Russia ceased to exist as of June 30 th , 2008 due to comprehensive energy sector reform
WGCs	Generating companies of the wholesale electricity market (WEM) – companies formed on the basis of the power plants.
TGCs	Territorial generating companies – companies formed during the inter-regional integration of generating assets of JSC-energy (regional generating companies), except generating assets that are included in the OGC(s)
IES	Integrated Energy System (IES) – aggregated production and other electricity property assets, connected via a unified production process (including production in the form of the combined generation of electrical and heat energy) and the supply of electrical energy under the conditions of a centralized operating and dispatch management.
HPP	Hydropower plant – the power plant as a unified production and technological complex, combining hydro-technical constructions and equipment that transforms mechanical energy from water into electric energy. In the text of the annual report, except when otherwise noted, tidal power stations and PS HPPs are included as HPPs
PS HPP	Pump storage hydropower plant – pump-storage power plant, which works by transforming electricity from other power plants into the potential energy of water; during reverse transformation, accumulated energy is contributed to the energy system primarily to cover deficits that may occur during peak load periods
HTC	Hydro-technical constructions – dams, hydropower plant constructions, spillways, drain and water-discharge constructions, tunnels, channels, pumping stations, navigation locks, boat lifts; buildings used to protect from floods and the destruction of water reservoir shores; dam constructions, protecting the liquid waste reservoirs of production and agricultural organizations; devices that protect against washing-away and other constructions designed to use water resources and to prevent any negative impact from water and liquid waste
RES	Renewable energy sources – examples include: hydro, solar, wind, geo-thermal, hydraulic energy, energy from water currents, waves, tides, the temperature gradient of sea water, temperature differences between air masses and the ocean, heat from the Earth, animal bio-masses and vegetable and household waste
WPS	Wind electric plants include two or more wind energy installations designed to convert wind energy into electric energy and its transmission to consumers
FTS	Federal Tariff Service
WEM, WECM	Wholesale electricity market (capacity) – sphere for the turnover of electrical energy (capacity) within the framework of Russia's integrated energy system within the country's unified economic space with the participation of large electricity producers and consumers that have the status of wholesale market objects, confirmed in full accordance with the Russian Federal Law "On the electric power industry" (by the Russian Government). The criteria for including large electricity producers and consumers in the category of large producers and large consumers are also established by the Russian government
Installed capacity	Total nominal active capacity of generators at electric power plants which are part of the Group's structure
NM WEM	The new model of the wholesale electricity and capacity market foresees the transformation of the regulated sector of the wholesale market into a system of regulated contracts (RCs), concluded by wholesale market participants. Electricity and capacity will be sold under RCs. The volume of electricity not sold under RCs will be sold/purchased at free prices on the "day-ahead market" (at prices established as a result of the competitive choice of price applications and with free agreements, where prices are regulated by participants in the agreement(s)). At the same time, if the volume from the price application of purchases did not undergo competitive choice on the day-ahead market, the purchaser will have to buy the respective volumes for consumption on the balancing market
RC	Regulated contracts are concluded by participants in the wholesale market for a term of 1 to 3 years. The prices in each of these agreements are tariffs for energy suppliers and the capacity set by the Russian FTS. The primary condition of the RC is "take or pay." The supplier has to provide the agreed upon amount of electricity (capacity) and (only for electricity) buy in the market at competitive prices on either the day-ahead market or via a free bilateral agreement. The purchaser has to pay for the agreed upon amount independent of its own planned consumption
MW	Megawatt – a unit of measurement for electrical capacity
kWh	Kilowatt-Hour – a unit of measurement for produced electricity
Gcal	Gigacalorie – a unit of measurement for heating energy
Gcalh	Gigacalorie-Hour - a unit of measurement for heating power



JSC RusHydro

ANNUAL REPORT

2014

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Report on Compliance with the UK Code on Corporate Governance

Mandate			Compliance
		SECTION A: LEADERSHIP	
A.1	The Role of the Board	Every company should be headed by an effective board which is collectively responsible for the long-term success of the company	Complies
A.2	Division of Responsibilities	There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision	Complies
A.3	The Chairman	The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role	Complies
A.4	Non-executive Directors	As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy	Complies
		SECTION B: EFFECTIVENESS	
B.1	The Composition of the Board	The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively	Complies
B.2	Appointments to the Board	There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board	Complies
B.3	Commitment	All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively	Complies
B.4	Development	All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge	Partially complies
B.5	Information and Support	The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties	Complies
B.6	Evaluation	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors	Does not comply (The requirement is not feasible in the Russian Federation)
B.7	Re-election	All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance	Complies
		SECTION C: ACCOUNTABILITY	
C.1	Financial And Business Reporting	The board should present a balanced and understandable assessment of the company's position and prospects	Complies
C.2	Risk Management and Internal Control	The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems	Complies

C.3	Audit Committee and Auditors	The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor	Complies
		SECTION D: REMUNERATION	
D.1	The Level and Components of Remuneration	Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance	Complies
D.2	Procedure	There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration	Complies
		SECTION E: RELATIONS WITH SHAREHOLDERS	
E.1	Dialogue with Shareholders	There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place	Complies
E.2	Constructive Use of the AGM	The board should use the AGM to communicate with investors and to encourage their participation	Complies

Report on JSC RusHydro's Compliance with the Principles and Recommendations of the Corporate Governance Code Approved by the Bank of Russia (Letter № 06-52/2463 Dated April 10, 2014)

№	Principle (Principles) of Corporate Governance or Key Criterion (Recommendation)	Brief Description of the Part Where the Principle or Key Criterion is not Observed	Explanation of Key Reasons, Factors and Circumstances why a Principle or Key Criterion is not Met or is Complied with not in full, Description of Used Alternative Mechanisms and Tools of Corporate Governance
1	2	3	4
I. Shareholder Rights and Equality of Conditions for Shareholders to Exercise their Rights			
1.1.	<p>The Company shall ensure equal and fair treatment of all shareholders when they exercise their rights to participate in the management of the Company.</p> <p>The system and practice of corporate governance shall ensure equality of conditions for all shareholders - the owners of shares of the same category (type), including minority (small) shareholders and foreign shareholders, and their equal treatment by the Company.</p>		
1.1.1.	<p>The Company has approved an internal document that defines the basic procedures for the preparation, convening and holding of the general meeting of shareholders and meets relevant recommendations of the Corporate Governance Code, including the Company's obligations:</p> <p>to inform shareholders of the general meeting of shareholders and provide access to meeting materials, including publish the notice of the meeting and materials on the Company's website in the Internet not less than 30 days prior to this date (unless the legislation of the Russian Federation provides for a longer period of time);</p> <p>to disclose information about the date of the drawing up the list of persons entitled to participate in the general meeting of shareholders not less than 7 days prior to this date;</p> <p>to provide shareholders with additional information and materials on the agenda issues of the general meeting of shareholders in accordance with the recommendations of the Corporate Governance Code.</p>	<p>Disclosure of information about the date of the drawing up the list of persons entitled to participate in the general meeting of shareholders not less than 7 days prior to this date;</p>	<p>This norm is not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>

1.1.2.	<p>The Company has assumed responsibilities to adhere to the principle of inadmissibility of actions that lead to an artificial redistribution of corporate control (e.g. voting with quasi-treasury shares, decision to pay dividends on preferred shares under the conditions of limited financial possibilities, decision not to pay dividends defined in the Company's Articles of Association on preferred shares if there are sufficient resources for their payment). These responsibilities are entrenched in the Articles of Association or in the internal documents of the Company.</p>	<p>These responsibilities are not entrenched in the Company's internal documents.</p>	<p>This norm is not entrenched in internal documents.</p> <p>1. In case of approval of interested party transactions and when the Russian Federation does not take part in voting on them, the ban to vote with quasi-treasury shares may significantly complicate the decision-making. Moreover, in the capital markets the most attractive lending terms are offered by banks with state participation and quasi-treasury share votes might be required in the voting due to the fact that quorum cannot be achieved without them. Thus, this ban can cause expenses to the Company when it attracts debt financing on more expensive terms should the transactions with banks with state participation in their authorized capital be not approved.</p> <p>2. Quasi-treasury shares in the RusHydro's Group are temporary thing and related to the preparations for the privatization of the Company (selling to a strategic investor with the state-owned stake in the Company). The Company is aware of the undesirability of quasi-treasury shares and at the same time believes that the Company's efforts to mitigate undesirable consequences of such shares. According to the Company, such disposal should be done with the greatest benefit for the Company and its shareholders.</p>
II. Board of Directors of the Company			
2.1	<p>The Board of Directors determines major strategic targets of the Company's activities in the long term, key performance indicators of the Company, exercise strategic management of the Company, defines the basic principles and approaches to risk management and internal control system in the Company, supervises the activities of executive bodies, determines the Company's policy on remuneration of members of the Board of Directors and executive bodies, as well as performs other key functions.</p>		
2.2.	<p>The Board of Directors shall be an effective and professional management body of the Company which is able to make objective, independent judgment and make decisions that meet the interests of the Company and its shareholders. The Chairman of the Board of Directors should help it carry out the functions imposed on the Board of Directors in a most efficient manner. Meetings of the Board of Directors, preparation for them, and participation of members of the Board of Directors therein should ensure efficient work of the Board of Directors.</p>		
2.2.1.	<p>The Chairman of the Board of Directors is an independent director, or among the elected independent directors a senior independent director is determined who coordinates the work of independent directors and is responsible for interaction with the Chairman of the Board of Directors.</p>	<p>The Chairman of the Board of Directors is not an independent director. A senior independent director has not been elected.</p>	<p>The Chairman of the Board of Directors is a professional attorney who votes in accordance with the directives of the Russian Federation.</p> <p>The Chairman of the Board of Directors is elected based on the directive of the Government of the Russian Federation, including with special features provided for in relation to the strategic Joint Stock Companies which JSC RusHydro has been since 2012.</p> <p>At present, in the Company's internal documents there is no</p>

			<p>information regarding the powers and the status of senior independent director.</p> <p>However, currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
2.2.2.	<p>The Company's internal documents include the procedure for convening and preparing for a meeting of the Board of Directors which enables the members of the Board of Directors to get properly prepared for the meeting and set forth, inter alia:</p> <p>the period for notifying members of Board of Directors of the upcoming meeting;</p> <p>the time limits for sending documents (voting ballots) to each member of the Board of Directors and receiving completed documents (voting ballots) therefrom when meetings are held without physical presence of members of the Board of Directors;</p> <p>the possibility to take account of written opinions on any agenda items presented by members of the Board of Directors who are absent from the meeting;</p> <p>the possibility to discuss and vote on the agenda items remotely, via conference and video-conference calls.</p>	<p>The procedure for preparation and holding of meetings of the Board of Directors does not provide for the possibility to discuss and vote on the agenda items via conference and video-conference calls.</p>	<p>This norm is not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
2.2.3.	<p>Most important issues are decided at the meetings of the Board of Directors held in person. The list of issues meets the recommendations of the</p>	<p>The list of issues that are considered at the meetings of the Board of Directors held in person does not meet the recommendations of the Corporate Governance Code.</p>	<p>This norm is not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance</p>

	Corporate Governance Code ¹		<p>Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
2.3.	The Board of Directors should include a sufficient number of independent directors.		
2.3.1.	Independent directors account for not less than one-third of the elected members of the Board of Directors.	Not complied with	<p>The Board of Directors includes three independent directors, which meets the requirements of the Listing Rules of CJSC MICEX Stock Exchange.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
2.3.2.	The Board of Directors (the Nominating (Staff, Appointment) Committee)) conducts a conformance evaluation of candidates to the Board of Directors to the independence criteria.	The Staff and Remuneration Committee of the Board of Directors do not conduct a conformance evaluation of candidates to the Board of Directors to the independence criteria.	<p>At present, such evaluation is not within the competence of the Staff and Remuneration Committee</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
2.4.	The Board of Directors should form committees for preliminary consideration of most important issues of the Company's business.		
2.4.1.	The Board of Directors has established the Audit Committee composed of independent directors. The functions of the Committee are set out in the internal documents and comply with the recommendations of the Corporate Governance Code ²	The functions of the Audit Committee do not comply in full with the recommendations of the Corporate Governance Code	<p>The norms are entrenched in the internal documents not in full.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be</p>

¹ Indicated in paragraph 168 of Part B of the Corporate Governance Code

² Indicated in paragraph 172 of Part B of the Corporate Governance Code

2.4.2.	The Board of Directors has established the Remuneration Committee (can be combined with the Nominating (Staff, Appointment) Committee consisting of independent directors. The functions of the Committee are set out in the internal documents and comply with the recommendations of the Corporate Governance Code ³	The functions of the Remuneration Committee do not comply with the recommendations of the Corporate Governance Code	approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.
2.4.3.	The Board of Directors has established the Nominating (Staff, Appointment) Committee (can be combined with the Remuneration Committee) consisting of independent directors. The functions of the Committee are set out in the internal documents and comply with the recommendations of the Corporate Governance Code ⁴	The functions of the Staff and Remuneration Committee do not comply with the recommendations of the Corporate Governance Code	
III. Corporate Secretary of the Company			
3.1	Effective current interaction with shareholders, co-ordination of the Company's activities to protect the rights and interests of shareholders, support of the effective work of the Board of Directors are provided by the Corporate Secretary (special structural division headed by the Corporate Secretary).		
3.1.2.	The Company has approved an internal document that defines the rights and responsibilities of the Corporate Secretary (Regulation on the Corporate Secretary), the content of which meets the recommendations of the Corporate Governance Code ⁵	The content of the Regulation on the Corporate Secretary does not meet the recommendations of the Corporate Governance Code in terms of subordination of the Corporate Secretary and the conditions and procedures for payment of remuneration to the Corporate Secretary.	<p>This norm is not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
3.1.3.	The Corporate Secretary takes a post without concurrently performing other functions in the Company. The Corporate Secretary has the functions in accordance with the recommendations of the Corporate Governance Code. The Corporate Secretary has sufficient resources to	The Corporate Secretary takes a post concurrently performing other functions in the Company. The Corporate Secretary does not have functions in accordance with the recommendations of the Corporate Governance Code.	<p>These norms are not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles</p>

³ Indicated in paragraph 180 of Part B of the Corporate Governance Code

⁴ Indicated in paragraph 186 of Part B of the Corporate Governance Code

⁵ Indicated in paragraph 186 of Part B of the Corporate Governance Code

	carry out his/her functions ⁶		of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.
IV. System of Remuneration due to Board of Directors, the Executive Bodies, and other key managers of the Company			
4.3.	The system of remuneration of the executive bodies and other key managers of the Company should provide that the amount of remuneration should depend on the Company's performance results and their personal contribution to this result.		
4.3.1.	The Company has in place a long-term motivation program for members of the executive bodies and other key managers of the Company	The Company does not have in place a long-term motivation program for members of the executive bodies and other key managers of the Company using the Company's shares (options or other derivative financial instruments, whose underlying asset is the Company's shares).	<p>The Board of Directors of JSC RusHydro (Minutes № 206 dated November 21, 2014) approved 2015-2019 Long-Term Development Program of the RusHydro Group. This Long-Term Development Program of the RusHydro Group also includes key performance indicators (KPI).</p> <p>This decision also made remuneration of the members of the collegial executive body of the Company dependent on achieving the KPIs of this program.</p> <p>Starting from 2015, the KPI for senior managers were replaced by the KPIs of the Long-Term Development Program. The list of KPIs of the Long-Term Development Program is significantly expanded and approved for 5 years.</p>
V. Risk Management and Internal Control System			
5.1.	The Company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.		
5.1.1.	The Company developed and implemented the anti-corruption policy that defines measures aimed at establishing the elements of corporate culture, organizational structure, the rules and procedures for the prevention of corruption	The Company's anti-corruption policy is not approved as a separate document.	<p>JSC RusHydro developed and approved a number of local regulatory acts aimed at formation of the corporate culture elements, organizational structure, rules and procedures guaranteeing prevention of corruption. In accordance to the Resolution of the Board of Directors, a Code of Corporate Ethics establishing ethical norms and rules of conduct of the Company's employees and members of the Board of Directors was approved, as well as Regulations on an order of prevention and regulating a conflict of interests in JSC RusHydro, Rules and Regulations on RusHydro hotline created to counteract fraud and corruption, illegal activities and to improve the Company's activities.</p> <p>Currently, the Company is developing the anti-corruption policy of the Company which is consistent with the standards of the Corporate Governance Code</p>

⁶ Indicated in paragraph 217 of Part B of the Corporate Governance Code

			approved by the Bank of Russia on March 21, 2014, and the Policy for Managing Conflicts of Interest.
5.2.	To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the Company shall carry out internal audits.		
5.2.1.	<p>The Company has in place a separate structural unit performing the functions of internal audit, which does not functionally report to the Board of Directors. The functions of such division meet the recommendations of the Corporate Governance Code. Such functions include, in particular:</p> <p>performance evaluation of the internal control system; performance evaluation of the risk management; assessment of corporate governance (in the absence of the Corporate Governance Committee)</p>	The structural division performing the functions of the internal audit functionally reports to the Audit Committee of the Company's Board of Directors.	<p>These norms are entrenched in the Structural Division Regulations (№ 981 dated November 28, 2014), as a well as the Internal Audit Policy.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
5.2.2.	Head of the Internal Audit Department reports to the Board of Directors, is appointed and removed from office by the decision of the Board of Directors.	The Head of the Internal Audit Department functionally reports to the Audit Committee of the Company's Board of Directors, is appointed to and removed from office by the Chairman of the Management Board – General Director of the Company as agreed upon with the Audit Committee of the Company's Board of Directors of JSC RusHydro.	<p>These norms are approved by the Regulations on the Audit Committee of the Board of Directors of JSC RusHydro approved by the Board of Directors of JSC RusHydro (№ 188 dated October 25, 2013).</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
5.2.3.	The Company has approved the Internal Audit Policy (Regulation on the Internal Audit) which defines the goals, objectives and functions of the internal audit.	The Internal Audit Policy is not approved by the Board of Directors.	<p>The Internal Audit Policy is approved by the Company's internal order.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms</p>

			of the Company's Corporate Governance Code.
VI. Disclosure of Information on the Company, Information Policy of the Company			
6.1.	The company and its activities should be transparent to shareholders, investors and other interested parties.		
6.1.1.	<p>The company has approved an internal document that defines the company's Information Policy which meets the relevant recommendations of the Corporate Governance Code. The Information Policy of the company includes the following ways to interact with investors and other interested parties:</p> <p>setting up the company's website where it would post answers to frequently asked questions from shareholders and investors, a regularly updated calendar of its corporate events, and other useful information for its shareholders and investors;</p> <p>regular meetings with analysts, members of the executive bodies, and other key managers of the company; and</p> <p>regular presentations (including in the form of conference calls and webcasts) and meetings with members of the management bodies and other key employees of the company, in particular, in connection with publication of financial statements of the company or in relation to major investment projects or plans for strategic development of the company.</p>	<p>The Company's Information Policy does not meet the relevant recommendations of the Corporate Governance Code.</p> <p>The Information Policy of the Company does not include the specified ways to interact with investors and other interested parties.</p>	<p>These norms are not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
6.1.2.	The company's Information Policy is implemented by its executive bodies. The company's Board of Directors shall exercise control over proper information disclosure and compliance with the Information Policy.	The Company's Board of Directors does not exercise control over proper information disclosure and compliance with the Information Policy.	<p>These norms are not entrenched in internal documents.</p> <p>Head of the Corporate and Legal Management Unit exercises control over proper information disclosure and compliance with the Information Policy.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be</p>

			approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.
6.2.	The company should ensure timely disclosure of complete and accurate information about the company in order to enable its shareholders and investors to make informed decisions.		
6.2.1.	The Company discloses annual and interim (semi-annual) consolidated or individual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Annual consolidated or individual financial statements are disclosed together with the auditor's report whereas interim (semi-annual) consolidated or individual financial statements - together with a report on the results of the audit review or audit report.	Interim (semi-annual) consolidated financial statements are not disclosed together with a report on the results of the audit review or audit report.	Interim (semi-annual) consolidated financial statements are not audited.
6.2.2.	The company has disclosed a special memorandum containing plans relating to the company of the person who has control over the company. The said memorandum has been prepared in accordance with the recommendations of the Corporate Governance Code. ⁷	A special memorandum containing plans relating to the company of the person who has control over the company has not been disclosed nor prepared by the Company in accordance with the recommendations of the Corporate Governance Code.	<p>These norms are not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
6.2.3.	The company discloses information on the capital structure in accordance with the recommendations of the Corporate Governance Code.	The Company does not disclose information on the capital structure in accordance with the recommendations of the Corporate Governance Code.	<p>These norms are not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
6.2.4.	The annual report of the company contains	The annual report of the Company does not contain the following additional information recommended by the	The Company's annual report has been prepared in accordance with

⁷ Indicated in paragraph 279 of Part B of the Corporate Governance Code

<p>additional information recommended by the Corporate Governance Code:</p> <p>a summary of most significant transactions, including interested party transactions, entered into by the Company or legal entities controlled by the Company during the past year;</p> <p>a report of the Board of Directors (including reports by its Committees) for the year; in particular, such report should include information about the number of meetings of the Board of Directors held in person/without physical presence of the members of the Board of Directors and about participation of each member of the Board of Directors in its meetings, a description of most important and most complex issues which were discussed at the meetings of the Board of Directors and its committees, and main recommendations made by the committees to the Board of Directors;</p> <p>information about any shares in the company which are owned by, or whose beneficiaries are, members of the Board of Directors and/or executive bodies of the company;</p> <p>information on whether any members of the Board of Directors and the executive bodies have conflicts of interest (including those associated with their participation in the management bodies of any competitors the company);</p> <p>a description of the system of remuneration of members of the Board of Directors, including the amount of individual remuneration payable upon the results of the year to each member of the Board of Directors</p>	<p>Corporate Governance Code:</p> <p>a description of the system of remuneration of members of the Board of Directors, including the amount of individual remuneration payable upon the results of the year to each member of the Board of Directors (with a breakdown between their basic fee, additional remuneration for the chairmanship in the Board of Directors and for the chairmanship/membership in committees of the Board of Directors, the amount of participation in the long-term incentive program, the amount of participation of each member of the Board of Directors in an option plan, if any), reimbursement of expenses associated with their participation in the board of directors, and costs incurred by the Company in connection with liability insurance for its directors in their capacities of members of the management bodies;</p> <p>information on the total remuneration for the year:</p> <p>(a) in respect of a group of at least five members of the executive bodies and other key managers of the Company who receive the largest amounts of remuneration, broken down by type of remuneration;</p> <p>information on the remuneration of the one-person executive body for the year, which he/she has received or is to receive from the Company (or a legal entity forming part of a group of entities which includes the Company) with a breakdown by type of remuneration, both for carrying out his/her duties of the one-person executive body and otherwise;</p>	<p>the requirements of Chapter 70.3 of Disclosure Information Regulation approved by the Bank of Russia dated December 30, 2014 №451-P and the requirements of the Government №1214 dated December 31, 2010. These documents do not contain the requirements set out in the Code of Corporate Governance.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
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	<p>(with a breakdown between their basic fee, additional remuneration for the chairmanship in the Board of Directors and for the chairmanship/membership in committees of the Board of Directors, the amount of participation in the long-term incentive program, the amount of participation of each member of the Board of Directors in an option plan, if any), reimbursement of expenses associated with their participation in the board of directors, and costs incurred by the Company in connection with liability insurance for its directors in their capacities of members of the management bodies; information on the total remuneration for the year:</p> <p>(a) in respect of a group of at least five members of the executive bodies and other key managers of the Company who receive the largest amounts of remuneration, broken down by type of remuneration;</p> <p>(b) in respect of all members of the executive bodies and other key managers of the Company who are subject to the Company's remuneration policy, broken down by type of remuneration;</p> <p>information on the remuneration of the one-person executive body for the year, which he/she has received or is to receive from the Company (or a legal entity forming part of a group of entities which includes the Company) with a breakdown by type of remuneration, both for carrying out his/her duties of the one-person executive body and otherwise</p>	
VII. Major Corporate Actions		
7.1.	<p>Actions that significantly affect or may affect the structure of the share capital and the financial condition of the company and, consequently, the position of shareholders (major corporate actions) should be carried out in an equitable way to ensure that the rights and interests of shareholders and other stakeholders are observed.</p>	

7.1.1.	<p>The company's Articles of Association specify a list (criteria) of transactions or other actions that are major corporate actions, consideration of which falls within the competence of the Board of Directors of the Company. They include:</p> <p>reorganization of the company, acquisition of 30 or more per cent of its voting shares (takeover), increasing or decreasing its share capital, as well as listing and delisting of its shares;</p> <p>any sale of shares (interests) in any legal entity controlled by the company which is material to the latter, where, as a result of such transaction, the company would lose control over such legal entity;</p> <p>any transaction, including inter-related transactions with property whose value exceeds a threshold amount specified in the company's Articles of Association or which is material to the Company's business operations;</p> <p>creation of a legal entity controlled by the Company which is material to the Company's business operations;</p> <p>alienation by the company of treasury and quasi-treasury shares</p>	<p>The Company's Articles of Association do not specify a list (criteria) of transactions or other actions that are major corporate actions, consideration of which falls within the competence of the Board of Directors of the Company.</p>	<p>These norms are not entrenched in the Company's Articles of Association.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
7.2.	<p>The company must put in place a procedure for taking major corporate actions that would allow its shareholders to timely obtain full information about such actions, give them an opportunity to influence such actions and guarantee observance and adequate level of protection of their rights when such actions are taken.</p>		
7.2.1.	<p>Internal documents of the company contain the principle of equal conditions for all shareholders when major corporate actions are taken affecting the rights and legitimate interests of shareholders, and include additional measures to protect the rights and legitimate interests of the</p>	<p>Internal documents of the company do not contain the principle of equal conditions for all shareholders when major corporate actions are taken affecting the rights and legitimate interests of shareholders, and do not include additional measures to protect the rights and legitimate interests of the shareholders of the Company, provided by the Corporate Governance Code.</p>	<p>These norms are not entrenched in internal documents.</p> <p>Currently, the Company is working to implement the norms of the Company's Corporate Governance Code approved by the Bank of Russia on March 21, 2014.</p> <p>The Corporate Governance Code of JSC RusHydro is planned to be approved in 2015. Then, in 2015-</p>

<p>shareholders of the Company, provided by the Corporate Governance Code, including:</p> <p>retaining an independent appraiser with an established impeccable reputation in the market and appraisal experience in the respective area or providing a good reason for not doing so when determining the value of property to be acquired or disposed of pursuant to a major transaction or an interested party transaction;</p> <p>determination of the price of the company's shares by an independent appraiser with an established impeccable reputation in the market and appraisal experience in the respective area when purchasing and redeeming shares, with the account of the weighted average price of the shares over a reasonable period of time, without accounting for the effect of a respective transaction to be entered into by the company (including without accounting for any change in the price of the shares in connection with dissemination of information on the company's entering into the transaction), and without accounting for a discount for selling shares as part of a non-controlling block of shares;</p> <p>expanding a list of grounds on which members of the company's Board of Directors and other persons provided for by the legislation are deemed to be interested in a transactions of the company to evaluate relationships to determine if there is some sort of affiliation.</p>		<p>2016, amendments to the Articles of Association and internal documents of JSC RusHydro will be approved to entrench the norms of the Company's Corporate Governance Code.</p>
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Report on Large Transactions and Interested Party Transactions in 2014

The list of transactions containing names of the Parties	Number and date of Minutes of management body which approved the transaction	Description of the transaction (subject, price, validity of the contract)	Related party (s) and the person (s), which is/are dependent director(s) (when the transaction is being approved)
Non-Residential Lease Contract Parties of the Contract: Lessee – JSC SO UES Lessor – JSC RusHydro	Approved by the Board of Directors (Minutes № 193 dated February 19, 2014)	<p><u>Subject of the Contract:</u> The Lessor undertakes to furnish to the Lessee non-residential premises for charge in temporary possession and use whereas the Lessee takes lease of a part of office premise No 1 located on the second floor of building «VOHR» at the address: Building No3, Moscow Highway №2, Zhigulevsk, urban district Zhigulevsk, the Samara region</p> <p><u>Price of the Contract:</u> The monthly lease is RUR 2,049 (two thousand forty-nine Russian Rubles), including VAT (18%) – RUR 312.56 (three hundred twelve) and 56 kopecks. The total lease payment for the entire lease term is RUR 22,539 (twenty-two thousand five hundred thirty-nine), including VAT (18%) – RUR 3,438.16 (three thousand four hundred thirty-eight) and 16 kopecks.</p> <p><u>Validity term of the Contract:</u> The Contract is valid from the moment of signing it by the both Parties till August 31, 2014, and in terms of payment obligations till complete performance of obligations undertaken by the Parties. The Parties agreed that conditions of the Contract shall be applied to the relations between the Parties which have arisen from October 1, 2014</p>	<p>Related party - member of the Board of Directors of JSC RusHydro B.I. Ayuev, who is also Chairman of the Management Board and member of the Board of Directors JSC SO UES.</p> <p>Related party – the Russian Federation represented by the Federal Agency for State Property Management owning more than 20 percent of JSC RusHydro and JSC SO UES shares. E.V. Dod and B.I. Ayuev do not vote.</p>
Service Contract for Providing Reactive-Power Control without Electricity Generation between JSC RusHydro and JSC SO UES Parties of the Contract: Contractor: JSC RusHydro Customer: JSC SO UES	Approved by the Board of Directors (Minutes № 193 dated February 19, 2014)	<p><u>Subject of the Contract:</u> The Contractor undertakes to provide the Customer with reactive-power control without electricity generation, using the electricity generating equipment of the Volzhskaya Hydro Power Plant, the Votkinskaya Hydro Power Plant, the Zagorskaya Pumped Storage Plant, the Kamskaya Hydro Power Plant, the Ezminskaya Hydro Power Plant, the Gizeldonskaya Hydro Power Plant, operating in synchronous compensator mode, at which during the period of services no electrical energy will be generated, in the manner and subject to the conditions stipulated by the Contract and the regulations of the Russian Federation whereas the Customer undertakes to pay for the RRSK services in the amount, in the manner and in timeframes stipulated by the terms and conditions of the Contract.</p> <p><u>Period for provision of services:</u> JSC RusHydro's contractual obligations relating to the provision of RRSK services will start to be discharged on January 1, 2014 at 00:00. JSC RusHydro's contractual obligations relating to the provision of RRSK services terminate on December 31, 2014 at 12pm. The period for provision of RRSK services is the time during which JSC RusHydro's electricity generating equipment must operate as a synchronous compensator in accordance with JSC SO UES's commands.</p> <p><u>Cost of services:</u> The cost of actually rendered services for a calendar month under the Contract is calculated as follows: $S_{act} = O_{rsk} \times (1 + RR) + [S]cap^{act}$ (the cost of actually rendered services for a calendar month under the Contract is determined for each electricity generating equipment (water-powered generator)).</p> <p>where: $O_{rsk} = \text{Operating costs associated with the involvement of electricity generating equipment (water-powered generator) in the provision of RRSK services. These operating costs are determined in accordance with the Procedure for determining the cost of RRSK services rendered, which is annexed to the Contract;}$ $[S] cap^{act}, \text{ Ruble} = \text{Cost of capacity purchased by JSC RusHydro in the wholesale electricity and capacity market to participate in the provision of RRSK services. This cost is determined in accordance with the Procedure for determining the cost of RRSK services rendered, which is annexed to the Contract;}$</p>	<p>Related party - member of the Board of Directors of JSC RusHydro B.I. Ayuev, who is also Chairman of the Management Board and member of the Board of Directors JSC SO UES.</p> <p>Related party – the Russian Federation represented by the Federal Agency for State Property Management owning more than 20 percent of JSC RusHydro and JSC SO UES shares. E.V. Dod and B.I. Ayuev do not vote.</p>

		<p>RR = Rate of Return of products (services), shall be equal to the refinancing rate of the Central Bank of the Russian Federation at the time of conclusion of the Contract. It is expressed as a decimal fraction.</p> <p>In addition, the value added tax is paid, which is calculated in accordance with the applicable law.</p> <p>The price (monetary value) of services under the Contract shall not exceed RUR 200,000,000.00 (two hundred million Russian Rubles), including VAT (two (2) % of the book value of JSC RusHydro's assets as of the last reporting date).</p> <p><u>Validity term of the Contract:</u> The Contract enters into force from the moment of its conclusion and is valid till complete performance of obligations undertaken by the Parties. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from January 1, 2014.</p>	
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)</p>	<p><u>Subject of the Contract</u></p> <p>The Contractor undertakes to perform designer's supervision during implementation of the comprehensive retooling and modernization project of the RPA power equipment at the 220 kV and 500 kV Outdoor Switch-Gears of the Zeyskaya HPP (hereinafter referred to as the Work) specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools, and render a report in the form of work completion statements to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the report and pay the contract price for the Work.</p> <p><u>Price of the Contract:</u></p> <p>The ceiling price for the work performed under the Contract amounts to RUR 4,533,641 (four million five hundred thirty-three thousand six hundred forty-one Russian Rubles) and 42 kopecks, including VAT (18%) – RUR 691,572 (six hundred ninety-one thousand five hundred seventy-two) and 50 kopecks.</p> <p><u>Period of work execution:</u> Commencement date – from the date of signing the Contract Completion date – November 24, 2016</p> <p><u>Validity term of the Contract:</u> The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)</p>	<p><u>Subject of the Contract</u></p> <p>The Contractor undertakes to perform designer's supervision during implementation of the rebuilding project of foundation plates fixing sections RS-12 - RS-15 of separate wall and sections 2-8 - 2-9 and 3-5 - 3-9 of right-bank retaining walls №2,3, construction and installation work on the fortification cementation of macrofragmental soil and sandy boulder in the base of sections 3-2, 3-3 and 3-4 of right-bank retaining wall № 3 of the Zeyskaya HPP (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of the Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>The ceiling price for the work performed under the Contract amounts to RUR 1,241,794 (one million two hundred forty-one thousand seven hundred ninety-four) and 24 kopecks, including VAT (18%) – RUR 189,426 (one hundred eighty-nine thousand four hundred twenty-six) and 24 kopecks.</p> <p><u>Period of work execution:</u> Commencement date – from the date of signing the Contract Completion date – December 26, 2016</p> <p><u>Validity term of the Contract:</u> The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
JSC RusHydro's	Approved by	<u>Subject:</u>	Related parties - Deputy

<p>additional contribution to the authorized capital of VolgaHydro LLC</p> <p><u>Parties:</u> JSC RusHydro VolgaHydro LLC</p>	<p>the Board of Directors (Minutes № 197 dated April 28, 2014)</p>	<p>JSC RusHydro shall make an additional contribution to the authorized capital of VolgaHydro LLC as part of its increase.</p> <p><u>Price:</u> The amount of additional contribution which increases the nominal value of the share of JSC RusHydro is RUR 11,500,000.</p> <p>Form of the additional contribution: Money</p> <p><u>Term of the additional contribution:</u> The additional contribution should be made within two months from the date of the decision of the General Meeting of Shareholders of LLC VolgaHydro to increase the authorized capital by making additional contributions by shareholders of the Company.</p>	<p>Chairman of the Management Board of JSC RusHydro M.A. Mantrov and member of the Management Board of JSC RusHydro B.B. Bogush, who are also members of the Board of Directors of LLC VolgaHydro. E.V. Dod does not vote</p>
<p>Bank Deposit Contracts / Agreements (67 transactions)</p> <p><u>Parties:</u> Bank – JSC Sberbank of Russia; Client – JSC RusHydro.</p>	<p>Approved by the Board of Directors (Minutes № 191 dated December 5, 2013)</p>	<p><u>Subject:</u> The Bank receives the monetary sum in Russian rubles or in foreign currency (deposit) from the Client, and undertakes to return the amount of the deposit and accrue and pay interest on it.</p> <p><u>Price of all concluded contracts:</u> RUR 2,035,632,135 and 87 kopecks</p> <p><u>Deposit period:</u> Not more than one year from the date of making each deposit.</p>	<p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov. E.V. Dod and A.E. Bugrov do not vote.</p>
<p>Contracts / Agreements for maintaining minimum balance of monetary funds on account (56 transactions)</p> <p><u>Parties:</u> Bank – JSC Sberbank of Russia; Client – JSC RusHydro.</p>	<p>Approved by the Board of Directors (Minutes № 191 dated December 5, 2013)</p>	<p><u>Subject:</u> The Bank undertakes to maintain minimum balance of monetary funds on account as well as accrue and pay interest on it.</p> <p><u>Price of all concluded contracts:</u> RUR 27,193,190 and 53 kopecks.</p> <p><u>Term of maintaining minimum balance on account (accounts):</u> Not more than 30 days from the date of each placement to minimum balance of monetary funds on account.</p>	<p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov. E.V. Dod and A.E. Bugrov do not vote.</p>
<p>Contract № 2917 / BR-0-325-2013 dated August 5, 2013 as amended by Additional Agreement № 1</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 192 dated December 17, 2013)</p>	<p><u>Subject of the Contract</u></p> <p>The Contractor undertakes to elaborate a modernization project for the Vibration Monitoring System of Hydraulic Units at the Bureyskaya HPP, inventory number 8059, specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of the work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 7,628,493 (seven million six hundred twenty-eight thousand four hundred ninety-three) and 50 kopecks, including VAT (18%) – RUR 1,163,668 (one million one hundred sixty-three thousand six hundred sixty-eight) and 50 kopecks.</p> <p><u>Period of work execution:</u> Commencement date – August 3, 2013 Completion date – February 13, 2014</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>

		<p><u>Validity term of the Contract:</u> The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from August 8, 2013.</p>	
<p>Contract for Performance of Research and Development and Technological Work</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 192 dated December 17, 2013)</p>	<p><u>Subject of the Contract</u></p> <p>The Contractor undertakes to perform research and development and technological work specified by the Customer's assignment to develop and test an asynchronous generator prototype with variable frequency drive of HPP and PSPP. Stage 1: Adapting the design of JSC RusHydro's existing PSPPs and those under construction for technology of asynchronous motor-generators (AMG), in accordance with Technical Specifications (Annex 3 to the Protocol) HPP (hereinafter referred to as the Work) within the time limits provided for in the Contract and to turn the results over to the Customer, whereas the Customer undertakes to accept the results of the Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>No more than RUR 135,328,421.16 (one hundred thirty-five million three hundred twenty-eight thousand four hundred twenty-one) and 16 kopecks, including 18% VAT RUR 20,643,318.48 (twenty million six hundred forty-three thousand three hundred and eighteen) and 48 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – November 11, 2013 Completion date – no later than 18 months from the date of the work commencement</p> <p><u>Validity term of the Contract:</u> The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from November 11, 2013.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to elaborate a modernization project for control and measuring equipment of the ground dam and measures of the personnel protection in the performance of the geodetic observations at the control stations of the geodetic network of the Irganaiskaya HPP (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of the Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 3,614,513 (three million six hundred fourteen thousand five hundred and thirteen) and 46 kopecks, including VAT (18%) – RUR 551,366 (five hundred fifty-one thousand three hundred sixty-six) and 46 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – May 1, 2014 Completion date – December 25, 2014</p> <p><u>Validity term of the Contract:</u> The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from May 1, 2014.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to develop a reconstruction project for the road camber in front of the terminal device of the service spillway and its attachment, carry out a pre-project study for and develop the design of the drainage system in drainage gallery 6a which is used to discharge the massif of downstream portal of the diversion tunnel (DT-1) at the Irganaiskaya HPP (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results of the Work over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of the</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>

		<p>Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 3,163,446 (three million one hundred sixty-three thousand four hundred forty-six) and 66 kopecks, including VAT (18%) – RUR 482,559 (four hundred eighty-two thousand five hundred fifty-nine) and 66 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – May 1, 2014 Completion date – December 25, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from May 1, 2014.</p>	
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to develop a project for the reinforcement of grout curtains in CP-1,2 and CP-1,2 and restoration of piezometric and drainage network after reinforcement at the Irganaiskaya HPP (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results of the Work over to the Customer, whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of the Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 7,078,053 (seven million seventy-eight thousand and fifty-three) and 00 kopecks, including VAT (18%) – RUR 1,079,703 (one million seventy-nine thousand seven hundred and three) and 00 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – May 15, 2014 Completion date – November 30, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from March 15, 2014.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to design a configuration of the concrete lining in the access driftway on the left bank dam abutment in the area of cargo shaft, carry out a pre-project study and develop a project for the installation of longitudinal and transverse hydrostatic levelling instruments in the dam gallery at the elevation of 113.5m and carry out a re-fixation of the project for restoration of the approach road to approach passage №7 with the implementation of protective measures against the flooding of the approach passage and the road tunnel of the Miatlinskaya HPP (hereinafter referred to as the Work) specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results of the Work over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of the Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 4,127,866 (four million one hundred twenty-seven thousand eight hundred sixty-six) and 56 kopecks, including VAT (18%) – RUR 629,674 (six hundred twenty-nine thousand six hundred seventy-four) and 56 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – May 15, 2014 Completion date – December 20, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>

		and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from May 15, 2014.	
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to update the reconstruction projects of concrete linings and chutes of driftways, dam galleries, as well as the road tunnel with the implementation of the drainage at the Miatlinskaya HPP (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results of the Work over to the Customer, whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of the Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 2,949,215 (two million nine hundred forty-nine thousand two hundred and fifteen) and 30 kopecks, including VAT (18%) – RUR 449,880 (four hundred forty-nine thousand eight hundred and eighty) and 30 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – May 15, 2014 Completion date – December 20, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from May 15, 2014.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Supplementary Agreement №1 to the R & D Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of Supplementary Agreement №1:</u></p> <p>1. Change in the period of work execution: Paragraph 1.5 of the Contract shall be reworded as follows: "1.5. The Contractor shall perform the Work within the following time period: 1.5.1. Commencement date: from January 15, 2014; 1.5.2. Completion date: no later than July 30, 2015"</p> <p>2. Change in the manner of payment for Work: Paragraph 3.4.2 of the Contract shall be reworded as follows: "3.4.2. Advance payments provided for in Articles 3.4.1. of the Contract shall be paid in the following order: Phase 1, Phase 2 and Phase 3 - within thirty (30) calendar days from the effective date of the Contract, but not earlier than January 15, 2014; Phase 4 - within thirty (30) calendar days from the date of signing the acceptance certificates for work completed on Phase 3, but not earlier than thirty (30) calendar days before to the commencement of the relevant phase, provided the Customer receives the invoice issued by the Contractor." Paragraph 3.4.3, 3.9 and Section 6 of the Contract shall be excluded.</p> <p>3. Change in the validity term of the Contract: Paragraph 13.1 of the Contract shall be reworded as follows: "The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from January 15, 2014."</p> <p>4. Changes in the work schedule: Annex 2 to the Contract shall read as amended by Annex 1 to the Supplementary Agreement.</p> <p><u>Price:</u></p> <p>RUR 135,328,421.16 (one hundred thirty-five million three hundred twenty-eight thousand four hundred twenty-one) and 16 kopecks, including 18% VAT – RUR 20,643,318.48 (twenty million six hundred forty-three thousand three hundred and eighteen) and 48 kopecks.</p> <p><u>Period of work execution under the Contract taking into account Supplementary Agreement № 1:</u></p> <p>Commencement date – January 15, 2014 Completion date – no later than July 30, 2015</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>

		<p><u>Validity term of the Contract:</u></p> <p>Supplementary Agreement №1 enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of Supplementary Agreement №1 shall be applied to the relations between the Parties which have arisen from January 15, 2014.</p>	
<p>Paid Service Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: All-Russian Employers' Association "Russian Union of Industrialists and Entrepreneurs"</p>	<p>Approved by the Board of Directors (Minutes № 200 dated June 24, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to provide the Customer with services to organize and conduct public assurance of the non-financial report on sustainable development of the RusHydro Group for 2013, and the Customer undertakes to pay for these services.</p> <p><u>Timeline for provision of services:</u></p> <p>From the moment of the Contract's signing till December 31, 2014.</p> <p><u>Price of the Contract:</u></p> <p>RUR 220,000 (two hundred and twenty thousand), including 18% VAT – RUR 33,559 (thirty-three thousand five hundred fifty-nine) and 32 kopecks</p>	<p>Related parties – member of the Board of Directors of JSC RusHydro A.E. Bugrov and member of the Board of Directors of JSC RusHydro E.V. Dod, who are also members of the Management Board of All-Russian Employers' Association "Russian Union of Industrialists and Entrepreneurs"</p> <p>E.V. Dod and A.E. Bugrov do not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to elaborate design documentation for the replacement of direct current electrical pathways of the Sayno-Shushenskaya HPP, specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 1,004,711 (one million four thousand seven hundred eleven), including VAT (18%) – RUR 153,261 (one hundred fifty-three thousand two hundred sixty-one).</p> <p><u>Period of work execution:</u></p> <p>Commencement date – July 1, 2014 Completion date – November 30, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Paid Service Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to render the Customer services for refining the inspection of the MARKHI structures (building structures of the machine hall roofing, which are named after Moscow Institute of Architecture and Construction's developer) at the Sayano-Shushenskaya HPP and the Maininsky Hydro System of JSC RusHydro branch - the Sayano-Shushenskaya HPP named after P.S. Neporozhny whereas the Customer undertakes to accept the services and pay the contract price for them.</p> <p><u>Price of the Contract:</u></p> <p>RUR 5,930,777 (five million nine hundred thirty thousand seven hundred seventy-seven) and 94 kopecks, including VAT (18%) – RUR 904,694 (nine hundred and four thousand six hundred ninety-four) and 94 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – July 1, 2014 Completion date – November 30, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the</u></p>	<p>Approved by the Board of Directors (Minutes №</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to elaborate design documentation for comprehensive beautification of the Sayno-Shushenskaya HPP, specified</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO</p>

<u>Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject	197 dated April 28, 2014	by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it. <u>Price of the Contract:</u> RUR 11,799,955 (eleven million seven hundred ninety-nine thousand nine hundred fifty-five) and 16 kopecks, including VAT (18%) – RUR 1,799,993 (one million seven hundred ninety-nine thousand nine hundred ninety-three) and 16 kopecks <u>Period of work execution:</u> Commencement date – from the date of signing the Contract Completion date – October 31, 2014 <u>Validity term of the Contract:</u> The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them.	of JSC Lenhydroproject. E.V. Dod does not vote.
Paid Service Contract <u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject	Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)	<u>Subject of the Contract:</u> The Contractor undertakes to render the Customer the services for the dynamic calculation of the bearing capacity of the SSHHPP's "dam-foundation" system for the seismic impact of the maximum credible earthquake, taking into account the possibility of joint and crack opening <u>Price of the Contract:</u> RUR 3,457,671 (three million four hundred fifty-seven thousand six hundred seventy-one) and 40 kopecks, including VAT (18%) – RUR 527,441 (five hundred twenty-seven thousand four hundred forty-one) and 40 kopecks. <u>Timeline for provision of services:</u> Commencement date – April 1, 2014 Completion date – June 30, 2014 <u>Validity term of the Contract:</u> The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from April 1, 2014.	Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.
Independent-Work Contract <u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject	Approved by the Board of Directors (Minutes № 200 dated June 24, 2014)	<u>Subject of the Contract:</u> The Contractor undertakes to elaborate design documentation for comprehensive reconstruction of the Votkinskaya HPP (comprehensive part), specified by the Customer's assignment, at its own risk and with the use of its own materials and to turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it. <u>Price of the Contract:</u> RUR 472,000,000 (four hundred seventy two million), including VAT (18%) – RUR 72,000,000 (seventy-two million). <u>Period of work execution:</u> Commencement date – April 15, 2014 Completion date – July 30, 2021 <u>Validity term of the Contract:</u> The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from April 15, 2014	Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.
Paid Service Contract № SSH- 523-2012 dated October 25, 2012 (including	Approved by the Board of Directors (Minutes № 197 dated	<u>Subject of the Contract:</u> The Contractor undertakes to render the Customer services for the development of the provisional rules for using water resources of the Sayano-Shushenskiy Hydro Energy Complex on the Yenisei River whereas	Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject.

Supplementary Agreements to the Contract) <u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject	April 28, 2014)	the Customer undertakes to accept the services and pay the contract price for them. <u>Price of the Contract:</u> RUR 6, 336,028.88, including VAT (18%) – RUR 966,512.88 <u>Period of work execution:</u> Commencement date – May ,1 2012 Completion date – April 30, 2014	E.V. Dod does not vote.
Paid Service Contract № SSH-545-2012 dated November 26, 2012 (including Supplementary Agreements to the Contract) <u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject	Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)	<u>Subject of the Contract:</u> The Contractor undertakes to render the Customer the services for the development and justification of safety criteria of the SSHHPP's hydro technical constructions and the development of the Safety Declaration of the SSHHPP's Hydraulic Structures of JSC RusHydro branch - the Sayano-Shushenskaya HPP named after P.S. Neporozhny whereas the Customer undertakes to accept them and pay the contract price for them. <u>Price of the Contract:</u> RUR 9,381, 260.78 , including VAT (18%) – RUR 1,431, 039.78 <u>Period of work execution:</u> Commencement date – 01.07.2013 Completion date – 25.05.2014	Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.
Paid Service Contract № SSH-544-2012 dated November 09, 2012 (inclusive of the Supplementary Agreement to the Contract) <u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject	Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)	<u>Subject of the Contract:</u> The Contractor undertakes to perform verification survey of potentially unstable massifs whereas the Customer undertakes to accept the services and pay the contract price for them. <u>Price of the Contract:</u> RUR 1,617,226.58, including VAT (18%) – RUR 246,695.58 <u>Period of work execution:</u> Commencement date – July 1, 2013 Completion date – September 30, 2014	Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.
Paid Service Contract № SSH-541-2012 dated November 2, 2012 (including the Supplementary Agreements to the Contract) <u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject	Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)	<u>Subject of the Contract:</u> The Contractor undertakes to perform mining and geological monitoring of the Sayano-Shushenskiy Hydro Energy Complex's subsoil management facilities (left-bank transport tunnel with the GO facility and grouting and drainage galleries), whereas the Customer undertakes to accept the work and pay the contract price for it. <u>Price of the Contract:</u> RUR 1,756,142.08, including VAT (18%) – RUR 267,886.08 <u>Period of work execution:</u> Commencement date – July 1, 2013 Completion date – September 30, 2014	Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.
Independent-Work Contract <u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject	Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)	<u>Subject of the Contract:</u> The Contractor undertakes to develop a program for the construction of new hydropower facilities on the tributaries of the Amur River. Section 2. Construction program of new hydropower facilities on the tributaries of the Amur River, in accordance with the Work Specifications (Annex 3 to the Protocol) (hereinafter referred as the Work) within the time limits stipulated by the Contract whereas the Customer undertakes to accept the results of the Work and pay the contract price for it. <u>Price of the Contract:</u> RUR 60,103,806 (sixty million one hundred and three thousand eight hundred and six) and 56 kopecks, including VAT (18%) – RUR 9,168,377 (nine million one hundred sixty-eight thousand three hundred seventy-	Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.

		<p>seven) and 27 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – February 3, 2014 Completion date – July 31, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from February 3, 2014.</p>	
<p>Contract for Performance of Research and Development and Technological Work</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: NP Hydraulic Power of Russia</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to perform Research and Development in the field of technical regulation, including the development of Corporate Standards, in accordance with the list (Annex 9 to the Protocol) and the Work Specifications (Annex 10 to the Protocol) whereas the Customer undertakes to accept the results of the work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 80,001,784 (eighty million one thousand seven hundred eighty-four) and 55 kopecks, including VAT (18%) in the amount of RUR 12,203,662 (twelve million two hundred and three thousand six hundred sixty-two) and 5 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – June 2, 2014 Completion date – May 31, 2015</p>	<p>Related parties - Chairman of the Management Board: E.V. Dod, members of the Management Board: R.Sh. Alzhanov, V.A. Pekhtin, who are also members of the Supervisory Board of NP Hydraulic Power of Russia. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to develop a project for the creation of an annular structure of Optical Fiber Communication Line in the Branch (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn it over to the Customer, whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of this Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 3,540,000 (three million five hundred and forty thousand), including VAT (18%) – RUR 540,000 (five hundred and forty thousand).</p> <p><u>Period of work execution:</u></p> <p>Commencement date – March 1, 2014 Completion date – November 10, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from March 1, 2014.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Service Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to perform designer's supervision services for the rehabilitation and reconstruction of the Irganayskaya HPP for the needs of JSC RusHydro branch – the Dagestan Branch (hereinafter referred to as the Services), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Services and accept the results of the Services and pay the contract price for them.</p> <p><u>Price of the Services under the Contract:</u></p> <p>RUR 1,354,252 (one million three hundred fifty-four thousand two hundred fifty-two) and 96 kopecks, including VAT (18%) – RUR 206,580 (two hundred and six thousand five hundred eighty) and 96 kopecks.</p> <p><u>Period for the Services execution:</u></p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>

		<p>Commencement date – July 1, 2014 Completion date – November 30, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them.</p>	
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to develop a reconstruction project for the oil cleaning system of the oil cleaning unit and the sewage treatment system of the sewage pumping station equipment of the Irganayskaya HPP (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer, whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of this Work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 851,736 (eight fifty-one thousand seven hundred thirty-six) and 98 kopecks, including VAT (18%) – RUR 129 925 (one hundred twenty-nine thousand nine hundred twenty-five) and 98 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – March 1, 2014 Completion date – September 30, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from March 1, 2014.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to develop a reconstruction project for control butterfly valves № 1,2 to allow for the possibility to fulfill emergency functions and the system to pump water from the cover of turbines № 1,2 of the Irganayskaya HPP (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of this Work and pay the contract price for it.</p> <p><u>Price for the Work under the Contract:</u></p> <p>RUR 1,522,152 (one million five hundred twenty-two thousand one hundred fifty-two) and 80 kopecks, including VAT (18%) – RUR 232,192 (two hundred thirty-two thousand one hundred ninety-two) and 80 kopecks</p> <p><u>Period of the Work execution:</u></p> <p>Commencement date – May 22, 2014 Completion date – December 25, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from May 25, 2014.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Independent-Work Contract № 6672 dated September 26, 2008 and the Supplementary Agreement to the Contract</p> <p><u>Parties of the Contract:</u> Contractor: JSC</p>	<p>Approved by the Board of Directors (Minutes № 200 dated June 24, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Customer requests the Contractor to perform design work and the Contractor undertakes to perform design work on the following theme: "Change-over of the 500 kV connections of the Zagorskaya PSPP from the existing 500 kV outdoor switchgear to the general 500 kV gas insulated switchgear of the Zagorskaya PSPP and the Zagorskaya PSPP-2</p> <p><u>Subject of Supplementary Agreement № 9:</u></p> <p>1. Change in the time for the work completion:</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Hydroproject Institute. E.V. Dod does not vote.</p>

<p>Hydroproject Institute Customer: JSC RusHydro</p>		<p>Paragraph 3.2 of the Contract shall be reworded as follows: "3.2. Completion date: November 21, 2014". 2. Change in the manner of payment for work: Paragraph 6.4 of the Contract shall be reworded as follows:</p> <p>"6.4. Subsequent payments for the performed stages of the Work in accordance with the Work Schedule shall be made by the Customer in the amount of the price of this stage of the Work with retention of the amount equal to the paid advance payment's portion defined in the same proportion as the price of this stage of the Work relates to the price of the Contract. Payments for the performed stages of the Work shall be made by the Customer within 30 (thirty) days from the date of receipt of the bill and the invoice issued by the Contractor on the basis of the work acceptance certificate issued by the Parties. Payment for performed stage № 6.4 shall be made by the Customer within 60 (sixty) days from the date of receipt of the bill and the invoice issued by the Contractor on the basis of the work acceptance certificate issued by the Parties.</p> <p>3. Making amendments to Annex № 1 "Technical Specifications", Annex № 2 "Work Schedule", Annex № 4 "Payment schedule of work performed" to the Contract due to the change in the deadline for the work completion and the terms of payment under the Contract.</p> <p><u>Price of the Contract taking into account the Supplementary Agreements:</u></p> <p>RUR 112,063,508 (one hundred and twelve million sixty-three thousand five hundred and eight) and 20 kopecks, including VAT (18%) – RUR 17,094,433 (seventeen million ninety-four thousand four hundred thirty-three) and 45 kopecks.</p> <p><u>Period of the Work execution:</u></p> <p>Commencement date – September 30, 2014 Completion date – November 21, 2014</p>	
<p>Credit Agreement dated December 7, 2011, taking into account restated Credit Agreement being concluded</p> <p><u>Parties of the Agreement:</u> Creditor – the European Bank for Reconstruction and Development; Borrower – JSC RusHydro</p>	<p>Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)</p>	<p><u>Subject of the Agreement</u></p> <p>The Creditor undertakes to grant monetary means (credit) to the Borrower whereas the Borrower undertakes to return the received credit and pay interest on it and make other payments, in the amount, within timeframes and according to the Agreement.</p> <p>Basic conditions of the Credit Agreement:</p> <p>Credit limit: RUR 7, 500, 000, 000 (Seven billion five hundred million) including:</p> <p>Tranche A – RUR 4,000,000,000 (four billion);</p> <p>Tranche B – RUR3,500,000,000 (three billion five hundred million)</p> <p>Credit interest:</p> <p>For Tranche A - amount of floating rate which is set based on MosPrime Rate 3m, plus a maximum fixed margin in the amount of 3.00 percent per annum;</p> <p>For Tranche B - amount of floating rate which is set based on MosPrime Rate 3m, plus a maximum fixed margin in the amount of 2.32 (two point thirty-two) percent per annum;</p> <p>Early repayment fee – not more than 1 (one) percent of early repaid portion of credit</p> <p>Non-recurring fee - no more than 0.1 (zero point one) percent of the Tranche B amount.</p> <p><u>Price of the Contract:</u></p> <p>The maximum price of the Credit Agreement is defined as the aggregate of the following values: -Credit limit from the Bank under the Contract in the amount of RUR7,500,000,000 (seven billion five hundred million, including:</p> <p>Tranche A – RUR4,000,000,000 (four billion);</p> <p>Tranche B – RUR3,500,000,000 (three billion five hundred million)</p> <p>- Credit interest for the entire term of the Agreement at the marginal</p>	<p>Related party - Member of the Board of Directors of JSC RusHydro D.S. Morozov, who is also the Executive Director in the Board of Directors of the European Bank for Reconstruction and Development. D.S Morozov and E.V Dod do not vote.</p>

		<p>floating rate in the amount of the aggregate of the MosPrime 3M rate (the floating rate MosPrime (Moscow Prime Offered Rate) is understood to be the indicative rate of ruble loans granted by the leading participants of Russian money market, which is calculated in accordance with the Regulation on the formation of the indicative rate for ruble loans MosPrime Rate - Moscow Prime Offered Rate, which is approved by the National Currency Association (NCA);</p> <p>is posted by Thomson Reuters and the NCA on the webpage MOSPRIME1 of the Reuters information system) and the maximum fixed margin of 3.00 percent per annum for Tranche A and 2.32 (two point thirty-two) percent per annum for Tranche B;</p> <p>- maximum non-recurring fee - 0.1 (zero point one) percent of the Tranche B amount.</p> <p>Price of assets which may be alienated under the Credit Agreement shall not exceed 2 percent of book value of assets of the Company based on the financial statements' data as of the last reporting date – March 31, 2014.</p> <p>Value of the transaction in monetary terms is RUR 15,253,890,494.07 (fifteen billion two hundred and fifty three million eight hundred ninety thousand four hundred ninety four 7/100 Russian Rubles)</p> <p><u>Validity term of the Agreement (lending:</u></p> <p>Tranche A – up to 14.5 years from the date of Agreement;</p> <p>For Tranche B - up to 10 years from the date of Agreement.</p>	
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Hydroproject Institute</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to perform the work on the following theme: "Development of a project for the reconstruction of hydraulic structures and the installation of additional control and measuring equipment at the structures of the Zagorskaya PSPP" specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools whereas the Customer undertakes to accept the work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 14,298,724 (fourteen million two hundred ninety-eight thousand seven hundred twenty-four) and 34 kopecks, including VAT (18%) – RUR 2,181,161 (two million one hundred eighty-one thousand one hundred sixty-one) and 34 kopecks.</p> <p><u>Period of the Work execution:</u></p> <p>Commencement date – January 1, 2014 Completion date – October 30, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from February 1, 2014.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Hydroproject Institute. E.V. Dod does not vote.</p>
<p>Novation Agreement regarding Independent-Work Contract № P-34/11 dated of June 14, 2011</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Designer: JSC Hydroproject Institute; New Designer – JSC Mosoblhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 197 dated April 28, 2014)</p>	<p><u>Subject of the Agreement:</u></p> <p>The Designer transfers in full, and the New Designer accepts all rights and obligations under Contract № P-34/11 dated June 14, 2011 (hereinafter referred to as the Contract) and the Customer does not object to such transfer. All the Designer's rights and responsibilities under the Contract, whether existing (not terminated) on the date of the Agreement or arising after the Agreement enters into force, except for work obligations which have already been executed by the Designer are transferred to the New Designer.</p> <p>At the time of signing the Agreement the Designer has fulfilled and the Customer has accepted part of the work under the Contract in the total amount of RUR 5,510,000 (five million five hundred and ten thousands), including VAT (18%) – RUR 840,508 (eight hundred and forty thousand five hundred and eight) and 47 kopeks, as evidenced by the Work Acceptance Certificates (№ 1 dated December 2, 2011 and № 2 dated December 20, 2012).</p> <p><u>Price of the Agreement:</u></p> <p>RUR 142,601,240 (one hundred and forty two million six hundred and one thousand two hundred forty) and 00 kopecks, including VAT (18%) – RUR</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Hydroproject Institute. E.V. Dod does not vote.</p>

		<p>21,752,731 (twenty one million seven hundred fifty-two thousand seven hundred thirty-one) and 53 kopecks.</p> <p><u>Validity term of the Agreement:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them</p>	
<p>Contract № P-02/13 dated January 15, 2013 and the Supplementary Agreement to the Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Hydroproject Institute</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to develop design specifications and estimates and technical documentation (hereinafter referred to as the Project) for the replacement of crane runways, the rehabilitation of water-removal system and for the automation of control and measuring equipment at the hydraulic structures made of gravel and sludge of JSC RusHydro branch – the Kamskaya HPP (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of the Work and pay the contract price for it.</p> <p><u>Price of the Contract including Supplementary Agreement № 1</u></p> <p>RUR 23,403,780 (twenty-three million four hundred and three thousand seven hundred and eighty) and 20 kopecks, including VAT (18%) – RUR 3,570,068 (three million five hundred and seventy thousand and sixty-eight) and 16 kopecks.</p> <p><u>Period of the Work execution:</u></p> <p>From January 15, 2013 till December 31, 2014</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Hydroproject Institute. E.V. Dod does not vote.</p>
<p>Information and Consulting Services Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC ATS</p>	<p>Approved by the Board of Directors (Minutes № 199 dated May 23, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to provide Information and Consulting Services to design scenario operating conditions for the Leningradskaya PSPP under the current model of the wholesale electricity and capacity market of the Russian Federation with the assessment of the impact the operation of the station being designed will have on the operational conditions of the electric power system of the North-West of Russia, and assess the possible ranges of price changes on the wholesale market of the first pricing zone with/without the Leningradskaya PSPP under different scenario conditions of electricity consumption for the period until 2045, according to the assignment to provide information and consulting services whereas the Customer undertakes to accept the services rendered and pay for them.</p> <p><u>Price of the Contract:</u></p> <p>The price (monetary value) of the services under the Contract is RUR 4,130,000 (four million one hundred and thirty thousand) and 00 kopecks, including VAT (18%) – RUR 630,000 (six hundred and thirty thousand) and 00 kopecks.</p> <p><u>Timeline for provision of the Services under the Contract:</u></p> <p>Commencement date - Date of the contract;</p> <p>Completion date - no more than 45 (forty five) days from the date of signing the Contract</p>	<p>Related party - member of the Board of Directors of JSC RusHydro M.S. Bystrov, who is also the Chairman of the Management Board of JSC ATS. M.S. Bystrov and E.V. Dod do not vote.</p>
<p>Supplementary Agreement № 10 to Independent-Work Contract № 6672 dated September 26, 2008</p> <p><u>Parties of the Contract:</u> Contractor: JSC Hydroproject Institute Customer: JSC RusHydro</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of the Supplementary Agreement:</u></p> <ol style="list-style-type: none"> 1. Change in the price of the Contract; 2. Change in the Work Schedule (without changing the commencement and completion dates); 3. Amendments to Annex № 1 "Technical Specifications", Annex № 2 "Work Schedule", Annex № 3 "Summary Budget with annexes", Annex № 4 "Payment Schedule of Work Performed" to the Contract due to the change in the volume of the work to be performed. <p><u>Price of the Contract:</u></p> <p>RUR 120,018,611 (one hundred and twenty million eighteen thousand six hundred and eleven) and 54 kopecks, including VAT (18%) – RUR 18,307,923 (eighteen million three hundred and seven thousand nine hundred twenty-three) and 79 kopecks.</p> <p><u>Period of the Work execution:</u></p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Hydroproject Institute. E.V. Dod does not vote.</p>

		<p>Commencement date – September 30, 2008 Completion date – November 21, 2014</p> <p><u>Validity term of the Supplementary Agreement:</u></p> <p>The Supplementary Agreement enters into force from the moment of signing it by the Parties and is valid till expiration of the Contract. The conditions of the Supplementary Agreement shall be applied to the relations between the Parties which have actually arisen from August 18, 2014.</p>	
<p>Paid Service Contract</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro Contractor: JSC Hydroproject Institute</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to render the Customer services to develop a unified program to monitor hydraulic structures of the Zagorskaya PSPP and the Zagorskaya PSPP-2 for the duration of the maintenance and repair work at the Zagorskaya PSPP-2 Customer whereas the Customer undertakes to accept the services and pay the contract price for them.</p> <p><u>Price of the Contract:</u></p> <p>RUR 2,832,000 (two million eight hundred thirty-two thousand) and 00 kopecks, including VAT (18%) - 432 000 (Four hundred and thirty-two thousand) and 00 kopecks.</p> <p><u>Period of the Services execution:</u></p> <p>Commencement date – July 10, 2014 Completion date – September 30, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of its signing by the Parties and is valid till complete performance of obligations undertaken by them. The Contract shall apply to the relations between the Parties which have actually arisen from July 10, 2014</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Hydroproject Institute. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to update the Irganayskaya HPP project with installed capacity of 400 MW, specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of the work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 308,072,843 (three hundred and eight million seventy-two thousand eight hundred forty-three) and 58 kopecks, including VAT (18%) – RUR 46,994,162 (forty-six million nine hundred ninety-four thousand one hundred sixty-two) and 58 kopecks</p> <p><u>Period of the Work execution:</u></p> <p>Commencement date – July 18, 2014 Completion date – November 30, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of its signing by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from July 18, 2014.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 204 dated September 29, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to develop a reconstruction project for the 13.8 kV switchgears of hydropower units No. 1 and 2 of the Miatlinskaya HPP, specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of the work and pay the contract price for it.</p> <p><u>Price of the Contract:</u></p> <p>RUR 2,506,320 (two million five hundred and six thousand three hundred and twenty) and 00 kopecks, including VAT (18%) – RUR 382,320 (three hundred eighty-two thousand three hundred and twenty) and 00 kopecks.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>

		<p><u>Period of the Work execution:</u></p> <p>Commencement date – October 1, 2014 Completion date – November 30, 2015</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of its signing by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from October 1, 2014.</p>	
<p>Electricity Purchase/Sale Agreement</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Inter RAO</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject:</u></p> <p>The Seller undertakes to transfer to the Buyer's ownership (supply to the Buyer) electricity in the amount determined in accordance with the terms and conditions of the Agreement and the Rules of the wholesale market whereas the Buyer undertakes to accept delivered (accepted) electricity in accordance with the terms and conditions of the Agreement.</p> <p><u>The Seller's delivery point cluster according to the Agreement:</u> GBUREYG1, GBUREYG2.</p> <p>The Buyer's delivery point cluster: PINTCHIN, PINTCHN1.</p> <p>Amount (volume) of electricity to be supplied under the Agreement: no more than 1,200,000 MWh</p> <p><u>Price of the Contract:</u></p> <p>The price of electricity for the period of delivery (hereinafter referred to as the Price of electricity) is RUR 25.18/ MWh (excluding VAT); Should the FTS of Russia change tariffs in respect of the Bureyskaya HPP, which are applied to the delivery time under the Agreement, the Price of electricity under the Agreement can be changed by the amount equal to the twofold tariff for the relevant HPP.</p> <p>The marginal cost of the total amount (volume) of electricity under the Agreement is RUR 35,654,880 (thirty five million six hundred fifty-four thousand eight hundred and eighty), including VAT;</p> <p>The cost of the total amount (volume) of electricity supplied (sold) by the Seller to the Buyer for the accounting period (calendar month) and to be paid by the Buyer to the Seller shall be calculated as the product of the electricity amount for the relevant accounting period, which is determined by a certain commercial operator in the manner prescribed by the Regulations of the Wholesale Market Participants' Performance in the territory of non-pricing zones of the wholesale market, and the Price of electricity.</p> <p><u>Delivery time under the Agreement:</u></p> <p>Delivery commencement date - from the date of Agreement 1 and Agreement 2 accounting by the Commercial Operator.</p> <p>Delivery completion date – December 31, 2014.</p>	<p>Related party – Member of the Board of Directors of JSC RusHydro V.M. Kravchenko, who is also Member of the Board of Directors of JSC Inter RAO.</p> <p>V.M. Kravchenko and E.V. Dod do not vote.</p>
<p>Electricity Purchase/Sale Agreement</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Inter RAO</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Seller undertakes to transfer to the Buyer's ownership (supply to the Buyer) electricity in the amount determined in accordance with the terms and conditions of the Agreement and the Rules of the wholesale market whereas the Buyer undertakes to accept delivered (accepted) electricity in accordance with the terms and conditions of the Agreement.</p> <p>Under Agreement 2: GZEYAGS1, GZEYAGS2.</p> <p>The Buyer's delivery point cluster: PINTCHIN, PINTCHN1.</p> <p>Amount (volume) of electricity to be supplied under the Agreement: no more than 1,200,000 MWh</p> <p><u>Price of the Contract:</u></p> <p>The price of electricity for the period of delivery (hereinafter referred to as the Price of electricity) is RUR31.60/MWh (excluding VAT);</p>	<p>Related party – Member of the Board of Directors of JSC RusHydro V.M. Kravchenko, who is also Member of the Board of Directors of JSC Inter RAO.</p> <p>V.M. Kravchenko and E.V. Dod do not vote.</p>

		<p>Should the FTS of Russia change tariffs in respect of the Zeiskaya HPP, which are applied to the delivery time under the Agreement, the Price of electricity under the Agreement can be changed by the amount equal to the twofold tariff for the relevant HPP.</p> <p>The marginal cost of the total amount (volume) of electricity under the Agreement is RUR 44,745,600 (forty-four million seven hundred forty-five thousand six hundred), including VAT.</p> <p>The cost of the total amount (volume) of electricity supplied (sold) by the Seller to the Buyer for the accounting period (calendar month) and to be paid by the Buyer to the Seller shall be calculated as the product of the electricity amount for the relevant accounting period, which is determined by a certain commercial operator in the manner prescribed by the Regulations of the Wholesale Market Participants' Performance in the territory of non-pricing zones of the wholesale market, and the Price of electricity.</p> <p><u>Delivery time under the Agreement:</u></p> <p>Delivery commencement date - from the date of Agreement 1 and Agreement 2 accounting by the Commercial Operator.</p> <p>Delivery completion date – December 31, 2014.</p>	
<p>Paid Service Contract</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro</p> <p>Contractor: the Federal State Budget Educational Institution of Higher Professional Education «National Research University «Moscow Power Engineering Institute»</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Customer entrusts the Contractor with performing professional retraining and the Contractor undertakes to perform professional retraining of a trainee (Alexander V. Spuskan) in the area of Electrical Power Engineering on the “Electrical Power Engineering” program in the total amount of 722 academic hours, including 514 academic hours of in-class learning and 208 hours of independent work in accordance with the approved curriculum.</p> <p><u>Price of services under the Contract:</u></p> <p>RUR 210,000 (two hundred and ten thousand) and 00 kopecks, VAT free.</p> <p><u>Timeline for provision of services:</u></p> <p>From October 20, 2014 till June 30, 2016.</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of its signing by the Parties and is valid till complete performance of obligations undertaken by them.</p>	<p>Related party – Member of the Board of Directors of JSC RusHydro E.P. Volkov, who is also Member of the Board of Academics of the Federal State Budget Educational Institution of Higher Professional Education «National Research University «Moscow Power Engineering Institute»</p> <p>E.P. Volkov and E.V. Dod do not vote.</p>
<p>Contract and Supplementary Agreement to the Contract for Communications and Data Transmission Services for the Executive Office of JSC RusHydro's Branches</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro</p> <p>Contractor: JSC Rostelekom</p>	<p>Approved by the Board of Directors (Minutes № 204 dated September 29, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to render the Customer data communication services based on a virtual private network organized with the use of the Contractor's Network resources (or other carrier networks) and protected from unauthorized access from the networks of third parties, in accordance with the terms of the Contract whereas the Customer undertakes to accept the services and pay for them in accordance with the terms of the Contract.</p> <p><u>Price of the Contract:</u></p> <p>RUR 16,265,157 (sixteen million two hundred sixty-five thousand one hundred fifty-seven) and 28 kopecks, including VAT (18%) – RUR 432,000 (four hundred and thirty-two thousand) and 00 kopecks.</p> <p><u>Price of the Supplementary Agreement to the Contract:</u></p> <p>RUR 9,530,615 (nine million five hundred and thirty thousand six hundred and fifteen) and 56 kopecks, including VAT (18%) RUR 1,453,822 and 50 kopecks.</p> <p><u>Timeline for provision of services:</u></p> <p>Within twelve (12) calendar months from the date of signing the Contract.</p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The Contract shall apply to the relations between the Parties which have actually arisen from July 14, 2014.</p>	<p>Related party – Member of the Board of Directors of JSC RusHydro M.I. Poluboyarinov, who is also Member of the Board of Directors of JSC Rostelekom.</p> <p>Related party – the Russian Federation represented by the Federal Agency for State Property Management owing more than 20 percent of JSC RusHydro and JSC Rostelekom shares.</p> <p>E.V. Dod and M.I. Poluboyarinov do not vote.</p>
<p>Paid Service Contract № BP-0-406-2012 dated August 28, 2012</p>	<p>Approved by the Board of Directors (Minutes №</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to render the Customer services to monitor the deformation of Hydraulic Structures and subsidence crater in the area of the</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO</p>

<p>including the Supplementary Agreement to the Contract</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro Contractor: JSC Hydroproject Institute</p>	<p>203 dated September 15, 2014)</p>	<p>hydro system by means of geodetic methods whereas the Customer undertakes to accept them and pay for them in accordance with the terms of the Contract.</p> <p><u>Price of the Services under the Contract (including Supplementary Agreement № 1 to the Contract)</u></p> <p>RUR 82,674,647 (eighty-two million six hundred seventy-four thousand six hundred forty-seven) rubles 98 kopecks, including VAT (18%) – RUR 12,611,386 (Twelve million six hundred eleven thousand three hundred eighty-six) and 98 kopecks</p> <p><u>Timeline for provision of services:</u></p> <p>Commencement date – January 1, 2013 Completion date – December 30, 2015</p>	<p>of JSC Hydroproject Institute E.V. Dod does not vote.</p>
<p>Paid Service Contract № BP-0-414-2012 dated August 28, 2012 including the Supplementary Agreement to the Contract</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro Contractor: JSC Hydroproject Institute</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to perform engineering and hydrological survey work whereas the Customer undertakes to accept the work and pay the contract price for it.</p> <p><u>Price of the Services under the Contract (including Supplementary Agreement № 1 to the Contract):</u></p> <p>RUR 8,288,105 (eight million two hundred eighty-eight thousand one hundred and five) rubles 24 kopecks, including VAT (18%) – RUR 1,264,287 (one million two hundred sixty-four thousand two hundred eighty-seven) and 24 kopecks</p> <p><u>Timeline for provision of services:</u></p> <p>Commencement date – January 1, 2013 Completion date – December 30, 2015</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Hydroproject Institute E.V. Dod does not vote.</p>
<p>Supplementary Agreement № 1 to Paid Service Contract № OG-192-63-2014 dated June 2, 2014</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro Contractor: NP Hydraulic Power of Russia</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of Supplementary Agreement № 1:</u></p> <p>Introduction of the following amendments and additions to Contract № OG-192-63-2014 dated 02.06.2014 (hereinafter referred to as the Contract): Appendix № 1 to the Contract (List of Corporate Standards (Development Period - 2014-2015)) shall be read as follows: “The list of corporate standards (development period - 2014-2015) № Name of corporate standards* 1. Operation of HPP. Planning and management of emergency stocks. Recommended practices. 2. Corporate Standards. Management of modernization and reconstruction projects for existing hydropower facilities at pre-design and design stages of the investment process. 3. Hydro power plants. Environmental protection. Environmental impact assessment. Recommended practices. 4. Guidelines for monitoring (control) of a vibration behavior of hydraulic units equipped with permanently installed vibration monitoring systems. 5. Evaluation of technical (marginal) state of power transformers. 6. Computer-aided monitoring and diagnostics of electrical equipment. General specifications, typical structure and functions. 7. Hydro power plants. Training of HPP operating personnel. Standards and specifications. 8. Hydraulic Structures of hydro power plants. Guidelines for multifactor studies. 9. Hydro power plants. Methods to assess technical condition of the main equipment. 10. Hydro power plants. Organization of operation and maintenance. Standards and specifications. 11. Hydro power plants. Extending life of the main equipment in service. Standards and specifications.</p>	<p>Related parties - Chairman of the Management Board: E.V. Dod, members of the Management Board: R.Sh. Alzhanov, V.A. Pekhtin, who are also members of the Supervisory Board of NP Hydraulic Power of Russia. E.V. Dod does not vote.</p>

		<p>12. Hydro power plants. Methods to assess technical condition of auxiliary equipment.</p> <p>13 HPP and PSPP. Emergency Control Automatics (ECA). General specifications typical structure and function.</p> <p>14. Guidelines for selection of protection systems for technical water supply and PT pipings from zebra mussel and other biological deposits at HPP and PSPP.</p> <p>15. Power transformers of hydro power plants. Organization of operation and maintenance. Standards and specifications.</p> <p>16. Microprocessor-based relay protection and automatic equipment of HPP, PSPP. Organization of operation and maintenance. Volumes, standards and specifications.</p> <p>17. Organization of a corporate production asset management system. Standards and specifications.</p> <p>18. Hydro power plants Evaluation and prediction of accident risks at hydraulic structures. Standards and specifications.</p> <p>19. Guidelines for the development and application of standard repair work scope lists of equipment, buildings and structures.</p> <p>20. Hydropower facilities survey guidelines.</p> <p>21. Hydro power plants. Engineering certification of buildings and structures, technological systems, main and auxiliary equipment, switchgears, and equipment for economic and in-house needs. Standards and specifications.</p> <p>22. Hydro power plants Methods to determine safety criteria for hydraulic structures being declared.</p> <p>23. Hydro power plants. Work quality control during construction. Standards and specifications.</p> <p>24. Hydraulic power development. Engineering surveys during development of land-use planning scheme and project documentation. Standards and specifications.</p> <p><u>Price of work under the Contract:</u></p> <p>does not change due to conclusion of Supplementary Agreement № 1 and is RUR 80,001,784 (eighty million one thousand seven hundred eighty-four) and 55 kopecks, including VAT (18%) in the amount of RUR12,203,662 (twelve million two hundred and three thousand six hundred sixty-two) and 5 kopecks.</p> <p><u>Period of work execution under the Contract:</u></p> <p>Commencement date – June 2, 2014 Completion date – May 31, 2015</p>	
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydropject</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to develop detailed design documentation for the reconstruction of start-up facilities commissioned at the level of the normal water surface of 547.00 m, specified by the Customer's assignment, at its own risk and with the use of its own materials, equipment and tools and to turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of the work and pay the contract price for it.</p> <p><u>Price of work under the Contract:</u></p> <p>RUR 16,436,120 (sixteen million four hundred thirty-six thousand one hundred and twenty) and 88 kopecks, including VAT (18%) – RUR 2,507,204 (two million five hundred and seven thousand two hundred and four) and 88 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – July 18, 2014 Completion date – November 30, 2014</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydropject. E.V. Dod does not vote.</p>

		<p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from July 18, 2014.</p>	
<p>Movable Property Purchase and Sale Contract</p> <p><u>Parties of the Contract:</u> Buyer: JSC RusHydro Seller: JSC FGC UES</p>	<p>Approved by the Board of Directors (Minutes № 205 dated October 29, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Sellers undertakes to transfer to the Buyer's ownership the project documentation and the shunt reactor (hereinafter referred to as the Property) whereas the Buyer undertakes to accept the Property and pay for it in the manner and within the timeframe established by the Contract.</p> <p><u>Price of the Property under the Contract:</u></p> <p>RUR 200,557,296 (two hundred million five hundred fifty-seven thousand two hundred ninety-six) and 98 kopecks, including VAT (18%) in the amount of RUR 30,593,485 (thirty million five hundred ninety-three thousand four hundred eighty-five) and 98 kopecks.</p> <p><u>Time for the Property transfer:</u></p> <p>The Seller shall transfer the Property to the Buyer no later than December 15, 2014.</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of signing it by the Parties and is valid till complete performance of obligations undertaken by them.</p>	<p>Related parties – Member of the Board of Directors of JSC RusHydro M.S. Bystrov and Member of the Board of Directors of JSC RusHydro V.M. Kravchenko, who are also Members of the Board of Directors of JSC FGC UES.</p> <p>E.V. Dod and V.M. Kravchenko do not vote.</p>
<p>Paid Service Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 204 dated September 29, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to elaborate detailed design documentation for comprehensive reconstruction project of the Zeyskaya HPP, specified by the Customer's assignment, at its own risk, with the use of its own materials and turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><u>Price of work under the Contract:</u></p> <p>RUR 31,664,291 (thirty one million six hundred sixty-four thousand two hundred ninety-one) and 10 kopecks, including VAT (18%) – RUR 4,830,146 (four million eight hundred and thirty thousand one hundred forty-six) and 10 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – May 1, 2014 Completion date – November 25, 2014</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of its signing by the Parties and is valid till complete performance of obligations undertaken by them.</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject.</p> <p>E.V. Dod does not vote.</p>
<p>Independent-Work Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 205 dated October 29, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Contractor undertakes to elaborate a comprehensive reconstruction project for JSC RysHydro's Dagestan branch HPP, specified by the Customer's assignment, at its own risk, with the use of its own materials and turn the results over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><u>Price of work under the Contract:</u></p> <p>RUR 478,646,700 (four hundred and seventy-eight million six hundred forty-six thousand seven hundred) and 46 kopecks, including VAT (18%) – RUR 73,013,903 (seventy-three million thirteen thousand nine hundred and three) and 46 kopecks.</p> <p><u>Period of work execution:</u></p> <p>Commencement date – August 4, 2014 Completion date – September 30, 2018</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract shall enter into force from the moment of signing it by the</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject.</p> <p>E.V. Dod does not vote.</p>

		Parties and is valid till complete performance of obligations undertaken by them. The conditions of the Contract shall be applied to the relations between the Parties which have arisen from August 4, 2014.	
<p>Real Estate Lease Contract</p> <p><u>Parties of the Contract:</u> Lessor: JSC RusHydro Lessee: JSC FGC UES</p>	<p>Approved by the Board of Directors (Minutes № 205 dated October 29, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>According to the Contract, the Lessor undertakes to transfer to the Lessee real estate for charge in temporary use whereas the Lessee takes lease of parts of hydraulic structures owned by the Lessor and specified in Appendix №1 to the Contract, for the placement and maintenance of the 220 kV and 500 kV overhead power transmission lines, and undertakes to accept the structures and pay for their use.</p> <p><u>Amount of lease payment under the Contract:</u></p> <p>The monthly lease is RUR 149 630.48 (one hundred forty-nine thousand six hundred thirty) and 48 kopecks, including 18% VAT – RUR 22,824.99 (twenty-two thousand eight hundred twenty-four) and 99 kopecks. The total lease payment for the entire lease term is RUR 1,645,935.28 (one million six hundred forty-five thousand nine hundred thirty-five) and 28 kopecks, including 18% VAT – RUR 251,074.89 (two hundred fifty-one thousand and seventy-four) and 89 kopecks.</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract enters into force from the moment of its signing by the Parties and is valid till 31.03.2015. The Parties agreed that the conditions of the present Contract shall be applied to the relations between the Parties which have arisen from May 1, 2014.</p>	<p>Related parties – Member of the Board of Directors of JSC RusHydro M.S. Bystrov and Member of the Board of Directors of JSC RusHydro V.M. Kravchenko, who are also Members of the Board of Directors of JSC FGC UES.</p> <p>E.V. Dod and V.M. Kravchenko do not vote.</p>
<p>Non-Residential Lease Contract</p> <p><u>Parties of the Contract:</u> Lessor – JSC RusHydro Lessee – JSC SO UES</p>	<p>Approved by the Board of Directors (Minutes № 205 dated October 29, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Lessor undertakes to furnish to the Lessee non-residential premises for charge in temporary possession and use, whereas the Lessee takes lease of a part of office premise № 1 (with a total area of 11.34 square meters) located on the second floor of building «VOHR» at the address: Building №3, Moscow Highway 2, Zhigulevsk, urban district Zhigulevsk, the Samara, for work-related purposes.</p> <p><u>Amount of lease payment under the Contract:</u></p> <p>The monthly lease is RUR 2,184 (two thousand one hundred eighty-four) and 94 kopecks, including VAT (18%) – RUR 333 (three hundred and thirty-three) and 30 kopecks. The total lease payment for the entire lease term is RUR 24,034 (twenty-four thousand thirty four) and 34 kopecks, including VAT (18%) – RUR 3,666 (three thousand six hundred sixty-six) and 30 kopecks.</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract is valid from the moment of signing it by the both Parties till August 31, 2014, and in terms of payment obligations till complete performance of obligations undertaken by the Parties. The Parties agreed that conditions of the Contract shall be applied to the relations between the Parties which have arisen from September 1, 2014</p>	<p>Related party - member of the Board of Directors of JSC RusHydro B.I. Ayuev, who is also Chairman of the Management Board and member of the Board of Directors JSC SO UES.</p> <p>Related party – the Russian Federation represented by the Federal Agency for State Property Management owning more than 20 percent of JSC RusHydro and JSC SO UES shares. E.V. Dod and B.I. Ayuev do not vote.</p>
<p>Independent-Work Contract № P-67/11 dated August 15, 2012 including Supplementary Agreements to the Contract</p> <p><u>Parties of the Contract:</u> Customer: JSC RusHydro Contractor: JSC Hydroprom Institute</p>	<p>Approved by the Board of Directors (Minutes № 204 dated September 29, 2014)</p>	<p><u>Subject of the Contract including Supplementary Agreements:</u></p> <p>The Contractor undertakes to elaborate design and working documentation for comprehensive reconstruction of the Nizhegorodskaya HPP with integration of the commissioned projects into the overall reconstruction project (hereinafter referred to as the Work), specified by the Customer's assignment, at its own risk, with the use of its own materials and turn the results of the Work over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the Work and accept the results of the Work and pay the contract price for it.</p> <p><u>Price of the Contract including the Supplementary Agreements:</u></p> <p>RUR 834,848,094 (eight hundred thirty-four million eight hundred forty-eight thousand and ninety-four) and 61 kopecks, including VAT (18%) – RUR 127,349,709 (one hundred and twenty-seven million three hundred forty-nine thousand seven hundred and nine) and 35 kopecks.</p> <p><u>Period of the Work execution including the Supplementary Agreements:</u></p> <p>From August 15, 2012 till September 30, 2016</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Hydroprom Institute E.V. Dod does not vote.</p>
<p>Independent-Work Contract № SP-0-226-2013/P-15/13 dated October 16,</p>	<p>Approved by the Board of Directors (Minutes №</p>	<p><u>Subject of the Contract:</u></p> <p>The Customer entrusts the Contractor to perform the following work: "Development of a project for comprehensive replacement of power unit</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO</p>

<p>2013 including Supplementary Agreements to the Contract</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro Contractor: JSC Hydroproject Institute</p>	<p>204 dated September 15, 2014)</p>	<p>№9 (replacement of generator, hydraulic turbine, the 10.5 kV generator current lead, block transformer of TD-10000/35 type, the 35 kV cable line and Relay Protection and Automatic Equipment) on a turnkey basis whereas the Contractor undertakes to perform the work. The Customer undertakes to accept the results of the work and pay the contract price for it.</p> <p><u>Price of the Contract including the Supplementary Agreements:</u></p> <p>RUR 23,882,417 (twenty-three million eight hundred eighty-two thousand four hundred and seventeen) and 66 kopecks, including VAT (18%) – RUR 3,643,080 (three million six hundred forty-three thousand and eighty) and 66 kopecks</p> <p><u>Period of the Work:</u></p> <p>From April 1, 2013 till November 28, 2014</p>	<p>of JSC Hydroproject Institute E.V. Dod does not vote.</p>
<p>Supplementary Agreement to Independent-Work Contract №2917/BP-0-325-2013 dated August 5, 2013</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro Contractor: JSC Lenhydroproject</p>	<p>Approved by the Board of Directors (Minutes № 204 dated September 29, 2014)</p>	<p><u>Subject of the Supplementary Agreement:</u></p> <p>1.Change in the time for the work completion: Paragraph 1.6.2 of the Contract shall be reworded as follows: "1.6.2. Completion date: August 1, 2014". 2. Change in the work schedule: Appendix № 3 to the Contract shall be reworded as follows - The work schedule is as amended by Appendix № 1 to Supplementary Agreement № 2.</p> <p><u>Price:</u></p> <p>RUR 7,628,493 (seven million six hundred twenty-eight thousand four hundred ninety-three) and 50 kopecks, including VAT (18%) – RUR 1,163,668 (one million one hundred sixty-three thousand six hundred sixty-eight) and 50 kopecks.</p> <p><u>Validity term of the Supplementary Agreement:</u></p> <p>The Supplementary Agreement shall come into force from the moment of its conclusion and be valid till complete performance of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from 13.02.2014 (the completion date under the Contract is as it reads in Supplementary Agreement № 1).</p>	<p>Related party - JSC RusHydro's Deputy Chairman of the Management Board V.A. Pekhtin, who is also the CEO of JSC Lenhydroproject. E.V. Dod does not vote.</p>
<p>Paid Service Contract</p> <p><u>Parties of the Contract:</u></p> <p>Customer: JSC RusHydro</p> <p>Contractor: (the Federal State Budget Educational Institution of Higher Professional Education) Lomonosov Moscow State University</p>	<p>Approved by the Board of Directors (Minutes № 209 dated December 26, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Customer entrusts the Contractor to enlist a student (Evgeny V. Dod) as an applicant for the Department's Speciality № 08.00.05 "Economics and Management of National Economy" whereas the Contractor undertakes to do it.</p> <p><u>Price of services under the Contract:</u></p> <p>RUR 450,000 (four hundred and fifty thousand) and 00 kopecks, VAT free.</p> <p><u>Timeline for provision of services:</u></p> <p>From November 1, 2014 till November 1, 2017</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract shall enter into force from the moment of signing it by the Parties and be valid till complete performance of obligations undertaken by them. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from November 1, 2014.</p>	<p>Related party - Chairman of the Management Board – the CEO of JSC RusHydro E.V. Dod, who is a beneficiary in the deal. E.V. Dod does not vote.</p>
<p>Depository Contract № D-0540/5/10 dated November 18, 2010 as amended by the Supplementary Agreement to the Contract</p> <p><u>Parties of the Contract:</u></p> <p>Depository: State Corporation "Bank for Development and Foreign Economic</p>	<p>Approved by the Board of Directors (Minutes № 203 dated September 15, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Depository provides the Depositor with services related to safekeeping of securities certificates and / or recordkeeping of rights to securities by opening and maintaining a separate securities account on the Depositor's name, as well as conducting of securities account transactions on the basis of instructions released by the Depositor or its authorized representatives. The subject of the Contract also includes securities entitlement services rendered by the Depository to the Depositor.</p> <p><u>Amount and mode of payment for the Depository's services:</u></p> <p>The Depository's services are paid by the Depositor in accordance with the Tariff, which is an integral part of the Agreement.</p>	<p>Related party – Member of the Board of Directors of JSC RusHydro M.I. Poluboyarinov, who is also Member of the Management Board of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank);</p> <p>M.I. Poluboyarinov and E.V. Dod do not vote.</p>

<p>Affairs (Vnesheconombank);</p> <p>Depositor: JSC RusHydro</p>		<p>The price of the Depository's services is marginal and amounts to RUR 20,000 (twenty thousand) and 00 kopecks, excluding VAT, per year.</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract is concluded for an indefinite period.</p>	
<p>Non-Revolving Credit Facility Agreement</p> <p><u>Parties of the Agreement:</u></p> <p>Creditor: JSC Sberbank of Russia</p> <p>Borrower: JSC RusHydro</p>	<p>Approved by the Board of Directors (Minutes № 195 dated March 28, 2014)</p>	<p><u>Subject of the Agreement</u></p> <p>The Creditor undertakes to grant monetary means (credit) to the Borrower by opening a credit line whereas the Borrower undertakes to return the received credit and pay interest on it and make other payments, in the amount, within timeframes and according to the Agreement.</p> <p>Basic conditions of the Credit Agreement:</p> <p>Credit limit: RUR 2, 800, 000, 000 (Two billion eight hundred million) including:</p> <p>Credit interest: floating rate which is set based on MosPrime Rate 3m, plus a fixed margin in the amount of 2.3 (two point three) percent per annum;</p> <p>Commitment fee: not more than 0.2 (zero point two) percent per annum of free limit balance calculated in accordance with the Credit Agreement.</p> <p>Early repayment fee: not more than 0.4 (zero point four) percent of early repaid credit amount (its portion) per annum; charged for early repayment of the loan (or part thereof) during the first 50% of the Term of the Agreement (lending).</p> <p><u>Price of the Agreement:</u></p> <p>The maximum price of the Credit Agreement is defined as the aggregate of the following value:</p> <ul style="list-style-type: none"> - Credit limit from the Bank under the Contract in the amount of RUR2,800,000,000 (two billion eight hundred million, including: - Credit interest for the entire term of the Agreement at the marginal floating rate in the amount of the aggregate of the MosPrime 3M rate (the floating rate MosPrime (Moscow Prime Offered Rate) is understood to be the indicative rate of ruble loans granted by the leading participants of Russian money market, which is calculated in accordance with the Regulation on the formation of the indicative rate for ruble loans MosPrime Rate - Moscow Prime Offered Rate, which is approved by the National Currency Association (NCA); is posted by Thomson Reuters and the NCA on the webpage MOSPRIME1 of the Reuters information system) and the maximum fixed margin of 2.3 (two point three) percent per annum. <p>Value of the transaction in monetary terms is RUR 5,246,957,601,31 (five billion two hundred and forty-six million nine hundred fifty-seven thousand six hundred one 31/100 Russian Rubles).</p> <p><u>Validity term of the Agreement (lending):</u></p> <p>10 years from the date of Agreement.</p>	<p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov who is a close relative of a member of the Management Board of JSC Sberbank of Russia. E.V. Dod and A.E. Bugrov do not vote.</p>
<p>Supplement №2 to Share Pledge Contract № 110200/1168-DZA-RG dated December 27, 2010</p> <p><u>Parties of the Supplement:</u></p> <p>Pledgholder: State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank);</p> <p>Pledger: JSC RusHydro</p>	<p>Approved by the Board of Directors (Minutes № 12 dated June 27, 2014)</p>	<p><u>Subject of the Supplement:</u></p> <p>Making changes to significant terms and conditions of Share Pledge Contract № 110200/1168-DZA-RG dated 27.12.2010 - change to the basic parameters of obligations secured by pledge.</p> <p>Change to the basic parameters of obligations secured by pledge:</p> <p>Obligations of the Boguchanskaya HPP under Credit Agreement № 110100/1168 dated December 1, 2010 (the Agreement) signed between OJSC Boguchanskaya HPP (the Borrower) and State Corporation Vnesheconombank (the Bank):</p> <p>The Credit funds will provided by tranches during the period from the date of signing the Agreement till September 30, 2013 (inclusive), as well as from the date of Supplement №4 to the Agreement until September 30, 2014 (inclusive) by transferring funds within the amount, specified in paragraph 2.1 of Article 2 of the Agreement, to the Borrower's settlement account № 40702810615275431545 opened with the Bank. In this case, the</p>	<p>Related party – Member of the Board of Directors of JSC RusHydro M.I. Poluboyarinov, who is also Member of the Management Board of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".</p> <p>Shares owned by the Member of the Board of Directors of JSC RusHydro M.I. Poluboyarinov do not participate in voting.</p>

		<p>first tranche of the Credit can be granted by the Bank no later than December 31, 2010 (inclusive).</p> <p>Other significant terms and conditions of Share Pledge Contract № 110200/1168-DZA-RG dated 27.12.2010 shall remain unchanged.</p> <p><u>Price of the Supplement:</u></p> <p>The price of Share Pledge Contract № 110200/1168-DZA-RG dated December 27, 2010 as amended by Supplement №1 dated August 22, 2011 thereto, which is a related party transaction, does not change due to concluding Supplement №2 to Share Pledge Contract № 110200/1168-DZA-RG dated January 27, 2010 and, in accordance with the decision of the Extraordinary General Meeting of Shareholders of JSC RusHydro (Minutes № 6 dated October 27, 2010), is RUR 7,000 (seven thousand) which, taking into account related party transactions, exceeds 2 percent of the book value of JSC RusHydro's assets.</p> <p>The price (taking into account related party transactions) is RUR 59,590,180,387 and 49 kopecks.</p>	
<p>Supplement №1 to Subsequent Share Pledge Contract № 110200/1168-DPZA-RG dated August 22, 2011</p> <p><u>Parties of the Supplement:</u></p> <p>Pledgholder: State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank);</p> <p>Pledger: JSC RusHydro</p>	<p>Approved by the General Shareholders Meeting (Minutes № 12 dated June 27, 2014)</p>	<p><u>Subject of the Supplement:</u></p> <p>Making changes to significant terms and conditions of Subsequent Share Pledge Contract № 110200/1168-DPZA-RG dated August 22, 2011 - change to the basic parameters of obligations secured by pledge.</p> <p>Change to the basic parameters of obligations secured by pledge:</p> <p>Obligations of the Boguchanskaya HPP under Credit Agreement № 110100/1168 dated December 1, 2010 (the Agreement) signed between OJSC Boguchanskaya HPP (the Borrower) and State Corporation Vnesheconombank (the Bank):</p> <p>The Credit funds will provided by tranches during the period from the date of signing the Agreement till September 30, 2013 (inclusive), as well as from the date of Supplement №4 to the Agreement until September 30, 2014 (inclusive) by transferring funds within the amount, specified in paragraph 2.1 of Article 2 of the Agreement, to the Borrower's settlement account № 40702810615275431545 opened with the Bank. In this case, the first tranche of the Credit can be granted by the Bank no later than December 31, 2010 (inclusive).</p> <p>Other significant terms and conditions of Subsequent Share Pledge Contract № 110200/1168-DPZA-RG dated August 22, 2011 shall remain unchanged.</p> <p><u>Price of the Supplement:</u></p> <p>The price of Subsequent Share Pledge Contract № 110200/1168-DPZA-RG dated August 22, 2011, which is a related party transaction, does not change due to concluding Supplement №1 to Subsequent Share Pledge Contract № 110200/1168-DPZA-RG dated August 22, 2011 and, in accordance with the decision of the Extraordinary General Meeting of Shareholders of JSC RusHydro (Minutes № 6 dated October 27, 2010), is RUR 7,000 (seven thousand) which, taking into account related party transactions, exceeds 2 percent of the book value of JSC RusHydro's assets.</p> <p>The price (taking into account related party transactions) is RUR 59,590,187,387 and 49 kopecks.</p>	<p>Related party – Member of the Board of Directors of JSC RusHydro M.I. Poluboyarinov, who is also Member of the Management Board of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".</p> <p>Shares owned by the Member of the Board of Directors of JSC RusHydro M.I. Poluboyarinov do not participate in voting.</p>
<p>Supplement №1 to Surety Contract № 110100/1168-DP dated August 22, 2011</p> <p><u>Parties of the Supplement:</u></p> <p>Guarantor: JSC RusHydro</p> <p>Creditor: State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank);</p>	<p>Approved by the General Shareholders Meeting (Minutes № 12 dated June 27, 2014)</p>	<p><u>Subject of the Supplement:</u></p> <p>Making changes to significant terms and conditions of Surety Agreement № 110100/1168-DP dated August 22, 2011 - change to the basic parameters of obligations secured by suretyship.</p> <p>Change to the basic parameters of obligations secured by suretyship:</p> <p>Obligations of the Boguchanskaya HPP under Credit Agreement № 110100/1168 dated December 1, 2010 (the Agreement) signed between OJSC Boguchanskaya HPP (the Borrower) and State Corporation Vnesheconombank (the Bank):</p> <p>The Credit funds will provided by tranches during the period from the date of signing the Agreement till September 30, 2013 (inclusive), as well as from the date of Supplement №4 to the Agreement till September 30, 2014 (inclusive) by transferring funds within the amount, specified in paragraph 2.1 of Article 2 of the Agreement, to the Borrower's settlement account № 40702810615275431545 opened with the Bank. In this case, the first tranche of the Credit can be granted by the Bank no later than December 31,</p>	<p>Related party – Member of the Board of Directors of JSC RusHydro M.I. Poluboyarinov, who is also Member of the Management Board of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".</p> <p>Shares owned by the Member of the Board of Directors of JSC RusHydro M.I. Poluboyarinov do not participate in voting.</p>

		<p>2010 (inclusive).</p> <p>Other significant terms and conditions of Surety Agreement № 110100/1168-DP dated August 22, 2011 shall remain unchanged.</p> <p><u>Price of the Supplement:</u></p> <p>The price (monetary value) of the Company's assets (liabilities) under Surety Contract № 110100/1168-DP dated 22.08.2011, which is a related party transaction, does not change due to concluding Supplement №1 to Surety Agreement № 110100/1168-DP dated August 22, 2011 and, taking into account related party transactions, exceeds 2 percent of the book value of JSC RusHydro's assets.</p> <p>The price (taking into account related party transactions) is RUR 59,590,180,387 and 49 kopecks.</p>	
<p>Surety Contract</p> <p><u>Parties of the Contract:</u></p> <p>Creditor: JSC VTB Bank Borrower: JSC DEK Guarantor –JSC RusHydro</p>	<p>Approved by the General Shareholders Meeting (Minutes № 12 dated June 27, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>The Guarantor undertakes to guarantee the performance of obligations of the Borrower to the Creditor under the Credit Contract concluded between the Borrower and the Creditor. The amount of credit (credit line) in accordance with the Credit Contract is RUR 4,875 billion.</p> <p>Credit maturity: November 30, 2015 Interest rate: 11% per annum.</p> <p><u>Price of the transaction:</u></p> <p>Price of the transaction is defined as the maximum amount of the Borrower's obligations secured by suretyship.</p> <p>Value of the transaction in monetary terms is RUR 411,250,000</p> <p><u>Validity term of the Contract:</u></p> <p>The Contract shall enter into force from the moment of signing it by the Parties and be valid till November 30, 2018 (inclusive).</p>	<p>Related party – the Russian Federation represented by the Federal Agency for State Property Management owning more than 20 percent of JSC RusHydro and JSC VTB Bank shares.</p> <p>Shares owned by the Russian Federation represented by the Federal Agency for State Property Management do not take part in voting.</p>
<p>Supplementary Agreement № 1 to Trust Agreement</p> <p><u>Parties of the Agreement:</u></p> <p>Seller of Trust – JSC RusHydro; Trust Administrator – JSC RAO ES of the East.</p>	<p>Approved by the Board of Directors (Minutes № 191 dated December 5, 2013)</p>	<p><u>Subject of the Supplementary Agreement:</u></p> <p>The Seller of Trust shall additionally transfer the following shares of CJSC Yakutskaya SDPP - 2 and CJSC Blagoveschenskaya CHP Plant, owned by the Seller of Trust, to the Trust Administrator in trust (in terms of exercising the rights to the shares, except for the right to receive dividends).</p> <p><u>Price of the Agreement (including Supplementary Agreements):</u></p> <p>Remuneration of the Trust Administrator for administering companies' shares transferred in trust within the period of validity of the Agreement shall not exceed RUR 72,000 (seventy-two thousand) (including VAT), but not more than RUR 3,000 (three thousand) per quarter (including VAT).</p> <p><u>Validity term of the Agreement:</u></p> <p>Three years. The Agreement is automatically renewed for another three-year period, if the Trust Administrator fails to send notice of non-renewal to the Seller of Trust not later than 3 (three) months before the date of its expiry or the Seller of Trust fails to send notice of non-renewal to the Trust Administrator not less than 1 (one) month before the date of the expiration of the Agreement.</p>	<p>Related party - member of the Board of Directors of JSC RusHydro E.V. Dod, who is also a member of the Board of Directors of JSC RAO ES of the East.</p> <p>E.V. Dod does not vote.</p>
<p>Supplementary Agreement № 2 to Trust Agreement</p> <p><u>Parties of the Agreement:</u></p> <p>Seller of Trust – JSC RusHydro; Trust Administrator – JSC RAO ES of the East.</p>	<p>Approved by the Board of Directors (Minutes № 191 dated December 5, 2013)</p>	<p><u>Subject of the Supplementary Agreement:</u></p> <p>The Seller of Trust shall additionally transfer the following shares of CJSC Yakutskaya SDPP - 2 and CJSC CHP in Sovetskaya Gavan, owned by the Seller of Trust, to the Trust Administrator in trust (in terms of exercising the rights to the shares, except for the right to receive dividends).</p> <p><u>Price of the Agreement (including Supplementary Agreements):</u></p> <p>Remuneration of the Trust Administrator for administering companies' shares transferred in trust within the period of validity of the Agreement shall not exceed RUR 72,000 (seventy-two thousand) (including VAT), but not more than RUR 3,000 (three thousand) per quarter (including VAT).</p> <p><u>Validity term of the Agreement:</u></p> <p>Three years. The Agreement is automatically renewed for another three-year period, if</p>	<p>Related party - member of the Board of Directors of JSC RusHydro E.V. Dod, who is also a member of the Board of Directors of JSC RAO ES of the East.</p> <p>E.V. Dod does not vote.</p>

		the Trust Administrator fails to send notice of non-renewal to the Seller of Trust not later than 3 (three) months before the date of its expiry or the Seller of Trust fails to send notice of non-renewal to the Trust Administrator not less than 1 (one) month before the date of the expiration of the Agreement.	
Supplementary Agreement to the Voluntary Group Accident Insurance Contract <u>Parties of the Contract:</u> Insurant – JSC RusHydro; Insurer –JSC Insurance Company "Alliance".	Approved by the Board of Directors (Minutes № 192 dated December 17, 2013)	<u>Subject of the Supplementary Agreement:</u> 1. Making changes to the list of insured persons. 2. Changing the amount of the insurance premium. <u>Price of the Contract including the Supplementary Agreement:</u> RUR 3,300,721 and 30 kopecks. <u>Validity term of the Contract:</u> Start date of the Contract - January1, 2014, End date of the Contract – December 31, 2014.	Related parties - members of the Management Board of JSC RusHydro, who are insured persons (beneficiaries under the Contract). E.V. Dod does not vote.
Supplementary Agreement to the Voluntary Health Insurance Contract <u>Parties of the Contract:</u> Insurant – JSC RusHydro; Insurer –JSC Insurance Company "Alliance".	Approved by the Board of Directors (Minutes № 192 dated December 17, 2013)	<u>Subject of the Supplementary Agreement:</u> 1. Increasing the number of insured persons. 2. Changing the amount of the insurance premium. <u>Price of the Contract including the Supplementary Agreement:</u> RUR 44,858,796 and 65 kopecks. <u>Validity term of the Contract:</u> Start date of the Contract - January1, 2014, End date of the Contract – December 31, 2014.	Related parties - members of the Management Board of JSC RusHydro, who are insured persons (beneficiaries under the Contract). E.V. Dod does not vote.
Supplementary Agreement to the Voluntary Group Accident Insurance Contract <u>Parties of the Contract:</u> Insurant – JSC RusHydro; Insurer –JSC Insurance Company "Alliance".	Approved by the Board of Directors (Minutes № 192 dated December 17, 2013)	<u>Subject of the Supplementary Agreement:</u> 1. Making changes to the list of insured persons. 2. Changing the amount of the insurance premium. <u>Price of the Contract including the Supplementary Agreement:</u> RUR 3,296,073.41 (three million two hundred ninety-six thousand and seventy-three and 41/100). <u>Validity term of the Contract:</u> Start date of the Contract - January1, 2014, End date of the Contract – December 31, 2014.	Related parties - members of the Management Board of JSC RusHydro, who are insured persons (beneficiaries under the Contract). E.V. Dod does not vote.
Supplementary Agreement to the Voluntary Health Insurance Contract <u>Parties of the Contract:</u> Insurant – JSC RusHydro; Insurer –JSC Insurance Company "Alliance".	Approved by the Board of Directors (Minutes № 200 dated June 24, 2014)	<u>Subject of the Supplementary Agreement:</u> 1. Making changes to the list of insured persons. 2. Changing the amount of the insurance premium. <u>Price of the Contract including the Supplementary Agreement:</u> RUR 63,530,979 and 66 kopecks. <u>Validity term of the Contract:</u> Start date of the Contract - January1, 2014, End date of the Contract – December 31, 2014	Related parties - members of the Management Board of JSC RusHydro, who are insured persons (beneficiaries under the Contract). E.V. Dod does not vote.
Supplementary Agreement to the Voluntary Health Insurance Contract <u>Parties of the Contract:</u> Insurant – JSC RusHydro; Insurer –JSC Insurance Company "Alliance".	Approved by the Board of Directors (Minutes № 200 dated June 24, 2014)	<u>Subject of the Supplementary Agreement:</u> 1. Making changes to the list of insured persons. 2. Changing the amount of the insurance premium. <u>Price of the Contract including the Supplementary Agreement:</u> RUR 52,559,290 and 66 kopecks. <u>Validity term of the Contract:</u> Start date of the Contract - January1, 2014, End date of the Contract – December 31, 2014	Related parties - members of the Management Board of JSC RusHydro, who are insured persons (beneficiaries under the Contract). E.V. Dod does not vote.

<p>Supplementary Agreement № 3 to Trust Agreement</p> <p><u>Parties of the Agreement:</u></p> <p>Seller of Trust – JSC RusHydro;</p> <p>Trust Administrator – JSC RAO ES of the East.</p>	<p>Approved by the Board of Directors (Minutes № 191 dated December 5, 2013)</p>	<p><u>Subject of the Supplementary Agreement:</u></p> <p>The Seller of Trust shall additionally transfer the following shares of CJSC Yakutskaya SDPP - 2 and CJSC CHP Plant in Sovetskaya Gavan, owned by the Seller of Trust, to the Trust Administrator in trust (in terms of exercising the rights to the shares, except for the right to receive dividends).</p> <p><u>Price of the Agreement (including Supplementary Agreements):</u></p> <p>Remuneration of the Trust Administrator for administering companies' shares transferred in trust within the period of validity of the Agreement shall not exceed RUR 72,000 (seventy-two thousand) (including VAT), but not more than RUR 3,000 (three) per quarter (including VAT).</p> <p><u>Validity term of the Agreement:</u></p> <p>Three years.</p> <p>The Agreement is automatically renewed for another three-year period, if the Trust Administrator fails to send notice of non-renewal to the Seller of Trust not later than 3 months before the date of its expiry or the Seller of Trust fails to send notice of non-renewal to the Trust Administrator not less than 1 month before the date of the expiration of the Agreement.</p>	<p>Related party - member of the Board of Directors of JSC RusHydro E.V. Dod, who is also a member of the Board of Directors of JSC RAO ES of the East.</p> <p>E.V. Dod does not vote.</p>
<p>Voluntary Health Insurance Contract</p> <p><u>Parties of the Contract:</u></p> <p>Insurant: JSC RusHydro; Insurer: JSC SOGAZ</p>	<p>Approved by the Board of Directors (Minutes № 209 dated December 26, 2014)</p>	<p><u>Subject of the Contract:</u></p> <p>Based on the Rules of the voluntary health insurance, the Insurer undertakes for the charge stipulated by the Contract (insurance premium) which is paid by the Insurant upon the onset of an insured event to perform the organization of and payment for medical services for the persons covered by the voluntary health insurance program (hereinafter – the VHI services).</p> <p>Insured persons (beneficiaries):</p> <p>The Insurant employees, including members of the collegial executive body and its chairman and other persons included in the lists of Insured persons, which were submitted by the Insurant to the Insurer.</p> <p>Insurance object:</p> <p>The proprietary interests of Insured persons related to the medical, medical and transportation and other assistance costs upon the onset of an insured event.</p> <p>Insured event:</p> <p>The application of Insured person during the term of the Voluntary Health Insurance Contract to a health care facility indicated in the VHI Program to get medical assistance under the VHI Program;</p> <p>The application of Insured person during the term of the insurance contract under the VHI Program to health care facilities other than those provided for in this Contract if such application is agreed and/or organized by the Insurer;</p> <p>Insured sum:</p> <ul style="list-style-type: none"> - if Insured person applies to a health care facility indicated in the VHI Program across Russia to get medical assistance – RUR, 6, 000,000; - if Insured person applies to a health care facility to get medical assistance while abroad - the ruble equivalent of USD 50,000; - if Insured person applies to a health care facility to get medical care and medical transportation care across Russia and CIS countries – RUR 750,000; <p><u>Price of the VHI services:</u></p> <p>RUR 48,364,830, VAT free.</p> <p><u>Validity Term of the VHI Contract:</u></p> <p>Start date of the Contract: January1, 2015 End date of the Contract: December 31, 2015.</p>	<p>Related parties - members of the Management Board of JSC RusHydro, who are insured persons (beneficiaries under the Contract).</p> <p>E.V. Dod does not vote.</p>

<p>Voluntary Group Accident and Illness Insurance Contract</p> <p><u>Parties of the Contract:</u></p> <p>Insurant – JSC RusHydro; Insurer – JSC Insurance Company "Alliance".</p>	<p>Approved by the Board of Directors (Minutes № 209 dated December 26, 2014)</p>	<p><u>Subject of the Voluntary Group Accident and Illness Insurance Contract:</u></p> <p>The Insurer undertakes, upon the onset of events stipulated by the Contract, to make an insurance payment to the Insured person or to the beneficiary stipulated by the Contract, regardless of the amounts payable to them under other insurance contracts, as well as under compulsory social insurance, social security and by way of reimbursement for damages.</p> <p>Insured persons: The Insurant employees, including members of the collegial executive body and its chairman and other persons included in the lists of Insured persons, which were submitted by the Insurant to the Insurer.</p> <p>Beneficiaries: Insured person and other persons indicated by beneficiaries with the written consent of the Insured person and in the event of death of the Insured person their heirs eligible to receive the insurance indemnity upon the onset of insured event.</p> <p>Object of insurance: The proprietary interests, not contradicting with the legislation of the Russian Federation which related to causing damage to the life or health of people (Insured persons).</p> <p>Insured event: Events of sudden, unforeseen and unintended nature for the Insured person (insurance risks) stipulated by the Insurance Contract upon the onset of which there is an obligation of the Insurer to pay insurance indemnity to the Insured person (beneficiary).</p> <p>Insurance risks: - death of an Insured person due to an accident; - death of an Insured person due to natural causes; - disability due to an accident (assessing I, II and III groups of disability); - disability due to natural causes (assessing I, II and III groups of disability); - temporary disability due to an accident in connection with injuries; - hospitalization due to an accident; - diagnosis of a critical disease or doing major surgical operations</p> <p><u>Price of the Services under the Voluntary Group Accident and Illness Insurance Contract:</u></p> <p>RUR 3,294,757.59, VAT free.</p> <p><u>Validity term of the Voluntary Group Accident and Illness Insurance Contract:</u></p> <p>Start date of the Contract – January 1, 2015, End date of the Contract – December 31, 2015.</p>	<p>Related parties - members of the Management Board of JSC RusHydro, who are insured persons (beneficiaries under the Contract). E.V. Dod does not vote.</p>
<p>Gratuitous Property Transfer Contract</p> <p><u>Parties of the Contract:</u></p> <p>Party 1 - JSC RusHydro; Party 2 - Federal Agency for State Property Management</p>	<p>Approved by the Board of Directors (Minutes № 183 dated June 19, 2013)</p>	<p><u>Subject of the Contract:</u></p> <p>Party 1 undertakes to transfer to federal ownership on a non-repayable basis the immovable property to be subsequently secured on the basis of operational management to the division of the Federal Fire Service of the State Fire Service, whereas Party 2 undertakes to accept the abovementioned immovable property in accordance with the terms of the Contract according to the Annex to Decision, which is located at: Republic of Khakassia, the city of Sayanogorsk, Cheremushki urban locality, 105 (hereinafter referred to as the Immovable Property).</p> <p><u>Book (residual) value of the Immovable Property:</u> RUR 18,609,315 (eighteen million six hundred and nine thousand three hundred and fifteen)</p>	<p>Related party – the Russian Federation represented by the Federal Agency for State Property Management, which owns more than 20 percent of JSC RusHydro shares and is the party to the transaction. E.V. Dod does not vote.</p>

In 2014, the Company did not make large transactions.

List of RusHydro's Internal Documents

JSC RusHydro's corporate governance principles and procedures are set forth in the Company's Articles of Association and other internal regulatory documents:

- ❖ The Articles of Association approved by the General Meeting of Shareholders of JSC RusHydro (Minutes No. 12 dated June 27th, 2014);
- ❖ The Code of Corporate Governance approved by the Board of Directors of JSC RusHydro (Minutes No. 94 dated April 2nd, 2010);
- ❖ Corporate Code of Ethics approved by the Board of Directors of JSC RusHydro (Minutes No. 152 dated May 21, 2012);
- ❖ Regulations on the Procedure for Convening and Holding the General Meeting of Shareholders approved by a resolution of the General Meeting of Shareholders of JSC RusHydro (Minutes No. 12 dated June 27th, 2014);
- ❖ Regulations on Procedures for Convening and Holding Meetings of the Board of Directors approved by a resolution of the General Meeting of Shareholders of JSC RusHydro (Minutes No. 7 dated July 4th, 2011);
- ❖ Regulations on the Audit Commission of the Board of Directors of JSC RusHydro (Minutes No. 188, dated October 15th, 2013);
- ❖ Regulations on the HR and Remuneration Committee of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 188, dated October 15th, 2013);
- ❖ Regulations on the Strategy Committee of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 188, dated October 15th, 2013);
- ❖ Regulations on the Investment Committee of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 188, dated October 15th, 2013);
- ❖ Regulations on the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 188, dated October 15th, 2013);
- ❖ Regulations of the Management Board approved by a resolution of the Annual General Meeting of Shareholders of JSC RusHydro (Minutes No. 1 dated June 26th, 2008);
- ❖ Regulations on the Audit Commission approved by the decision of the Management Board of RAO UES of Russia (acting as a general meeting of members) (extract from the Protocol No. 1187pr/3 dated 6 April 2005);
- ❖ Regulations on the Internal Audit and Risk Management Department approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 116 from December 30th, 2010);
- ❖ JSC RusHydro's Policy the Internal Audit approved by an order of the Chairman of the Management Board of JSC RusHydro (Order No. 751 dated August 12th, 2013);
- ❖ Regulations on the Internal Audit, Control and Risk Management Department approved by an order of JSC RusHydro (No. 981 dated November 28, 2011);
- ❖ Regulations on Remuneration and Compensation to Members of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 5 dated June 30th, 2010);
- ❖ Regulations on Remuneration and Compensation to Members of the Audit Commission approved by a resolution of the General Meeting of Shareholders of JSC RusHydro (Minutes No. 1 dated June 26th, 2008);
- ❖ Regulations on Dividend Policy approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 195 dated March 28th, 2014);
- ❖ Regulations on the Information Policy approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 129 dated August 1st, 2011);
- ❖ Regulations on Insider Information approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 203 dated September 15th, 2014); and
- ❖ Procedure for Interaction between JSC RusHydro and Entities with RusHydro Participation approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 106 dated September 1st, 2010).

Please visit the Company's web site at http://www.eng.rushydro.ru/governance/corporate_doc/ to review the full text of the above-mentioned documents.

Report on All Forms of the Company's Participation in Commercial Organizations

Name of the Company	Purpose of Participation	Form of Participation	Financial Parameters of Participation		Revenue, RUR thousand	Net Profit, RUR thousand	Dividend amount received by JSC RusHydro in 2014, RUR	Major Activities
			Nominal value of contribution, RUR.	JSC RusHydro`s stake in authorized capital, %				
Information on organizations which are a part of the holding structure								
CJSC Technopark Rumyantsevo	Provision of intermediary services for the Company`s major activities	Participation in the authorized capital of the company	10.00	0.000005	18,142	14,909		Construction and installation operations
JSC Irkutskenergo *	Strategic and financial investments	Participation in the authorized capital of the company	4,297,368.00	0.09			1,603,495.59	Electricity production
LLC Index of Energetiki - HydroWGC	Provision of intermediary services for the Company`s major activities	Participation in the authorized capital of the company	10,000,000.00	0.11	19,452	(1,084,930)		Investment activities
JSC Far Eastern Energy Company	Strategic and financial investments	Participation in the authorized capital of the company	178,714,322.00	1.04	64,659,093	(1,665,696)		Purchase and sale of electricity (power)
JSC Krasnoyarsk HPP	Strategic and financial investments	Participation in the authorized capital of the company	457,681.00	0.12			10,171.31 (dividends for 2011)	Electricity production
JSC INTER RAO *	Strategic and financial investments	Participation in the authorized capital of the company	5,701,572,102.90	1.94				Diversified holding company, which includes generation and sale of electricity on the domestic and foreign markets
Information on economic entities with the Company`s stake (2% - 20%) in their authorized capitals								
JSC Boguchanskaya HPP	Ensuring of the development of the Company`s major activities	Participation in the authorized capital of the company	163,578,869.00	2.9	6,597,656	828,855		Electricity production
LLC IT Energy Service	Provision of intermediary services for the Company`s major activities	Participation in the authorized capital of the company	44,679,049.30	19.99	773,796	29,062		Provision of information technology services
Information on dependent companies with the Company`s stake (20% - 50%) in their authorized capitals								
JSC UEMC		Participation in the authorized capital of the company	31,000.00	20.67	-	5,881	8,839,147.59	Under liquidation
JSC Zharki*		Participation in the authorized capital of the company	6,095,900.00	25%+1 share				Provision of tourism and recreation services
JSC Yakutskenergo	Ensuring of the development of the Company`s major activities	Participation in the authorized capital of the company	2,769,811,893.00	29.8	25,565,722	1,326,176		Production, transmission and distribution of electricity
JSC Sakhalin Energy Company	Strategic and financial investments	Participation in the authorized capital of the	3,507,568,000.00	28.09	591	(8,646)		Electricity production

		company						
JSC MCC of power engineering	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	138,490.00	42.54	67,828	(22,537)		Information technology design and development operations
JSC Irkutsk Electric Grid Company	Strategic and financial investments	Participation in the authorized capital of the company	8,861,928,328.00	42.75	15,674,357	(842,411)		Transmission of electricity
JSC Verkhne-Mutnovskaya Pilot GeoPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	133,364,156.00	48.04	39,150	152		Electricity production
CJSC Customer of the Boguchanskaya HPP Construction	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	4,900.00	49	57,626	52		Construction of the Boguchanskaya HPP
CJSC Organizer of Construction of the Boguchansky Aluminum Plant	Развитие нового вида бизнеса	Participation in the authorized capital of the company	4,900.00	49	486,752	135		Construction of the Boguchansky Aluminum Plant
RusSUNHydro Limited**	Strategic and financial investments	Participation in the authorized capital of the company	2,223,000.00 euro	50				Investment activities
JSC Upper Naryn HPPs	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	KGS 2,500,000	50	KGS 4,455 thousand	(KGS 205,978 thousand)		Production of electricity
JSC Ust-Srednekanskaya HPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	18,809,586,927.00	67.82	439,624	11,567	898,676.88	Construction of the Ust-Srednekanskaya HPP
LLC VolgaHydro	Развитие нового вида бизнеса	Participation in the authorized capital of the company	48,448,248	40%	-	1,936		Manufacturing of hydraulic equipment
Information on dependent companies with the Company's stake (50%+1 share to 100%) in their authorized capitals								
CJSC Organizer of Construction of the Boguchanskaya HPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	5,100.00	51	249,644	586	639,030.00	Construction of the Boguchanskaya HPP
CJSC Customer of the Boguchansky Aluminum Plant Construction	Development of a new type of business	Participation in the authorized capital of the company	5,100.00	51	72,448	(366)		Construction of the Boguchansky Aluminum Plant
JSC ChirkeyGESstroy	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	249,690,071.50	75.00	2,951,460	6,646		Construction operations
JSC RAO Energy System of the East	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	19,171,124,235.50	84.39	1,145,272	4,475,140		Holding companies management
JSC KamGEK	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	1,187,917,534.00	96.58	247,117	295	184,474.56	Electricity production
JSC Geoterm	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	984,097,918	99.65	864,518	(2,069,641)		Electricity production
JSC Zaramagskie HPPs	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	17,933,142,000.00	99.75	272,715	(36,725)		Construction of the Zaramagskie HPPs, production of electricity

JSC Kolymaenergo	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	12,063,052,613.00	98.76	1,904,281	(92,363)	819,704.93	Electricity production
JSC Karachay-Cherkessia HGC	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	6,582,581.00	100	-	(92,561)		Construction of HGC
HydroOGK Aluminium Company Limited**	Financial investments	Participation in the authorized capital of the company	34,200.00 euro	100	-	566,689		Securities trading
HydroOGK Power Company Limited**	Financial investments	Participation in the authorized capital of the company	33,317,311.68 euro	100	-	(1,491)		Securities trading
CJSC HydroEngineering Siberia	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	2,291,979,300.00	100	-	(29,556)		Design and survey operations
JSC VNIIG named after B.E. Vedeneyev	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	8,160,200.00	100	987,072	44,135	41,141,000.00	Research and development operations in the field of electric power industry
JSC Hydroinvest	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	9,550,150,000.00	100	9,101,792	4,792,042		Securities trading
JSC Leningrad PSPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	5,763,565,938.00	100	-	35,562		Re-design of the pilot Severnaya tidal power plant operations, construction of the Leningrad PSPP, production of electricity.
JSC NIIES	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	649,970,985.00	100	760,758	118,421	14,489,999.98	Research and development operations in the field of the electric power industry
JSC MC HydroOGC	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	150,000.00	100	426,278	50,194	10,000,000.00	Management company
JSC ESCO UES	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	15,000,000.00	100	4,260,737	(183,753)	1,047,000.00	Research and development operations in the field of the electric power industry
JSC Nizhne-Bureiskaya HPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	8,672,994,024.00	100	110,385	13,972		Construction of the Nizhne-Bureiskaya HPP
JSC Nizhne-Zeyskaya HPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	349,715,990.00	100	0	1,209		Construction of the Nizhne-Zeyskaya HPP
JSC Zagorskaya PSPP-2	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	48,914,680,785.00	100	25,697	(584,331)		Construction of the Zagorskaya PSPP-2
JSC RusHydro SSHTK	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	18,057,693.00	100	999,379	168,400	25,187,999.99	Provision of transportation services

JSC Renewable Energy Engineering Center	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	694,072,210.00	100	0	256		Construction of the pilot binary power generating unit
JSC Southern-Yakutia's GEK	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	3,255,023,323.00	100	0	(8,147)		Construction of the Southern Yakutia's hydropower complex
JSC Sulak HydroCascade	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	8,961,493,852.00	100	120,076	(184,653)		Construction of the Sulak hydropower cascade
JSC TZSO SSHPP	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	482,153,947.00	100	70,361	578		Activities related to hotels and restaurants
JSC Hidroremont-WCC	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	535,040.00	100	10,018,722	338,830	159,759,000.00	Provision of repair services for the electric power industry's facilities
JSC ESC RusHydro	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	11,981,227,367.00	100%-1 share	3,460,999	(907,094)		Wholesale trading of electric and thermal power
JSC Lenhydroproject	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	174,451.00	100	2,024,116	172,472	126,282,000.00	Research and development operations in the field of the electric power industry
JSC Nizhne-Kureiskaya HPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	35,097,700.00	100	-	(6,402)		Construction of HPP
JSC Far East Wind Power Plant	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	500,000.00	100	-	(5,919)		Construction of WPP
JSC Malaya Dmitrovka	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	4,819,782,000.00	100	643,502	61,774		Property management
JSC SHPPs of Altai	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	500,000.00	100	-	(11,466)		Construction of small HPPs of Altai
JSC SHPPs of Dagestan	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	161,500,000.00	100	0	(2,795)		Construction of small HPPs of Dagestan
RusHydro International B.V.**	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	5,800,000.00 euro	100	14,516 euro	1,811 euro		Investment activities
LLC Hydroservice	Provision of intermediary services for the Company's major activities	Participation in the authorized capital of the company	500,000.00	100	110,968	14,986		Provision of consulting services
LLC Verkhnebalkarskaya SHPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	948,985,320.89	100	0	(230,593)		Construction of the Verkhnebalkarskaya small hydropower plant
LLC Fiagdonskaya SHPP	Ensuring of the development of the Company's major activities	Participation in the authorized capital of the company	63,400,000.00	100	0	(25,398)		Construction of the Fiagdonskaya small hydropower plant
LLC SHPPs of the Stavropol Territory and KCR	Ensuring of the development of the	Participation in the authorized capital of the	47,694,908.51	100	-	6,851		Construction of small HPPs of the Karachay-

	Company`s major activities	company						Cherkessia Republic
JSC Pavlodolskaya HPP	Ensuring of the development of the Company`s major activities	Participation in the authorized capital of the company	3,809,000.00	100	-	(2,293)		Production of electricity
CJSC Blagoveshchenskaya CHP Plant	Ensuring of the development of the Company`s major activities	Participation in the authorized capital of the company	6,301,500,000.00	100	3,267	432,095		Construction of CHP plants
CJSC Sakhalinskaya SDPP-2	Ensuring of the development of the Company`s major activities	Participation in the authorized capital of the company	500,000.00	100	0	1,967		Construction of GRES
CJSC Yakutskaya SDPP-2	Ensuring of the development of the Company`s major activities	Participation in the authorized capital of the company	5,637,530,000.00	100	0	26,653		Construction of GRES
CJSC CHP Plant in Sovetskaya Gavan	Ensuring of the development of the Company`s major activities	Participation in the authorized capital of the company	4,375,260,000.00	100	0	37,130		Construction of CHP plants
CJSC "Holding Company BoAZ"	Strategic and financial investments	Participation in the authorized capital of the company	500,000.00	100	-	(732)		Investment activities
CJSC "Holding Company BoGES"	Strategic and financial investments	Participation in the authorized capital of the company	500,000.00	100	-	(739)		Investment activities

* Information on revenue and net profit is not provided, as JSC Irkutskenergo, JSC INTER RAO, JSC Zharki are not a part of the RusHydro Group. The Company has no financial statements of the said companies.

** The data are presented in accordance with IFRS.

Information on All Forms of the Company's Participation in Non-commercial Organizations

Name of the company	Year when the Company entered into the partnership	Annual member's contribution in 2014	Scope of activities of the non-commercial organization
Non-Commercial Partnership Market Council (NP Market Council)	2008	RUR 4,267, 000	Organizing sales of electricity in the wholesale electricity market. Participation in the Partnership is obligatory for all participants of the wholesale market in accordance with the Federal Law "On Electric Power Industry".
Non-Commercial Partnership Hydropower of Russia (NP Hydropower of Russia)	2003	RUR 17,530, 000	Improving the efficiency of hydropower complex of the Russian Federation under the conditions of reforms being carried out in the energy sector by coordinating hydropower entities' activities to develop and implement a package of measures related to the ongoing operation, creation, improvement and prospective development of hydropower complex of the Russian Federation
Non-Commercial Partnership Corporate Educational and Scientific Center of the Unified Energy System" (NP KONTZ UES)	2008	Termination of participation in NP has been initiated	Facilitating acquisition of knowledge and improvement of business and professional skills of personnel involved in the electric power sector, as well as professionals involved in industries that ensure normal functioning of energy utilities (educational activities); development and improvement of personnel training system of the electric power industry
All-Russia Trade Association of Employers in the Power Industry (Association RaEI)	2006	RUR 2,500,000	Facilitating development of business in the power industry by representing and protecting interests of employers in the socio-labor, economic and other fields, in relations with trade unions, public and local authorities and development of a coordinated socially responsible policy of organizations - members of the Association
International Hydropower Association	2006	GBP 30,000 (RUR 1,835,650)	Maintaining and disseminating knowledge on the hydropower sector under the auspices of the International Hydrological Program of UNESCO
All-Russia Association of Employers "Russian Union of Industrialists and Entrepreneurs" (OOR RSPP)	2006	RUR 400,000	Protecting members' common economic and social interests and legal rights that are essential for companies' sustainable development and the market economy as a whole
Non-Commercial Partnership Council of Electric Power Veterans (NP Council of Electric Power Veterans)	2008	RUR 15,000,000	Assisting Partnership members in carrying out activities aimed at providing comprehensive assistance to electric power veterans
Non-Commercial Partnership UES Scientific and Technical Council (NP NTS UES)	2008	RUR 1,500,000	Assisting Partnership members in forming scientific, technical and economic policy in the Unified Energy System of Russia
Global Sustainable Electricity Partnership	2008	147 966 CAD (RUR 4, 919, 515)	Elaborating a common policy for sustainable development of the power industry, arranging large-scale debate on environment protection, globalization, social policy, exchanging experience in the production and use of energy, in the development of electricity markets, helping developing countries.
World Economic Forum	2008	CHF 304,000 (RUR 11,227,710)	Improving global state of the world through assistance to the international community in addressing issues of economic development and social progress. To that end, the Forum promotes the development of partnerships between business, political, intellectual and other leaders of the international community to discuss and resolve cornerstones problems of global development.

Self-Regulating Organisation Non-Commercial Partnership Association of Construction Organizations Energostroyalians (SRO NP Energostroyalians)	2010	RUR 444,000	Fostering an enabling environment for enterprises which carry out work in the field of construction, reconstruction, overhaul of capital construction facilities, and protection of the power industry from unfair foreign and domestic organizations and enterprises
Non-Commercial Partnership Association of Owners and Investors in Land and Property (NP ASIN)	2012	RUR 300,000	The Partnership is a platform which promotes interests of JSC RusHydro and dialogue with public authorities on issues concerning the improvement of land and property legislation.
Non-Commercial Partnership Club of Directors for Science and Innovation (NP Club of Directors for Science and Innovation)	2013	RUR 300,000	The Club is a communication platform for the community of professionals in the field of research, development and innovations

Information on Share Purchase and Sale Contracts Concluded by JSC RusHydro in 2014

Subject of Transaction	Parties to Transaction	Price of Transaction, RUR	Other Conditions
Acquisition of CJSC Blagoveshchenskaya CHP shares	Buyer – JSC RusHydro; Issuer - CJSC Blagoveshchenskaya CHP	6,301,000,000	The shares were purchased in the frame of the additional issue
Acquisition of CJSC Sakhalinskaya SDPP-2 shares	Buyer – JSC RusHydro; Issuer - CJSC Sakhalinskaya SDPP-2	12,995,000,000	The purpose of the transaction is to implement investment projects of JSC RusHydro
Acquisition of CJSC CHP in Sovetskaya Gavan shares	Buyer – JSC RusHydro; Issuer - CJSC CHP in Sovetskaya Gavan	13,843,000,000	The purpose of the transaction is to implement investment projects of JSC RusHydro
Acquisition of CJSC Yakutskaya SDPP-2 shares	Buyer – JSC RusHydro; Issuer – CJSC Yakutskaya SDPP-2	16,861,000,000	The purpose of the transaction is to implement investment projects of JSC RusHydro
Acquisition of JSC Zagorskaya PSPP-2 shares	Buyer – JSC RusHydro; Issuer - JSC Zagorskaya PSPP-2	4,208,180,863	The purpose of the transaction is to implement investment projects of JSC RusHydro
Acquisition of CJSC Dalnevostochnaya WPS shares	Buyer – JSC RusHydro; Issuer - CJSC Dalnevostochnaya WPS	223,588,473	The purpose of the transaction is to implement investment projects of JSC RusHydro
Acquisition of CJSC Dalnevostochnaya WPS shares	Buyer – JSC RusHydro; Issuer - CJSC Dalnevostochnaya WPS	5,937,995,485	The purpose of the transaction is to implement investment projects of JSC RusHydro

Report on Holding of the General Meetings of Shareholders

The Annual General Shareholders Meeting of JSC RusHydro

Number and date of Minutes	The issues discussed
№ 12 dated June 27, 2014	<ol style="list-style-type: none">1. Approval of the Company's 2013 annual report.2. Approval of annual financial statements, including profit and loss statement following the results of 2013.3. Approval of distribution of the Company's profit according to the results for the year of 2013.4. On dividends amount, the date and mode of their payment according to the results of 2013 and establishing the date on which the persons entitled to receive dividends will be determined.5. On remuneration payment to members of the Board of Directors, who are not public officials, in the amount established by the Company's internal documents, for their work in the Board of Directors.6. Election of members for the Board of Directors of the Company.7. Election of members for the Audit Commission of the Company.8. Approval of the Auditor of the Company.9. On approval of a new version of the Charter of Open Joint Stock Company "Federal Hydro Generation Company – RusHydro".10. On approval of a new version of the Regulations for the procedure on convening and holding of the General Meeting of Shareholders of Open Joint Stock Company "Federal Hydro Generation Company – RusHydro".11. On JSC RusHydro's participation in the Siberian Energy Association.12. On recommendations to the Extraordinary General Meeting of Shareholders on the issue: On approval of contract on insurance coverage of liability and financial risks of Directors, Officers and the Companies concluded between JSC RusHydro and JSIC Ingosstrakh, as related party transaction.13. On approval of Supplement №2 to Share Pledge Contract № 110200/1168-DZA-RG dated 27.12.2010 between JSC RusHydro and Vnesheconombank as a related party transaction.14. On approval of Supplement №1 to Subsequent Share Pledge Contract № 110200/1168-DPZA-RG dated 22.08.2011 between JSC RusHydro and Vnesheconombank as a related party transaction.15. On approval of Supplement №1 to Surety Contract № 110100/1168-DP dated 22.08.2011 between JSC RusHydro and Vnesheconombank as a related party transaction.16. On approval of the Supplementary Agreement to Line of Credit Agreement between JSC RusHydro and OJSC Sberbank of Russia, which is a related party transaction.17. On approval of transactions between JSC RusHydro and State Corporation Vnesheconombank which are related party transactions and which might be signed in the future in the Company's ordinary course of business.

Voting results and decisions of the general meetings of shareholders are available on our web site: <http://www.rushydro.ru/corporate/general-meeting/overpast/2013/>

Report on the Meetings of the Committees of the Board of Directors

The Strategy Committee

Number and date of Minutes	The issues discussed
№ SC_№67 dated January 31, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: "On implementation of development priorities of JSC RusHydro for 2013".
№ SC_№ 68 dated February 7, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: "On priority activities of the Company: On progress status of priority projects for construction of 4 facilities in the Far East".
№ SC_№ 69 dated March 27, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: "On approval of a related party transaction with companies' stakes made by the Company".
№ SC_№70 dated June 16, 2014	<ol style="list-style-type: none"> On recommendations to the Board of Directors of JSC RusHydro on the issue: "On priority activities of the Company: On the progress status of priority projects for construction of 4 facilities in the Far East (the Blagoveshchenskaya CHP Plant (2nd stage), the Yakutskaya SDPP-2 (1st stage), CHP Plant in Sovetskaya Gavan, the Sakhalinskaya SDPP-2 (1st stage)". On recommendations to the Board of Directors of JSC RusHydro on the issue: "On priority activities of the Company: On making free bilateral electricity purchase and sale contracts with guaranteed supply companies in the territory of the federal subjects of the Russian Federation in the second pricing zone of the Wholesale Market for Electricity and Power (Capacity)". On recommendations to the Board of Directors of JSC RusHydro on the issue: "On the Company's concluding company shares and ownership transactions which JSC RusHydro participates in. On recommendations to the Board of Directors of JSC RusHydro on the issue: "On the report of the Chairman of the Strategy Committee on the results of activities in the 2013-2014 corporate year.
№ SC_№71 dated September 22, 2014	<ol style="list-style-type: none"> On recommendations to the Company's Board of Directors on the issue: "On election of the Deputy Chairman of the Strategy Committee of the Board of Directors of JSC RusHydro". On recommendations to the Company's Board of Directors on the issue: On election of the Secretary of the Strategy Committee of the Board of Directors of JSC RusHydro". On recommendations to the Board of Directors of JSC RusHydro on the issue: "On approval of the Committee's activity plan for the second half of 2014". On recommendations to the Board of Directors of JSC RusHydro on the issue: "On priority activities of the Company: On the progress status of priority projects for construction of 4 facilities in the Far East (the Blagoveshchenskaya CHP Plant (2nd stage), the Yakutskaya SDPP-2 (1st stage), CHP Plant in Sovetskaya Gavan, the Sakhalinskaya SDPP-2 (1st stage)".
№ SC_72 dated October 7, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: "On the long-term development program of the RusHydro Group".
№ SC_73 dated October 17, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: "On approval of company shares and ownership transactions which JSC RusHydro participates in".
№ SC_№74 dated November 7, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: "On the long-term development program of the RusHydro Group".
№ SC_№75 dated December 8, 2012	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: "On priority activities of the Company: On making free bilateral electricity purchase and sale contracts with guaranteed supply companies in the territory of the federal subjects of the Russian Federation in the second pricing zone of the Wholesale Market for Electricity and Power (Capacity)".

The Audit Committee

Number and date of Minutes	The issues discussed
№ 57 dated February 14, 2014	<ol style="list-style-type: none"> On implementation of the Timeline of control activities of JSC RusHydro for Q4 2013. On Compliance Report on Requirements of the Legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on the Insider Information of JSC RusHydro for Q4 2013. On the Report of CJSC PwC Audit (Auditor of the Company) on the results of audit of the financial statements for 9 months of 2013. On the Report on the implementation of measures of the Comprehensive Program to prevent illegal activities by employees of JSC RusHydro in 2013.

№ 58 dated April 16, 2014	<ol style="list-style-type: none"> 1. On recommendations to the Board of Directors of the Company on the review of the annual financial statements, including 2013 profit and loss statement of the Company 2. On audit opinion of the Auditor of the Company for the results of 2013 financial statements audit prepared in accordance with Russian accounting standards. 3. On the Report of CJSC PwC Audit (Auditor of the Company) on the results of the audit of 2013 financial statements of the Company. 4. On opinion of the Audit Commission of the Company on the results of audits of the Company for 2013. 5. On recommendations to the Board of Directors on candidate Auditor of the Company. 6. On recommendations to the Board of Directors to determine the remuneration payable to the Company's Auditor for 2014 7. On the Compliance Report on requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of JSC RusHydro for Q1 2014. 8. On the draft of the Company's Annual Report on 2013 results.
№ 59 dated May 15, 2014	<ol style="list-style-type: none"> 1. On implementation of the Timeline of control activities of JSC RusHydro in 2014, Q1 2014. 2. On the report of CJSC PwC Audit on the audit of the consolidated financial statements of the RusHydro Group according to IFRS for the year ended December 31, 2013. 3. On approval of the Report on the results of the Audit Committee of the Board of Directors of the Company in 2013-2014 corporate year.
№ 60 dated August 15, 2014	<ol style="list-style-type: none"> 1. On election of the Deputy Chairman of the Audit Committee. 2. On appointment of the Secretary of the Audit Committee. 3. On the Audit Committee's action plan in 2014-2015 corporate year. 4. On implementation of 2014 timeline of control measures of JSC RusHydro in 2014, Q2 2014 5. On the Compliance Report on requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of JSC RusHydro for Q2 2014. 6. On the Plan of CJSC PwC Audit (Auditor of the Company) to conduct audits of the RusHydro Group for 2014
№ 61 dated October 13, 2014	<ol style="list-style-type: none"> 1. On proposals for nomination candidates to the Audit Commission of the Company.
№ 62 dated October 21, 2014	<ol style="list-style-type: none"> 1. On the Report of CJSC PwC Audit on review of the consolidated interim condensed financial information of the RusHydro Group under IFRS for six months period ended June 30, 2014 2. On the Report of CJSC PwC Audit (Auditor of the Company) on the results of the interim audit of financial statements of the Company under RAS for H1 2014.
№ 63 dated November 14, 2014	<ol style="list-style-type: none"> 1. On making changes to 2014 Timeline of control activities of JSC RusHydro for 2014. 2. On implementation of the timeline of control activities of JSC RusHydro in 2014, Q3 2014. 4. On the Compliance Report on requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of JSC RusHydro for Q3 2014. 3. Approval of the Standard for checking the implementation of the long-term development program of the RusHydro Group.
№ 64 dated December 16, 2014	<ol style="list-style-type: none"> 1. On the recommendation to the Board of Directors on the issue: "On determination of the maximum value of services for auditing JSC RusHydro's financial accounts prepared in accordance with Russian accounting standards and for auditing (reviewing) the RusHydro Group's consolidated financial statements prepared in accordance with international financial reporting standards, for 2015, 2016 and 2017".
№ 65 dated December 30, 2014	<ol style="list-style-type: none"> 1. On development of JSC RusHydro's risk management system in 2014. 2. On approval of 2015 Timeline of control measures of JSC RusHydro. 3. On the Report of CJSC PwC Audit (Auditor of the Company) on the results of the interim audit of the Company's financial statements for 9 months of 2014.

The Human Resources and Remuneration Committee

Number and date of Minutes	The issues discussed
№ 35/1 dated May 5, 2014	<ol style="list-style-type: none"> 1. Recommendations to the Board of Directors of JSC RusHydro on the issue: "On amendments to the Regulations on the procedure of remuneration and compensation to members of the Executive Board of JSC RusHydro.
№ 36/1 dated June 3, 2014	<ol style="list-style-type: none"> 1. On approval of the report on the results of the Human Resources and Remuneration Committee of the Board of Directors of JSC RusHydro for the period from July 15, 2013 till May 31, 2014.
№ 36/2 dated June 3, 2014	<ol style="list-style-type: none"> 1. On performance appraisal of the sole executive body - Chairman of the Executive Board of the Company.
№ 37/1 dated October 13, 2014	<ol style="list-style-type: none"> 1. On participation of members of the Board of Directors of JSC RusHydro in the work of the Board of Directors and Committees of the Board of Directors.

№ 38/1 dated October 16, 2014	1. On election of the Secretary of the Human Resources and Remuneration Committee of the Board of Directors.
№ 38/2 dated October 16, 2014	1. On election of the Deputy Chairman of the Human Resources and Remuneration Committee of the Board of Directors of the Company
№ 38/3 dated October 16, 2014	1. On recommendations to the Board of Directors on the issue: On determination of number of members of the Management Board of JSC RusHydro.
№ 38/4 dated October 16, 2014	1. On recommendations to the Board of Directors on the issue: On termination of powers of a member of the Management Board of JSC RusHydro.
№ 38/5 dated October 16, 2014	1. On recommendations to the Board of Directors on the issue: On election of a member of the Management Board of JSC RusHydro
№ 38/6 dated October 16, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On concurrent holding by members of the Management Board of positions in the management bodies of other organizations».
№ 39/1 dated November 19, 2014	1. Recommendations to the Board of Directors of JSC RusHydro on the issue: "On amendments to the Regulations on the procedure of remuneration and compensation to members of the Management Board of JSC RusHydro and labor agreements with the Chairman of the Management Board – the CEO and members of the Management Board of JSC RusHydro”.
№ 40/1 dated December 11, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On concurrent holding by members of the Management Board of positions in the management bodies of other organizations.

The Investment Committee

Number and date of Minutes	The issues discussed
№ 50 dated January 21, 2014	1. On recommendations to the Board of Directors on the issue: “On implementation of 2014-2018 business plan of the Company”.
№ 51 dated February 11, 2014	1. On recommendations to the Board of Directors on the issue: “On achievement of the key performance indicators of JSC RusHydro for Q4 2013 and 2013”.
№ 52 dated March 28, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: “On implementation of 2013 business plan of JSC RusHydro (including the report on the implementation of the Investment Program, inter alia the Comprehensive Modernization Program of Generating Facilities, for 2013).
№ 53 dated April 24, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On recommendations to Annual General Meeting of Shareholders on the issue: On distribution of profit (including payment (declaration) of dividends) and losses of the Company according to the results for the fiscal year of 2013
№ 54 dated May 20, 2014	1. On recommendations to the Board of Directors on the issue: On interim results of the achievement of the key performance indicators of JSC RusHydro for Q1 2014.
№ 55 dated June 5, 2014	1. On interim results of the implementation of 2014 Business Plan incl. Q1 2014 actual results (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities in Q1 2014) 2. On approval of the report on the results of the Investment Committee of the Board of Directors of JSC RusHydro for the period from July 15, 2013 till May 30, 2014;
№ 56 dated September 1, 2014	1 On election of the Deputy Chairman of the Investment Committee of the Board of Directors of JSC RusHydro 2. On election of the Secretary of the Investment Committee of the Board of Directors of JSC RusHydro. 3. On approval of 2014-2015 corporate year’s action plan of the Investment Committee of the Board of Directors of JSC RusHydro. 4. On recommendations to the Board of Directors on the issue: “On achievement of the key performance indicators of JSC RusHydro for Q2 2014”. 5. On recommendations to the Board of Directors on the issue: On interim results of the implementation of 2014 Business Plan incl. H1 2014 actual results (including the report on the implementation of the Investment Program (inter alia the comprehensive modernization program of generating facilities) and the Annual comprehensive purchasing program for H1 2014)”.
№ 57 dated November 14, 2014	1. On recommendations to the Board of Directors on the issue: On achievement of the key performance indicators of JSC RusHydro for Q3 2014.
№ 58 dated December 11, 2014	1 On recommendations to the Board of Directors on the issue: On interim results of the implementation of 2014 Business Plan incl. 9 months 2014 actual results (including the report on the implementation of the Investment Program (inter alia the comprehensive modernization program of generating facilities) and the Annual comprehensive purchasing program for M9 2014)”. 2. On recommendations to the Board of Directors on the issue: “On approval of Regulations on the system of key performance indicators of JSC RusHydro, the list, and procedure on calculation and assessment, of the key performance indicators of JSC RusHydro”.
№ 60 dated December 22, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On adjustment of 2014-2018 business plan of the Company in terms of 2014 Investment Program of JSC RusHydro.

Reliability, Energy Efficiency and Innovation Committee

Number and date of Minutes	The issues discussed
№ 29 dated April 2, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On implementation of 2013 Business Plan of JSC RusHydro (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for 2013).
№ 30 dated June 2, 2014	1. On approval of the report on the results of the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors of JSC RusHydro for the period from July 15, 2013 till June 2, 2014.
№ 31 dated June 5, 2014	1. On recommendations to the Board of Directors of the Company on the issue: On interim results of the implementation of 2014 Business Plan taking into account Q1 2014 actual result (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for Q1 2014) .
№ 32 dated September 8, 2014	<ol style="list-style-type: none"> 1. On election of the Deputy Chairman of the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors. 2. On election of the Secretary of the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors. 3. On interim results of the implementation of 2014 Business Plan taking into account actual result for H1 of 2014 (including the report on the implementation of the Investment Program (inter alia the comprehensive modernization program of generating facilities) and and the Annual comprehensive purchasing program for H1 2014).
№ 33 dated November 21, 2014	1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On determination of the position of the Company's representatives in the Board of Directors of Subsidiary and Dependent Companies on making transactions (including several related transactions) associated with the alienation or potential alienation of Subsidiary and Dependent Companies' assets which consist of fixed assets, intangible assets, facilities under construction used for production, transmission, dispatching and distribution of electric and thermal energy.

Decisions of the Committees of the Board of Directors are available on our website:
<http://www.rushydro.ru/corporate/committees/>

Report on the Meetings of the Board of Directors

Number and date of Minutes	The issues discussed
№ 193 dated February 17, 2014	<ol style="list-style-type: none"> On determination of procurement policy of JSC RusHydro. On approval of the Company's transactions. On early resignation and election of a new member to the Strategy Committee and Investments Committee of JSC RusHydro's Board of Directors. On 2014 - 2018 business plan of the Company. On approval of the report on the achievement of the key performance indicators for Q4 2013 and full year 2013. On approval of the report on implementation of 2013 measures approved by the Register of non-core assets of JSC RusHydro. On approval of 2014 Register of non-core assets of JSC RusHydro. On implementation of development Priorities of JSC RusHydro in 2013. On implementation of the decisions of the Board of Directors.
№ 194 dated February 26, 2014	<ol style="list-style-type: none"> On the Company's priority areas of activity.
№ 195 dated March 28, 2014	<ol style="list-style-type: none"> On approval of the report on insurance protection of JSC RusHydro. On the Report on the implementation of the Company's Charitable and Sponsorship Program in 2013. On 2014 Charitable and Sponsorship Program of the Company. On approval of the Company's internal documents. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies. On the Report on the implementation of 2010 – 2014 integrated infrastructure development program of urban village of Cheremushki in 2013. On execution of the Board of Directors' decisions. On approval of the Company's transactions.
№ 196 dated April 4, 2014	<ol style="list-style-type: none"> On review of proposals of the Company's shareholders to nominate candidates for election to the Board of Directors of JSC RusHydro. On review of proposals of the Company's shareholders on the inclusion of issues on the agenda of the Annual General Meeting of Shareholders of JSC RusHydro.
№ 197 dated April 25, 2014	<ol style="list-style-type: none"> On implementation of 2013 Business Plan of JSC RusHydro (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for 2013). On determination of remuneration to the Company's auditor. On applicability of guidelines for managing intellectual property rights. On approval of the Company's transactions. On approval of the report on the implementation of the Innovative Development Program of JSC RusHydro for 2011 - 2015 with a view to 2021, in 2013. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies.
№ 198 dated May 15, 2014	<ol style="list-style-type: none"> On approval of the agenda of the Annual General Meeting of Shareholders of the Company. On preliminary approval of 2013 Annual Report of the Company On review of the annual financial statements, including profit and loss statement of the Company for the FY 2013. On recommendations to the General Meeting of Shareholders of the Company on the issue: On distribution of profit of the Company for the FY 2013. On recommendation to the Annual General Meeting of Shareholders on the issue: "On the amount of dividends, the date and the mode of their payment on the results of 2013 and determination of the date on which the persons entitled to receive dividends are determined. On recommendations on the candidate of the Company's Auditor. On recommendation to the Company's General Meeting of Shareholders on the issue: On remuneration payment to members of the Board of Directors, who are not public officials, in the amount established by the Company's internal documents, for their work in the Board of Directors (Supervisory Board). On recommendation to the Company's General Meeting of Shareholders on the issue : "On approval of a new version of the Charter of Open Joint

	<p>Stock Company "Federal Hydro Generation Company – RusHydro".</p> <ol style="list-style-type: none"> 9. On recommendation to the Company's General Meeting of Shareholders on the issue: "On approval of a new version of the Regulations for the procedure on convening and holding of the General Meeting of Shareholders of Open Joint Stock Company "Federal Hydro Generation Company – RusHydro". 10. On recommendation to the Company's General Meeting of Shareholders on the issue: "On JSC RusHydro's participation in the Siberian Energy Association. 11. On determination of price of Share Pledge Contract № 110200/1168-DZA-RG dated December 27, 2010 as amended by Supplement №1 thereto dated August 22, taking into account the signing of Supplement №2 thereto, qualified as a related party transaction. 12. On determination of price of Subsequent Share Pledge Contract № 110200/1168-DPZA-RG dated August 22, 2011 taking into account Supplement №1 thereto, qualified as a related party transaction. 13. On determination of price (monetary value) of property (liabilities) of Surety Contract № 110100/1168-DP dated August 22, 2011 taking into account the signing of Supplement №1 thereto, qualified as related party transaction. 14. On determination of price of Line of Credit Agreement № 5486 dated November 18, 2011 between the Company and JSC Sberbank of Russia including Supplementary Agreement № 2 thereto (hereinafter referred to as the Agreement), qualified as a related party transaction. 15. On determination of prices of agreements between JSC RusHydro and JSC VTB Bank, qualified as related party transactions, which might be signed in the future in the Company's ordinary course of business. 16. On recommendations to the Company's General Meeting of Shareholders on the issue: On approval of contract on insurance coverage of liability and financial risks of Directors, Officers and the Companies concluded between JSC RusHydro and JSIC Ingosstrakh, as a related party transaction. 17. On recommendations to the Company's General Meeting of Shareholders on the issue: On approval of Supplement № 2 to Share Pledge Contract № 110200/1168-DZA-RG dated December 27, 2010 between JSC RusHydro and Vnesheconombank, qualified as a related party transaction. 18. On recommendations to the Company's General Meeting of Shareholders on the issue: On approval of Supplement № 1 to Subsequent Share Pledge Agreement № 110200/1168-DPZA-RG dated August 22, 2011 between JSC RusHydro and Vnesheconombank, qualified as related party transaction. 19. On recommendations to the Company's General Meeting of Shareholders on the issue: On approval of Supplement №1 to Surety Contract № 110100/1168-DP dated August 22, 2011 between JSC RusHydro and Vnesheconombank, qualified as related party transaction. 20. On recommendations to the Company's General Meeting of Shareholders on the issue: On approval of Supplementary Agreement № 2 to Line of Credit Agreement № 5486 dated November 18, 2011 between JSC RusHydro and JSC Sberbank of Russia, qualified as a related party transaction. 21. On recommendations to the General Meeting of Shareholders on the issue: On approval of transactions between JSC RusHydro and State Corporation Vnesheconombank, which are related party transactions, and which might be signed in the future in the Company's ordinary course of business. 22. On issues related to convening and holding the Company's General Meeting of Shareholders.
№ 199 dated May 23, 2014	<ol style="list-style-type: none"> 1. On improvement of JSC RusHydro's procurement policy. 2. On approval of the Company's internal documents. 3. On achievement of the Company's KPIs for Q1 2014. 4. On approval of the Company's transactions.
№ 200 dated June 24, 2014	<ol style="list-style-type: none"> 1. On interim results of the implementation of 2014 Business Plan of the Company incl. Q1 2014 actual result (including the report on the implementation of the Investment Program for Q1 2014). 2. On JSC RusHydro's KPIs. 3. On reduction of administration and management costs of JSC RusHydro 4. On adjustment of 2014 Insurance Coverage Program of JSC RusHydro. 5. On approval of Insurance Coverage Regulations of JSC RusHydro. 6. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies. 7. On approval of the transactions made by the Company. 8. On the priority areas of activities of the Company. 9. On review of the performance reports of Chairmen of Committees of the Board of Directors in 2013-2014 corporate year. 10. On execution of RusHydro's Board of Directors decisions. 11. On review of 2013 Activity Report of the Management Board of the Company.
№ 201 dated	<ol style="list-style-type: none"> 1. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of

June 27, 2014	<ul style="list-style-type: none"> subsidary and dependent companies. 2. On election of the Company's sole executive body.
№ 202 dated August 8, 2014	<ul style="list-style-type: none"> 1. On election of the Chairman of the Board of Directors of the Company. 2. On election of the Deputy Chairman of the Board of Directors of the Company. 3. On formation of the Committees of the Board of Directors of the Company. 4. On review of the report on fulfillment of the Annual comprehensive procurement program of JSC RusHydro in Q1 2014. 5. On execution of decisions of JSC RusHydro's Board of Directors 6. On approval of H2 2014 Action Plan of the Board of Directors of JSC RusHydro. 7. On introduction of changes and additions to 2014 Charitable and Sponsorship Program of the Company.
№ 203 dated September 15, 2014	<ul style="list-style-type: none"> 1. On achievement of the key performance indicators of JSC RusHydro for Q2 2014. 2. On approval of the Company's internal documents. 3. On approval of the Company's transactions. 4. On determination of procurement policy of JSC RusHydro. 5. On review of the interim report on fulfillment of the medium-term plan of actions under 2011-2015 innovative development program of RusHydro in the 1st half of 2014. 6. On interim results of the implementation of 2013 Business Plan incl. H1 2014 actual result (including the reports on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities) and the Annual comprehensive procurement program of JSC RusHydro for H1 2014). 7. On execution of JSC RusHydro's Board of Directors decisions. 8. On execution of instructions of the Government of the Russian Federation.
№ 204 dated September 26, 2014	<ul style="list-style-type: none"> 1. On the Company's priority areas of activity. 2. On approval of the Company's transactions. 3. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies.
№ 205 dated October 29, 2014	<ul style="list-style-type: none"> 1. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies. 2. On approval of the Company's transactions. 3. On amendments to the Company's Register of non-core assets. 4. On organizational structure of JSC RusHydro. 5. On formation of JSC RusHydro's Management Board.
№ 206 dated November 21, 2014	<ul style="list-style-type: none"> 1. On approval of a long-term development program of RusHydro Group.
№ 207 dated December 1, 2014	<ul style="list-style-type: none"> 1. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies. 2. On achievement of the Company's KPIs for Q3 2014. 3. On execution of JSC RusHydro's Board of Directors decisions 4. On amendments to the Company's Register of non-core assets.
№ 208 dated December 26, 2014	<ul style="list-style-type: none"> 1. On approval of Regulations on the Key Performance Indicators system, the list, and procedure on calculation and evaluation, of Key Performance Indicators of JSC RusHydro.
№ 209 dated December 26, 2014	<ul style="list-style-type: none"> 1. On the Company's priority areas of activity. 2. On interim results of the implementation of 2014 Business Plan incl. M9 2014 actual result (including the reports on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities) and the Annual comprehensive procurement program of JSC RusHydro for M9 2014). 3. On approval of the Company's Insurer for 2015. 4. On approval of 2015 insurance coverage of JSC RusHydro. 5. On approval of the Company's transactions. 6. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of

	<p>subsidiary and dependent companies.</p> <ol style="list-style-type: none"> 7. On approval of H1 2015 Action Plan of the Board of Directors of JSC RusHydro. 8. On execution of JSC RusHydro's Board of Directors decisions. 9. On approval of the Annual comprehensive procurement program of JSC RusHydro for 2015. 10. On determination of the maximum cost of services to audit JSC RusHydro's accounting statements under Russian accounting standards (RAS) and audit (review) consolidated financial statements of the RusHydro Group under International Financial Reporting Standards (IFRS) for 2015, 2016 and 2017. 11. On concurrent holding by the members of the Management Board of positions in the management bodies of other organizations. 12. On adjustment of 2014 Charitable and Sponsorship Program of the Company without increasing its volume due to the inclusion of the project to finance the Russian Chess Federation and the Russian Union of Martial Arts. 13. On introduction of changes (approval) to the Decision on the securities issue and to the Prospectus for securities. 14. On adjustment of 2014 - 2018 Business Plan of the Company in terms of 2014 Investment Program of JSC RusHydro
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Decisions of the Board of Directors are available on our website: <http://www.rushydro.ru/corporate/board/minutes/2013/>.

Report on Pending Lawsuits

	Number of lawsuits	Total amount of the recovery of monetary funds
JSC RusHydro – suitor	88	RUR 5.9 billion
JSC RusHydro – defendant	10	RUR 27.5 million

Report on Government Support Received by the Company

In 2014, JSC RusHydro did not attract funds from the federal budget to implement investment program projects. In 2014, the Company used previously received budget funds in the amount of RUR 11,992.8 million of which:

- ❖ RUR 11,291.5 million to construct heat generation facilities in the Far East (RUR 4,377.9 million – CHP Plant in Sovetskaya Gavan, RUR 6,125.3 million – the Yakutskaya SDPP-2, RUR 788.3 million – the second stage of the Blagoveschenskaya CHP);
- ❖ RUR 697.8 million to implement the projects "the Gotsatlinskaya HPP, the Republic of Dagestan";
- ❖ RUR 3.5 million to develop the project documentation for the Kankunskaya HPP.

Information on the Measures to Verify Implementation of the Long-Term Development Program of the RusHydro Group

In 2014, the Board of Directors of JSC RusHydro approved the Long-Term Development Program of the RusHydro Group (hereinafter referred to as the Program, the Document) (Minutes № 206 dated November 21, 2014). The program was developed in fulfillment of the assignment of the President of the Russian Federation № Pr-3086 dated December 27, 2013, the decision taken at the meeting of the Russian Government (Minutes № 3 dated January 30, 2014), the orders of the Federal Agency for State Property Management № OD-11/18576 dated April 29, 2014 and the Ministry of Energy of the Russian Federation № 09-1918 dated June 16, 2014 and № AN-7899/08 dated July 23, 2014, as well as in accordance with JSC RusHydro's Order № 528 dated July 3, 2014. The document is generated for the period of 2015-2019 years on the basis of JSC RusHydro's Strategic Plan for the period up to 2015 with a view to 2020 and determines the basic principles and directions that ensure effective rapid development of the RusHydro Group to effectively use energy resources, create conditions to ensure reliability of the Unified Energy System, and make an expanded use of energy sources for the benefit of shareholders and society. The program takes into account the goals and objectives set out in:

- ❖ the Concept of long-term socio-economic development of the Russian Federation for the period up to 2020;
- ❖ the Russian Energy Strategy for the period up to 2030;
- ❖ the Area Planning Scheme of the Russian Federation in the field of power generation;
- ❖ Presidential Decrees, orders of the Government of the Russian Federation and other regulatory legal acts on the development of national power generating industry.

In drawing up the Program, the Company took into account the provisions of the Federal Agency for State Property Management's letter № OD-11/18576 dated April 29, 2014 "On the development of key strategic documents in state-owned companies" and the Methodological Recommendations of the Federal Agency for State Property Management on elaboration of long-term development programs for strategic open joint-stock companies and federal state unitary enterprises, as well as open joint-stock companies, the share of the Russian Federation in the authorized capitals of which is more than fifty per cent in total. The final version of the Program was agreed upon with the Federal Agency for State Property Management, the Ministry of Energy of the Russian Federation and the Expert Council under the Government of the Russian Federation.

In accordance with the directive of the Government of the Russian Federation № 4955p-P13 dated July 17, 2014 and the Methodological Recommendations of the Ministry of Economic Development of the Russian Federation for the purposes of verification of implementation of the long-term development program of the Company and its subsidiaries, the Audit Committee of the Company's Board of Directors (Minutes № 63 dated November 14, 2014) and the Board of Directors (Minutes № 206 dated November 21, 2014) approved the Standard for verification of implementation of the long-term development program of the RusHydro Group (hereinafter referred to as the Standard).

This Standard has been designed with due regard to the Standard for financial audit of the implementation of the long-term development programs for open joint-stock companies included in a special list approved by order of the Government of the Russian Federation № 91-p dated January 23, 2003. This Standard for financial audit of the implementation of the long-term development programs was approved by assignment of the Government of the Russian Federation № ISH-P13-2583 dated April 15, 2014.

In accordance with the Standard (paragraph 3.2), verification of the Program implementation will be carried out on an annual basis, starting from 2016 (verifying fulfillment of 2015 Program).

In addition, taking into account staffing measures carried out in 2014 to upgrade the efficiency of JSC RusHydro management, the Internal Audit, Control and Risk Management Department of JSC RusHydro is assigned functions involving organization of external financial audits of the long-term development program of JSC RusHydro, as well as implementation of its monitoring during the fiscal year.

Report on Creation of Single Treasuries of Parent, Subsidiary and Dependent Companies

In execution of Russian President's Directives № Pr-1032 dated May 7, 2014 and ISH-P13-3464 dated May 13, 2014, JSC RusHydro (hereafter referred as the Company) submitted to the Board of Directors the issue "On creation of a single Treasury of JSC RusHydro, its subsidiary and dependent companies" for consideration and approval.

This issue was approved by the Board of Directors of the Company and the Chairman of the Management Board – the General Director of the Company was given instructions to carry out a number of measures to ensure the implementation of this assignment (Minutes of the Company's Board of Directors № 203 dated September 15, 2014).

In October 2014, the Company's Treasury performed an analysis of the current structure of financial flow management and the settlement and payment system of the RusHydro Group, the results of which were forwarded to the Ministry of Finance of the Russian Federation.

Currently, the Company has in place Order №37 dated January 26, 2015 with a detailed plan of activities to ensure the introduction of the Single Treasury. The plan includes:

- ❖ Development and approval of the concept (structure) of the single Treasury;
- ❖ Approval of the Single Treasury Regulations and other organizational and administrative documents regulating the activities of the Single Treasury and the management system of financial flows of the RusHydro Group;
- ❖ Synchronization and automation of treasury functions.

Currently, planned activities aimed at the creation of the Single Treasury are carried out in full and on time.

Report on Implementation of Non-Core Asset Disposition Programs

Information on availability in JSC RusHydro of the approved program for disposition of non-core assets (hereinafter referred to as NCA) and the NCA list.

1. The Board of Directors (Minutes № 106 dated September 1, 2010) approved the Regulations "On the procedure for disposition of non-core assets of JSC RusHydro". Report on the Implementation of 2014 Measures approved by the List of Non-Core Assets of JSC RusHydro was considered by the Management Board of the Company (Minutes № 893pr/1 dated February 6, 2015) in accordance with established procedures and approved by the decision of the Board of Directors of the Company (Minutes № 210 dated March 2, 2015)
A separate NCA disposition program is not adopted in JSC RusHydro. The NCA List indicates planned activities for NCA disposal, as well as the results of the activities.
2. The NCA disposition program represents the NCA List. The List of Non-Core Assets of JSC RusHydro includes basic information about the non-core assets, their book value, a type of proposed action in respect of non-core assets, estimated time limits for implementation of actions and other relevant information.
3. In accordance with the Regulations "On the procedure for disposal of non-core assets of JSC RusHydro", the Company is entitled to take the following management actions in respect of its non-core assets:

1. Actions designed to retain control over a non-core asset, including:	2. Actions designed to terminate control over a non-core asset, including
<ul style="list-style-type: none"> a) Retention: reservation of the Company's rights to a non-core asset in its present form; b) Ringfencing: establishment of a new legal entity together with other individuals and/or legal entities or without their participation; reorganization in the form of separation, with the transfer of the relevant non-core asset to the new legal entity; transfer of the non-core asset in payment for the authorized capital of the existing legal entity. c) Lease: leasing the non-core asset. d) Development of the asset through the implementation at its premises of projects that have a positive economic effect. 	<ul style="list-style-type: none"> a) Sale: compensatory alienation of a non-core asset or a share in the ownership thereof; b) Gratuitous transfer: gratuitous alienation of a non-core asset, usually in favor of the state or municipality; c) Liquidation: liquidation (cannibalization, derecognition, destruction, etc.) of a non-core asset, including subsequent possible sale of its individual components (does not apply to non-core assets in the form of shares, emission securities converted into shares, participation interests in authorized capitals of legal entities).

4. The List of 2014 Non-Core Assets of JSC RusHydro was approved by the Board of Directors' decision dated February 17, 2014 (Minutes № 193 dated February 19, 2013), while amendments thereto were approved by the Board of Directors' decision dated October 28, 2014 (Minutes № 205 dated October 2, 2014) and November 28, 2014 (Minutes № 207 dated December 1, 2014).

Report on the Implementation of 2014 Measures approved by the List of Non-Core Assets of JSC RusHydro was considered by the Management Board of the Company (Minutes № 893pr/1 dated February 6, 2015) in accordance with established procedures and approved by the decision of the Board of Directors of the Company (Minutes № 210 dated March 2, 2015).

Actual data of NCA disposition in 2014, as well as the reasons why the actual value of alienated non-core assets deviates from their book value are given in the table "Report on disposal of JSC RusHydro's non-core assets in 2014".

5. Deviation of the actual sales value from the book value of an asset is due to the fact that in accordance with the Regulations on the procedure for immovable property disposal, a sale shall be effected at a price not less than the market value.
6. Total indicator values (book value, sales value and the number of sold non-core assets in the reporting period) are given in the table "Report on disposal of JSC RusHydro's non-core assets in 2014".

Report on Disposal of JSC RusHydro's Non-Core Assets in 2014

№	Name of Asset	Inventory Number of Asset	Balance sheet line where the asset was reflected as of the reporting date preceding the disposal date of the asset	Bookkeeping accounts (including analytics) which reflect the income and expenses from retirement of the asset 91.1xxx/91.2xxx)	Book value of the asset, RUR thousand	Actual sales value, RUR thousand	Deviation of the actual sales value from the book value of the asset, RUR thousand	The reason why the actual sales value deviates from the book value of the asset
1	Residential house № 45	BR1847	1151 "Property, plant and equipment"	91.01/91.02.01	4,979.80	5,079.40	99,60	Selling at a price not lower than the market price to employees of JSC RusHydro branch - the Bureyskaya HPP in accordance with the Regulations on the procedure of immovable property disposal
2	Apartment № 61, house № 31	BR1004_61	1151 "Property, plant and equipment"	91.01/91.02.01	190,80	524,83	334,03	Selling at a price not lower than the market price to employees of JSC RusHydro branch - the Bureyskaya HPP in accordance with the Regulations on the procedure of immovable property disposal
Total:					5,170.60	5,604.23	433,63	

Report on Expanding Access of Small and Medium-Sized Businesses to Procurement

In fulfillment of the requirements of the Federal Law of the Russian Federation № 223-FZ of 18 July 2011 "On procurement of goods, works and services by certain kinds of legal entities", JSC RusHydro ensures transparency of procurement and expansion of the competitive environment. The Company has developed, approved and implemented the Regulation on procurement of products for the needs of JSC RusHydro, providing for the placement of all necessary procurement documents in the Single Information System www.zakupki.gov.ru, as well as the use of an electronic trading platform.

Considerable cost savings are achieved thanks to the use of high-efficient competitive procurement methods. The Company carries out electronic trading in the amount of not less than 40% of the total annual volume of procurement of goods, works and services (including from 10% to 20% of auctions, primarily, in relation to the list of goods, works and services, orders for delivery (performance, provision) of which are placed through an auction, as approved by the Government of the Russian Federation).

Upon implementation of the investment activities, cost savings for procurement of goods (works, services) per unit of output within the framework of 2014 annual comprehensive procurement program of the RusHydro Group in terms of procurement, the results of which are summed up and contracts are signed or are planned to be signed, amounted to 11.55% for 12 months of 2014.

To execute the Government's instructions on expanding access of small and medium-sized enterprises to purchases made by infrastructure monopolies and state-owned companies, as fixed in the "road map" (Russian Federation Government's Order № 867 of 29.05.2013) and relevant government directives, JSC RusHydro is implementing a set of measures. They include:

- ❖ The Company has made changes to the Company's local normative acts which provide for obligations to enter into contracts with small and medium-sized businesses within 20 days after the results of the tendering procedure, and pay for work performed, services rendered within 10 days from the date of execution of works / services. Provision is made for assignment of rights (claims) in favor of financial institutions (factoring) for contracts concluded with small and medium-sized businesses.
- ❖ The Company has approved JSC RusHydro's Partner Program (available on the Company's website in the "Purchases" section) aimed at implementing the state policy on development of small and medium-sized businesses. Small and medium-sized businesses can join the program subject to the requirements established by the Company's local normative acts.
- ❖ In 2015, JSC RusHydro is planning to increase its share of purchases from small and medium-sized businesses to 18% of total purchases.

At year-end 2014, JSC RusHydro's share of direct contracts with small and medium enterprises in the total amount of concluded contracts based on the results of procurement of goods, works and services amounted to 11.88%.

Report on Actual Implementation of Assignments of the President and the Government of the Russian Federation

№	Registration Number	Assignment/Instruction Issued By	Assignment/ Instruction Summary	Date of Assignment/ Instruction Issue
Input reference - 00054. DE	The Government of the Russian Federation	Resolution on the procedure for reporting by certain categories of persons on their receiving a gift in connection with their official position or performance of their official (job) duties, delivery and evaluation of the gift, sale (redemption) of the gift and crediting the funds from its sale.	January 13, 2014	January 14, 2014
Input reference - 00060. DE	The Apparatus of the Government of the Russian Federation	Request for information on fulfillment of the directives on execution results of the pilot projects related to technology and price audit.	January 13, 2014	January 15, 2014
Input reference - 00106. DE	The Apparatus of the Presidential Plenipotentiary Envoy to the Siberian Federal District	On the possibility to include in JSC RusHydro's Investment Program construction projects of the Mokskaya HPP and the Telmanskaya HPP in order to create energy infrastructure for the development of mineral resources bases in Transbaikalia and the Far East (Siberian Agreement).	January 14, 2014	February 19, 2014
Input reference - 00219. DE	The Apparatus of the Government of the Russian Federation	On submitting information about graduates of the federal Training and Retraining of Managerial Personnel Reserve (2010-2015) program.	January 20, 2014	January 30, 2014
Input reference - 00371. DE	The Apparatus of the Government of the Russian Federation	On implementing decisions set forth in the Minutes of the 16 th meeting of the Intergovernmental Russian-Kyrgyz Commission For Trade and Economic, Scientific and Technological and Humanitarian Cooperation dated December 17, 2013, Bishkek.	January 27, 2014	March 20, 2014
Input reference - 00405. DE	The Government of the Russian Federation	On implementing decisions set forth in the minutes of the 12 th meeting of the Intergovernmental Russian-Serbian Committee for Trade, Economic and Scientific and Technological Cooperation.	January 28, 2014	March 24, 2014
Input reference - 00416. DE	Administration of the President of the Russian Federation	On executing Russian President's assignments on the implementation by JSC RusHydro of the Cheboksarskaya HPP development project.	January 28, 2014	February 14, 2014
Input reference - 00538. DE	The Government of the Russian Federation	On the proposals by the Government of the Republic of Khakassia to address the last mile issue in the region.	February 3, 2014	February 10, 2014
Input reference - 00539. DE	The Apparatus of the Government of the Russian Federation	On development of construction program of small distributed power facilities based on cogeneration.	February 3, 2014	February 11, 2014
Input reference - 00674. DE	The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District	On the diagnostic technique, developed by the Institute of Automation and Control Processes of Far-Eastern Division of the Russian Academy of Science, for live high-voltage power transformer equipment.	February 6, 2014	March 7, 2014
Input reference - 00689. DE	The Control Directorate of the President of the Russian Federation	On the list of issues in connection with the inspection related to the construction (completion of construction) of the Boguchanskaya HPP.	February 6, 2014	February 12, 2014

Input reference - 00710. DE	The Control Directorate of the President of the Russian Federation	On submitting the Minutes of February 2, 2014 "On measures for socio-economic development of the Krasnoyarsk Territory, the Taimyr (Dolgan-Nenets) Autonomous District and the Evenk Autonomous District" in terms of completing construction and commissioning the Boguchanskaya HPP.	February 7, 2014	February 12, 2014
Input reference - 00713. DE	The Apparatus of the Government of the Russian Federation	On submitting information on income, expenses, assets and liabilities of material nature.	February 7, 2014	30.04.2014
Input reference - 00720. DE	Deputy Chairman of the Government of the Russian Federation - The Presidential Plenipotentiary Envoy to the Far Eastern Federal District	On constructing priority facilities of the fuel and energy complex of Eastern Siberia and the Far East	February 7, 2014	February 26, 2014
Input reference - 00753. DE	The Government of the Russian Federation	On submitting the timeline for the consideration of investment programs.	February 10, 2014	February 10, 2014
Input reference - 00859. DE	The Government of the Russian Federation	Resolution on amendments to the regulations of the Government of the Russian Federation in terms of obligations of guarantee suppliers to sign electricity supply contracts with electricity consumers prior to the completion of technological connection of power receivers of electricity consumers.	February 12, 2014	February 13, 2014
Input reference - 00937. DE	The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District	On submitting information on 2013 operating results in the Far Eastern Federal District.	February 17, 2014	March 7, 2014
Input reference - 00957. DE	The Government of the Russian Federation	Order on approving changes to be made to the list of power generation facilities.	February 17, 2014	February 20, 2014
Input reference - 01053. DE	Deputy Chairman of the Government of the Russian Federation	On development and implementation of domestic inspection and examination systems.	February 20, 2014	March 20, 2014
Input reference - 01108. DE	The Government of the Russian Federation	Resolution on certain issues relating to the certification of volumes of electric energy produced by qualified power generation facilities operating on the basis of renewable energy.	February 24, 2014	February 25, 2014
Input reference - 01133. DE	Administration of the President of the Russian Federation	On submitting materials on the development strategy of fuel and energy complex of the Far East.	February 25, 2014	March 4, 2014
Input reference - 01141. DE	The Government of the Russian Federation	Resolution on amendments to the Rules of the wholesale market of electric energy and power and review of 2014 balance solutions.	February 25, 2014	February 25, 2014
Input reference - 01142. DE	The Government of the Russian Federation	Resolution on amendments to some regulations of the Government of the Russian Federation.	February 25, 2014	February 25, 2014
Input reference - 01190. DE	The Government of the Russian Federation	Resolution on amendments to some regulations of the Government of the Russian Federation regarding qualification of power generation facilities.	February 26, 2014	March 6, 2014
Input reference - 01194. DE	The Government of the Russian Federation	Resolution on transfer of forestry land (the Republic of Sakha (Yakutia) to the category of industrial land for the construction the Yakutskaya SDPP-2.	February 26, 2014	March 5, 2014

Input reference - 01215. DE	The Presidential Plenipotentiary Envoy to the Far Eastern Federal District	On constructing priority facilities of the fuel and energy complex of Eastern Siberia and the Far East.	February 26, 2014	March 26, 2014
Input reference - 01412. DE	The Government of the Russian Federation	On commissioning the Boguchanskoye reservoir bed.	March 6, 2014	April 22, 2014
Input reference - 01442. DE	The Government of the Russian Federation	Order on amendments to the Regulations on the Government Commission for Electric Power Industry Development.	March 7, 2014	March 20, 2014
Input reference - 01451. DE	The Presidential Plenipotentiary Envoy to the Siberian Federal District	On investment projects planned for the long term in Siberia and the Far East.	March 7, 2014	March 31, 2014
Input reference - 01473. DE	The Government of the Russian Federation	On submitting the Minutes of the meeting of the Government Commission for Large-scale Flood Relief in the Republic of Sakha (Yakutia), Primorsky and Khabarovsk Territories, Amur and Magadan regions, the Jewish Autonomous Region.	March 11, 2014	March 14, 2014
Input reference - 01521. DE	The Apparatus of the Government of the Russian Federation	On cost reduction of the investment program while maintaining its physical volumes.	March 12, 2014	March 14, 2014
Input reference - 01572. DE	The Government of the Russian Federation	Order on amendments to the Regulations on the Government Commission for the Fuel and Energy Complex, Reproduction of Mineral Resources Bases and Energy Efficient Economy.	March 14, 2014	March 14, 2014
Input reference - 01573. DE	The President of the Russian Federation	Federal Law on Amendments to Article 2 of the Federal Law "On procurement of goods, works and services by certain kinds of legal entities"	March 14, 2014	March 14, 2014
Input reference - 01574. DE	The President of the Russian Federation	Federal Law on amendments to certain regulations of the Russian Federation.	March 14, 2014	March 14, 2014
Input reference - 01575. DE	The Government of the Russian Federation	Order on amendments to certain regulations of the Russian Federation regarding electric power industry	March 14, 2014	March 14, 2014
Input reference - 01664. DE	The Government of the Russian Federation	Order on the list of generating equipment assigned to generating facilities, which power is supplied in the forced mode.	March 18, 2014	April 4, 2014
Input reference - 01759. DE	The Government of the Russian Federation	Ensure the preparation and presentation of the Company's draft investment program.	March 17, 2014	May 28, 2014
Input reference - 01875. DE	The Government of the Russian Federation	On measures taken to prevent a recurrence of devastating flood effects and secure safety of territories and hydraulic structures in the Far East.	March 26, 2014	March 28, 2014
Input reference - 02083. DE	The Government of the Russian Federation	Order on amendments to paragraph 3 of the Rules for approval of investment programs of electric power engineering entities with the state participation in their authorized capital and grid companies.	April 2, 2014	April 7, 2014
Input reference - 02156. DE	The Government of the Russian Federation	On draft Federal Law № 448266-6 «On amendments to the Federal Law "On federal budget for 2014 and for the planning period of 2015 and 2016".	April 4, 2014	April 8, 2014
Input reference - 02203. DE	The Government of the Russian Federation	On implementing an assignment of the President of the Russian Federation № Pr-605 dated March 25, 2014 "On measures for socio-economic development of the Krasnoyarsk Territory, the Taimyr (Dolgan-Nenets) Autonomous District and the Evenk Autonomous District" in terms of completing construction and commissioning the Boguchanskaya HPP.	April 7, 2014	July 29, 2014

Input reference - 02205. DE	The Government of the Russian Federation	Protocol on implementing the scheme for comprehensive development of productive forces, transport and energy of the Republic of Sakha (Yakutia).	April 7, 2014	April 8, 2014
Input reference - 02212. DE	The Apparatus of the Presidential Plenipotentiary Envoy to the North Caucasus Federal District	On consideration of a collective appeal of North Ossetia – Alania residents.	April 7, 2014	April 24, 2014
Input reference - 02322. DE	The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District	On submitting information on the results of 2013- 2014 heating season.	April 10, 2014	April 25, 2014
Input reference - .2702. DE	The Apparatus of the Government of the Russian Federation	On the results of the expert and analytical activities :“Monitoring the implementation by Open Joint Stock Company" Federal Hydro-Generating Company RusHydro of priority projects of the fuel and energy complex of Eastern Siberia and the Far East (Sovetskaya Gavan)”.	April 24, 2014	May 5, 2014
Input reference - 02723. DE	The Government of the Russian Federation	Decision on approval of the state Energy Efficiency and Energy Development program of the Russian Federation.	April 25, 2014	April 28, 2014
Input reference - 02732. DE	The Government of the Russian Federation	On comprehensive solution of the problems related to water supply to Crimea.	April 25, 2014	April 25, 2014
Input reference - 02774. DE	The Government of the Russian Federation	On implementing the Action Plan to limit the final cost of goods and services of infrastructure companies while maintaining their financial stability and investment attractiveness	April 28, 2014	April 29, 2014
Input reference - 02822. DE	The Government of the Russian Federation	Directives on improving the Company’s procurement policy.	April 30, 2014	May 23, 2014
Input reference - 02852. DE	The Government of the Russian Federation	Resolution on amendments to the Rules of the wholesale market of electric energy and power	April 30, 2014	April 30, 2014
Input reference - 02947. DE	The Government of the Russian Federation	On submitting the minutes of the meeting of the Government Commission for Socio-Economic Development of the Far East.	May 5, 2014	May 8, 2014
Input reference - 03023. DE	The Apparatus of the Government of the Russian Federation	On presenting a passport of investment projects with an estimated cost of over RUR 1.5 billion	May 14, 2014	May 16, 2014
Input reference - 03239. DE	The Government of the Russian Federation	Directives on reduction of administrative and management costs.	May 22, 2014	20.06.2014
Input reference - 03243. DE	Administration of the President of the Russian Federation	On development strategy of the fuel and energy complex of the Far East.	May 22, 2014	May 28, 2014
Input reference - 03259. DE	The Apparatus of the Government of the Russian Federation	On implementing Decree of the President of the Russian Federation №613 dated June 8, 2013 "Corruption Control".	May 23, 2014	May 27, 2014
Input reference - 03302. DE	The Secretariat of Deputy Chairman of the Government of the Russian Federation – The Presidential Plenipotentiary Envoy to the Far Eastern Federal District.	To provide information on the development of fuel and energy complex in the Far Eastern Federal District.	May 26, 2014	May 30, 2014
Input reference - 03597. DE	The Apparatus of the Government of the Russian Federation	On the problems related to power supply to the Chukotka Autonomous District	June 6, 2014	June 10, 2014

Input reference - 03783. DE	The Apparatus of the Government of the Russian Federation	On submitting proposals to amend Resolutions of the Government of the Russian Federation № 977 dated December 12, 2009, № 861 dated December 27, №442 dated May 5, 2012 regarding ensuring reliable power supply for 2019 Universiade and 2018 FIFA World Cup activities with JSC Rossetti.	June 17, 2014	June 30, 2014
Input reference - 03815. DE	The Government of the Russian Federation	On amendments to some acts of the Government of the Russian Federation on compensating grid companies for lost revenues associated with technological connection to the grid, and making tariff decisions.	June 18, 2014	June 30, 2014
Input reference - 04082. DE	The Government of the Russian Federation	On financing the construction of heating main in Khabarovsk.	June 27, 2014	August 4, 2014
Input reference - 4084. DE	The Government of the Russian Federation	On subsidy to JSC DRSK.	June 27, 2014	July 17, 2014
Input reference - 04327. DE	The Government of the Russian Federation	On submitting the minutes of the meeting of the Government Commission for Socio-Economic Development of the North Caucasian Federal District.	July 9, 2014	August 20, 2014
Input reference - 04346. DE	The Government of the Russian Federation	Order on approving the plan of action ("roadmap") "The introduction of innovative technologies and modern materials in the industries of the fuel and energy complex".	July 10, 2014	July 15, 2014
Input reference - 04387. DE	The Government of the Russian Federation	On subsidy to JSC DRSK.	July 11, 2014	July 14, 2014
Input reference - 04388. DE	The Government of the Russian Federation	On restructuring the debt portfolio of RAO Energy System of East Holding.	July 11, 2014	July 17, 2014
Input reference - 04464. DE	The Government of the Russian Federation	Protocol on the draft resolution of the Government of the Russian Federation providing for changes in terms of exclusion of the return on targeted investment funds under power (capacity) purchase and sale (delivery) contracts for new NPPs and HPPs.	July 15, 2014	July 18, 2014
Input reference - 04510. DE	The Apparatus of the Government of the Russian Federation	On submitting a report on the results of a feasibility study for HPP construction to regulate the spillway in flood periods in the Amur River basin, and the negotiation of JSC RusHydro with Chinese companies.	July 16, 2014	July 14, 2014
Input reference - 04602. DE	The Government of the Russian Federation	On subsidy to JSC DRSK.	July 21, 2014	July 22, 2014
Input reference - 04650. DE	Administration of the President of the Russian Federation	On submitting Minutes of the Commission of the President of the Russian Federation on the fuel and energy complex development strategy and environmental safety № A4-26-368 dated June 4, 2014.	July 22, 2014	July 23, 2014
Input reference - 04691. DE	The Presidential Plenipotentiary Envoy to the Far Eastern Federal District	On conducting the state examination.	July 24, 2014	July 29, 2014
Input reference - 04727. DE	The Government of the Russian Federation	On submitting list of assignments of the President of the Russian Federation №Pr-1627 dated July 1, 2014.	July 25, 2014	December 25, 2014
Input reference - 04882. DE	The Apparatus of the Presidential Plenipotentiary Envoy to the North Caucasus Federal District	On unfavorable situation with the construction of the Zaramagskaya HPP-1 cascade.	August 1, 2014	August 15, 2014

Input reference - 05066. DE	The Government of the Russian Federation	On amendments to Resolution of the Government of the Russian Federation №613 dated July 22, 2013.	August 11, 2014	August 12, 2014
Input reference - 05087. DE	The Government of the Russian Federation	On submitting a list of assignments of the Chairman of the Government of the Russian Federation following a meeting with members of the Expert Council of the Government of the Russian Federation and representatives of the expert community on the issue of innovation development on July 25, 2014.	August 12, 2014	August 12, 2014
Input reference - 05511. DE	The Apparatus of the Government of the Russian Federation	On implementing the Action Plan to limit the final cost of goods and services of infrastructure companies while maintaining their financial stability and investment attractiveness	August 28, 2014	September 10, 2014
Input reference - 05574. DE	The Government of the Russian Federation	Order on the Russian Federation joining to the International Renewable Energy Agency.	September 1, 2014	September 11, 2014
Input reference - 05775. DE	The Government of the Russian Federation	To expedite presentation of draft investment programs of joint stock companies.	September 8, 2014	August 15, 2014
Input reference - 05787. DE	The Government of the Russian Federation	On urgent measures to ensure the rapid development of the Republic of Dagestan.	September 8, 2014	October 20, 2014
Input reference - 05788. DE	The Government of the Russian Federation	On sources of financing the activities to prepare reservoirs of the Nizhne-Bureiskaya HPP and the Bureiskaya HPP under construction.	September 8, 2014	October 20, 2014
Input reference - 05883. DE	The Government of the Russian Federation	On amendments to the Rules for regulation of prices (tariffs) in the field of heat supply.	September 11, 2014	September 11, 2014
Input reference - 05900. DE	The Government of the Russian Federation	On restructuring the debt portfolio of JSC RAO Energy System of East Holding	September 11, 2014	September 26, 2014
Input reference - 5970. DE	The Government of the Russian Federation	Order on approving the Rules of the wholesale market for electricity and power.	September 15, 2014	September 16, 2014
Input reference - 06072. DE	The Government of the Russian Federation	On preparation of the Ust-Srednekanskaya HPP reservoir.	September 18, 2014	September 19, 2014
Input reference - 06176. DE	The Apparatus of the Government of the Russian Federation	On considering an appeal of S.S. Shtykov, General Director of OJSC Company EMK-Engineering.	September 23, 2014	October 21, 2014
Input reference - 06492. DE	The Apparatus of the Government of the Russian Federation	On the list of normative legal acts. Pursuant to sub-paragraph "c" of paragraph 2 of the National Anti-Corruption Plan for 2014 - 2015.	October 7, 2014	October 31, 2014
Input reference - 06926. DE	The Apparatus of the Government of the Russian Federation	On implementing decisions and recommendations set forth in the final Minutes of the 1 st meeting of the Intergovernmental Russian-Serbian Commission on trade, economic and scientific and technological cooperation.	October 22, 2014	15.01.2015
Input reference - 06929. DE	The Apparatus of the Government of the Russian Federation	On considering materials submitted by the Audit Chamber of the Russian Federation.	October 22, 2014	November 17, 2014
Input reference - 07070. DE	The Government of the Russian Federation	On further activities to implement the construction project of Boguchansky Aluminum Smelter within Boguchansky Energy and Metals Complex (BEMO).	November 5, 2014	November 14, 2014
Input reference - 7261. DE	The Government of the Russian Federation	On submitting a Directive to representatives of interests of the Russian Federation to participate in the meetings of the Board of Directors.	November 6, 2014	November 20, 2014

Input reference - 07316. DE	The Government of the Russian Federation	On submitting a Directive to representatives of interests of the Russian Federation to participate in the meetings of the Board of Directors.	November 7, 2014	November 21, 2014
Input reference - 07429. DE	The Government of the Russian Federation	On submitting the Minutes of the meeting of the Government Commission for Socio-Economic Development of the North Caucasian Federal District.	November 12, 2014	November 20, 2014
Input reference - 07487. DE	The Apparatus of the Government of the Russian Federation	On presenting materials for the meeting on the order and sources of financing the work to prepare the Nizhne-Bureiskaya HPP and the Ust-Srednekanskaya HPP reservoirs.	November 14, 2014	November 18, 2014
Input reference - 07508. DE	The Government of the Russian Federation	On readiness to fill the reservoir of the Boguchanskaya HPP to the design level of 208 meters.	November 14, 2014	December 25, 2014
Input reference - 07511. DE	The Apparatus of the Government of the Russian Federation	On submitting the conclusion of the Expert Council under the Government of the Russian Federation following the examination of refined key performance indicators of the long-term development program of JSC RusHydro.	November 14, 2014	November 17, 2014
Input reference - 07521. DE	The Government of the Russian Federation	On submitting a Directive to representatives of interests of the Russian Federation to participate in the meetings of the Board of Directors.	November 17, 2014	December 23, 2014
Input reference - 07664. DE	The Government of the Russian Federation	Resolution to grant from the federal budget to the budgets of the Republic of Crimea and Sevastopol city in 2014 other intergovernmental transfers for financial support of measures to compensate for the difference between the economically justified level of tariffs of regulated entities and the tariffs for the population for services rendered in the field of heat supply, water supply and water removal, as well as in the area of elimination, neutralization and disposal of municipal solid waste for June - December 2014.	November 20, 2014	November 29, 2014
Input reference - 07756. DE	The Government of the Russian Federation	On the status of projects as part of implementing the list of assignments of the Chairman of the Government of the Russian Federation.	November 24, 2014	November 24, 2014
Input reference - 07929. DE	The President of the Russian Federation	Order on creation of an interagency working group to prepare proposals aimed at improving the efficiency of electric power industry organizations.	November 28, 2014	November 28, 2014
Input reference - 07930. DE	The President of the Russian Federation	Federal Law on amendments to Part 1 and Part 2 of the Tax Code of the Russian Federation (relating to taxation of controlled foreign companies' profit and income of foreign companies).	November 28, 2014	November 28, 2014
Input reference - 07931. DE	The President of the Russian Federation	Federal Law on amendments to Part 2 of the Tax Code of the Russian Federation and certain legislative acts of the Russian Federation.	November 28, 2014	November 28, 2014
Input reference - 07932. DE	The Government of the Russian Federation	Resolution on amendments to Decree of the Government of the Russian Federation dated October 22, 2012 № 1075.	November 28, 2014	December 2, 2014
Input reference - 08106. DE	The Apparatus of the Government of the Russian Federation	On providing materials for the meeting of the Government Commission for the Socio-Economic Development of the Far East.	December 4, 2014	December 5, 2014
Input reference - 08121. DE	The Apparatus of the Government of the Russian Federation	On the technical connection of the Boguchanskaya HPP to the unified national electric grid.	December 4, 2014	December 4, 2014

Input reference - 08441. DE	The Apparatus of the Government of the Russian Federation	On the transfer of companies involved in the BEMO project to the jurisdiction of the Russian Federation.	December 16, 2014	January 12, 2015
Input reference - 08509. DE	The Presidential Plenipotentiary Envoy to the Far Eastern Federal District	On implementing assignment dated September 9, 2014 № Pr-2169 (on assisting in the replenishment of the Endowment Fund of the North-Eastern Federal University).	December 18, 2014	December 19, 2014
Input reference - 08723. DE	The Government of the Russian Federation	Resolution on certain corruption control issues.	December 25 2014	December 27, 2014

2013 RAS Statements and the Auditor's Report

***Open Joint-Stock Company Federal
Hydro-Generating Company – RusHydro***

Auditor's Report
on Financial Statements
2013

Translation from Russian original



Auditor's Report

To the Shareholders of Open Joint-Stock Company Hydro-Generating Company – RusHydro:

Client

Open Joint-Stock Company Hydro-Generating Company – RusHydro (OJSC RusHydro)

State registration certificate with inclusion in the Unified State Register of Legal Entities No. 1042401810494 issued by the Inspectorate of the Russian Ministry of Taxes and Levies of Krasnoyarsk on 26 December 2004.

660075, Russian Federation, Krasnoyarsky region, Krasnoyarsk, Respubliki str, 51

Auditor

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit) located at: 125047, Russian Federation, Moscow, Butyrsky Val, 10.

State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on 22 August 2002.

Member of non-profit partnership “Audit Chamber of Russia” (NP ACR) being a self-regulating organisation of auditors – registration number 870 in the register of NP ACR members.

Major registration record number (ORNZ) in the register of auditors and audit organisations – 10201003683.

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Auditor's Report

To the Shareholders of Open Joint-Stock Company Hydro-Generating Company – RusHydro:

We have audited the attached financial statements of Open Joint-Stock Company Hydro-Generating Company – RusHydro (hereinafter – OJSC RusHydro) which comprise the balance sheet as of 31 December 2013, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2013 and notes to the balance sheet and statement of financial results (hereinafter all the reports together are referred to as the “financial statements”).

OJSC RusHydro's responsibility for the financial statements

OJSC RusHydro's management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The auditor's responsibility

Our responsibility is to express an opinion as to whether the financial statements are fairly presented based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of OJSC RusHydro, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OJSC RusHydro as of 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.



Auditor's Report

Emphasis of matter

Without modifying our opinion on the fairness of the financial statements we draw attention to Note 3.1.2 Long-term investments (balance sheet line 1170) to the financial statements which describes the reasons for non-revaluation of quoted financial investments in shares of OAO RAO Energy Systems of East, OAO Yakutskenergo and OAO Far East Energy Company at their current market values.

As of 31 December 2013 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 12,394 million, as of 31 December 2012 – RUB 9,887 million.

Director of ZAO PricewaterhouseCoopers Audit

T. V. Sirotinskaya

28 February 2014

BALANCE SHEET

as at 31 December 2013

Organisation **Open joint stock company Federal Hydro Generating Company (OAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Open joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **RUB mln**
 Address: **51 Respubliki Street, Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660075**

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Note	Narrative	Line code	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	1,078	719	335
	Results of research and development	1120	859	751	516
3.1.1	Property, plant and equipment, incl.:	1150	350,049	331,879	313,331
	fixed assets	1151	302,864	288,823	275,792
	construction in process	1152	47,185	43,056	37,539
3.1.1	Income-bearing investments in tangible assets	1160	7,313	7,437	7,561
3.1.2	Financial investments	1170	143,059	93,660	100,982
	investments in subsidiaries, associates and other entities	1171	110,041	74,900	78,047
	loans issued	1172	33,018	18,760	16,036
	promissory notes	1173	-	-	6,899
	other financial investments	1174	-	-	-
3.1.3	Other non-current assets	1190	2,987	2,772	711
	Total Section I	1100	505,345	437,218	423,436
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	2,861	2,055	1,524
3.10	Value added tax on goods purchased	1220	356	505	358
3.2.2	Accounts receivable, incl.:	1230	233,480	226,374	202,835
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	80,323	75,630	89,269
	buyers and customers	1231.1	103	128	37
	advances issued	1231.2	35,084	37,426	26,308
	promissory notes	1231.3	27,040	26,633	27,219
	loans issued	1231.4	16,817	9,235	31,423
	other debtors	1231.5	1,279	2,208	4,282
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	153,157	150,744	113,566
	buyers and customers	1232.1	5,648	6,567	6,058
	advances issued	1232.2	15,517	12,173	10,541
	promissory notes	1232.3	22,954	73,502	75,669
	loans issued	1232.4	5,552	42,312	14,603
	other debtors	1232.5	103,486	16,190	6,695
3.2.3	Financial investments (excl. cash equivalents)	1240	55,608	63,790	1,500
	bank deposits	1241	50,000	50,000	-
	loans issued	1242	5,568	12,290	-
	promissory notes	1243	40	711	711
	other financial investments	1244	-	789	789
3.2.4	Cash and cash equivalents	1250	18,546	23,820	30,628
	Other current assets	1260	10	17	11
	Total Section II	1200	310,861	316,561	236,856
	TOTAL	1600	816,206	753,779	660,292

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Note	Narrative	Line code	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
1	2	3	4	5	6
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	317,638	317,638	290,303
3.3.2	Revaluation of non-current assets	1340	53,325	53,578	53,982
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	40,657
3.3.4	Reserve capital	1360	6,474	5,739	4,208
	Retained earnings (loss), incl.:	1370	188,482	157,319	146,252
	undistributed profit of previous years	1371	153,161	142,617	115,630
	undistributed profit of the current year	1372	35,321	14,702	30,622
	Total Section III	1300	624,343	592,698	535,402
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	97,965	49,866	66,688
3.10	Deferred tax liabilities	1420	7,184	5,252	2,840
3.4.2	Other liabilities	1450	2,028	1,950	754
	Total Section IV	1400	107,177	57,068	70,282
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	4,926	44,906	2,519
3.5.2	Accounts payable, incl.:	1520	77,468	57,822	51,405
	suppliers and contractors	1521	5,170	5,326	5,221
	payables to employees	1522	601	717	742
	payables to state non-budgetary funds	1523	87	59	29
	taxes payable	1524	2,570	1,296	1,396
	dividends payable	1525	47	33	9
	payables in respect of shares issued	1526	68,618	50,000	43,604
	other creditors	1527	375	391	404
	Income of future periods	1530	77	76	75
3.5.3	Estimated liabilities	1540	1,020	408	325
	Other liabilities	1550	1,195	801	284
	Total Section V	1500	84,686	104,013	54,608
	TOTAL	1700	816,206	753,779	660,292

Chairman of Management Board

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

28 February 2014

STATEMENT OF FINANCIAL RESULTS for the year ended 31 December 2013

Organisation **Open joint stock company Federal Hydro Generating Company (OAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Open joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **RUB mln**

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Note	Narrative	Line code	Year ended 31 December 2013	Year ended 31 December 2012
1	2	3	4	5
3.7.1	Revenue	2110	108,794	94,207
3.7.2	Cost of sales	2120	(58,873)	(55,987)
	Gross profit	2100	49,921	38,220
	Profit from sales	2200	49,921	38,220
3.13.9	Income from participation in other companies	2310	408	269
	Interest income	2320	9,609	5,523
	Interest expense	2330	(5,876)	(4,095)
3.9	Other income	2340	69,813	18,084
3.9	Other expense	2350	(76,560)	(35,167)
	Profit before tax	2300	47,315	22,834
3.10	Current income tax, incl.:	2410	(9,862)	(6,193)
	permanent tax liabilities (assets)	2421	2,340	3,675
	Change in deferred tax liabilities	2430	(1,715)	(2,163)
	Change in deferred tax assets	2450	(139)	155
	Other	2460	(278)	69
	Net profit	2400	35,321	14,702
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	35,321	14,702
3.12	Basic earnings per share, RR	2900	0,09248	0,04635

Chairman of Management Board

E. V. Dod
(clarification of signature)

Chief accountant

D. V. Finkel
(clarification of signature)

28 February 2014

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STATEMENT OF CHANGES IN EQUITY

for 2013

Organisation **Open joint stock company Federal Hydro Generating Company (OAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Open joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **RUB mln**

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I. Changes in equity

Narrative	Line code	Share capital	Additional capital	Reserve capital	Retained earnings	Total
1	2	3	4	5	6	7
Equity as of 31 December 2011	3100	290,303	94,639	4,208	146,252	535,402
for 2012						
Increase of equity, including:	3210	27,335	17,768	-	14,702	59,805
net profit	3211	x	x	x	14,702	14,702
additional shares issue	3214	27,335	17,768	x	x	45,103
decrease of equity, including:	3220	-	-	-	(2,509)	(2,509)
Dividends	3227	x	x	x	(2,500)	(2,500)
Other	3228	-	-	x	(9)	(9)
Additional capital change	3230	x	(405)	x	405	x
Reserve capital change	3240	x	x	1,531	(1,531)	x
Equity as of 31 December 2012	3200	317,638	112,002	5,739	157,319	592,698
for 2013						
Increase of equity, including:	3310	-	-	-	35,321	35,321
net profit	3311	x	x	x	35,321	35,321
additional shares issue	3314	-	-	x	x	-
Decrease of equity, including:	3320	-	-	-	(3,676)	(3,676)
Dividends	3327	x	x	x	(3,676)	(3,676)
Other	3328	-	-	x	-	-
Additional capital change	3330	x	(253)	x	253	x
Reserve capital change	3340	x	x	735	(735)	x
Equity as of 31 December 2013	3300	317,638	111,749	6,474	188,482	624,343

III. Net assets

Narrative	Line code	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
1	2	3	4	5
Net assets	3600	624,420	592,774	535,477

Chairman of Management Board

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

28 February 2014

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STATEMENT OF CASH FLOWS

for 2013

Organisation **Open joint stock company Federal Hydro Generating Company (OAO RusHydro)**
 Taxpayer identification number
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Note	Narrative	Line code	For 2013	For 2012
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	110,298	93,515
	sales of products, goods, work and services	4111	107,557	91,925
	lease payments, license payments, royalties, commissions and other payments	4112	237	186
3.2.4	other receipts	4119	2,504	1,404
	Payments including:	4120	(63,290)	(55,154)
	to suppliers (contractors) – raw materials, works and services	4121	(29,466)	(29,030)
	wages and salaries	4122	(6,221)	(5,971)
	interest on debt liabilities	4123	(5,496)	(3,851)
	corporate income tax	4124	(10,067)	(4,541)
3.2.4	other payments	4129	(12,040)	(11,761)
	Net cash flows from operating activities	4100	47,008	38,361
	Cash flows from investing activities			
	Receipts, including:	4210	59,435	23,670
	sale of non-current assets (except for investments)	4211	29	29
	sale of shares of other organisations (ownership interest)	4212	1,663	-
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	47,094	19,946
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	10,649	3,695
	Payments, including:	4220	(115,307)	(142,375)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(31,767)	(42,019)
	related to purchase of shares of other organisations (ownership interest)	4222	(54,932)	(2,905)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(25,667)	(44,907)
	borrowing costs included in the cost of the investment assets	4224	(2,941)	(2,544)
324	other payments	4229	-	(50,000)
	Net cash flows from investing activities	4200	(55,872)	(118,705)

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Note	Narrative	Line code	For 2013	For 2012
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	31,156	78,324
	borrowings and bank loans	4311	11,134	26,826
	issue of shares, increase in ownership interest	4313	22	51,498
	issue of bonds, promissory notes and other debt securities, etc.	4314	20,000	-
	Payments, including:	4320	(27,584)	(4,789)
	dividends and other distributions to owners	4322	(3,554)	(2,387)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(23,556)	(1,752)
3.2.4	other payments	4329	(474)	(650)
	Net cash flows from financing activities	4300	3,572	73,535
	Net cash flows for the reporting period	4400	(5,292)	(6,809)
	Cash and cash equivalents at the beginning of the reporting period	4450	23,820	30,628
	Cash and cash equivalents at the end of the reporting period	4500	18,546	23,820
	Foreign exchange rate difference	4490	18	1

Chairman of Management Board

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

28 February 2014

Explanatory Notes to the 2013 balance sheet and statement of financial results

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I. General information

1.1 Information about the Company

Principal activities of open joint stock company Federal Hydro Generating Company (OAo RusHydro, hereinafter - the Company) are the generation and sale of electricity (power). The Russian Government is the Company's major shareholder.

The Company's registered address is: 51, Republic str., Krasnoyarsk, Krasnoyarsk Territory, Russian Federation, 660075. The Company's postal address: 7, Malaya Dmitrovka str., Moscow, Russian Federation, 127006.

As of 31 December 2013 the Company employed 6,305 people (as of 31 December 2012 – 6,101 people).

The Company's shares are traded on OAo MICEX-RTS stock exchange (<http://moex.com>). Level 1 American depositary receipts, each of which corresponds to 100 ordinary shares of the Company are traded on the Main Market of London Stock Exchange and over-the-counter market of the USA.

As of 31 December 2013 the ownership share of the Russian Federation in the Company's share capital amounted to 60.50% less actually placed additional shares of the Company under the current additional issue of shares (see paragraph 3.3.1 of the Explanatory Notes). Considering the additionally placed shares as of 31 December 2013 the ownership interest of the Russian Federation in the Company's share capital amounted to 66.84%.

As of 31 December 2013 the Company has 19 branches registered in the Russian Federation, including: branch Bureyskaya GES, branch Volzhskaya GES, branch Votkinskaya GES, Dagestan branch, branch Zhigulevskaya GES, branch Zagorskaya GAES, branch Zeiskaya GES, Kabardino-Balkarsky branch, branch Kamskaya GES, Karachaevo-Cherkessky branch, branch Cascade of Verkhne-Volzhsky GES, branch Cascade of Kuban GES, branch Corporate Energy University, branch Nizhegorodskaya GES, branch Novosibirskaya GES, branch Saratovskaya GES, branch Sayano-Shushenskaya GES named after P.S. Neporozhny, Severo-Osetinsky branch, branch Cheboksarskaya GES.

Membership of the Company's Board of directors as of 31 December 2013 is as follows:

- Boris Ayuev, Chairman of the Management Board of OAo SO UES;
- Christian Andreas Berndt, General Director, EF-TEK LLC;
- Andrey Bugrov, Vice-President of INTERROS Holding Company CJSC, Deputy General Director, Deputy Chairman of Board of Directors, member of the Management Board of MMC Norilsk Nickel OJSC, Vice-President of RSPP;
- Maxim Bystrov, Chairman of the Management Board of ATS JSC, Acting Chairman of the Management Board of Non-profit Partnership Market Council;
- Victor Danilov-Danilyan, Head of Sectoral and Natural Resources Management Department, member of Academic Council of Lomonosov Moscow State University;
- Evgeny Dod, Chairman of OAo RusHydro Management Board;
- Sergey Ivanov, General Director, Russian Energetic Company OJSC;
- Victor Zimin, Chairman of Republic of Khakassia Government;
- Denis Morozov, Managing Director from Russian Federation, Belarus and Tadzhikistan, Representative of the Russian Federation in the Board of Directors, European Bank for Reconstruction and Development;
- Mikhail Polyboyarinov, member of the Management Board, First Deputy of Chairman of SC Vnesheconombank;
- Vyacheslav Pivovarov, General Director, Altera Capital LLC;
- Vladimir Stolyarenko, Professor of the specialized department "Theory and practice of interaction between business and authorities" of National Research University Higher School of Economics;
- Sergey Shishin, Senior Vice-President of OAo VTB Bank.

According to the decision made by the Company's extraordinary general meeting of shareholders held on 19 April 2013 (Minutes No. 10) Eduard Volkov, Ilya Gubin, Viktor Kudryavyy, Denis Morozov, Denis Nozdrachev, Vyacheslav Pivovarov, Berndt Pfaffenbach and Vladimir Stolyarenko were elected to the Board of Directors; the powers of Boris Kovalchuk, Grigory Kurtser, Andrey Malyshev, Vladimir Tatsy, Evgeny Tugolukov, Rashid Sharipov, Mikhail Shelkov and Sergey Shishin were terminated.

According to the decision made by the Company's general meeting of shareholders held on 28 June 2013 (Minutes No 11) Christian Andreas Berndt, Andrey Bugrov, Maxim Bystrov, Sergey Ivanov and Sergey Shishin were elected to the Board of Directors; the powers of Eduard Volkov, Ilya Gubin, Viktor Kudryavyy, Denis Nozdrachev and Berndt Pfaffenbach were terminated.

As of 31 December 2013 the Company's Management Board includes:

- Evgeny V. Dod, Chairman of the Management Board,
- Sergei Abrashin,
- Rakhmetulla Alzhanov, Deputy Chairman of the Management Board,
- Konstantin Bessmertny,
- Boris Bogush,
- Sergei Voskresensky,
- Yury Gorbenko,
- Evgeny Gorev,
- Mikhail Mantrov, Deputy Chairman of the Management Board,
- Vladimir Pekhtin, Deputy Chairman of the Management Board,
- George Rizhinashvili, Deputy Chairman of the Management Board,
- Stanislav Savin,
- Sergey Tolstoguzov,
- Sergey Tsoy, Deputy Chairman of the Management Board.

According to the decision made by the Company's Board of Directors of 16 April 2013 (Minutes No 180) Vladimir Pekhtin was elected to the Company's Management Board. According to the decision made by the Company's Board of Directors of 17 September 2013 (Minutes No 187) – Sergey Tolstoguzov was elected to the Company's Management Board; the powers of Aleksey Maslov were terminated.

As of 31 December 2013 members of the Company's Internal Audit Commission included:

- Anna Drokova, deputy head of Federal Agency for State Property Management Directorate's department,
- Leonid Neganov, Deputy Department Head in the Russian Ministry of Energy,
- Maria Tikhonova, Secretary of interdepartmental commission for business efficiency analysis of companies of fuel and energy sector,
- Alan Khadziyev, Department Head in the Russian Ministry of Energy,
- Vladimir Hvorov, Department Expert in the Russian Ministry of Economic Development.

According to the decision made by the Company's annual general meeting of shareholders held on 28 June 2013 (Minutes No 11) Leonid Neganov, Maria Tikhonova and Vladimir Hvorov were elected to the Internal Audit Commission; the powers of Adelya Vyaseleva, Dmitry Gorevoy, Elena Litvina were terminated.

1.2 The Company's operating environment

The Russian economy displays certain characteristics of an emerging market. The legal, tax and customs frameworks continue to develop and are subject varying interpretation.

The on-going uncertainty and volatility of the financial markets, in particular in Europe may have a negative effect on the Russian financial and corporate sectors. Future economic and regulatory situation, internal and external business environment may differ from Company management's current expectations.

The Company's operations are to a greater or lesser degree, exposed to various types of risks (financial, legal, country and regional, reputation, etc.).

The Company's risk management policy specifies the continuous efforts to identify risks, assess them and control and also develop and implement actions for addressing the risks, business continuity management in accordance with international and national standards of risk management (COSO ERM 2004, ISO 31000, professional standard "Risk management of an organisation", etc.).

Financial risks

Financial risk includes market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

Information about the Company's exposure to financial risks, their reasons and risk management tools is presented in paragraph 3.16 of the Explanatory Notes.

Legal risks

The reasons for legal risks are associated with potential changes in legal and regulatory base including currency and customs regulations, tax legislation and others.

Legal risks in domestic market related to regulation of electricity generation and its sale/purchase, which represent the Company's principal activities, can significantly impact the Company's position by decreasing its net profit.

Legal risks in external market related to currency and customs regulation are insignificant due to insignificant volume of foreign trade transactions the Company participates in, which are managed through legal support and control of these transactions and liability insurance.

To manage the legal risks the Company employed experienced lawyers, monitors legislation and makes amendments in the regulatory base.

Country and regional risks

The reasons for country and regional risks are associated with political and economic situation, the geographic features of the country or the region where the entity operates and (or) is registered as a taxpayer.

Exposure to country risk may be indirectly assessed by credit rating with some assumptions (less political risks for business). Rating of Russia is BBB at positive forecast (according to Fitch rating agency) that means good creditworthiness of the state which however, can be worsened due to negative changes in the economic environment.

The economy of the Russian Federation is not protected from softening of market and economic recession. Due to the impacts of the global financial crisis, the financial problems and strained perception of risks associated with investments in the emerging economies decrease the volume of foreign investments in Russia and have negative impact on the Russian economy.

In the crisis environment experienced by the financial market and reduction of manufacturing output there is a risk of decrease in electricity demand that may result in reduction of sales and decrease in the Company's revenue and also a risk of increase in accounts receivable due to non-payments by the consumers of electricity.

The management believes that it has been taking all necessary measures to mitigate the impact of these events on its activities: optimisation of the obtained cash use, assessment of the buyers' solvency, diversification of resources use and others.

Due to elevation of political risks in the world and Russian Federation in 2012 and enhancement of the state control over energy industry the Company takes the required steps to prevent negative influence of the above risks on its operations.

The Russian regions where the Company performs its operations are characterised by peaceful political situation. Probability of war conflicts, strikes, introduction of the state of emergency in these regions is low except for entities located in North-Caucasus Federal District.

However, changes in the Company's business environment in Russia and in the regions of the Company's presence, the nature and frequency of such changes and related risks are hard to

predict and so are their effects on the Company's operations in the future. Such risks are largely beyond the Company's control due to their global scale. If the situation is destabilised in Russia or any Russian regions, the Company will implement crisis management strategies to minimise the risk of the negative effect of the situation on the Company to the fullest extent possible.

To manage the risks the Company is implementing a complex action plan to enhance safety of the Company's facilities under which the existing plan on ensuring safety at the power plants, including those under construction is amended.

Reputation risks

Reputation risks are associated with a decrease in the number of an entity's customers as a result of negative perception of the quality of products, works, services sold, the ability to meet the deadlines for products delivery, work performance, etc.

The Company assesses its exposure to these risks as low due to the fact that the Company sells electricity and capacity in the wholesale market and has high and sustainable reputation in the market.

To manage these risks the Company analyses key indicators of reputation risks based on the forecast of changes in the share of positive references in mass media, control over compliance with production and market discipline, cooperating actively with all stakeholders to maintain high reputation.

Other risks

To manage the risks the Company focuses on other operating risks including - industry risk, production risk, risk of hydraulicity, risks associated with compliance with legislation on labour safety, risks of industrial safety, environmental risks and risks associated with the third parties' activities and others.

The reasons for these risks are associated with the industry-specific factors that are relevant to the operations, condition of property, plant and equipment. There is an exposure to these risks, degree of possibility of events is at statistically average or low levels. On a permanent basis, the Company implements actions for monitoring the risks and decreasing the probability of their occurrence and severity of the potential adverse consequences including assignment of responsibility, control, diversification and insurance.

II. Accounting policies

These statutory financial statements have been prepared on the basis of the following accounting policies:

2.1 Basis of presentation

The Company's statutory financial statements are prepared in accordance with the accounting and reporting rules currently effective in the Russian Federation provided for by the Federal Law "On Accounting" and "Regulation on Accounting and Reporting in the Russian Federation" as well as other accounting regulations approved by the Russian Ministry of Finance.

Assets and liabilities are stated at actual cost, except for property, plant and equipment and investments for which the current market value can be determined, and assets against which impairment provisions have been duly formed, as well as estimated liabilities.

2.2 Assets and liabilities denominated in foreign currency

Business transactions in foreign currencies were recorded using the official Rouble exchange rate as of the date of the relevant transaction. Cash on hand and in bank accounts (bank deposits), cash and payment documents, accounts receivable (except for advances received and issued and prepayments) including loans receivable and payable), denominated in foreign currencies are recorded in the financial statements in the amounts calculated based on the official currency exchange rates effective as of the reporting date. The exchange rates were as follows: USD 1 = RUB 32.7292 as of 31 December 2013 (31 December 2012: USD 1 = RUB 30.3727, 31 December 2011: USD 1 = 32.1961), EUR 1 = RUB 44.9699 as of 31 December 2013 (31 December 2012: EUR 1 = RUB 40.2286, 31 December 2011: EUR 1 = RUB 41.6714).

Exchange differences arising during the year from translation (including those as of the reporting date) of foreign currency-denominated assets and liabilities payable in foreign currencies or Russian roubles were reported in the statement of financial results as other income or expenses.

2.3 Accounting for assets and liabilities

In the balance sheet, investments, accounts receivable and accounts payable, including bank credits and loan liabilities, are treated as short-term if the term of their circulation (maturity) does not exceed 12 months after the reporting date. Other assets and liabilities are recognised as long-term.

Interest on loans issued and other investments are recorded in the balance sheet line 1230 "Accounts receivable"; interest on bank credits and loans received are recorded in the balance sheet line 1510 "Borrowings".

Advances to the suppliers of equipment and capital construction contractors are recognised in line 1230 "Accounts receivable".

VAT on advances issued and received is recognised on a gross basis in the balance sheet line 1260 "Other current assets", 1450 "Other liabilities" and 1550 "Other liabilities", respectively.

Deferred tax asset and deferred tax liability are recognized on the balance sheet on a net basis.

2.4 Property, plant and equipment, construction-in-progress and income-bearing investments in tangible assets

Property, plant and equipment are accounted for in accordance with the Russian Accounting Regulation "Accounting for property, plant and equipment" (RAR 6/01).

Property, plant and equipment include land, buildings, facilities, machinery, equipment, transport vehicles and other assets whose useful lives are over 12 months.

Property, plant and equipment are recognized at their historical cost equal to actual acquisition (construction, production) cost.

The acquired property, plant and equipment with historical cost of below RUB 40 thousand per unit which were initially recognised after 1 January 2011 are accounted for within inventories; property, plant and equipment which were initially recognised before 1 January 2011 were accounted for within inventories, if their historical cost did not exceed RUB 20 thousand per unit.

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within property, plant and equipment in a separate line.

Property, plant and equipment are recognised on the balance sheet at cost less depreciation accumulated from the date of their independent valuation for merging subsidiaries and associates (hereinafter - SAC) into the Company in 2008 or over the whole period of their operation, if they were put into operation after merging SAC into the Company.

The Company does not perform the revaluation of property, plant and equipment items.

Useful lives of the acquired property, plant and equipment including those which had been in operation before the acquisition, received as a contribution to the share capital or under legal succession in connection with restructuring, are established by the review committee for commissioning of a facility based on the Classification of the Company's property, plant and equipment when PP&E item is initially recognised.

The adopted standard useful lives by groups of property, plant and equipment in accordance with the Classification of the Company's property, plant and equipment are presented below.

Property, plant and equipment group	Useful lives of property, plant and equipment (years) on the balance sheet
Facilities and transmission equipment	3 to 100
Machinery and equipment	1 to 40
Buildings	7 to 75
Other	1 to 20

Depreciation of property, plant and equipment is accrued on a straight-line basis proceeding from their historical values and depreciation rates calculated based on their useful lives.

Depreciation is not accrued on:

- land plots and natural resources;
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the generally accepted procedure);
- fully depreciated assets that are still on the balance sheet.
- assets that are temporarily shutdown for more than three months and during the restoration period which exceeds twelve months.

Gains and losses on disposal of property, plant and equipment are recorded in the statement of financial results within other income and expenses.

Construction-in-progress includes real estate assets under construction, which have not been put into operation, equipment to be installed and other investments in non-current assets which are not included in PP&E. Equipment which does not require installation, stored in the warehouse and intended for assets under construction are recorded within construction-in-progress in a separate line.

These items are recognised in the balance sheet line 1150 "Property, plant and equipment".

Interest on borrowings raised for the purposes directly related to acquisition, construction and/or manufacture of investment assets, accrued prior to initial recognition of the assets is included in their historical cost; that accrued after the initial recognition of the assets are recognised in the statement of financial results within other expenses.

Interest on borrowings raised for the purposes not related to acquisition, construction and/or manufacture of investment assets, but actually used to purchase the investment assets are included in the cost of investment assets in proportion to the share of the above borrowings in total amount of borrowings raised for the purposes not related to acquisition, construction, manufacture of investment assets.

Income-bearing investments in tangible assets represent PP&E items acquired for leasing out to generate income.

These assets are recognised at their historical cost determined under the procedure used for general PP&E items.

Leased PP&E items are recognised in off-balance-sheet accounts at cost specified in the lease agreement/determined based on the acceptance certificate. If the lease agreement and acceptance certificate do not specify the cost of these assets, property, plant and equipment are recorded in the off-balance-sheet accounts at the following values:

- land plots having the cadastral value - at their cadastral value;
- other PP&E items - in the amount of lease payments inclusive of VAT under lease agreement including the repurchase price of the leasing item.

2.5 Investments

Investments are accounted for in accordance with the Russian Accounting Regulation "Accounting for investments" (RAR 19/02).

Investments include:

- contributions to the share capital of other entities (including subsidiaries);
- debt securities (including bonds, promissory notes);
- deposits in credit institutions except for short-term deposits classified as cash equivalents (paragraph 2.9 of the Explanatory Notes);
- loans issued to other entities;
- government and municipal securities and other investments.

Investments are initially recognised at their actual cost of acquisition.

The Company's actual costs to purchase investments represent the historical cost of investments purchased at a charge.

The historical cost of investments in the Company's share capital is presented by their monetary value agreed by the Company's founders, if not specified otherwise by the Russian legislation.

Investments, the current market value of which can be determined under the established procedure, are recognised on the balance sheet at their current market value as of the end of each reporting period (on a quarterly basis). The difference between the value of these investments as of the current reporting date and their prior value is recorded within other income and expenses.

Current market prices value of the securities which are traded by the institutors of trading is determined at market prices established at OAO MICEX-RTS (<http://moex.com>).

Investments for which no current market value is determinable are recorded on the balance sheet at their carrying (book) value, except for investments for which there are indications that the decline in their value (impairment) is significant and non-temporary as of the reporting date.

Investments are tested for their impairment once a year as of 31 December of the reporting year, if there are indications of impairment.

The Company accrues the impairment provision for the amount of difference between carrying (book) value and estimated value of the investments with regard to investments for which

significant and constant impairment indicators are proved by impairment test. The estimated value of investments is determined based on the data about net assets, revenue, composition of expenses, schedule of projects financing and other factors.

Despite of the fact that well-grounded judgements are applied to determine the estimated value of investments, there are unavoidable limitations as in any valuation technique. Therefore, the estimated value represents the Company management's best estimate based on all the information available as of the reporting date. Future events will also have impact on determining the estimated value and impact of such events can be significant for the Company's financial statements.

Difference between the historical cost and nominal value of debt securities for which current market value is not determinable, is recorded on a straight-line basis during the period of their circulation and is recognised in the Company's financial results within other income (expenses). When investments for which current market value is not determinable are disposed, they are carried at book value of each unit of these investments except for issuance securities (shares, bonds) which are disposed under FIFO; when investments for which current market value is determinable under the established procedure are disposed - based on the latest valuation.

The Company discloses information about measurement at discounted value, the amount of the discounted value of debt securities of other related parties and loans issued to them.

Income and expenses associated with investments are reported within other income or expenses. Interest on loans issued and other income from investments are recognised in the balance sheet line 1230 "Accounts receivable".

2.6 Inventories

Inventories are accounted for in accordance with the Russian Accounting Regulation "Accounting for inventories" (RAR 5/01).

Inventories are accounted for at their actual cost of acquisition (production).

If market value of inventories as of the end of the reporting year is below their historical cost including due to on-going (long-term) price reduction, Company makes a provision in the amount of inventory impairment which is charged against increase in other expenses. Such inventories are recognised on the balance sheet net of the inventories' impairment provision.

The average cost method is applied to determine the material expenses when writing-off inventories used to produce goods (provide services).

2.7 Expenses of future periods

Expenses incurred by the Company in the reporting period but related to future reporting periods (payments under voluntary and mandatory insurance of property and employees, one-off payments to purchase licenses and other expenses) are recorded as expenses of future periods. These expenses are written-off on a straight-line basis during the periods which they relate to.

Expenses of future periods to be written-off during the period exceeding twelve months are recognised on the balance sheet as non-current assets in line 1190 "Other non-current assets"; those to be written-off during twelve months - in line 1210 "Inventories".

2.8 Accounts receivable

Trade receivables are accounted for in the amount of services provided, works performed, good dispatched at justified prices and established tariffs. Settlements with other debtors are recognised for accounting and reporting purposes based on the contractual prices.

Accounts receivable which are overdue or unlikely to be repaid by the contractual deadlines and are not secured by guarantees, pledges or otherwise, are recognised on the balance sheet net of doubtful debt provision. The provision is based on the conservative assessment made by the Company's management with regard to the portion of receivables which is unlikely to be repaid.

Doubtful debts provision is made on a quarterly basis as of the end of the respective period. The provision amount is separately determined based on the unbiased information about solvency of the specific debtor and assessment of probability of receivables repayment in full or partially.

Accrual (release) of doubtful debts provision increases other expenses (income).

Uncollectable receivables are written-off when recognized as such. These receivables are recorded in off-balance-sheet accounts over five years after the debt is written off for monitoring whether there is a possibility of their collection in case of any changes in the debtor's property status.

2.9 Cash equivalents and presentation of cash flows in the statement of cash flows

Cash equivalents comprise current highly liquid investments, which are readily convertible into a predictable amount of cash and are exposed to an insignificant risk of changes in value.

The Company recognises short-term bank deposits with a maturity of up to three months (not longer than 91 days) within cash equivalents if they are treated as funds used for settlements and repayment of liabilities, not intended for investment and other purposes.

The Company's cash flows which cannot be clearly attributed to cash flows from operating, investing or financing activities are included in the cash flows from operating activities in the statement of cash flows. Such cash flows include receipts and payments related to financial instruments of forward deals.

The following items are presented on a net basis in the statement of cash flows:

- indirect taxes within receipts from buyers and customers and payments to suppliers and contractors;
- cash flows used for investing activities and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period, if they are characterised by quick return, large amounts and short-term maturity.

Cash receipts and payments do not include cash flows changing the structure of cash equivalents, but not changing their total amount.

2.10 Share capital, reserve and additional capital

The Company's share capital has been recorded in the amount of the nominal value of ordinary shares purchased by shareholders. The share capital is equal to the amount specified in the Company's Charter.

When the share capital is increased through placement of additional shares, transactions associated with the formation of the share capital are accounted for when the respective changes made in the Company's constituent documents are registered.

The Company's additional capital includes share premium resulted from placement of the Company's shares at price exceeding their nominal value and total of additional capital of subsidiaries, associates merged into the Company during the 2008 reorganisation.

In accordance with legislation the Company forms a reserve fund in the amount of 5% of the share capital. The amount of mandatory annual deductions to reserve fund is 5% of the Company's net profit until it reaches the specified level.

2.11 Loans and bank credits received

Loans and bank credits are accounted for in accordance with the Russian Accounting Regulation "Accounting for loans and bank credits" (RAR 15/2008).

Loans payable are stated inclusive of interest payable as of the end of the reporting period according to the loan agreements.

Interest is accrued on a monthly basis at the end of each reporting period. If a lender provides for interest calculation attributable to different reporting periods, the amount of interest shall be allocated and included in the amount payable separately for each month.

Additional expenses incurred in connection with borrowings are charged to expenses of future periods with subsequent straight-line inclusion in other expenses over the repayment period.

2.12 Estimated liabilities, contingent liabilities and contingent assets

Estimated liabilities

The Company recognises estimated liability, which meets the recognition criteria established in the Russian Accounting Regulation "Estimated liabilities, contingent liabilities and contingent assets" (RAR 8/2010).

The Company recognises an estimated liability for earned but unused employee vacations, which is determined as of the end of the reporting year with reference to the number of unused vacation days of each employee at the reporting date and employee's average salary, inclusive of insurance contributions.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recorded on the balance sheet, but instead are disclosed in the Explanatory Notes to the balance sheet and statement of financial results.

Contingent liability (contingent asset) arises as a result of past business events when existence of a liability (asset) of the Company at the reporting date depends on occurrence/non-occurrence) of future uncertain events, which are beyond the Company's control.

Contingent liability is disclosed in the Explanatory Notes to financial statements, except where the likelihood of a decrease in economic benefits associated therewith is remote. Contingent asset is disclosed in the Explanatory Notes when the inflows associated therewith are probable. There is a need to disclose its estimated amount or a range of estimated amounts, if such values are identifiable.

2.13 Revenue recognition

Revenue from sales of products (provision of services) is recognized on an accrual basis (as the products/services are delivered/provided and relevant settlement documents presented to buyers). Revenue is presented net of value added tax and other similar mandatory charges.

Other revenues of the Company include:

- proceeds from sale of property, plant and equipment, investments and other assets;
- interest received in connection with providing the Company's cash for use, interest for the bank's use of cash sitting on the Company's bank accounts in the bank and interest on the acquired interest-bearing notes of the third parties - in accordance with interest provision in the note when presenting it for payment. The Company recognises the above income in the statement of financial results in line 2320 "Interest income";
- income from participation in share capital of other entities (dividends). is recognised by Company when announced and included in the statement of financial results in line 2310 "Income from participation in other entities";
- income from transactions with derivatives when the respective trading positions are closed;
- fines, penalties and interest for breaching contractual terms;
- prior year profit identified in the reporting year (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010);
- other proceeds (income) according to the Russian Accounting Regulation "Income of an organisation" (RAR 9/99) (including income in the form of insurance indemnity).

2.14 Recognition of expenses

Accounting for expenses is regulated by the Russian Accounting Regulation "Expenses of an organisation" (RAR 10/99) under which the Company's expenses are divided into general expenses and other expenses.

Administrative expenses are written-off against the cost of goods sold (services provided).

General expenses are recognised in the reporting period wherein they were incurred irrespective of the actual closure of accounts payable.

Expenses shall be accounted for irrespective of the intention to generate revenue or other income and their form.

Other expenses include:

- expenses incurred in disposal and other write-off of property, plant and equipment, investments and other assets;
- interest paid by the Company for provided cash (bank credit, loans); the Company recognises these expenses in the statement of financial results in line 2330 "Interest expense";
- expenses incurred in payment of services provided by credit institutions;
- doubtful debts provision calculated on the basis of the reporting period results in accordance with the Company's accounting policies (see paragraph 2.8 of the Explanatory Notes);
- expenses from transactions with derivatives when the respective trading positions are closed;
- fines, penalties and interest for breaching contractual terms, compensation of losses caused by the Company;
- prior year losses identified in the reporting period (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010);
- charity and social security;
- expenses incurred as a result of extraordinary events in business operations (natural disaster, fire, accident, etc.)
- other expenses according to RAR 10/99.

2.15 Changes in the accounting policies

There are no significant changes in the Company's accounting policies for 2013 and 2014 based on the Russian Accounting Regulation "Accounting policies of an organisation" (RAR 1/2008).

With effect from the Company's accounting reports for 2013, the Company retrospectively amended detailing of some balance sheet items, in particular the lines 1170 Investments, 1230 Accounts Receivable, 1240 Investments (except for cash equivalents), 1370 Retained Earnings (Accumulated Deficit) and 1520 Accounts Payable. Such amendment allows the best presentation of the Company's financial position as of the reporting date.

III. Disclosure of material indicators

3.1 Non-current assets (Section I of the balance sheet)

3.1.1 Property, plant and equipment (line 1151 of the balance sheet), construction-in-progress (line 1152 of the balance sheet), income-bearing investments in tangible assets (line 1160 of the balance sheet)

PP&E group	Net book value		
	31 December 2013	31 December 2012	31 December 2011
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	189,486	191,295	192,712
Machinery and equipment	77,085	61,930	47,618
Buildings	35,348	34,778	34,448
Motor vehicles	406	212	379
Production and maintenance tools	349	407	444
Land plots	3	3	3
Other types of property, plant and equipment	187	198	188
Total line 1151 "Property, plant and equipment"	302,864	288,823	275,792
Line 1160 "Income-bearing investments in tangible assets", including:			
Facilities and transmission equipment	7,313	7,437	7,561
Total in line 1160 "Income-bearing investments in tangible assets"	7,313	7,437	7,561

As of 31 December 2013 income-bearing investments in tangible assets amount to RUB 7,313 million (as of 31 December 2012 r. – RUB 7,437 million, as of 31 December 2011 – 7,561) and relate to five dams in Irkutsk region received in 2011 as part of additional issues of the Company's shares (see paragraph 3.3.1 of the Explanatory Notes).

Currently, OA O Irkutskenergo is leasing dams from the Company under the long-term lease agreements.

OAo RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Availability and movement of property, plant and equipment and income-bearing tangible assets

Narrative	Period	At the beginning of the year		Changes for the period				At the end of the year	
		Cost	Accumulated depreciation	Additions*	Disposals		Depreciation accrued*	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment including:	2012	308,044	(32,252)	25,484	(2,138)	777	(11,092)	331,390	(42,567)
	2013	331,390	(42,567)	27,408	(1,822)	829	(12,374)	356,976	(54,112)
Facilities and transmission equipment	2012	205,890	(13,178)	2,758	(98)	12	(4,089)	208,550	(17,255)
	2013	208,550	(17,255)	2,335	(95)	49	(4,098)	210,790	(21,304)
Machinery and equipment	2012	63,774	(16,156)	21,540	(1,864)	709	(6,073)	83,450	(21,520)
	2013	83,450	(21,520)	23,382	(1,688)	762	(7,302)	105,144	(28,060)
Buildings	2012	36,814	(2,366)	1,017	(8)	-	(679)	37,823	(3,045)
	2013	37,823	(3,045)	1,286	(2)	1	(714)	39,107	(3,758)
Motor vehicles	2012	628	(249)	17	(158)	48	(74)	487	(275)
	2013	487	(275)	273	(5)	3	(77)	755	(349)
Production and maintenance tools	2012	662	(218)	114	(8)	6	(149)	768	(361)
	2013	768	(361)	111	(31)	13	(151)	848	(499)
Land plots	2012	3	-	-	-	-	-	3	-
	2013	3	-	-	-	-	-	3	-
Other types of property, plant and equipment	2012	273	(85)	38	(2)	2	(28)	309	(111)
	2013	309	(111)	21	(1)	1	(32)	329	(142)
Income-bearing investments in tangible assets including:	2012	7,592	(31)	-	-	-	(124)	7,592	(155)
	2013	7,592	(155)	-	-	-	(124)	7,592	(279)
Facilities and transmission equipment	2012	7,592	(31)	-	-	-	(124)	7,592	(155)
	2013	7,592	(155)	-	-	-	(124)	7,592	(279)

* Cost of property, plant and equipment received in 2013 and depreciation for the period includes cost of property, plant and equipment repurchased at the expiration of the lease agreements and accumulated depreciation of RUB 585 million (for 2012 : RUB 400 million). Exposure of leased property, plant and equipment is described in paragraph 3.6.1 of the Explanatory Notes.

Changes in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction or partial liquidation

Narrative	2013	2012
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	13,791	14,000
Machinery and equipment	11,962	11,827
Facilities and transmission equipment	1,359	1,432
Other types of property, plant and equipment	470	741
Decrease in value of property, plant and equipment as a result of partial liquidation including:	657	821
Machinery and equipment	612	817
Other types of property, plant and equipment	45	4

Other use of property, plant and equipment

Narrative	31 December 2013	31 December 2012	31 December 2011
Leased out PP&E recognised on the balance sheet	1,593	1,821	1,557
Leased PP&E recognised on the balance sheet	-	-	313
Leased PP&E recognised in the off-balance-sheet accounts	33,754	33,906	26,330
Real estate assets which were put into operation and actually used but are in the process of state registration	1,716	1,103	11,058
PP&E that have been temporarily shut down	94	40	41

Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets

Narrative	Period	At the beginning of the year	Changes for the period				At the end of the year
			Costs for the period	Written off	Other movement*	Recognised as PP&E or uplifted	
Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:	2012	37,539	31,616	(109)	(906)	(25,084)	43,056
	2013	43,056	31,407	(469)	14	(26,823)	47,185
Construction-in-progress	2012	28,339	17,046	(39)	13,802	(24,835)	34,313
	2013	34,313	16,797	(220)	14,756	(26,380)	39,266
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2012	77	148	(1)	55	(249)	30
	2013	30	415	-	25	(443)	27
Equipment for installation	2012	9,123	14,422	(69)	(14,763)	-	8,713
	2013	8,713	14,195	(249)	(14,767)	-	7,892

* Transfer of equipment for installation, reclassification of equipment to be installed to construction-in-progress and other movement not related to transfer of assets to property, plant and equipment

3.1.2 Long-term investments (line 1170 of the balance sheet)

Line 1170 "Financial investments" includes contributions to share capital of subsidiaries, associates and other entities, debt securities and long-term loans issued to subsidiaries and associates:

Narrative	31 December 2013	31 December 2012	31 December 2011
Investments in subsidiaries	95,619	66,355	67,134
Investments in associates	11,210	2,284	2,300
Investments in other entities	3,212	6,261	8,613
Long-term loans issued	33,018	18,760	16,036
Debt securities	-	-	6,899
Total line 1170 "Financial investments"	143,059	93,660	100,982

Exposure of long-term investments to financial risks is described in paragraph 3.16 of the Explanatory Notes.

Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
Long-term investments including:	2012	105,163	(4,181)	15,704	(2,356)	(12,971)	-	(7,699)	107,896	(14,236)
	2013	107,896	(14,236)	62,138	(3,119)	(10,394)	-	774	159,640	(16,581)
Investments in subsidiaries	2012	67,134	-	-	-	-	-	(779)	67,134	(779)
	2013	67,134	(779)	28,485	-	-	-	779	95,619	-
Investments in associates	2012	2,300	-	-	-	-	-	(16)	2,300	(16)
	2013	2,300	(16)	10,367	-	(1,441)	-	-	11,226	(16)
Investments in other entities	2012	12,794	(4,181)	9	(2,356)	-	-	(5)	12,803	(6,542)
	2013	12,803	(6,542)	75	(3,119)	-	-	(5)	12,878	(9,666)
Long-term loans issued	2012	16,036	-	15,695	-	(12,971)	-	-	18,760	-
	2013	18,760	-	23,211	-	(8,953)	-	-	33,018	-
Debt securities	2012	6,899	-	-	-	-	-	(6,899)	6,899	(6,899)
	2013	6,899	(6,899)	-	-	-	-	-	6,899	(6,899)

* Accumulated adjustment includes difference between original and current market value of investments for which current market value can be determined; difference between original and current market value of investments for which current market value is not determinable; provision for impairment of investments.

** Other movements include changes in provision for impairment of investments, accrual of discount on debt securities and reclassification within the balance sheet line 1170 "Investments".

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Investments in subsidiaries, associates and other entities

The balance sheet line 1170 "Investments" includes the below investments in subsidiaries, associates and other organisations:

Subsidiaries and associates and other entities	31 December 2013		31 December 2012		31 December 2011	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	95,619		66,355		67,134	
OAo RAO ES of the East	18,495	84.39%	15,530	65.75%	15,530	69.28%
OAo Ust-Srednekanskaya GES	14,722	50.04%	8,049	35.21%	8,049	41.48%
OAo Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
OAo Sulaksky Hydrocascade	10,094	100.00%	1,134	100.00%	1,134	100.00%
OAo Zagorskaya GAES-2	9,780	100.00%	9,780	100.00%	9,780	100.00%
ZAO Malaya Dmitrovka	5,455	100.00%	2,055	100.00%	2,055	100.00%
OAo Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
OAo Yuzhno-Yakutsky GEK	3,255	100.00%	10	100.00%	10	100.00%
OAo ESK RusHydro	2,864	100.00% - 1 share	2,864	100.00% - 1 share	2,864	100.00% - 1 share
OAo Geotherm	2,425	99.65%	829	92.80%	829	92.80%
OAo Zaramagskie GES	1,904	98.35%	1,904	98.35%	1,904	98.35%
OAo Leningradskaya GAES	1,690	100.00%	1,690	100.00%	1,690	100.00%
OAo Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
HydroOGK Power Company Ltd	1,171	100.00%	1,171	100.00%	1,171	100.00%
HydroOGK Aluminium Company Ltd	779	100.00%	-	100.00%	779	100.00%
OAo Renewable Energy Engineering Centre	694	100.00%	-	100.00%	-	100.00%
OAo CSO SGES	589	100.00%	22	100.00%	22	100.00%
OAo Kamchatsky gas and energy complex	531	96.58%	531	96.58%	531	96.58%
OAo VNIIM named after B. E. Vedeneev	448	100.00%	448	100.00%	448	100.00%
OAo Nizhne-Bureyskaya GES	408	100.00%	408	100.00%	408	100.00%
OAo Nizhne-Zeykaya GES	350	100.00%	-	100.00%	-	100.00%
OAo NIIES	338	100.00%	338	100.00%	338	100.00%
ZAO Hydro-Engineering Siberia	300	100.00%	300	100.00%	300	100.00%
RusHydro International B. V.	245	100.00%	245	100.00%	245	100.00%
OAo ChirkeiGESstroi	229	75.00% - 1 share	229	75.00% - 1 share	229	75.00% - 1 share
OAo ESKO UES	226	100.00%	226	100.00%	226	100.00%
OOO Verkhnebalkarskaya MGES	118	100.00%	118	100.00%	118	100.00%
OAo MGES Dagestan	101	100.00%	101	100.00%	101	100.00%
Other	290		255		255	
Associates:	11,210		2,284		2,300	
OAo Irkutsk Electric Grid Company	8,543	42.75%	-	-	-	-
OAo Sakhalin energy company	2,567	31.49%	743	12.44%	743	17.77%
OJSC Trest Hydromontazh	-	-	1,441	33.54%	1,441	33.54%
Other	100	-	100		116	
Other entities:	3,212		6,261		8,613	
OAo Inter RAO UES	2,027	1.94%	5,077	1.94%	7,428	2.09%
ZAO Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
Other	104		103		104	
Total:	110,041		74,900		78,047	

* Investment in OAo Yakutskenergo (29.80%) is recorded within subsidiaries as the Company has control over these entities indirectly via other subsidiaries.

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2013 are as follows:

TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

- acquisition of additionally issued shares of subsidiaries for the total of RUB 20,326 million, including OAO Sulasky Hydrocascade for the amount of RUB 8,960 million, ZAO Malaya Dmitrovka for the amount of RUB 3,400 million, OAO Yuzhno-Yakutsky GEK for the amount of RUB 3,245 million, OAO Geotherm for the amount of RUB 1,596 million, OAO Ust-Srednekanskaya GES for RUB 1,480 million, OAO Renewable Energy Engineering Centre for RUB 694 million, JFJ CSO SShGES for RUB 567 million and other companies for the amount of RUB 384 million;
- receipt as payment for the Company's additional issue registered on 3 December 2012 (see paragraph 3.3.1 of the Explanatory Notes) of equity stakes in the utilities companies for the total of RUB 18,596 million, including OAO Irkutsk Electric Grid Company for the amount of RUB 8,543 million, OAO Ust-Srednekanskaya GES for RUB 5,193 million, OAO RAO Energy Systems of the East for the amount of RUB 2,965 million, OAO Sakhalin Energy Company for the amount of RUB 1,824 million and OAO Irkutskenergo for the amount of RUB 71 million;
- disposal of investment in OAO Trest Hydromontazh with the value of RUB 1,441 million in connection with the sale of OAO TEK Mosenergo for RUB 1,663 million;
- valuation of investments which have a current market value and related recording of a loss for the total of RUB 3,119 million (see paragraph 3.16 of the Explanatory Notes), including the loss for the total of RUB 3,050 million related to the shares of OAO Inter RAO UES;
- assessment of investments having current market value with recognition of a loss amounting to RUB 3,119 million (see paragraph 3.16 of the Explanatory Notes) including a loss amounting to RUB 3,050 million related to OAO INTER RAO UES shares.

In June 2013, four new 100%-owned subsidiaries were established, with the share capital of RUB 0.5 million each, for implementing construction projects in the electricity sector in the Russian Far East, i.e. – ZAO Blagoveshchenskaya CCGT, ZAO Sakhalin GRES-2», ZAO CCGT in the City of Sovetskaya Gavan and ZAO Yakutsk GRES-2. Construction will be financed with special purpose budgetary funds in the amount of RUB 50,000 million received from the government as part of the Company's additional issue registered on 3 December 2012 (see paragraph 3.3.1 of the Explanatory Notes). As of 31 December 2012 the shares of these companies were transferred for trust management to OAO RAO Energy Systems of the East.

Investments in subsidiaries that have current market value

As of 31 December 2013, 31 December 2012 and 31 December 2011, investments included shares of the Company's subsidiaries, i.e. OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company, received in 2011–2013 as a result of the additional issue of the Company's shares which are cognised on the Company's balance sheet. These investments are recorded at the value agreed with the founders and determined on the basis of the market valuation performed by an independent appraiser totalling 20,204 million as of 31 December 2013 (as of 31 December 2012 and 31 December 2011: 17,239 million). This valuation exceeds the current market value of the shares as of 31 December 2013, 31 December 2012 and 31 December 2011 by RUB 12,394, RUB 9,887 million and RUB 7,048 million, respectively.

The Company's management plans to get benefits from investments in OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company by controlling their business operations rather than as a result of fluctuations in their market value. Thus, according to the Company's management, current market quotes do not fairly reflect the fair value of the controlling shareholdings in these companies as the number of shares traded in the market is not representative; not more than 1% of total shares issued are in circulation on a daily basis.

In view of these circumstances and considering that the Company has no plans to sell these investments, in accordance with paragraph 6 of the Russian Accounting Regulation "Accounting reports of an organisation" (RAR 4/99), approved by order No. 43n of the Russian Ministry of Finance of 6 July 1999, the Company decided against performing revaluation of its investments in

shares of OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company at the current market value from acquisition date.

The amount of unrecognised change in the market value as compared to the carrying amount as of 31 December 2013 is RUB 12,394 million (as of 31 December 2012: RUB 9,887 million; as of 31 December 2011: 7,048 million). The Company's net assets would have amounted to RUB 612,026 million, if it included the above unrecognised change in the value (as of 31 December 2012: RUB 582,287 million, as of 31 December 2011: RUB 528,429).

Impairment of investments in subsidiaries, associates and other entities for which current market value is not determinable

The Company's management analysed the negative trends related to a number of subsidiaries, which is presented below: The management performed the analysis of investments to the share capital of the entities listed below for possible signs of impairment, and also analysed possible impairment of other assets related to these subsidiaries, including those recorded within accounts receivable (see paragraph 3.2.2 of the Explanatory Notes).

HydroOGK Aluminium Company Ltd. The Company is engaged on parity with United Company RUSAL ("UC Rusal") in the Project of Boguchansky Aluminium Plant construction (the "Project"). The Company together with UC Rusal have a joint control over ZAO Boguchansky Aluminium Plant. The subsidiary – HydroOGK Aluminium Company Ltd – was established for the Company to participate in this Project and implement the corporate governance of the Project. Boguchansky Aluminium Plant's financing is provided for in the Company's Investment Programme approved by the Russian Ministry of Energy and is implemented partly through the Company's acquisition of HydroOGK Aluminium Company Ltd's and ZAO Boguchansky Aluminium Plant's promissory notes.

As of 31 December 2013, the Company's balance sheet carries the following Project-related assets:

- within the accounts receivable: interest-free promissory notes of ZAO Boguchansky Aluminium Plant with redemption "on demand but not earlier than 31 December 2024" for the total of RUB 4,662 million and interest-free promissory notes of HydroOGK Aluminium Company Ltd with redemption "on demand but not earlier than 31 December 2013" for the total of RUB 3,338 million (see paragraph 3.3.2 of the Explanatory Notes);
- within long-term investments: shares of HydroOGK Aluminium Company Ltd for the amount of RUB 779 million.

The analysis of recoverability of these assets performed by the Company as of 31 December 2013 was based on the following key factors:

- the Company intends to complete construction of Boguchansky Aluminium Plant injecting additional investments into the Project, if necessary;
- the Company plans to receive economic benefits in the form of return on capital invested into the Project. Consequently, the Company has no intention to demand redemption of the above interest-free promissory notes with cash as it plans their capitalisation in the share capital of the Project's participating parties, except for a portion of promissory notes of HydroOGK Aluminium Company Ltd which will be paid using cash currently carried on its balance sheet.

Based on the analysis of the factors that might indicate the impairment of assets related to the construction of Boguchansky Aluminium Plant, the Company's management concluded that there were no impairment indicators as of 31 December 2013.

ОАО Zagorskaya HAEPP-2 In September 2013, Zagorskaya HAEPP-2 which is currently under construction suffered from the flooding of a section of the HAEPP building from the lower reservoir. Due to the technical complexity of identifying the losses as a result of the accident, management are not able to estimate the amount of expenses needed to rectify the accident consequences and write off the damaged items of construction in progress.

Summarised information in relation to OAo Zagorskaya HAEPP-2 on the balance sheet of OAo RusHydro is as follows:

- within long-term investments: shares of OAo Zagorskaya HAEPP-2 for the amount of RUB 9,780 and interest-bearing loan for the amount of RUB 7,029 million;
- within other accounts receivable for additional shares issued but not yet transferred to the Company in the course of OAo Zagorskaya HAEPP-2's additional share issue: accounts receivable for the total amount of RUB 46,071 million (see paragraph 3.3.2 of the Explanatory Notes).

The analysis of recoverability of these assets performed by the Company as of 31 December 2013 was based on the following key factors:

- Construction works and the assets are insured. In accordance with the insurance contracts and under the current Russian law, the acknowledgement of the fact that the accident at Zagorskaya HAEPP-2 which is currently under construction is the insurable event and subsequent payment of compensation is only due after the thorough analysis of the accident reasons by insurance companies based on the report on investigation of the causes of the flooding.
- Management plans to perform recovery work and complete construction of Zagorskaya HAEPP-2. Capacity supply contracts were concluded in respect of Zagorskaya HAEPP-2. There are specific rules for the price setting in respect of new HPPs (including pumped-storage power plants) being constructed: the price is set in a manner that guarantees payback period of 20 years for all CAPEX invested in construction.
- Following the decision of the regulatory body NP Market Council of 16 December 2013 the commissioning date for generating assets of Zagorskaya HAEPP-2 and the start date of fulfilment of obligations under the committed capacity supply contracts for new HPPs (including pumped-storage power plants) was transferred from the beginning of 2014 to the beginning of 2017. As these dates were adjusted for OAo Zagorskaya HAEPP-2 is not subject to any penalties for under-supplied capacity under the above contracts.

As of 31 December 2013 there is no significant uncertainty in terms of the expenses to be incurred on recovery of damage caused by the flooding at Zagorskaya HAEPP-2. However, these expenses can be significant.

Based on the analysis of factors that might indicate impairment of assets related to Zagorskaya HAEPP-2 construction project, the Company's management concluded that there were no such indicators as of 31 December 2013.

No negative trends which may result in impairment of other shareholdings were observed.

Provision for impairment of investments for which current market value is not determinable amounts to RUB 58 million (as of 31 December 2012: RUB 832 million; as of 31 December 2011: RUB - 32 million). Original cost of long-term investments for which provision for impairment of investments was made amounts to RUB 96 million as of 31 December 2013 (as of 31 December 2012 - RUB 874 million, as of 31 December 2011 - 79 million).

(b) Long-term loans issued

Loan recipient's name	31 December 2013	31 December 2012	31 December 2011	Annual rate, %
Long-term loans issued to related parties, including:				
OAo Far East Generating Company	11,538	8,000	-	MosPrime + 3.09%/ 7.997%
OAo Zagorskaya GAES-2	7,029	-	2,727	8.213%
OAo Sakhaenergo	3,476	-	-	7.997%
OAo Hydroinvest	2,082	2,282	2,553	7.875%
OAo Ust-Srednekanskaya GES	1,747	-	1,099	8.213%
OAo ESK RusHydro	1,700	3,294	3,000	8.00%

Loan recipient's name	31 December 2013	31 December 2012	31 December 2011	Annual rate,%
OAo Far East Distribution Grid Company	1,670	-	-	7.997%
ZAO Tekhnopark Rummyantsevo	1,508	1,503	1,965	7.875% – 8.25%
OAo Teploenergосervice	929	-	-	7.997%
ZAO Malaya Dmitrovka	205	3,400	2,972	7.875%
OAo Leningradskaya GAES	-	-	1,051	
Other	1,134	281	669	
Total long-term loans issued	33,018	18,760	16,036	

As of 31 December 2013 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- loan to OAo Far East Generating Company amounting to RUB 11,538 million to refinance liabilities maturing by 3 December 2018 and 15 September 2021;
- loans to OAo Zagorskaya GAES-2 in the total amount of RUB 7,029 million issued to finance expenses related to investment project OAo Zagorskaya GAES-2 maturing by 05 February 2018 transferred from short-term loans due to changes of the conditions of the agreement;
- loan to OAo Sakhaenergo in the total amount of RUB 3,476 million issued to refinance liabilities maturing by 03 December 2018;
- loans to OAo Hydroinvest in the total amount of RUB 2,082 million issued to finance purchase of OAo Hydroproject Institute, OAo Krasnoyarskenergosbyt maturing by 20 October 2015;
- loans to OAo Ust-Srednekanskaya GES in the total amount of RUB 1,747 million issued to finance expenses related to investment project «Ust-Srednekanskaya GES» maturing by 5 February 2018 transferred from short-term loans due to changes of the conditions of the agreement;
- loans to OAo EKS RusHydro amounting to RUB 1,700 million to purchase an ownership interest in OOO EKS Bashkortostan and OAo RusHydro Bashkortostan maturing by 31 December 2015;
- loan to OAo Far East Distribution Grid Company amounting to RUB 1,670 million to refinance liabilities maturing by 3 December 2018;
- loans to ZAO Tekhnopark Rummyantsevo in the total amount of RUB 1,508 million issued to refinance liabilities maturing by 30 December 2015 and 30 November 2022;
- loan to OAo Teploenergосervice in the total amount of RUB 929 million issued to refinance liabilities maturing by 03 December 2018.

There are no indicators of a prolonged decline in the value of the above investments.

(c) Long-term debt securities

Issuer's name	31 December 2013	31 December 2012	31 December 2011	Due for repayment	Annual rate,%
Receivables from other counterparties related to long-term promissory notes, including:					
OOO Energo-Finance		-	6,899	On demand but not earlier than 12 December 2014	13.00%
Total debt securities		-	6,899		

Based on the assessment of the recoverable amount of OOO Energo-Finance promissory notes which was determined based on the forecast net assets of RUSENERGO FUND Ltd. which acted as a guarantor of OOO Energo-Finance promissory notes, the Company's management concluded that as of 31 December 2012, the value of OOO Energo-Finance promissory notes may not be recovered. As a result, a provision for impairment of the above investment amounting to RUB 6,899 million was made as of 31 December 2012.

In 2013, net assets of RUSENERGO FUND Ltd. continued to decrease. As a result, as of 31 December 2013 there were no changes in the Company's management assessment of the carrying amount of OOO Energo-Finance promissory notes.

3.1.3 Other non-current assets (line 1190 of the balance sheet)

Line 1190 "Other non-current assets" includes expenses of future periods to be written-off from expense account during the period beyond 12 months of the reporting date.

Breakdown of total expenses of future periods by types is presented in the table below:

Narrative	31 December 2013	31 December 2012	31 December 2011
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	1,620	1,526	-
Software and licenses	1,239	823	611
Borrowing costs	647	715	353
Other	393	332	219
Total expenses of future periods, including:	3,899	3,396	1,183
Long-term expenses of future periods which are subject to writing-off from expense account during the period beyond 12 months of the reporting date (within the balance sheet line 1190)	2,987	2,772	711
Short-term expenses of future periods which are subject to writing-off from expense account during 12 months of the reporting date (within the balance sheet line 1210)	912	624	472

As a result of works performed to uplift the level of Cheboksary water reservoir it is planned to increase the production capacity of Cheboksary GES and eliminate the increased depreciation of equipment and hydraulic engineering installations. If the Company becomes aware that it won't obtain the expected additional economic benefits, the above expenses of future periods will be written-off against other expenses.

3.2 Current assets (Section II of the balance sheet)

3.2.1 Inventories (line 1210 the balance sheet)

Narrative	31 December 2013	31 December 2012	31 December 2011
Raw, materials and other inventories	1,813	1,428	1,051
Short-term expenses of future periods which are subject to writing-off from expense account during 12 months of the reporting date (see paragraph 3.1.3 of the Explanatory Notes)	912	624	472
Other	136	3	1
Total line 1210 "Inventories"	2,861	2,055	1,524

Raw, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2013 the provision for their impairment amounted to RUB 105 million (31 December 2012: RUB 20 million, 31 December 2011: RUB 30 million).

3.2.2 Accounts receivable (line 1230 of the balance sheet)

(a) Long-term accounts receivable (payments expected beyond 12 months of the reporting date)

Total long-term accounts receivable were RUB 80,323 million, 75,630 million and 89,269 million as of 31 December 2013, 2012 and 2011, respectively.

Breakdown by types of long-term accounts receivable is as follows:

Type of long-term accounts receivable	31 December 2013	31 December 2012	31 December 2011
Advances issued to suppliers of equipment and capital construction contractors	35,074	37,296	26,246
Interest-free promissory notes received	27,040	26,633	27,219
Interest-free loans issued	16,817	9,235	31,423
Lease receivables	927	1,431	1,984
Buyers and customers	103	128	37
Other long-term accounts receivable	362	907	2,360
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	80,323	75,630	89,269

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Long-term accounts receivable and their movement

Item	Period	Opening balance		Changes for the period*					Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Repayment*	Disposals		Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Reclassified from short-term to long-term		Accrual/release of doubtful debt provision	Reclassified from long-term to short-term		
Long-term accounts receivable, including:	2012	89,269	-	22,166	694	(183)	(2,735)	(33,581)	78,365	(2,735)
	2013	78,365	(2,735)	12,944	13,519	(149)	-	(21,621)	83,058	(2,735)
Advances issued to suppliers of equipment and capital construction contractors	2012	26,246	-	17,688	486	(163)	-	(6,961)	37,296	-
	2013	37,296	-	7,787	611	-	-	(10,620)	35,074	-
Interest-free promissory notes received	2012	27,219	-	413	-	-	-	(999)	26,633	-
	2013	26,633	-	1,061	-	(149)	-	(505)	27,040	-
	2012	31,423	-	1,133	12	-	-	(23,333)	9,235	-
Interest-free loans issued	2013	9,235	-	3,260	12,840	-	-	(8,518)	16,817	-
	2012	1,984	-	278	32	-	-	(863)	1,431	-
Lease receivables	2013	1,431	-	157	53	-	-	(714)	927	-
	2012	37	-	109	11	(2)	-	(27)	128	-
Buyers and customers	2013	128	-	4	-	-	-	(29)	103	-
Other long-term accounts receivable	2012	2,360	-	2,545	153	(18)	(2,735)	(1,398)	3,642	(2,735)
	2013	3,642	2,735	675	15	-	-	(1,235)	3,097	(2,735)

* Movements of accounts receivable arising as a result of economic transactions and settled within the same reporting period are presented on a gross basis.

Long-term accounts receivable include interest-free loans issued to the following counterparties:

Counterparty	31 December 2013	31 December 2012	31 December 2011
Subsidiaries, including:	16,530	9,006	31,321
ОАО Hydroinvest	12,381	-	20,883
ЗАО Благовещенская ТЕС	1,473	-	-
ОАО ЕСК RusHydro	1,034	8,926	8,420
ОАО МГЭС Кабардино-Балкарии	678	-	-
ЗАО Якутская ГРЭС-2	674	-	-
ОАО Загорская ГАЭС-2	-	-	1,102
Other	290	80	916
Other related parties, including:	18	24	101
Loans issued to the Company's key management	18	24	101
Total interest-free loans issued to related parties	16,548	9,030	31,422
Other	269	205	1
Total interest-free loans issued to other counterparties	269	205	1
Total long-term interest-free loans issued	16,817	9,235	31,423

As of 31 December 2013, long-term interest-free loans issued included loans of ОАО Hydroinvest amounting to RUB 12,381 million including a loan of RUB 11,301 million repayable before 20 December 2015 for financing purchase and sale agreements for ОАО RusHydro shares and a loan of RUB 1,068 million repayable before 20 December 2015 for replenishing current assets which were reclassified from short-term interest-free loans in 2013 due to amending the contractual terms.

In addition, as of 31 December 2013, long-term interest-free loans issued included a loan of ЗАО Благовещенская ТПП amounting to RUB 1,473 million repayable on 20 December 2015 for replenishing current assets to ensure the priority works on constructing the second phase of Благовещенская ТПП.

Long-term accounts receivable include interest-free promissory notes issued by the following issuers:

Issuer	31 December 2013	31 December 2012	31 December 2011
Other related parties, including:	25,689	25,689	25,642
ЗАО Богучанская ГЭС	21,027	21,027	21,027
ЗАО Богучанский Алюминиевый Спелтер	4,662	4,662	4,615
Total interest-free promissory notes from related parties	25,689	25,689	25,642
ОАО Альфа-Банк	944	707	389
ОАО РОСБАНК	290	-	-
ОАО Ульяновскэнерго	62	212	212
ОАО СО УЭС	-	-	705
ОАО Номос-Банк	-	-	269
Other	55	25	2
Total interest-free promissory notes from other counterparties	1,351	944	1,577
Total long-term interest-free promissory notes received	27,040	26,633	27,219

As of 31 December 2013, the Company's long-term accounts receivable represented by other related parties' long-term interest-free promissory notes purchased for financing investment program consist of the following promissory notes:

- ОАО Богучанская ГЭС: promissory notes for RUB 21,027 million payable on demand after 31 December 2029 (the present value of the promissory notes reflecting time value of money as of 31 December 2013 is RUB 4,741 million);
- ЗАО Богучанский Алюминиевый Спелтер: promissory notes for RUB 4,662 million payable on demand after 31 December 2024 (the present value of the promissory notes reflecting time value of money as of 31 December 2013 is RUB 1,633 million).

Long-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors:

Counterparty	31 December 2013	31 December 2012	31 December 2011
ОАО Силовые Машины	19,713	23,460	20,158
ООО Corporation SpetsHydroProject	5,534	4,642	1,870
Voith Hydro GmbH & Co KG	5,214	4,483	1,998
ОАО Hydroremont-BKK	3,818	2,883	111
Other	795	1,828	2,109
Total advances issued to suppliers of equipment and capital construction contractors	35,074	37,296	26,246

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2014 are included within short-term advances issued.

Counterparty	31 December 2013	31 December 2012	31 December 2011
Interest receivable accrued on loans issued and promissory notes received, including:	336	758	2,273
ООО Energo-Finance	-	-	1,836
Subsidiaries	336	758	437
Other accounts receivable	26	149	87
Total other long-term accounts receivable	362	907	2,360

As the Company's management does not expect that the value of ООО Energo-Finance promissory notes may be recovered in foreseeable future, the Company made a provision for impairment of these assets as of 31 December 2012 (see para 3.1.2 of the Explanatory Notes) and a doubtful debt provision for the interest accrued as of 31 December 2012 amounting to RUB 2,735 million. In addition, starting from 1 January 2013 the Company discontinued accruing interest income on ООО Energo-Finance promissory notes.

(a) Short-term accounts receivable (payments expected within 12 months of the reporting date)

Total short-term accounts receivable less doubtful debt provision were RUB 153,157 million, 150,744 million and 113,566 million as of 31 December 2013, 2012 and 2011, respectively.

Type of short-term accounts receivable	31 December 2013	31 December 2012	31 December 2011
Buyers and Customers, including:	5,648	6,567	6,058
Accounts receivable for electricity and capacity	5,437	6,381	5,933
Other	211	186	125
Advances issued, including:	15,517	12,173	10,541
Advances issued to suppliers of equipment and capital construction contractors	14,309	10,995	9,179
Other advances issued	1,208	1,178	1,362
Other debtors, including:	131,992	132,004	96,967
Interest-free promissory notes received	22,954	73,502	75,669
Interest-free loans issued	5,552	42,312	14,603
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	98,530	10,714	-
Taxes receivable	2,596	2,982	4,865
Lease receivables	805	1,037	1,399
Other	1,555	1,457	431
Total line 1232 "Long-term accounts receivable" (payments expected within 12 months of the reporting date)	153,157	150,744	113,566

Short-term accounts receivable and their movement

Item	Period	Opening balance		Changes for the period*								Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Disposals		Release of provision	Accrual of provision	Reclassified from long-term to short-term and vice versa	Write-off of receivables against provision	Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Interest, penalties and other accruals	Repayment*	Write-off to the financial result						
Short-term accounts receivable, including:	2012	116,731	(3,165)	184,769	-	(178,744)	-	678	(2,412)	32,887	33	155,610	(4,866)
	2013	155,610	(4,866)	264,908	-	(268,908)	(108)	1,480	(3,060)	8,102	1	159,603	(6,446)
Buyers and customers	2012	8,177	(2,119)	112,073	-	(109,896)	-	512	(2,196)	16	5	10,365	(3,798)
	2013	10,365	(3,798)	128,609	-	(128,238)	(104)	1,384	(2,599)	29	-	10,661	(5,013)
Advances issued	2012	10,585	(44)	27,672	-	(32,590)	-	5	(5)	6,550	21	12,196	(23)
	2013	12,196	(23)	26,464	-	(33,288)	-	7	(6)	10,167	-	15,539	(22)
Other debtors	2012	97,969	(1,002)	45,024	-	(36,258)	-	161	(211)	26,321	7	133,049	(1,045)
	2013	133,049	(1,045)	109,835	-	(107,382)	(4)	89	(456)	(2,094)	1	133,403	(1,411)

* Movements of accounts receivable arising as a result of economic transactions and settled within the same reporting period are presented on a gross basis.

Short-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply within 12 months of the reporting date.

Counterparty	31 December 2013	31 December 2012	31 December 2011
OAo Silovye Mashiny	6,401	6,200	6,375
Voith Hydro GmbH & Co KG	2,194	242	-
OAo Hydroremont-BKK	1,365	143	197
IBERDROLA	1,061	-	-
OOO Corporation SpetsHydroProject	1,016	13	-
OAo Hydroelectromontazh	420	1,533	922
OOO Energy Standard	135	989	375
Other	1,717	1,875	1,310
Total advances issued to suppliers of equipment and capital construction contractors	14,309	10 995	9 179

Short-term accounts receivable include interest-free promissory notes issued by the following issuers:

Issuer	31 December 2013	31 December 2012	31 December 2011
Subsidiaries, including:	22,453	72,350	74,998
OOO Index energetiki – HydroOGK	13,668	13,688	13,706
OAo Ust-Srednekanskaya GES	4,105	3,455	-
HydroOGK Aluminium Company Ltd	3,338	3,338	3,386
OAo Karachaeve-Cherkesskaya Hydrogenerating Company	244	244	1,943
OAo Zagorskaya GAES-2	-	31,071	31,071
OAo Zaramagskie GES	-	13,325	12,559
ZAO Hydro-engineering Siberia	-	1,992	1,992
OAo Nizhne-Bureyskaya GES	-	1,885	1,885
OAo Leningradskaya GAES	-	1,466	1,466
OAo Sulaksky Hydrocascade	-	-	4,316
Other	1,098	1,886	2,674
Total interest-free promissory notes from related parties	22,453	72,350	74,998
OAo Alfa-Bank	416	176	577
OAo SO UES	-	705	-
Other	85	271	94
Total interest-free promissory notes from other counterparties	501	1,152	671
Total short-term interest-free promissory notes received	22,954	73,502	75,669

As of 31 December 2013, short-term receivables from subsidiaries on short-term interest-free promissory notes acquired by the Company is represented by promissory notes payable on demand.

Short-term accounts receivable include interest-free loans issued to the following counterparties:

Counterparty	31 December 2013	31 December 2012	31 December 2011
Subsidiaries, including:	5,494	42,265	14,419
OOO EZOP	5,423	5,423	5,255
OAo Renewable Energy Engineering Centre	8	697	555
OAo Hydroinvest	-	21,951	1,080
OAo Zagorskaya GAES-2	-	6,446	-
OAo Ust-Srednekanskaya GES	-	2,501	2,501
OAo Nizhne-Bureyskaya GES	-	1,863	77

Counterparty	31 December 2013	31 December 2012	31 December 2011
ОАО Ленинградская ГАЭС	-	1,138	-
ОАО ЕСК RusHydro	-	549	549
ОАО Южно-Якутский ГЭК	-	-	2,139
ОАО Сулакский Гидрокаскад	-	-	1,668
Other	63	1,697	595
Other related parties, including:	6	7	76
Loans issued to the Company's key management	6	7	76
Total interest-free loans issued to related parties	5,500	42,272	14,495
Total short-term interest-free loans issued to other counterparties	52	40	108
Total short-term interest-free loans issued	5,552	42,312	14,603

As of 31 December 2013, short-term interest-free loans issued include loans to ООО ЕЗОП (operator of the Company's stock option program) in the amount of RUB 5,423 million payable on demand issued (among other purposes) for purchasing ordinary registered uncertificated shares of the Company's additional issue.

In addition, short-term accounts receivable include receivables from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company:

Counterparty	31 December 2013	31 December 2012	31 December 2011
ОАО Загорская ГАЭС-2	46,071	-	-
ОАО Зарамagskie GES	15,139	-	-
ОАО Hydroinvest	9,550	-	-
ОАО ЕСК RusHydro	8,969	-	-
ОАО Нижне-Бурейская	8,265	-	-
ОАО Ленинградская ГАЭС	4,202	-	-
ОАО Уст-Среднеканская GES	2,872	-	-
ЗАО Hydro-engineering Siberia	1,992	-	-
ОАО Сулакский Гидрокаскад	-	7,566	-
ОАО Южно-Якутский ГЭК	-	3,148	-
Other	1,470	-	-
Total accounts receivable from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company	98,530	10,714	-

Short-term accounts receivable includes the following types of tax receivables:

Item	31 December 2013	31 December 2012	31 December 2011
Income tax	2,082	2,212	3,462
Value added tax	-	-	1,029
Other taxes and levies	514	770	374
Total tax receivables	2,596	2,982	4,865

Overdue accounts receivable

Item	31 December 2013		31 December 2012		31 December 2011	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	6,455	362	5,104	846	3,315	151
Buyers and customers	4,931	220	4,211	655	2,243	124
Advances issued	137	115	206	183	44	-
Other debtors	1,387	27	687	8	1,028	27

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3.2.3 Short-term investments (Line 1240 of the balance sheet)

The structure of the Company's short-term investments is represented by the following assets:

Type of investment	31 December 2013	31 December 2012	31 December 2011
Bank deposits	50,000	50,000	-
Loans issued	5,568	12,290	-
Promissory notes	40	711	711
Other investments	-	789	789
Total line 1240 "Investments" (excluding cash equivalents)	55,608	63,790	1,500

OAo RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Short-term investments and their movements

Item	Period	Opening balance		Changes for the period*				Closing balance	
		Historical cost	Accumulated adjustment	Additions*	Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2012	1,500	-	83,892	(21,428)	-	(174)	63,964	(174)
	2013	63,964	(174)	234,449	(242,805)	174	-	55,608	-
Bank deposits	2012	-	-	61,445	(11,445)	-	-	50,000	-
	2013	50,000	-	222,711	(222,711)	-	-	50,000	-
Short-term loans issued	2012	-	-	22,447	(9,983)	-	(174)	12,464	(174)
	2013	12,464	(174)	11,648	(18,544)	174	-	5,568	-
Promissory notes	2012	711	-	-	-	-	-	711	-
	2013	711	-	90	(761)	-	-	40	-
Other investments	2012	789	-	-	-	-	-	789	-
	2013	789	-	-	(789)	-	-	-	-

* Movements of short-term investments received and disposed of (repaid) in the same reporting period are presented on a gross basis.

Exposure of short-term investments to financial risks is described in paragraph 3.16 of the Explanatory Notes.

(a) Bank deposits

As of 31 December 2013, bank deposits include a short-term deposit of RUB 50,000 million placed with OAO Sberbank of Russia maturing by 7 February 2014 (as of 31 December 2012 – RUB 50,000 million maturing by 18 January 2013). The deposited cash was received by the Company as a result of additional issue (paragraph 3.3.1 of the Explanatory Notes).

(b) Short-term loans issued

Loan recipient's name	31 December 2013	31 December 2012	31 December 2011	Annual rate, %
Short-term loans issued to related parties, including:				
OAO ESK RusHydro	1,520	-	-	8.00%
OAO Far East Distribution Grid Company	1,430	-	-	8.213% / 8.407%
OAO Far East Generating Company	1,000	-	-	MosPrime + 3.09%
ZAO Verkhne-Narynskie GES	530	-	-	LIBOR + 1.5%
OAO ChirkeiGESstroi	300	300	-	8.57% / 8.834%
ZAO Malaya Dmitrovka	300	-	-	8.51%
OAO ESKO UES	275	-	-	8.212%
OAO Zagorskaya GAES-2	-	7,029	-	
OAO Ust-Srednekanskaya GES	-	1,747	-	
OAO Leningradskaya GAES	-	1,321	-	
OAO Nizhne-Bureyskaya GES	-	694	-	
OAO MGES Kabardino-Balkarii	-	408	-	
ООО Verkhnebalkarskaya MGES	-	377	-	
Other	213	414	-	
Total short-term loans issued	5,568	12,290	-	

As of 31 December 2013, short-term loans issued include:

- OAO ESK RusHydro's short-term part of long-term loans in the total amount of RUB 1,520 million issued for acquisition of shares in the ООО «Bashkortostan» and participation in equity of OAO «RusHydro Bashkortostan Efficiency» maturing by 31 December 2015 (paragraph 3.1.2 of the Explanatory Notes);
- OAO Far East Distribution Grid Company's loans in the total amount of RUB 1,430 million issued for addition of current assets maturing by 14 March 2014;
- OAO Far East Generating Company's short-term part of long-term loan in the total amount of RUB 1,000 million issued for refinance liabilities maturing by 15 September 2021 (paragraph 3.1.2 of the Explanatory notes);
- ZAO Verkhne-Narynskie GES's loan in the total amount of RUB 530 million issued for refinance construction works of Verkhne-Narynskiy cascade of GES.

As of 31 December 2013 loans to OAO Zagorskaya GAES-2, OAO Ust-Srednekanskaya GES, OAO Nizhne-Bureyskaya GES and OAO MGES Kabardino-Balkarii were reclass to short-term loans due to changes of the conditions of the agreements (paragraph 3.1.2 of the Explanatory Notes).

There are no indicators of a prolonged decline in the value of investments.

3.2.4 Cash and cash equivalents (line 1250 of the balance sheet)

Item	31 December 2013	31 December 2012	31 December 2011
Cash in bank	1,981	1,615	1,093
Cash equivalents	16,565	22,205	29,535
Total line 1250 "Cash and cash equivalents"	18,546	23,820	30,628

As of 31 December 2013, 2012 and 2011, there is no restricted cash.

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As of 31 December 2013, 2012 and 2011, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2013 there were cash balances denominated in US dollars equivalent to RUB 29 million (31 December 2012, 31 December 2011: RUB 0 million). As of 31 December 2013 there were no cash balances denominated in Euro. (31 December 2012: RUB 26 million, 31 December 2011: RUB 0 million).

As of 31 December 2013, interest rates on Rouble deposits were 5.29% – 7.40% p.a. (31 December 2012: 5.44% – 7.95%, 31 December 2011: 5.60% – 8.55%).

The Company holds cash and cash equivalents in the following credit institutions:

Credit institution	Rating	Rating agency	31 December 2013	31 December 2012	31 December 2011
Bank deposits, including:					
OA O Sberbank of Russia	Baa1	Moody's	5,437	9,905	2,835
ZAO UniCredit Bank	BBB	Standard & Poor's	4,500	-	-
OA O Nordea Bank	BBB+	Fitch Ratings	2,910	2,100	3,460
OA O VTB Bank	Baa2	Moody's	2,140	820	14,550
OA O Gazprombank	BBB-	Standard & Poor's	1,578	2,200	8,690
OA O Alfa-Bank	BBB-	Fitch Ratings	-	5,780	-
OA O TransCreditBank	-	-	-	1,400	-
Total cash equivalents			16,565	22,205	29,535
Cash in banks, including:					
OA O Sberbank of Russia	Baa1	Moody's	1,931	326	186
OA O Gazprombank	BBB-	Standard & Poor's	21	472	457
OA O Alfa-Bank	BBB-	Fitch Ratings	14	182	429
OA O VTB Bank	Baa2	Moody's	11	2	3
ZAO VTB-24	Baa1	Moody's	4	6	7
ZAO Peresvet	-	-	-	600	-
ZAO UniCredit Bank	BBB	Standard & Poor's	-	26	-
OA O Eurofinance Mosnarbank	Ba3	Moody's	-	1	11
Total cash in bank			1,981	1,615	1,093

Notes to the statement of cash flows

Cash flows required for the purposes of supporting the existing scope of the Company's operations are presented within current operations. Cash flows related to expansion of the Company's business are included in investing activities.

Cash flows spent on investments and received on repayment of cash equivalents (excluding accrued interest) are not included in the cash flow statement.

Cash flows spent on investments and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period, are recorded on a net basis in line 4219 "Other receipts" or line 4229 "Other payments" of the cash flow statement if they have such characteristics as quick return, large amount and short-term maturity.

Breakdown for lines "Other receipts" and "Other payments" of the statement of cash flows is presented below:

Item	2013	2012
Other receipts from operating activities (line 4119), including:		
Receipt of proceeds of insurance and compensation for losses	2,504	1,404
Value added tax	76	228
Penalties, interest and fines recognised or for which court rulings on collection have been received	1,877	715
Other receipts from operating activities	117	80
Other payments related to operating activities (line 4129), including:		
	434	381
	(12,040)	(11,761)

Item	2013	2012
Taxes and levies	(7,024)	(6,439)
Charity payments	(1,130)	(1,357)
Non-budget funds	(1,324)	(1,229)
Water usage expenses	(995)	(769)
Business trip expenses	(813)	(720)
Other payments related to operating activities	(754)	(1,247)
Other payments related to investing activities (line 4229), including:	-	(50,000)
Cash placement on a short-term deposit other than cash equivalent	-	(50,000)
Other payments related to investing activities	-	-
Other payments related to financing activities (line 4329), including:	(474)	(650)
Settlement of finance lease obligations (payments under lease contracts)	(473)	(650)
Other payments related to financing activities	(1)	-

3.3 Equity and reserves (Section III of the balance sheet)

3.3.1 Share capital (line 1310 of the balance sheet)

As of 31 December 2013, 2012 and 2011, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2013	Number of shares at 31 December 2012	Number of shares at 31 December 2011
Ordinary shares with nominal value of RUB 1 per share	317,637,520,094	317,637,520,094	290,302,702,379

As of 31 December 2013, the following shareholders are registered in the register of shareholders:

Shareholder	Type of shareholder	Number of shares	Ownership share, %
Russian Federation represented by the Federal Agency for State Property Management	beneficial owner	258,161,535,606	66.84%
Non-Banking Credit Organisation ZAO National Settlement Depository	nominee holder	110,327,350,871	28.56%
ООО Depository and Corporate Technologies	nominee holder	10,191,600,852	2.64%
Other		7,574,977,561	1.96%
Total		386,255,464,890	100.00%

As of 31 December 2013, the number of shares registered in the register of shareholders exceeds the number of shares in the Company's share capital as of 31 December 2013 due to the additional issue of shares registered on 3 December 2012 by 110,000,000,000 shares, including 68,617,944,796 shares that were actually placed as of the reporting date. As of 31 December 2013 the placement of the additional shares was completed but changes in the share capital were registered in accordance with the established procedure in 2014, the Company did not increase the share capital.

Additional issue in 2012-2013

The Company's extraordinary general meeting of shareholders held on 16 November 2012 (Minutes No. 9) made the decision to increase the Company's share capital by placing 110,000,000,000 additional ordinary registered shares with the nominal value of RUB 1 each through public offering with payment in cash and non-monetary assets. Non-monetary assets include ordinary registered shares of the following joint stock companies: ОАО RAO Energy Systems of the East, ОАО Ust-Srednekanskaya GES, ОАО SEC, ОАО Irkutskenergo, ОАО Irkutsk Electric Grid Company.

The Company's Board of directors approved the decision on additional issue of the Company's securities on 22 November 2012 (Minutes No.166). The Company's Board of directors approved the placing price of the Company's additional shares – RUB 1 each – on 10 December 2012 (Minutes No.169).

On 3 December 2012, the Federal Service of Financial Markets (hereinafter FSFM of Russia) registered the additional issue of the Company's 110,000,000,000 ordinary registered shares No. 1-01-55038-E-041D.

26 November 2013 is the actual completion date of the placement. FSFM of Russia registered the Report based on the results of additional issue of shares on 26 December 2013. Changes in the Company's founding documents are registered on 28 January 2013.

68,617,944,796 shares were actually placed as a result of this issue, which represents 62.38% of the issue's total number of securities

As part of this issue Company had been received as payment:

- blocks of shares of energy sector companies (paragraph 3.1.2 of the Explanatory Notes);
- cash in the total amount of RUB 50,022, including cash from Russian Federation represented by the Federal Agency for State Property Management in the amount of RUB 50,000 for funding construction of electricity assets in the Russian Far East (see paragraphs 3.1.2 and 3.2.3 of the Explanatory Notes).

Additional issue in 2011-2012

The Company's annual general meeting of shareholders held on 30 June 2011 (Minutes No. 7) made the decision to increase the Company's share capital by placing 89,000,000,000 additional ordinary registered shares with the nominal value of RUB 1 each through public offering with payment in cash and non-monetary assets.

The Company's Board of directors approved the decision on additional issue of the Company's securities on 29 July 2011 (Minutes No.129). The Company's Board of directors approved the placing price of the Company's additional shares – RUB 1.65 each – on 2 August 2011 (Minutes No.130).

On 16 August 2011, the Federal Service of Financial Markets registered the additional issue of the Company's 89,000,000,000 ordinary registered shares No. 1-01-55038-E-040D. FSFM of Russia permitted the circulation of 50% of the placed additional shares outside Russia.

20 June 2012 is the actual completion date of the placement. FSFM of Russia registered the Report based on the results of additional issue of shares on 6 September 2012. Changes in the Company's founding documents are registered on 1 October 2012.

27,334,817,715 shares were actually placed as a result of this issue, which represents 30.71% of the issue's total number of securities.

As of 31 December 2013, 651 million shares of the total number of ordinary shares are owned by the Company's Management Board members (31 December 2012: 593 million shares, 31 December 2011: 516 million shares). Subsidiaries and associates own 8,704 million shares of the Company (31 December 2012: 8,704 million shares, 31 December 2011: 8,704 million shares).

3.3.2 Revaluation of non-current assets (line 1340 of the balance sheet)

As of 31 December 2013, the amount of accumulated revaluation of non-current assets is RUB 53,325 million (31 December 2012: RUB 53,578 million, 31 December 2011: RUB 53,982 million). This metric consists of the amounts of revaluation accumulated by subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

The amount of accumulated revaluation was decreased by RUB 253 million in 2013 due to disposal of items of property, plant and equipment revalued earlier (31 December 2012: RUB 404 million).

3.3.3 Additional paid-in capital (line 1350 of the balance sheet)

As of 31 December 2013, 2012 and 2011, the Company's additional paid capital was RUB 58,424 million, RUB 58,424 million and 40,657 million, respectively, and consisted of share premium of the Company and subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

3.3.4 Reserve capital (line 1360 of the balance sheet)

As of 31 December 2013, 2012 and 2011, the Company's reserve capital was RUB 6,474 million, RUB 5,739 million and RUB 4,208 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 28 June 2013. (Minutes No. 11), the Company allocated 5% of its net profit for 2012 in the amount of RUB 735 million to the reserve capital.

3.4 Non-current liabilities (Section IV of the balance sheet)

3.4.1 Long-term borrowings (line 1410 of the balance sheet)

Balance sheet line 1410 "Borrowings" includes long-term loans payable:

Lender / creditor	31 December 2013	31 December 2012	31 December 2011
ОАО Sberbank of Russia	30,613	-	23,520
RusHydro Finance Ltd	20,000	20,000	20,000
Russian bonds issued in February 2013	20,000	-	-
Russian bonds issued in April 2011	15,000	15,000	15,000
European Bank for Reconstruction and Development	9,155	10,984	3,813
UniCredit Bank Austria AG	2,862	2,336	-
Bayerische Landesbank (BayernLB)	335	46	-
EM Falcon Ltd	-	1,500	2,423
CF Structured Products B.V.	-	-	1,932
Total line 1410 "Borrowings"	97,965	49,866	66,688

In February 2013, the Company placed non-convertible interest-bearing ten-year bonded loans of Series 07 and 08 for the total of RUB 20,000 million. The buy-back option period (period of redemption on demand from holders of securities) established by the Company is five years.

In December 2013, the Company received RUB 10,613 million under the agreement on non-revolving credit facility with ОАО Sberbank of Russia to refinance the existing liability of the subsidiaries of RAO Energy Systems of the East Group that is controlled by the Company.

The Company also restructured the existing liabilities to ОАО Sberbank of Russia under the agreement on credit line facility amounting to RUB 40,000 million concluded in 2011 for a period of two years. Out of the total amount received RUB 20,000 million were repaid in 2013; the period for repaying the remaining part of debt was extended by seven years, up to 2020.

The key provisions of the contracts were as follows:

Lender / creditor	Agreement effective year	Redemption year	Amount in million units (in the currency of the loan)	Currency	Loan interest rate
Bayerische Landesbank	2012	2024 / 2025*	16	Euro	Euribor + 0.85%
RusHydro Finance Ltd	2010	2015	20,000	Russian Roubles	7.875%
UniCredit Bank Austria AG	2011	2026	128	Euro	3.35%**
EBRD (Tranche 1)	2006	2020	2,300	Russian Roubles	MosPrime + 3.65%
EBRD (Tranche 2)		2014	850		MosPrime + 2.75%
EBRD (Tranche 3)		2016	3,150		MosPrime + 3.05%

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Lender / creditor	Agreement effective year	Redemption year	Amount in million units (in the currency of the loan)	Currency	Loan interest rate
EBRD	2011	2021	8,000	Russian Roubles	MosPrime + 2.75%
Russian bonds issued in April 2011	2011	2016***	15,000	Russian Roubles	8.00%
Russian bonds issued in February 2013	2013	2018***	20,000	Russian Roubles	8.50%
OAO Sberbank of Russia	2011	2020	20,000	Russian Roubles	8.30% / 9.30%****
OAO Sberbank of Russia	2013	2018	10,613	Russian Roubles	7.99% / 8.99%****

* The final redemption date depends on the redemption commencement date.

** Fixed interest rate is applied to 90% of the loan amount, variable quarterly interest rate published by OeKB (Oesterreichische Kontrollbank AG) less 0.25% is applied to the remaining 10% of the loan amount.

*** Bonds maturity is 10 years, and the bond holders have the right to call for an early redemption in 2016.

**** Variable quarterly interest rate determined due to agreement's conditions.

As of 31 December 2013, the total amount of long-term loans to be repaid within 12 months of the reporting date and reclassified to short-term category was RUB 3,329 million (31 December 2012: RUB 43,512 million.) (see paragraph 3.5.1 of the Explanatory Notes).

In addition to the credit facilities from Bayerische Landesbank (BayernLB) и UniCredit Bank Austria AG which were undrawn as of 31 December 2013, the Company can raise RUB 4,400 million after 31 December 2013 under a loan agreement with the European Bank for Reconstruction and Development (EBRD) for 12 years to refinance current liabilities of OAO FEDGC, a member of RAO Energy Systems of the East Group and support upgrading the Company's distribution networks.

Ageing analysis:

Due for repayment	31 December 2013	31 December 2012	31 December 2011
From 1 to 2 years	21,676	3,329	27,204
From 2 to 3 years	16,693	21,663	2,329
From 3 to 4 years	1,529	16,663	20,659
From 4 to 5 years	32,142	1,447	15,659
Over five years	25,926	6,764	837
Total line 1410 "Borrowings"	97,965	49,866	66,688

Interest on borrowings included into the cost of investment assets

In 2013, the amount of interest on borrowings included into the cost of investment assets was RUB 2,830 million (2012: RUB 2,868 million), of which RUB 2,481 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2012: RUB 2,360 million).

3.4.2 Other non-current liabilities (line 1450 of the balance sheet)

Line 1450 "Other liabilities" includes long-term VAT on advances issued in the amount of RUB 1,559 million as of 31 December 2013 (31 December 2012: RUB 1,265 million, 31 December 2011: RUB 271 million) and trade payables in the amount of RUB 469 million as of 31 December 2013 (31 December 2012: RUB 685 million, 31 December 2011: RUB 483 million).

3.5 Current liabilities (Section V of the balance sheet)

3.5.1 Short-term borrowings (line 1510 of the Balance sheet)

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
	2012	1,752	43,764	(1,941)	43,575
Borrowings, including:	2013	43,575	3,329	(43,575)	3,329
European Bank for Reconstruction and Development (EBRD)	2012	829	829	(829)	829
	2013	829	1,829	(829)	1,829
EM Falcon Ltd	2012	923	923	(923)	923
	2013	923	1,500	(923)	1,500
ОАО Sberbank of Russia	2012	-	40,000	-	40,000
	2013	40,000	-	(40,000)	-
CF Structured Products B.V.	2012	-	2,012	(189)	1,823
	2013	1,823	-	(1,823)	-
Interest on borrowings, including:	2012	767	6,969	(6,405)	1,331
	2013	1,331	8,706	(8,440)	1,597
Russian bonds issued in February 2013	2012	-	-	-	-
	2013	-	1,346	(847)	499
ОАО Sberbank of Russia	2012	73	3,192	(2,679)	586
	2013	586	3,170	(3,299)	457
RusHydro Finance Ltd	2012	280	1,575	(1,575)	280
	2013	280	1,575	(1,575)	280
Russian bonds issued in April 2011	2012	224	1,203	(1,197)	230
	2013	230	1,200	(1,197)	233
European Bank for Reconstruction and Development (EBRD)	2012	92	490	(439)	143
	2013	143	1,131	(1,164)	110
Other	2012	98	509	(515)	92
	2013	92	284	(358)	18
Total line 1510 "Borrowings"	2012	2,519	50,733	(8,346)	44,906
	2013	44,906	12,035	(52,015)	4,926

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts receivable were RUB 77,468 million, 57,822 million and 51,405 million as of 31 December 2013, 2012 and 2011, respectively.

OAo RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Accounts payable and their movement

Item	Period	Opening balance	Changes for the period*					Closing balance
			Additions		Disposals		Reclassified from long-term to short-term and vice versa	
			As a result of economic transactions*	Receivable on interest, penalties and other accruals	Repayment*	Write-off to the financial result		
Accounts payable, including:	2012	51,405	212,044	-	(205,449)	-	(178)	57,822
	2013	57,822	307,588	-	(288,156)	(1)	215	77,468
Trade payables	2012	5,221	65,976	-	(65,693)	-	(178)	5,326
	2013	5,326	67,762	-	(68,132)	(1)	215	5,170
Wages payable	2012	742	6,796	-	(6,821)	-	-	717
	2013	717	7,063	-	(7,179)	-	-	601
Payable to state non-budget funds	2012	29	1,332	-	(1,302)	-	-	59
	2013	59	1,436	-	(1,408)	-	-	87
Taxes payable	2012	1,396	23,321	-	(23,421)	-	-	1,296
	2013	1,296	27,343	-	(26,069)	-	-	2,570
Payables to the participants (founders) related to income payment	2012	9	2,387	-	(2,363)	-	-	33
	2013	33	3,543	-	(3,529)	-	-	47
Payables in respect of shares issued before the changes to the Charter	2012	43,604	51,498	-	(45,102)	-	-	50,000
	2013	50,000	18,618	-	-	-	-	68,618
Other payables	2012	404	60,734	-	(60,747)	-	-	391
	2013	391	181,823	-	(181,839)	-	-	375

* Movements in accounts payable which arose and were settled in the same reporting period are presented on a gross basis.

The balance sheet line 1521 "Trade accounts payable" includes the following types of payables:

Type of payables	31 December 2013	31 December 2012	31 December 2011
Payables to capital construction contractors	1,640	2,259	1,602
Payables to suppliers of equipment and other non-current assets	1,753	1,520	1,598
Payables for purchase of electricity and capacity	759	634	521
Payables to suppliers of repair and maintenance services	329	233	334
Other	689	680	1,166
Total line 1521 "Trade accounts payable"	5,170	5,326	5,221

The balance sheet line 1524 "Taxes payable" includes current payables on the following taxes:

Tax	31 December 2013	31 December 2012	31 December 2011
Property tax payable	1,429	1,063	1,247
VAT payable	1,053	60	1
Income tax payable	-	69	36
Other taxes payable	88	104	112
Total line 1524 "Taxes payable"	2,570	1,296	1,396

As of 31 December 2013 the balance sheet line 1526 "Other accounts payable" includes payable to the acquirers of the Company's shares of additional issue in the amount of RUB 68,618 million (31 December 2012: RUB 50,000 million, 31 December 2011: RUB 43,604 million), including payables to the Federal Agency for Federal Property Management in the amount of RUB 66,006 million (31 December 2012: RUB 50,000 million, 31 December 2011: RUB 34,766 million) (see paragraph 3.3.1 of the Explanatory Notes).

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2013 the total estimated liabilities are RUB 1,020 million (31 December 2012: RUB 408 million, 31 December 2011: RUB 325 million).

The estimated liability for forthcoming payment of earned but unused employee vacations has a short-term nature.

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2012	325	934	(661)	(190)	408
	2013	408	2,365	(1,503)	(250)	1,020
for forthcoming payment of earned but unused employee vacations	2012	325	934	(661)	(190)	408
	2013	408	1,044	(713)	(250)	489
for litigation on property tax	2012	-	-	-	-	-
	2013	-	1,321	(790)	-	531

3.6 Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2013, the total leased property, plant and equipment are RUB 33,754 million (31 December 2012: RUB 33,906 million, 31 December 2011: RUB 26,330 million).

In 2013, the Company did not receive any property, plant and equipment under lease contracts. In 2013, no lease items were recognised on the Company's balance sheet under concluded contracts.

The Company will make lease payments of RUB 352 million (including VAT) for property, plant and equipment received under lease contracts over the period until they expire, including payment of RUB 315 million in 2014. In 2013, the Company accrued RUB 1,097 million (excluding VAT)

and paid RUB 559 million in lease payments (RUB 1,298 million and RUB 650 million in 2012, respectively).

The Company leased and received items of property, plant and equipment under lease contracts from the following entities:

Lessor	31 December 2013	31 December 2012	31 December 2011
ОАО Зарамagskie GES	4,995	4,995	4,983
Ministry of Property Relations of Moscow region	4,531	2,808	2,808
ZАО Malaya Dmitrovka	3,349	3,637	-
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	2,549	2,549	112
Territorial Office of Federal Property Management Agency in the Irkutsk Region	2,154	2,154	1,960
Perm Department of Land and Property Relations	1,245	27	-
Department of Property and Land Relations of Kochubeevsky region	1,190	745	-
Novosibirsk Department of Land and Property Relations	779	779	741
Corporate Jet Management Limited	-	2,005	2,125
Other	4,668	5,698	4,616
Total lease of property, plant and equipment	25,460	25,397	17,345
ООО Leasefinance	3,546	3,353	3,366
ООО RB-Leasing	2,383	2,832	2,832
ООО IR-Leasing	1,815	1,815	1,815
ZАО Business Alliance	321	321	333
Other	229	188	639
Total lease of property, plant and equipment under lease contracts	8,294	8,509	8,985
Total lease of property, plant and equipment	33,754	33,906	26,330

In 2013, the cadastral values of the following land plots were increased:

- land plots leased from the Ministry of Property Relations of Moscow region (as of 31 December 2013 the value was RUB 4,531 million);
- land plots leased from the Department of Land Relations of Perm (as of 31 December 2013 the value was RUB 1,245 million);
- land plots leased from the Department of Property and Land Relations of Kochubeevsky region (as of 31 December 2013 the value was RUB 1,190 million).

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2013	31 December 2012	31 December 2011
ООО EZOP	5,428	5,428	5,428
ОАО Hydroinvest	3,919	3,919	3,919
Voith Hydro GmbH & Co KG	3,213	2,098	1,196
ОАО Silovye Mashiny	2,345	2,300	1,301
Alstom Hydro France	1,038	1,068	270
ООО Energy Standard	582	1,216	1,306
ООО Alstom	273	602	602
ОАО Hydroelectromontazh	46	1,679	1,427
ОАО United Energy Construction Corporation	-	532	620
RUSENERGO FUND Ltd	-	-	8,735
Other	3,151	2,537	1,597
Total collateral for liabilities and payments received	19,995	21,379	26,401

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The Company received its own shares purchased by ООО EZOP and ОАО Hydroinvest as a pledge to secure loans issued for the purpose of acquisition of the Company's shares by ООО EZOP and ОАО Hydroinvest (see paragraph 3.2.2 of the Explanatory Notes).

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, ОАО Silovye Mashiny, Alstom Hydro France, ООО Energy Standard, ООО Alstom and others the Company received bank guarantees for return, in full or in part, of the advances issued to these entities or due fulfilment of the contractual scope of work by these entities.

3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

Creditor	Debtor	31 December 2013	31 December 2012	31 December 2011
ОАО Vnesheconombank	ЗАО Богучанская GES	46,632	40,973	31,574
ОАО Bank of Moscow	ОАО Far East Generating Company	7,001	6,208	-
ОАО Vnesheconombank	ЗАО Богучанский Aluminium Smelter	4,615	4,615	4,615
ОАО VTB Bank	ОАО Far East Generating Company	4,543	-	-
European Bank for Reconstruction and Development (EBRD)	ОАО RAO Energy Systems of the East	4,070	-	-
ОАО Sberbank of Russia	ОАО Kamchatskenergo	3,978	-	-
ОАО Bank of Moscow	ОАО Sakhalinenergo	700	701	-
ОАО Sberbank of Russia	ОАО Sakhalinenergo	651	-	-
Solios Environnement S. A., ALSTOM Grid SAS (AREVA T&D S. A.), ЗАО Commerzbank (Eurasija)	ЗАО Богучанский Aluminium Smelter	82	929	1,423
Other	Other	1,398	1,164	1,246
Total collateral for liabilities and payments issued		73,670	54,590	38,858

In 2013, the Company issued guarantees for liabilities of ОАО Far East Generating Company and ОАО RAO Energy Systems of the East under the loan agreements with ОАО VTB Bank and European Bank for Reconstruction and Development (EBRD) respectively, including the principal amount of the loan and accrued interest. Liabilities due date is 26 December 2015.

Guarantees issued by the Company for liabilities of ОАО Богучанская GES under its loan agreement with ОАО Vnesheconombank include:

- total liabilities of ОАО Богучанская GES under the loan agreement, including accumulated interest in the amount of RUB 25,605 million as of 31 December 2013 (31 December 2012: RUB 19,946 million);
- pledge of ОАО Богучанская GES's interest-free promissory notes for the total of RUB 21,027 million (see Note 3.2.2 of the Explanatory Notes) and pledge of shares for the total of RUB 14 thousand.

RUSAL Group undertakes to reimburse the Company for 50 per cent of liabilities settled under this guarantee by the Company for ОАО Богучанская GES.

During 2011 the Company pledged interest-free promissory notes of ЗАО Богучанский Aluminium Smelter for the total of RUB 4,615 million (see paragraph 3.2.2 of the Explanatory Notes) and shares for the total of RUB 14 thousand as a guarantee of settlement by ЗАО Богучанский Aluminium Smelter of its liabilities under the loan agreement with SC Vnesheconombank.

3.7 Income and expenses on operating activities (statement of financial results)

3.7.1 Revenue (line 2110 of the statement of financial results)

Revenue from sales of electricity and capacity has the largest percentage in the Company's revenue structure (99.5%).

Item	2013	2012
Sale of electricity	78,975	65,553
Sale of capacity	29,251	28,155
Sale of heat	141	141
Other	427	358
Total line 2110 "Revenue"	108,794	94,207

The Company sells a major part of its produced electricity and capacity (99.9%) on the wholesale electricity and capacity market, where sales are made at non-regulated prices (except for sales at regulated tariffs in the RF Far East non-pricing zone and volumes produced for selling to households or equivalent consumer categories).

3.7.2 Cost of sales (line 2120 of the statement of financial results)

Item	2013	2012
Purchased electricity and capacity	16,696	16,489
Depreciation and amortisation	11,853	10,810
Wages and social insurance contributions	8,357	8,058
Property tax	6,004	5,246
Repairs and maintenance	3,308	3,515
Fees for administering the wholesale market of electricity and capacity (OA O SO UES, OA O ARS, ZAO CFR)	2,672	2,425
Third party services	1,863	1,646
Fire and other security services	1,434	1,311
Insurance expenses	1,328	1,505
Lease of power equipment	1,097	1,298
Lease expenses	1,038	797
Water usage expenses, water tax	967	817
Other expenses	2,256	2,070
Total line 2120 "Cost of sales"	58,873	55,987

Operating expenses broken down by cost elements are as follows:

Item	2013	2012
Material expenses	21,166	20,644
Payroll expenses	6,915	6,737
Social contributions	1,442	1,321
Depreciation and amortisation	11,853	10,810
Other costs	17,497	16,475
Total for elements of costs	58,873	55,987
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	58,873	55,987

3.8 Expenses on purchase and use of energy resources

Type of energy resource	Total costs							
	2013				2012			
	Purchase	Use			Purchase	Use		
		for production purposes*	for internal needs	losses		for production purposes*	for internal needs	losses
Electricity** and capacity, including:								
	2,862	2,005	791	66	2,535	1,653	824	58
Electricity	2,857	2,005	786	66	2,529	1,653	818	58
Capacity	5	-	5	-	6	-	6	-

* Electricity consumption in normal pump operation by Zagorskaya GAES (Zagorskaya GAES branch) and Kuban GAES (Cascade of Kuban GES branch).

** This category does not include expenses for electricity purchased to fulfil obligations under electricity sales contracts which were RUB 13,834 million in 2013 and RUB 13,954 million in 2012 (see paragraph 3.7.2 of the Explanatory Notes).

3.9 Other income and expenses (line 2340 and line 2350 of the statement of financial results)

Item	2013		2012	
	Income	Expenses	Income	Expenses
Gain and loss on sale of promissory notes	62,720	(62,720)	15,015	(15,015)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	1 663	(1 441)	-	-
Doubtful debt provision	1,480	(3,049)	678	(5,147)
Income and expenses from sale of right of demand	1 117	(893)	-	-
Income and expenses from sales, write-off and other transactions with assets	445	(1,354)	549	(1,680)
Provision for impairment of investments	174	(5)	-	(7,873)
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	136	(391)	621	(555)
Gains / (losses) from revaluation of investments measured at current market value	-	(3,119)	14	(2,370)
Charity donations	-	(1,321)	-	(1,352)
Expenses for social events	-	(512)	-	(482)
Other income and expenses	2,078	(1,755)	1,207	(693)
Total line 2340 "Other income" and 2350 "Other expenses"	69,813	(76,560)	18,084	(35,167)

3.10 Taxes

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 32,149 million in the reporting year (2012: RUB 26,763 million), including:

- VAT calculated on sales of goods (work, services) is RUB 19,639 million (2012: RUB 16,998 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be delivered in the future is RUB 10,797 million (2012: RUB 8,694 million);
- recoverable amount of tax is RUB 1,713 million (2012: RUB 1,071 million).

Total VAT recoverable in the reporting period was RUB 23,529 million (2012: RUB 21,455 million), including:

- VAT recoverable invoiced to the taxpayer on acquisition of goods (work, services), property rights in Russia was RUB 10,182 million (2012: RUB 10,168 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be deducted from their delivery date was RUB 10,797 million (2012: RUB 8,693 million);
- VAT calculated on the amounts of payment or partial payment for goods (work, services) to be delivered in the future was RUB 2,390 million (2012: RUB 2,578 million);
- VAT recovered in 2013 which was paid earlier when the goods were imported to the Russian customs territory was RUB 151 million (2012: RUB 0 million);
- other recoverable VAT was RUB 9 million (2012: RUB 16 million).

The Company decreases the calculated VAT by the amount invoiced on purchase of goods (work, services) in Russia, according to tax legislation.

Corporate income tax

Deferred tax assets and deferred tax liabilities were:

Item	31 December 2013	31 December 2012	31 December 2011
Deferred income tax assets	(2,260)	(2,318)	(2,285)
Deferred tax liabilities	9,444	7,570	5,125
Total line 1420 "Deferred tax liabilities"	7,184	5,252	2,840

Income tax calculated on the basis of the accounting profit (theoretical income tax charge) for the reporting year was RUB 9,342 million (2012: RUB 4,525 million).

When calculating theoretical income tax charge, income from participation in other entities in the amount of RUB 408 for 2013 (2012: RUB 269 million) was deducted from income included in the accounting profit of the reporting period, as for accounting purposes such income is recorded less withholding tax.

In the reporting year, the amount of non-temporary differences which affected the theoretical income tax charge adjustment for the purposes of income tax calculated for tax accounting purposes (current income tax) was RUB 10,910 million (2012: RUB 20,361 million).

The above non-temporary differences arise from differences in recognising the following income and expenses for accounting and income tax purposes:

- income in the amount of RUB 3,609 million in 2013 (2012: RUB 1,233 million) which is not recognised for tax accounting purposes and resulted in the tax asset, including:
 - Income from reversal of doubtful debt provision in the amount of RUB 1,480 million (2012: RUB 678 million);
 - other income in the amount of RUB 2,129 million (2012: RUB 555 million);
- expenses in the amount of RUB 14,519 million in 2013 (2012: RUB 21,325 million) which are not recognised for tax accounting purposes and resulted in the tax liability, including:
 - depreciation of RUB 3,926 million (2012: RUB 4,047 million);
 - charges to doubtful debt provision in the amount of RUB 2,260 million (2012: RUB 2,969 million);
 - decrease in investments measured at current market value in the amount of RUB 3,119 million (2012: RUB 2,369 million);
 - expenses related to sale, disposal or other transactions with assets in the amount of RUB 826 million (2012: RUB 1,143 million);
 - charges to the provision for impairment of investments in the amount of RUB 5 million (2012: RUB 7,873 million);
 - charity donations in the amount of RUB 1,121 million (2012: RUB 1,352 million);
 - financial support and other social payments to employees in the amount of RUB 292 million (2012: RUB 237 million);
 - other expenses in the amount of RUB 2,770 million (2012: RUB 1,604 million).

The total amount of deductible temporary differences, which affected the adjustment of the theoretical income tax charge for the purpose of the current income tax calculated for tax accounting purposes, was RUB 49 million (2012: RUB 166 million), including those originated – RUB 1,258 million (2012: RUB 621 million) and settled – RUB 1,209 million (2012: RUB 455 million).

Total amount of taxable temporary differences that affected the theoretical income tax expense adjustment for the purpose of the income tax calculation for tax accounting purposes, was RUB 10,092 million (2012: RUB 11,845 million), including those originated – RUB 16,552 million (2012: RUB 13,885 million) and settled – RUB 6,460 million (2012: RUB 2,040 million).

In 2013, movement in deductible and taxable temporary differences was mainly due to:

- different useful lives of property, plant and equipment for accounting and income tax purposes;
- recognition of depreciation premium on items of property, plant and equipment for income tax purposes;
- application of multiplying factor for accrual of depreciation charges on property, plant and equipment used in operations in a hostile environment with a high turnover for tax accounting purposes in prior periods;
- capitalisation of interest on borrowings in the cost of investment assets for accounting purposes;
- including the costs of insurance in the value of investment assets in the accounting records of the Company.

The Company applied tax rate of 20% in the calculation of income tax based on accounting profit received by the Company's branches (excluding profits received by branches Kamskysya GES and Votkinskaya GES that apply 15.5% rate).

According to the tax accounting data, the taxable profit for 2013 was RUB 49,764 million (2012: RUB 31,247 million).

Other taxes and levies

In 2013, operating expenses include other taxes and levies in the amount of RUB 7,478 million (2012: RUB 6,597 million), including:

- property tax in the amount of RUB 6,004 million (2012: RUB 5,246 million), including accrual provision for estimated liabilities for property tax;
- insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation and obligatory medical insurance funds in the amount of RUB 1,442 million (2012: RUB 1,321 million), including contributions related to estimated liabilities on future payment of employee vacations earned but not used;
- other taxes and levies in the amount of RUB 32 million (2012: RUB 30 million).

Relations with tax authorities

In 2013, tax authorities performed a field tax audit covering 2009-2011 which resulted in additionally assessed taxes of RUB 394 million. As of 31 December 2013, these tax claims are contested through pre-trial procedures in the Federal Tax Service of Russia.

The Russian tax system is characterised by a large number of taxes and frequent changes in regulations. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. The laws often include unclear and contradictory wording and allow varying interpretation of the same issue. As a consequence, tax authorities often have different views on interpretation of the same regulatory documents at different levels. Therefore, it is probable that transactions and activities that have not been challenged in the past and the tax accounting treatment of some of the Company's income and expenses may be challenged. As a result, significant additional taxes, penalties and late payment interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

In December 2012, the Company entered into an agreement with the Federal Tax Service on extended communication, i.e. horizontal monitoring. Under the agreement, the tax authority will monitor the Company's business transactions on-line which will allow the Company to agree its position on tax issues in advance and decrease the uncertainty in interpretation and application of the tax law.

As of 31 December 2013, the Company's management believe that their interpretation of the relevant legislation was appropriate, tax liabilities are recorded in full and the Company's tax and currency positions will be sustained.

3.11 Dividends

The Company's annual general meeting of shareholders held on 28 June 2013 (Minutes No. 11) made the decision to pay dividends on the Company's ordinary shares for 2012 in the amount of RUB 0.00955606 per 1 share for the total of RUB 3,676 million.

The Company's annual general meeting of shareholders held on 29 June 2012 (Minutes No. 8) made the decision to pay dividends on the Company's ordinary shares for 2011 in the amount of RUB 0.00789317 per 1 share for the total of RUB 2,500 million.

3.12 Earnings per share

Basic earnings per share reflect a portion of reporting period's profit that may be potentially distributed between the shareholders – owners of ordinary shares. It is calculated by dividing basic profit of the reporting year by the weighted average number of ordinary shares outstanding during the year. Basic profit is equal to net profit of the reporting year (Line 2400 of the statement of financial results).

Item	2013	2011
Basic profit for the reporting year (RUB million)	35,321	14,702
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	381,935,404,392	317,183,526,761
Basic earnings per share (RUB)	0.09248	0.04635

Weighted average number of ordinary shares, outstanding during the reporting year was calculated as follows:

Item	2013
Number of ordinary shares outstanding as of 1 January 2013 (shares)	367,637,520,094
Number of shares of additional issue registered on 3 December 2013 which were placed in 2013 and paid by shareholders (see paragraph 3.3.1 of the Explanatory Notes) (shares)	18,617,944,796
Number of ordinary shares outstanding as of 1 December 2013 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2013 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2013 (shares) (367,637,520,094 shares * 2 months + 384,632,705,292 shares * 9 months + 386,255,464,890 * 1 month) / 12 months	381,935,404,392
Item	2012
Number of ordinary shares outstanding as of 1 January 2012 (shares)	316,729,533,428
Number of shares of additional issue registered on 16 August 2011 which were placed in 2012 and paid by shareholders (see paragraph 3.3.1 of the Explanatory Notes) (shares)	907,986,666
Number of ordinary shares outstanding as of 1 December 2012 (shares)	317,637,520,094
Number of ordinary shares outstanding as of 31 December 2012 (shares)	367,637,520,094
Weighted average number of ordinary shares, outstanding in 2012 (shares) (316,729,533,428 shares * 6 months + 317,637,520,094 shares * 6 months) / 12 months	317,183,526,761

In 2013 and 2012, the Company had no debt securities potentially convertible to shares.

3.13 Related Parties

The Company's related parties are its subsidiaries and associates and other entities where the Company has indirect control or significant influence through its subsidiaries and associates.

The list of the Company's related parties is given on the web-site – www.rushydro.ru/investors/disclosure/affiliated

3.13.1 Controlling entity

As of 31 December 2013 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 66.84% of the Company's ordinary shares (see paragraph 3.3.1 of the Explanatory Notes).

3.13.2 Sales to related parties

Total revenue from sales to related parties was:

Name of the buyer	2013	2012
Revenue from sales to subsidiaries, including:		
ОАО Far East Energy Company	5,436	5,162
ОАО Chuvashskaya Energy Sales Company	1,386	522
ОАО Krasnoyarskenergosbyt	931	782
ОАО Ryazanskaya Energy Sales Company	650	284
ООО ESK Bashkortostana	412	290
Other subsidiaries	262	274
Revenue from sales to related parties, including:		
ОАО Krasnoyarskaya GES	1,077	925
Total sales to related parties	10,154	8,239

Sales to related parties include, among others, sales of electricity and capacity in the regulated sector of WEM at tariffs determined by the Federal Tariff Service and in the competitive sector at commercial prices established in accordance with the Wholesale Market Rules and Regulation of the Russian Government No. 109 of 26 February 2004, On Pricing of Electric and Heating Energy in the Russian Federation, and Regulation on the Company's sales policy for operating generation assets in the price zones of the wholesale electricity (capacity) market (minutes of the meeting of the Management Board No. 528 of 17 September 2010).

3.13.3 Purchases from related parties

The cost of services provided by related parties was:

Supplier	2013	2012
Repair and technical maintenance services, including:		
Subsidiaries		
ОАО Hydroremont-BKK	2,087	1,004
ОАО Turboremont-BKK	414	967
ОАО SShGER	191	426
ОАО Electroremont-BKK	125	414
ОАО REMIC	21	173
Other	157	37
Total repair and maintenance services	2,995	3,021
Electricity purchases	4	4
Other services of third parties	1,618	1,093
Total purchases from related parties	4,617	4,118

3.13.4 Settlements with non-state pension fund

Non-state Pension Fund of Electrical Energy Industry is the non-state pension fund for implementation of the non-governmental pension security program for the Company's employees.

The total amount of contributions to the pension fund was RUB 443 million and RUB 619 million for 2013 and 2012, respectively.

3.13.5 Settlements with related parties

As of 31 December 2013, 2012 and 2011, accounts receivable from related parties to the Company less doubtful debt provision were (see paragraph 3.2.2 of the Explanatory Notes):

Type of accounts receivable	31 December 2013	31 December 2012	31 December 2011
Short-term interest-free promissory notes received	22,453	72,350	74,998
Short-term interest-free loans issued	5,500	42,272	14,495
Long-term interest-free promissory notes received	25,689	25,689	25,642
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	98,530	10,714	-
Long-term interest-free loans issued	16,548	9,030	31,422
Accounts receivable related to other sales	1,090	774	835
Other settlements with related parties	7,054	6,290	2,191
Total accounts receivable from related parties	176,864	167,119	149,583

Terms and conditions of settlements with related parties provide for the Company to make advance payments on transactions with individual related parties. As of 31 December 2013 balances include advances issued for the amount of RUB 6,257 million (31 December 2012: RUB 4,420 million, 31 December 2011: RUB 1,647 million).

Doubtful debt provision for related parties' accounts receivables as of 31 December 2013 was RUB 364 million (31 December 2012: RUB 379 million; 31 December 2011: RUB 520 million).

As of 31 December 2013, 2012 and 2011, the Company's accounts payable to other related parties were:

	31 December 2013	31 December 2012	31 December 2011
Subsidiaries	1,404	1,095	1,367
Associates	24	-	1
Total accounts payable to related parties	1,428	1,095	1,368

The whole amount accounts payable to related parties is payable in cash.

3.13.6 Related parties' debt within investments

As of 31 December 2013, 2012 and 2011, The Company's investments include the following amounts due from related parties (see paragraphs 3.1.2 and 3.2.3 of the Explanatory Notes):

Type of financial investments	31 December 2013	31 December 2012	31 December 2011
Loans issued to related parties	38,586	31,050	16,036
Other investments	40	1,500	1,500
Total related parties' debt within investments	38,626	32,550	17,536
Total debt within long-term investments (Line 1170 of the Balance sheet)	33,018	18,760	16,036
Total debt within short-term investments (Line 1240 of the Balance sheet)	5,608	13,790	1,500

Interest income on loans issued to related parties and promissory notes received from related parties:

Entity	2013	2012
Subsidiaries, including:	2,518	2,096
OAO Far East Generating Company	840	249
OAO Zagorskaya GAES-2	513	405

Entity	2013	2012
ОАО ЕСК RusHydro	263	269
ОАО Hydroinvest	166	311
ЗАО Малая Дмитровка	116	258
Other	620	604
Total interest income	2,518	2,096

3.13.7 Income from investments in other companies (related parties)

Income from investments in other companies includes income from investments in subsidiaries in the amount of RUB 381 million for 2013 (2012: RUB 269 million).

3.13.8 Remuneration to key management personnel

The Company's key management personnel includes members of the Board of directors and Management Board and also includes heads of the Company's business divisions.

The remuneration to the members of the Board of directors is calculated according to the *Regulations on the payment of remuneration to ОАО RusHydro's directors* approved by the Annual General Meeting of Shareholders held on 30 June 2010 (Minutes No. 5).

Remuneration is paid to members of the Management Board and other management personnel of the Company for their services in management positions and is made up of a contractual salary and performance bonuses depending on the results for the period calculated based on key performance indicators approved by the Company's Board of directors.

The list of members of the Company's Board of directors and Management Board is included in paragraph 1.1 of the Explanatory Notes).

In 2013 and 2012, the Company paid remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,110 million and RUB 1,509 million, respectively (excluding insurance contributions).

3.13.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2013	2012
Cash flows from operating activities			
Receipts, including:	4110	7,556	6,424
sales of products, goods, work and services	4111	7,439	6,331
lease payments, licence payments, royalties, commission and other payments	4112	107	62
other receipts	4119	10	31
Payments, including:	4120	(4,542)	(4,375)
suppliers (contractors) – raw materials, work and services	4121	(4,445)	(4,285)
other payments	4129	(97)	(90)
Net cash flows from operating activities	4100	3,014	2,049
Cash flows from investing activities			
Receipts, including:	4210	49,826	19,806
sale of non-current assets (except for investments)	4211	17	18
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	45,768	18,476
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	4,041	1,312
Payments, including:	4220	(82,134)	(48,842)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(6,807)	(9,979)
purchase of shares (interest) in other entities	4222	(54,928)	(2,897)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(20,399)	(35,966)
Net cash flows from investing activities	4200	(32,308)	(29,036)

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Item	Line code	2013	2012
Cash flows from financing activities			
Payments, including:	4320	(77)	(61)
dividend payments or other distribution of profit to owners (participants)	4322	(77)	(61)
redemption (buy-back) of promissory notes and other debt securities, loan repayment	4323	-	-
Net cash flows from financing activities	4300	(77)	(61)
Net cash flows for the reporting period	4400	(29,371)	(27,048)

3.14 Segment Information

The Company does not identify any reporting segments in its operations, as the Company's core business activity is production of electricity and capacity – their share in the revenue from sales is 99.5%. The Company does not identify trading of purchased electricity and capacity in the wholesale energy and capacity market (WEM) as a separate type of activity. The Company is also involved in other activities that are not material and do not form separate reporting segments.

3.15 Contingent liabilities

As of 31 December 2013, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 73,670 million (31 December 2012: RUB 54,590 million, 31 December 2011: RUB 38,858 million) (see paragraph 3.6.3 of the Explanatory Notes). According to the Company's management expectations, no material liabilities will arise in connection with these guarantees.

A significant number of legal claims may be filed following the accident at Sayano-Shushenskaya GES in August 2009. The subject of such claims may include:

- compensation of damage caused to life and health, compensation of moral damage;
- compensation of losses from termination of contracts;
- other legal proceedings.

Moreover, the prosecutor's office and other oversight bodies examined operations of the Company, and this also may result in additional claims filed against the Company and its employees.

The Russian transfer pricing legislation was amended effective from 1 January 2012. The new rules are more detailed and better aligned with the international principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows tax authorities to assess additional taxes for controlled transactions (transactions between related parties and some transactions between unrelated parties) if such transactions are not on an arm's length basis. The Company's management believe that the prices applied by the Company are at the market level and the Company has implemented internal control procedures to ensure compliance with transfer pricing law.

Since currently there is no practice for application of the new rules, the outcome of any disputes with tax authorities over applied prices cannot be estimated reliably but may have a material effect on the Company's financial results and operations.

3.16 Financial risk management

The primary objectives of the financial risk management function are to provide reasonable assurance of achieving the Company's goals by developing a methodology of risk identification, analysis and assessment, as well as to establish risk limits, and then ensure that exposure to risks stays within these limits and if the limits are exceeded – to treat this risk accordingly.

Market risks

The Company is subject to market risks that arise from open positions in foreign currencies, interest bearing assets and liabilities, all of which are exposed to general and specific market movements. The Company establishes acceptable risk limits and monitors them on a daily basis.

However, this approach may not prevent losses incurred due to overlimits caused by significant market fluctuations.

Currency risk. The Company sells its produced electricity and capacity in the Russian domestic market at prices denominated in national currency, therefore, the Company's operations are subject to insignificant currency risk. The Company's financial position, its liquidity, sources of financing and performance largely are not impacted by currency exchange rates as the Company's operations are planned and carried out in such a way that all its assets and liabilities are denominated in the national currency.

Information on the Company's exposure to currency risk is presented in line with its use for the preparation of RusHydro Group's IFRS financial statements as defined in IFRS 7:

	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
31 December 2013			
US Dollars	779	-	799
Euro	54	(3,280)	(3,226)
Total	833	(3,280)	(2,477)
31 December 2012			
US Dollars	266	(1,894)	(1,628)
Euro	26	(2,400)	(2,374)
Total	292	(4,294)	(4,002)
31 December 2011			
US Dollars	105	(2,008)	(1,903)
Total	105	(2,008)	(1,903)

The above analysis includes only monetary assets and liabilities. Investments in shares and non-monetary assets are not considered to give rise to significant currency risk.

Changes in exchange rates have no significant influence on the Company's financial position.

Interest rate risk. The Company's operating profits and cash flows from operating activity are substantially independent of the changes in market interest rates.

The effect of changes in the average market interest rates on the value of the Company's investments is insignificant as the rates of return on the Company's investments are fixed.

The fixed and floating interest rate loans received by the Company (see paragraph 3.4.1 of the Explanatory Notes) expose it to interest rate risks.

The Company also receives loans with floating interest rates based on MOSPRIME, Euribor, OeKB rates. The influence of changes in these rates on the Company's profit is insignificant.

The Company's monitors interest rate risk for its financial instruments. Effective interest rates as of the end of the period are presented in paragraph 3.4.1 of the Explanatory Notes.

To mitigate the interest rate risk, the Company takes the following measures:

- monitors the credit market to identify favourable terms of financing;
- diversifies credit portfolio by raising fixed and floating rate loans.

Price risk. The price risk determines the possible changes / fluctuations in the fair value or future cash flows due to changes in market prices (excluding changes leading to interest rate or currency risk).

The table below includes the Company's investments exposed to the price risk.

Category of investments	31 December 2013	31 December 2012	31 December 2011
Equity investments for which current market value can be determined, including:	2,079	5,128	7,484
ОАО Inter RAO UES	2,027	5,077	7,428
ОАО Irkutskenergo	33	11	10
ОАО Krasnoyarskaya GES	19	40	46

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Category of investments	31 December 2013	31 December 2012	31 December 2011
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	20,204	17,239	17,239
Equity investments for which current market value cannot be determined	87,758	52,533	53,324
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	110,041	74,900	78,047

Current market value of quoted securities is determined by market prices established on the stock exchange OA O MICEX-RTS (www.rts.micex.ru), according to the 'Procedure for determining market value of securities, estimated price of securities and the threshold for the fluctuations of securities' market price for the purpose of Chapter 23 of the Russian Tax Code' approved by Order of the Federal Service for Financial Markets No. 10-65/pz-n of 9 November 2010.

Credit risk

Credit risk is the possibility of the Company's losses resulting from the counterparty's inability to meet its obligations under the contract. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Although collectability of receivables can be influenced by economic factors, management believe that there is no significant risk of loss to the Company beyond the provision for impairment of receivables already recorded.

Due to the absence of an independent assessment of customers' creditworthiness, the Company performs such an assessment at the contracting stage taking into account the customer's financial position and credit history. The Company regularly monitors existing receivables and undertakes actions to collect them and minimize losses.

Cash has been placed in financial institutions, which are considered at the time of deposit to have minimal risk of default. The Company approves deposit banks as well as rules for making cash deposits. The Company performs regular review of financial institutions, monitors their ratings assigned by independent agencies as well as other performance indicators of these financial institutions.

Summary information on cash deposits and their equivalents including names of banks and other financial institutions and their ratings as of the end of the reporting period is provided in paragraph 3.2.4 of the Explanatory Notes.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Efficient liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of additional funding through an adequate amount of committed credit facilities. The Group follows the balanced model of working capital financing when both long-term and short-term sources of finance are used. The Company places available cash to short-term financial instruments, mainly, bank deposits and short-term bank promissory notes. Short-term liabilities are represented mainly by trade accounts payable.

The Company has implemented controls over the contracting process by using standard financial procedures that include standard payment structure, standard payment time, standard correlation between the advance and final settlement amounts, etc. This way the Company controls the maturity structure of capital.

The ageing analysis for long term borrowings is presented in paragraph 3.4.1 of the Explanatory Notes.

3.17 Subsequent events

There are no significant events which have affected or could affect the Company's financial position, cash flows or its performance in the period between the reporting date and the date of signing the financial statements for 2013.

Chairman of the Management Board of OA O RusHydro

E. V. Dod

Chief Accountant of OA O RusHydro

D. V. Finkel

28 February 2014

2014 RAS Statements and the Auditor's Report

***Open Joint-Stock Company Federal
Hydro-Generating Company – RusHydro***

Auditor's Report
on Financial Statements
2014

Translation from Russian original



Auditor's Report

To the Shareholders of Open Joint-Stock Company Hydro-Generating Company – RusHydro:

Client

Open Joint-Stock Company Hydro-Generating Company – RusHydro (OJSC RusHydro)

State registration certificate with inclusion in the Unified State Register of Legal Entities No. 1042401810494 issued by the Inspectorate of the Russian Ministry of Taxes and Levies of Krasnoyarsk on 26 December 2004.

660017, Russian Federation, Krasnoyarsky region, Krasnoyarsk, Dubrovinskogo str, 43, bld. 1

Auditor

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit) located at: 125047, Russian Federation, Moscow, Butyrsky Val, 10.

State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on 22 August 2002.

Member of non-profit partnership “Audit Chamber of Russia” (NP ACR) being a self-regulating organisation of auditors – registration number 870 in the register of NP ACR members.

Major registration record number (ORNZ) in the register of auditors and audit organisations – 10201003683.

*ZAO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru*

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Auditor's Report

To the Shareholders of Open Joint-Stock Company Hydro-Generating Company – RusHydro:

We have audited the attached financial statements of Open Joint-Stock Company Hydro-Generating Company – RusHydro (hereinafter – OJSC RusHydro) which comprise the balance sheet as of 31 December 2014, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2014 and notes to the balance sheet and statement of financial results (hereinafter all the reports together are referred to as the “financial statements”).

OJSC RusHydro's responsibility for the financial statements

OJSC RusHydro's management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The auditor's responsibility

Our responsibility is to express an opinion as to whether the financial statements are fairly presented based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of OJSC RusHydro, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OJSC RusHydro as of 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.



Auditor's Report

Emphasis of matter

Without modifying our opinion on the fairness of the financial statements we draw attention to Note 3.1.2 Long-term investments (balance sheet line 1170) to the financial statements which describes the reasons for non-revaluation of quoted financial investments in shares of OAO RAO Energy Systems of East, OAO Yakutskenergo and OAO Far East Energy Company at their current market values.

As of 31 December 2014 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 13,535 million, as of 31 December 2012 – RUB 12,394 million.

Director of ZAO PricewaterhouseCoopers Audit

T. V. Sirotinskaya

5 March 2015

BALANCE SHEET

as at 31 December 2014

Organisation **Open joint stock company Federal Hydro Generating Company-
RusHydro (OAO RusHydro)**

Taxpayer identification number

Type of activity **Electricity generation by hydroelectric power plants**

Form of incorporation/form of ownership

Open joint-stock company/mixed Russian ownership with a federal ownership share

Measurement unit: **RUB mln**

Address: **43 Dubrovinskogo Street, bld. 1, Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660017**

Form on OKUD
Date (year, month, day)

OKPO

INN

OKVED

OKOPF/OKFC

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Note	Narrative	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	1,032	1,078	719
	Results of research and development	1120	843	859	751
3.1.1	Property, plant and equipment, incl.:	1150	378,027	350,049	331,879
	fixed assets	1151	321,645	302,864	288,823
	construction in process	1152	56,382	47,185	43,056
3.1.1	Income-bearing investments in tangible assets	1160	7,189	7,313	7,437
3.1.2	Financial investments	1170	264,352	143,059	93,660
	investments in subsidiaries, associates and other entities	1171	230,313	110,041	74,900
	loans issued	1172	34,039	33,018	18,760
3.1.3	Other non-current assets	1190	3,538	2,987	2,772
	Total Section I	1100	654,981	505,345	437,218
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	3,437	2,861	2,055
3.10	Value added tax on goods purchased	1220	105	356	505
3.2.2	Accounts receivable, incl.:	1230	144,565	233,480	226,374
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	62,341	80,323	75,630
	buyers and customers	1231.1	409	103	128
	advances issued	1231.2	31,099	35,084	37,426
	promissory notes	1231.3	27,563	27,040	26,633
	loans issued	1231.4	1,503	16,817	9,235
	other debtors	1231.5	1,767	1,279	2,208
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	82,224	153,157	150,744
	buyers and customers	1232.1	5,840	5,648	6,567
	advances issued	1232.2	12,870	15,517	12,173
	promissory notes	1232.3	19,119	22,954	73,502
	loans issued	1232.4	26,384	5,552	42,312
	other debtors	1232.5	18,011	103,486	16,190
3.2.3	Financial investments (excl. cash equivalents)	1240	43,446	55,608	63,790
	bank deposits	1241	33,307	50,000	50,000
	loans issued	1242	10,139	5,568	12,290
	promissory notes	1243	-	40	711
	other financial investments	1244	-	-	789
3.2.4	Cash and cash equivalents	1250	9,032	18,546	23,820
	Other current assets	1260	14	10	17
	Total Section II	1200	200,599	310,861	316,561
	TOTAL	1600	855,580	816,206	753,779

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Note	Narrative	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5	6
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	386,255	317,638	317,638
3.3.2	Revaluation of non-current assets	1340	53,111	53,325	53,578
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	58,424
3.3.4	Reserve capital	1360	8,240	6,474	5,739
	Retained earnings (loss), incl.:	1370	212,430	188,482	157,319
	undistributed profit of previous years	1371	181,701	153,161	142,617
	undistributed profit of the current year	1372	30,729	35,321	14,702
	Total Section III	1300	718,460	624,343	592,698
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	92,262	97,965	49,866
3.10	Deferred tax liabilities	1420	9,672	7,184	5,252
3.4.2	Other liabilities	1450	2,335	2,028	1,950
	Total Section IV	1400	104,269	107,177	57,068
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	21,915	4,926	44,906
3.5.2	Accounts payable, incl.:	1520	8,575	77,468	57,822
	suppliers and contractors	1521	5,295	5,170	5,326
	payables to employees	1522	823	601	717
	payables to state non-budgetary funds	1523	119	87	59
	taxes payable	1524	1,923	2,570	1,296
	dividends payable	1525	65	47	33
	payables in respect of shares issued	1526	-	68,618	50,000
	other creditors	1527	350	375	391
	Income of future periods	1530	75	77	76
3.5.3	Estimated liabilities	1540	1,405	1,020	408
	Other liabilities	1550	881	1,195	801
	Total Section V	1500	32,851	84,686	104,013
	TOTAL	1700	855,580	816,206	753,779

Chairman of Management Board – General Director

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

5 March 2015

STATEMENT OF FINANCIAL RESULTS

for the year ended 31 December 2014

Organisation **Open joint stock company Federal Hydro Generating Company - RusHydro (OAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Open joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **RUB mln**

Form on OKUD
 Date (year, month, day)
 OKPO
 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES
0710002
2014/12/31
75782411
2460066195
40.10.12
12247 / 41
385

Note	Narrative	Line code	Year ended 31 December 2014	Year ended 31 December 2013
1	2	3	4	5
3.7.1	Revenue	2110	108,478	108,794
3.7.2	Cost of sales	2120	(65,464)	(58,873)
	Gross profit	2100	43,014	49,921
	Profit from sales	2200	43,014	49,921
3.13.7	Income from participation in other companies	2310	382	408
	Interest income	2320	9,247	9,609
	Interest expense	2330	(6,065)	(5,876)
3.9	Other income	2340	17,521	69,813
3.9	Other expense	2350	(23,777)	(76,560)
	Profit before tax	2300	40,322	47,315
3.10	Current income tax, incl.:	2410	(6,840)	(9,862)
	permanent tax liabilities	2421	1,200	2,340
	Change in deferred tax liabilities	2430	(2,432)	(1,715)
	Change in deferred tax assets	2450	83	(139)
	Other	2460	(404)	(278)
	Net profit	2400	30,729	35,321
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	30,729	35,321
3.12	Basic earnings per share, RR	2900	0,07956	0,09248

Chairman of Management Board – General Director

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

5 March 2015

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STATEMENT OF CHANGES IN EQUITY for 2014

Organisation **Open joint stock company Federal Hydro Generating Company – RusHydro (OAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Open joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **RUB mln**

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I. Changes in equity

Narrative	Line code	Share capital	Additional capital	Reserve capital	Retained earnings	Total
1	2	3	4	5	6	7
Equity as of 31 December 2012 for 2013	3100	317,638	112,002	5,739	157,319	592,698
Increase of equity, including:	3210	-	-	-	35,321	35,321
net profit	3211	x	x	x	35,321	35,321
additional shares issue	3214	-	-	x	x	-
decrease of equity, including:	3220	-	-	-	(3,676)	(3,676)
Dividends	3227	x	x	x	(3,676)	(3,676)
Other	3228	-	-	x	-	-
Additional capital change	3230	x	(253)	x	253	x
Reserve capital change	3240	x	x	735	(735)	x
Equity as of 31 December 2013 for 2014	3200	317,638	111,749	6,474	188,482	624,343
Increase of equity, including:	3310	68,617	-	-	30,729	99,346
net profit	3311	x	x	x	30,729	30,729
additional shares issue	3314	68,617	-	x	x	68,617
Decrease of equity, including:	3320	-	-	-	(5,229)	(5,229)
Dividends	3327	x	x	x	(5,229)	(5,229)
Other	3328	-	-	x	-	-
Additional capital change	3330	x	(214)	x	214	X
Reserve capital change	3340	x	x	1,766	(1,766)	X
Equity as of 31 December 2014	3300	386,255	111,535	8,240	212,430	718,460

III. Net assets

Narrative	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5
Net assets	3600	718,529	624,420	592,774

Chairman of Management Board – General Director

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

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5 March 2015

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STATEMENT OF CASH FLOWS for 2014

Organisation **Open joint stock company Federal Hydro Generating Company – RusHydro (OAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Open joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **RUB mln**

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CODES
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2014/12/31
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Note	Narrative	Line code	For 2014	For 2013
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	108,303	110,298
	sales of products, goods, work and services	4111	106,687	107,557
	lease payments, license payments, royalties, commissions and other payments	4112	210	237
3.2.4	other receipts	4119	1,406	2,504
	Payments including:	4120	(65,608)	(63,290)
	to suppliers (contractors) – raw materials, works and services	4121	(32,284)	(29,466)
	wages and salaries	4122	(7,667)	(6,221)
	interest on debt liabilities	4123	(6,017)	(5,496)
	corporate income tax	4124	(6,551)	(10,067)
3.2.4	other payments	4129	(13,089)	(12,040)
	Net cash flows from operating activities	4100	42,695	47,008
	Cash flows from investing activities			
	Receipts, including:	4210	32,089	59,435
	sale of non-current assets (except for investments)	4211	196	29
	sale of shares of other organisations (ownership interest)	4212	12	1,663
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	7,336	47,094
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	7,824	10,649
3.2.4	other receipts	4219	16,721	-
	Payments, including:	4220	(87,344)	(115,307)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(37,006)	(31,767)
	related to purchase of shares of other organisations (ownership interest)	4222	(29,650)	(54,932)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(18,118)	(25,667)
	borrowing costs included in the cost of the investment assets	4224	(2,570)	(2,941)
	Net cash flows from investing activities	4200	(55,255)	(55,872)

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Note	Narrative	Line code	For 2014	For 2013
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	13,663	31,156
	borrowings and bank loans	4311	13,663	11,134
	issue of shares, increase in ownership interest	4313	-	22
	issue of bonds, promissory notes and other debt securities, etc.	4314	-	20,000
	Payments, including:	4320	(10,467)	(27,584)
	dividends and other distributions to owners	4322	(5,226)	(3,554)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(4,984)	(23,556)
3.2.4	other payments	4329	(257)	(474)
	Net cash flows from financing activities	4300	3,196	3,572
	Net cash flows for the reporting period	4400	(9,364)	(5,292)
	Cash and cash equivalents at the beginning of the reporting period	4450	18,546	23,820
	Cash and cash equivalents at the end of the reporting period	4500	9,032	18,546
	Foreign exchange rate difference	4490	(150)	18

Chairman of Management Board – General Director

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

5 March 2015

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I. General information

1.1 Information about the Company

Principal activities of open joint stock company Federal Hydro Generating Company - RusHydro (ОАО RusHydro, hereinafter - the Company) are the generation and sale of electricity (power). The Russian Government is the Company's major shareholder.

The Company's registered address is: 43 Dubrovinskogo str., bld. 1, Krasnoyarsk, Krasnoyarsk Territory, Russian Federation, 660017. The Company's postal address: 7, Malaya Dmitrovka str., Moscow, Russian Federation, 127006.

As of 31 December 2014 the Company employed 5,838 people (as of 31 December 2013 – 6,305 people).

The Company's shares are traded on OAO MICEX-RTS stock exchange (<http://moex.com>). Level 1 American depositary receipts, each of which corresponds to 100 ordinary shares of the Company are traded on the Main Market of London Stock Exchange and over-the-counter market of the USA.

As of 31 December 2014 the ownership share of the Russian Federation in the Company's share capital amounted to 66.84%.

As of 31 December 2014 the Company has 19 branches registered in the Russian Federation, including: branch Bureyskaya GES, branch Volzhskaya GES, branch Votkinskaya GES, Dagestan branch, branch Zhigulevskaya GES, branch Zagorskaya GAES, branch Zeiskaya GES, Kabardino-Balkarsky branch, branch Kamskaya GES, Karachaevo-Cherkessky branch, branch Cascade of Verkhne-Volzhsky GES, branch Cascade of Kuban GES, branch Corporate Energy University, branch Nizhegorodskaya GES, branch Novosibirskaya GES, branch Saratovskaya GES, branch Sayano-Shushenskaya GES named after P.S. Neporozhny, Severo-Osetinsky branch, branch Cheboksarskaya GES.

Membership of the Company's Board of directors as of 31 December 2014 is as follows:

- Mikhail Poluboyarinov, Chairman of the Board of Directors, First Deputy Chairman, Management Board Member, Vnesheconombank;
- Viktor Danilov-Danilyan, Deputy chairman of the Board of Directors, Director, Water Engineering Institute, Russian Academy of Sciences, Chairman of the Audit Committee and the Nominations and Reimbursement Committee;
- Boris Ayuev, Chairman of the Management Board, OJSC System Operator of UES;
- Maxim Bystrov, Chairman of the Management Board, OJSC TSA, Chairman of the Investments Committee;
- Eduard Volkov, General Director, Power Engineering Institute;
- Evgeny Dod, Chairman of the Management Board, General director, OJSC RusHydro;
- Viktor Zimin, Chairman of the Government, Republic of Khakassia;
- Larisa Kalanda, State Secretary-Vice President, OJSC NK Rosneft, acting General Director, OJSC ROSNEFTEGAZ;
- Vyacheslav Kravchenko, Deputy Minister of Energy of the Russian Federation;
- Denis Morozov, Director from the Russian Federation in the Board of Directors of European Bank for Reconstruction and Development (EBRD);
- Vyacheslav Pivovarov, Chief Executive Officer, LLC Altera Capital;
- Sergey Shishin, Senior Vice-President, OJSC VTB Bank;
- Andrey Shishkin, Vice President, OJSC Rosneft.

According to the decision made by the Company's general meeting of shareholders held on 27 June 2014 (Minutes No 12) Eduard Volkov, Larisa Kalanda, Vyacheslav Kravchenko and Andrey Shishkin were elected to the Board of Directors; the powers of Christian Andreas Berndt, Andrey Bugrov, Sergey Ivanov and Vladimir Stolyarenko were terminated.

As of 31 December 2014 the Company's Management Board includes:

- Evgeny V. Dod, Chairman of the Management Board, General director,

- Boris Bogush, First Deputy General Director, Chief engineer,
- Mikhail Mantrov, First Deputy General Director,
- George Rizhinashvili, First Deputy General Director,
- Vladimir Tokarev, First Deputy General Director.

According to the decision made by the Company's Board of directors held on 28 October 2014 (Minutes No 205) Vladimir Tokarev was elected to the Company's Management Board; the powers of Management Board's members Rakhmetulla Alzhanov, Vladimir Pekhtin, Sergey Tsoy, Sergey Abrashin, Konstantin Bessmertny, Sergey Voskresensky, Yury Gorbenko, Evgeny Gorev, Stanislav Savin and Sergey Tolstoguzov were terminated.

As of 31 December 2014 members of the Company's Internal Audit Commission included:

- Alexander Bogashov, Department Advisor at the Ministry of Energy of Russia,
- Denis Kant Mandal, Acting Head of department at the Federal Property Management Agency,
- Igor Repin, Deputy Executive Director, Investor protection association,
- Vladimir Hovorov, Department Leading Expert in the Russian Ministry of Economic Development,
- Andrey Yudin, Deputy Head of department at the Ministry of Energy of Russia.

According to the decision made by the Company's annual general meeting of shareholders held on 27 June 2014 (Minutes No 12) Alexander Bogashov, Denis Kant Mandal, Igor Repin and Andrey Yudin were elected to the Internal Audit Commission; the powers of Anna Drokova, Leonid Neganov, Maria Tikhonova and Alan Khadziyev were terminated.

1.2 The Company's operating environment

The Russian economy displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas price fluctuations. The legal, tax and customs frameworks continue to develop and are subject varying interpretation.

Worldwide politic and economic events including situation in Ukraine and oil prices reduction may have a negative influence on the Russian economy, specifically in terms of further depreciation of the rouble, increase of interest rates, loss of liquidity and difficulties with international financing. These events including actual and future international sanctions concerning certain Russian companies and individuals and related uncertainty and volatility of the financial markets may have a negative effect on the Russian financial and corporate sectors in particular on the Company's activity and financial position consequences of which are hard to predict. Future economic and regulatory situation, internal and external business environment may differ from Company management's current expectations.

The Company's operations are to a greater or lesser degree, exposed to various types of risks (financial, legal, country and regional, reputation, etc.).

The Company's risk management policy specifies the continuous efforts to identify risks, assess them and control and also develop and implement actions for addressing the risks, business continuity management in accordance with international and national standards of risk management (COSO ERM 2004, ISO 31000, professional standard "Risk management of an organisation", etc.).

Financial risks

Financial risk includes market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

Information about the Company's exposure to financial risks, their reasons and risk management tools is presented in paragraph 3.16 of the Explanatory Notes.

Legal risks

The reasons for legal risks are associated with potential changes in legal and regulatory base including currency and customs regulations, tax legislation and others.

Legal risks in domestic market related to regulation of electricity generation and its sale/purchase, which represent the Company's principal activities, can significantly impact the Company's position by decreasing its net profit.

Legal risks in external market related to currency and customs regulation are insignificant due to insignificant volume of foreign trade transactions the Company participates in, which are managed through legal support and control of these transactions and liability insurance.

To manage the legal risks the Company employed experienced lawyers, monitors legislation and makes amendments in the regulatory base.

Country and regional risks

The reasons for country and regional risks are associated with political and economic situation, the geographic features of the country or the region where the entity operates and (or) is registered as a taxpayer.

Exposure to country risk may be indirectly assessed by credit rating with some assumptions (less political risks for business). Rating of Russia was reduced from BBB at positive forecast to BBB- at negative forecast (according to Fitch rating agency), to BB+ to negative forecast (according to Standard & Poor's rating agency), from Baa3 to Ba1 (according to Moody's rating agency) following the results of 2014 year due to the external factors such as oil prices reduction and depreciation of the rouble. This is clearly a negative factor but is related to anti-Russian sanctions. The country risk level may differ depending on the continuity or termination of this policy.

February 2015 Moody's rating agency decreased the Company's rating from Ba1 to Ba2 at negative forecast.

Investor's' comprehension of the country risks reduces the net volume of foreign investment in Russia and has a negative influence on the Russian economy. As well as Russia produces and exports large amounts of gas and oil, the Russian economy is especially vulnerable to the changes of international prices of energy resources; the reduction of gas and oil prices significantly affects the Russian economy development. These events may restrict the access of the Company to the capital and have an adverse impact on consumer purchasing power.

In the crisis environment experienced by the financial market and reduction of manufacturing output there is a risk of decrease in electricity demand that may result in reduction of sales and decrease in the Company's revenue and also a risk of increase in accounts receivable due to non-payments by the consumers of electricity.

The management believes that it has been taking all necessary measures to mitigate the impact of these events on its activities: optimisation of the obtained cash use, assessment of the buyers' solvency, diversification of resources use and others.

Due to enhancement of the state control over energy industry the Company pays considerable attention to transparency and confidence of control procedures relating to budget funds expenditure within the Company's investment programme and also develops and improves the corporate internal control system and risk management. The company takes the required steps to prevent negative influence of the above risks on its operations.

The Russian regions where the Company performs its operations are characterised by peaceful political situation. Probability of war conflicts, strikes, introduction of the state of emergency in these regions is low except for entities located in North-Caucasus Federal District.

However, changes in the Company's business environment in Russia and in the regions of the Company's presence, the nature and frequency of such changes and related risks are hard to predict and so are their effects on the Company's operations in the future. Such risks are largely beyond the Company's control due to their global scale. If the situation is destabilised in Russia or in any Russian regions, the Company will implement crisis management strategies to minimise the risk of the negative effect of the situation on the Company to the fullest extent possible.

To manage the risks the Company is implementing a complex action plan to enhance safety of the Company's facilities under which the existing plan on ensuring safety at the power plants, including those under construction is amended.

Reputation risks

Reputation risks are associated with a decrease in the number of an entity's customers as a result of negative perception of the quality of products, works, services sold, the ability to meet the deadlines for products delivery, work performance, etc.

The Company assesses its exposure to these risks as low due to the fact that the Company sells electricity and capacity in the wholesale market and has high and sustainable reputation in the market.

To manage these risks the Company analyses key indicators of reputation risks based on the forecast of changes in the share of positive references in mass media, control over compliance with production and market discipline, cooperating actively with all stakeholders to maintain high reputation.

Besides the Company takes measures to prevent corruption. The code of conduct, regulations on the procedure of the employer's notification about inducement of personnel to unlawful acts, gifts, conflict of interests arrangement procedures etc. are adopted by the Company. The "Trust line" acts on an on-going basis.

The Company works closely with Ministry of energy, Federal tax service, Federal financial monitoring service within the anti-corruption and control of fraud activities.

Other risks

To manage the risks the Company focuses on other operating risks including industry risk, production risk, risk of hydraulicity, risks associated with compliance with legislation on labour safety, risks of industrial safety, environmental risks and risks associated with the third parties' activities and others.

The reasons for these risks are associated with the industry-specific factors that are relevant to the operations, condition of property, plant and equipment. There is an exposure to these risks, degree of possibility of events is at statistically average or low levels. On a permanent basis, the Company implements actions for monitoring the risks and decreasing the probability of their occurrence and severity of the potential adverse consequences including assignment of responsibility, control, diversification and insurance.

II. Accounting policies

These statutory financial statements have been prepared on the basis of the following accounting policies:

2.1 Basis of presentation

The Company's statutory financial statements are prepared in accordance with the accounting and reporting rules currently effective in the Russian Federation provided for by the Federal Law "On Accounting" and "Regulation on Accounting and Reporting in the Russian Federation" as well as other accounting regulations approved by the Russian Ministry of Finance.

Assets and liabilities are stated at actual cost, except for property, plant and equipment and investments for which the current market value can be determined, and assets against which impairment provisions have been duly formed, as well as estimated liabilities.

2.2 Assets and liabilities denominated in foreign currency

Business transactions in foreign currencies were recorded using the official Rouble exchange rate as of the date of the relevant transaction. Cash on hand and in bank accounts (bank deposits), cash and payment documents, accounts receivable (except for advances received and issued and prepayments) including loans receivable and payable, denominated in foreign currencies are recorded in the financial statements in the amounts calculated based on the official currency exchange rates effective as of the reporting date. The exchange rates were as follows: USD 1 = RUB 56.2584 as of 31 December 2014 (31 December 2013: USD 1 = RUB 32.7292, 31 December 2012: USD 1 = 30.3727), EUR 1 = RUB 68.3427 as of 31 December 2014 (31 December 2013: EUR 1 = RUB 44.9699, 31 December 2012: EUR 1 = RUB 40.2286).

Exchange differences arising during the year from translation (including those as of the reporting date) of foreign currency-denominated assets and liabilities payable in foreign currencies or Russian roubles were reported in the statement of financial results as other income or expenses.

2.3 Accounting for assets and liabilities

In the balance sheet, investments, accounts receivable and accounts payable, including bank credits and estimated liabilities, are treated as short-term if the term of their circulation (maturity) does not exceed 12 months after the reporting date. Other assets and liabilities are recognised as long-term.

Interest on loans issued and other investments are recorded in the balance sheet line 1230 "Accounts receivable"; interest on bank credits and loans received are recorded in the balance sheet line 1510 "Borrowings".

Advances to the suppliers of equipment and capital construction contractors are recognised in line 1230 "Accounts receivable".

Advances issued and received are recorded in the balance sheet including VAT.

VAT on advances issued and received is recognised on a gross basis in the balance sheet line 1260 "Other current assets", 1450 "Other liabilities" and 1550 "Other liabilities", respectively.

Deferred tax asset and deferred tax liability are recognized on the balance sheet on a net basis.

2.4 Property, plant and equipment, construction-in-progress and income-bearing investments in tangible assets

Property, plant and equipment are accounted for in accordance with the Russian Accounting Regulation "Accounting for property, plant and equipment" (RAR 6/01).

Property, plant and equipment include land, buildings, facilities, machinery, equipment, transport vehicles and other assets whose useful lives are over 12 months.

Property, plant and equipment are recognized at their historical cost equal to actual acquisition (construction, production) cost.

The acquired property, plant and equipment with historical cost of below RUB 40 thousand per unit which were initially recognised after 1 January 2011 are accounted for within inventories; property, plant and equipment which were initially recognised before 1 January 2011 were accounted for within inventories, if their historical cost did not exceed RUB 20 thousand per unit.

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within property, plant and equipment in a separate line.

Property, plant and equipment are recognised on the balance sheet at cost less depreciation accumulated from the date of their independent valuation for merging subsidiaries and associates (hereinafter - SAC) into the Company in 2008 or over the whole period of their operation, if they were put into operation after merging SAC into the Company.

The Company does not perform the revaluation of property, plant and equipment items.

Useful lives of the acquired property, plant and equipment including those which had been in operation before the acquisition, received as a contribution to the share capital or under legal succession in connection with restructuring, are established by the review committee for commissioning of a facility based on the Classification of the Company's property, plant and equipment when PP&E item is initially recognised. Useful lives of assets which were in use in prior periods are determined with consideration to the number of years (months) they were used by the previous owner.

The adopted standard useful lives by groups of property, plant and equipment in accordance with the Classification of the Company's property, plant and equipment are presented below.

Property, plant and equipment group	Useful lives of property, plant and equipment (years) on the balance sheet
Facilities and transmission equipment	3 to 100
Machinery and equipment	1 to 40
Buildings	7 to 75
Other	1 to 20

Depreciation of property, plant and equipment is accrued on a straight-line basis proceeding from their historical values and depreciation rates calculated based on their useful lives.

Depreciation is not accrued on:

- land plots and natural resources;
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the generally accepted procedure);
- fully depreciated assets that are still on the balance sheet.
- assets that are temporarily shutdown for more than three months and during the restoration period which exceeds twelve months.

Gains and losses on disposal of property, plant and equipment are recorded in the statement of financial results within other income and expenses.

Construction-in-progress includes real estate assets under construction, which have not been put into operation, equipment to be installed and other investments in non-current assets which are not included in PP&E. Equipment which does not require installation, stored in the warehouse and intended for assets under construction are recorded within construction-in-progress in a separate line.

These items are recognised in the balance sheet line 1150 "Property, plant and equipment".

Interest on borrowings raised for the purposes directly related to acquisition, construction and/or manufacture of investment assets, accrued prior to initial recognition of the assets is included in their historical cost; that accrued after the initial recognition of the assets are recognised in the statement of financial results within other expenses.

Interest on borrowings raised for the purposes not related to acquisition, construction and/or manufacture of investment assets, but actually used to purchase the investment assets are included in the cost of investment assets in proportion to the share of the above borrowings in total amount of borrowings raised for the purposes not related to acquisition, construction, manufacture of investment assets.

Income-bearing investments in tangible assets represent PP&E items acquired for leasing out to generate income.

These assets are recognised at their historical cost determined under the procedure used for general PP&E items.

Leased PP&E items are recognised in off-balance-sheet accounts at cost specified in the lease agreement/determined based on the acceptance certificate. If the lease agreement and acceptance certificate do not specify the cost of these assets, property, plant and equipment are recorded in the off-balance-sheet accounts at the following values:

- land plots having the cadastral value - at their cadastral value;
- other PP&E items - in the amount of lease payments inclusive of VAT under lease agreement including the repurchase price of the leasing item.

2.5 Investments

Investments are accounted for in accordance with the Russian Accounting Regulation "Accounting for investments" (RAR 19/02).

Investments include:

- contributions to the share capital of other entities (including subsidiaries);
- debt securities (including bonds, promissory notes);
- deposits in credit institutions except for short-term deposits classified as cash equivalents (paragraph 2.9 of the Explanatory Notes);
- loans issued to other entities;
- government and municipal securities and other investments.

Investments are initially recognised at their actual cost of acquisition.

The Company's actual costs to purchase investments represent the historical cost of investments purchased at a charge.

The historical cost of investments in the Company's share capital is presented by their monetary value agreed by the Company's founders, if not specified otherwise by the Russian legislation.

Investments, the current market value of which can be determined under the established procedure, are recognised on the balance sheet at their current market value as of the end of each reporting period (on a quarterly basis). The difference between the value of these investments as of the current reporting date and their prior value is recorded within other income and expenses.

Current market value of the securities which are traded by the institutors of trading is determined at market prices established at OAO MICEX-RTS (<http://moex.com>).

Investments for which no current market value is determinable are recorded on the balance sheet at their carrying (book) value, except for investments for which there are indications that the decline in their value (impairment) is significant and non-temporary as of the reporting date.

Investments are tested for their impairment once a year as of 31 December of the reporting year, if there are indications of impairment.

The Company accrues the impairment provision for the amount of difference between carrying (book) value and estimated value of the investments with regard to investments for which significant and constant impairment indicators are proved by impairment test. The estimated value of investments is determined based on the data about net assets, revenue, composition of expenses, schedule of projects financing and other factors.

Despite of the fact that well-grounded judgements are applied to determine the estimated value of investments, there are unavoidable limitations as in any valuation technique. Therefore, the estimated value represents the Company management's best estimate based on all the information available as of the reporting date. Future events will also have impact on determining the estimated value and impact of such events can be significant for the Company's financial statements.

Difference between the historical cost and nominal value of debt securities for which current market value is not determinable, is recorded on a straight-line basis during the period of their circulation and is recognised in the Company's financial results within other income (expenses). When investments for which current market value is not determinable are disposed, they are carried at book value of each unit of these investments except for issuance securities (shares, bonds) which are disposed under FIFO; when investments for which current market value is determinable under the established procedure are disposed - based on the latest valuation.

The Company discloses information about measurement at discounted value, the amount of the discounted value of debt securities of other related parties and loans issued to them.

Income and expenses associated with investments are reported within other income or expenses. Interest on loans issued and other income from investments are recognised in the balance sheet line 1230 "Accounts receivable".

2.6 Inventories

Inventories are accounted for in accordance with the Russian Accounting Regulation "Accounting for inventories" (RAR 5/01).

Inventories are accounted for at their actual cost of acquisition (production).

If market value of inventories as of the end of the reporting year is below their historical cost including due to on-going (long-term) price reduction, Company makes a provision in the amount of inventory impairment which is charged against increase in other expenses. Such inventories are recognised on the balance sheet net of the inventories' impairment provision.

The average cost method is applied to determine the material expenses when writing-off inventories used to produce goods (provide services).

2.7 Expenses of future periods

Expenses incurred by the Company in the reporting period but related to future reporting periods (payments under voluntary and mandatory insurance of property and employees, one-off payments to purchase licenses and other expenses) are recorded as expenses of future periods. These expenses are written-off for the purpose intended on a straight-line basis during the periods which they relate to.

Expenses of future periods to be written-off during the period exceeding twelve months are recognised on the balance sheet as non-current assets in line 1190 "Other non-current assets"; those to be written-off during twelve months - in line 1210 "Inventories".

2.8 Accounts receivable

Trade receivables are accounted for in the amount of services provided, works performed, good dispatched at justified prices and established tariffs. Settlements with other debtors are recognised for accounting and reporting purposes based on the contractual prices.

Accounts receivable which are overdue or unlikely to be repaid by the contractual deadlines and are not secured by guarantees, pledges or otherwise, are recognised on the balance sheet net of

doubtful debt provision. The provision is based on the conservative assessment made by the Company's management with regard to the portion of receivables which is unlikely to be repaid.

Doubtful debts provision is made on a quarterly basis as of the end of the respective period. The provision amount is separately determined based on the unbiased information about solvency of the specific debtor and assessment of probability of receivables repayment in full or partially.

Accrual (release) of doubtful debts provision increases other expenses (income).

Uncollectable receivables are written-off when recognized as such. These receivables are recorded in off-balance-sheet accounts over five years after the debt is written off for monitoring whether there is a possibility of their collection in case of any changes in the debtor's property status.

2.9 Cash equivalents and presentation of cash flows in the statement of cash flows

Cash equivalents comprise current highly liquid investments, which are readily convertible into a predictable amount of cash and are exposed to an insignificant risk of changes in value.

The Company recognises short-term bank deposits with a maturity of up to three months (not longer than 91 days) within cash equivalents if they are treated as funds used for settlements and repayment of liabilities, not intended for investment and other purposes.

The Company's cash flows which cannot be clearly attributed to cash flows from operating, investing or financing activities are included in the cash flows from operating activities in the statement of cash flows. Such cash flows include receipts and payments related to financial instruments of forward deals.

The following items are presented on a net basis in the statement of cash flows:

- indirect taxes within receipts from buyers and customers and payments to suppliers and contractors;
- cash flows used for investing activities and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period, if they are characterised by quick return, large amounts and short-term maturity.

Cash receipts and payments do not include cash flows changing the structure of cash equivalents, but not changing their total amount.

2.10 Share capital, additional and reserve capital

The Company's share capital has been recorded in the amount of the nominal value of ordinary shares purchased by shareholders. The share capital is equal to the amount specified in the Company's Charter.

When the share capital is increased through placement of additional shares, transactions associated with the formation of the share capital are accounted for when the respective changes made in the Company's constituent documents are registered.

The Company's additional capital includes share premium resulted from placement of the Company's shares at price exceeding their nominal value and total of additional capital of subsidiaries, associates merged into the Company during the 2008 reorganisation.

In accordance with legislation the Company forms a reserve fund in the amount of 5% of the share capital. The amount of mandatory annual deductions to reserve fund is 5% of the Company's net profit until it reaches the specified level.

2.11 Loans and bank credits received

Loans and bank credits are accounted for in accordance with the Russian Accounting Regulation "Accounting for loans and bank credits" (RAR 15/2008).

Loans payable are stated inclusive of interest payable as of the end of the reporting period according to the loan agreements.

Interest is accrued on a monthly basis at the end of each reporting period. If a lender provides for interest calculation attributable to different reporting periods, the amount of interest shall be allocated and included in the amount payable separately for each month.

Additional expenses incurred in connection with borrowings are charged to expenses of future periods with subsequent straight-line inclusion in other expenses over the repayment period.

2.12 Estimated liabilities, contingent liabilities and contingent assets

Estimated liabilities

The Company recognises estimated liability, which meets the recognition criteria established in the Russian Accounting Regulation "Estimated liabilities, contingent liabilities and contingent assets" (RAR 8/2010).

The Company recognises an estimated liability for earned but unused employee vacations, which is determined as of the end of the reporting year with reference to the number of unused vacation days of each employee at the reporting date and employee's average salary, inclusive of insurance contributions.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recorded on the balance sheet, but instead are disclosed in the Explanatory Notes to the balance sheet and statement of financial results.

Contingent liability (contingent asset) arises as a result of past business events when existence of a liability (asset) of the Company at the reporting date depends on occurrence (non-occurrence) of future uncertain events, which are beyond the Company's control.

Contingent liability is disclosed in the Explanatory Notes to financial statements, except where the likelihood of a decrease in economic benefits associated therewith is remote. Contingent asset is disclosed in the Explanatory Notes when the inflows associated therewith are probable. There is a need to disclose its estimated amount or a range of estimated amounts, if such values are identifiable.

2.13 Revenue recognition

Revenue from sales of products (provision of services) is recognized on an accrual basis (as the products/services are delivered/provided and relevant settlement documents presented to buyers). Revenue is presented net of value added tax and other similar mandatory charges.

Other revenues of the Company include:

- proceeds from sale of property, plant and equipment, investments and other assets;
- interest received in connection with providing the Company's cash for use, interest for the bank's use of cash sitting on the Company's bank accounts in the bank and interest on the acquired interest-bearing notes of the third parties - in accordance with interest provision in the note when presenting it for payment. The Company recognises the above income in the statement of financial results in line 2320 "Interest income";
- income from participation in share capital of other entities (dividends). is recognised by Company when announced and included in the statement of financial results in line 2310 "Income from participation in other entities";
- income from transactions with derivatives when the respective trading positions are closed;
- fines, penalties and interest for breaching contractual terms;
- prior year profit identified in the reporting year (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010);
- other proceeds (income) according to the Russian Accounting Regulation "Income of an organisation" (RAR 9/99) (including income in the form of insurance indemnity).

2.14 Recognition of expenses

Accounting for expenses is regulated by the Russian Accounting Regulation "Expenses of an organisation" (RAR 10/99) under which the Company's expenses are divided into general expenses and other expenses.

Administrative expenses are written-off against the cost of goods sold (services provided).

General expenses are recognised in the reporting period wherein they were incurred irrespective of the actual closure of accounts payable.

Expenses shall be accounted for irrespective of the intention to generate revenue or other income and their form.

Other expenses include:

- expenses incurred in disposal and other write-off of property, plant and equipment, investments and other assets;
- interest paid by the Company for provided cash (bank credit, loans); the Company recognises these expenses in the statement of financial results in line 2330 "Interest expense";
- expenses incurred in payment of services provided by credit institutions;
- doubtful debts provision calculated on the basis of the reporting period results in accordance with the Company's accounting policies (see paragraph 2.8 of the Explanatory Notes);
- expenses from transactions with derivatives when the respective trading positions are closed;
- fines, penalties and interest for breaching contractual terms, compensation of losses caused by the Company;
- prior year losses identified in the reporting period (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010);
- charity and social security;
- expenses incurred as a result of extraordinary events in business operations (natural disaster, fire, accident, etc.)
- other expenses according to RAR 10/99.

2.15 Changes in the accounting policies

There are no significant changes in the Company's accounting policies for 2014 and 2015 based on the Russian Accounting Regulation "Accounting policies of an organisation" (RAR 1/2008).

The procedure of net assets' cost determination was changed from the financial statements for 2014 year in relation to enactment of Minfin of RF order dd 28 August 2014 No 84n "Concerning approval of the procedure of net assets' cost determination".

The difference in the net asset calculation compared to the Calculation of Net Assets of Joint Stock Companies, approved by Order of the Russian Ministry of Finance and Federal Commission for the Securities Market No.10n, 03-6/pz, of 29.01.2003, is that new procedure specifies exception of the income of future periods related to the receipt of government grants or donated assets from the calculation of liabilities. Other types of the income of future periods are not applicable for exception from the calculation of liabilities.

The use of this new procedure doesn't result in adjustment of the line 3600 "Net assets" of the Statement of changes in equity as of 31 December 2013 and 2012.

III. Disclosure of material indicators

3.1 Non-current assets (Section I of the balance sheet)

3.1.1 Property, plant and equipment (line 1151 of the balance sheet), construction-in-progress (line 1152 of the balance sheet), income-bearing investments in tangible assets (line 1160 of the balance sheet)

PP&E group	Net book value		
	31 December 2014	31 December 2013	31 December 2012
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	188,410	189,486	191,295
Machinery and equipment	98,216	77,084	61,930
Buildings	34,457	35,349	34,778
Motor vehicles	56	406	212
Production and maintenance tools	281	349	407
Land plots	3	3	3
Other types of property, plant and equipment	222	187	198
Total line 1151 "Property, plant and equipment"	321,645	302,864	288,823
Line 1160 "Income-bearing investments in tangible assets", including:			
Facilities and transmission equipment	7,189	7,313	7,437
Total in line 1160 "Income-bearing investments in tangible assets"	7,189	7,313	7,437

As of 31 December 2014 income-bearing investments in tangible assets amount to RUB 7,189 million (as of 31 December 2013 r. – RUB 7,313 million, as of 31 December 2012 – RUB 7,437) and relate to five dams in Irkutsk region received in 2011 as part of additional issues of the Company's shares.

OAo RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Availability and movement of property, plant and equipment and income-bearing tangible assets

Narrative	Period	At the beginning of the year		Changes for the period				At the end of the year	
		Cost	Accumulated depreciation	Additions*	Disposals		Depreciation accrued*	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment including:	2013	331,390	(42,567)	27,408	(1,822)	829	(12,374)	356,976	(54,112)
	2014	356,976	(54,112)	35,474	(3,310)	1,645	(15,028)	389,140	(67,495)
Facilities and transmission equipment	2013	208,550	(17,255)	2,335	(95)	49	(4,098)	210,790	(21,304)
	2014	210,790	(21,304)	3,264	(70)	54	(4,324)	213,984	(25,574)
Machinery and equipment	2013	83,450	(21,520)	23,382	(1,688)	762	(7,302)	105,144	(28,060)
	2014	105,144	(28,060)	31,225	(1,234)	841	(9,700)	135,135	(36,919)
Buildings	2013	37,823	(3,045)	1,286	(2)	1	(714)	39,107	(3,758)
	2014	39,107	(3,758)	806	(1,241)	309	(766)	38,672	(4,215)
Motor vehicles	2013	487	(275)	273	(5)	3	(77)	755	(349)
	2014	755	(349)	25	(698)	377	(54)	82	(26)
Production and maintenance tools	2013	768	(361)	111	(31)	13	(151)	848	(499)
	2014	848	(499)	94	(53)	50	(159)	889	(608)
Land plots	2013	3	-	-	-	-	-	3	-
	2014	3	-	-	-	-	-	3	-
Other types of property, plant and equipment	2013	309	(111)	21	(1)	1	(32)	329	(142)
	2014	329	(142)	60	(14)	14	(25)	375	(153)
Income-bearing investments in tangible assets including:	2013	7,592	(155)	-	-	-	(124)	7,592	(279)
	2014	7,592	(279)	-	-	-	(124)	7,592	(403)
Facilities and transmission equipment	2013	7,592	(155)	-	-	-	(124)	7,592	(279)
	2014	7,592	(279)	-	-	-	(124)	7,592	(403)

* Cost of property, plant and equipment received in 2014 and depreciation for the period includes cost of property, plant and equipment repurchased at the expiration of the lease agreements and accumulated depreciation of RUB 2,322 million (for 2013 : RUB 585 million). Exposure of leased property, plant and equipment is described in paragraph 3.6.1 of the Explanatory Notes.

Changes in the cost of property, plant and equipment as a result of further construction, re-equiping, reconstruction or partial liquidation

Narrative	2014	2013
Increase in the cost of property, plant and equipment as a result of further construction, re-equiping, reconstruction including:	16,990	13,791
Machinery and equipment	15,081	11,962
Facilities and transmission equipment	1,669	1,359
Other types of property, plant and equipment	240	470
Decrease in value of property, plant and equipment as a result of partial liquidation including:	205	657
Machinery and equipment	191	612
Other types of property, plant and equipment	14	45

Other use of property, plant and equipment

Narrative	31 December 2014	31 December 2013	31 December 2012
Leased out PP&E recognised on the balance sheet	1,760	1,593	1,821
Leased PP&E recognised on the balance sheet	-	-	-
Leased PP&E recognised in the off-balance-sheet accounts	34,097	33,754	33,906
Real estate assets which were put into operation and actually used but are in the process of state registration	2,094	1,716	1,103
PP&E that have been temporarily shut down	77	94	40

Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets

Narrative	Period	At the beginning of the year	Changes for the period				At the end of the year
			Costs for the period	Written off	Other movement*	Recognised as PP&E or uplifted	
Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:	2013	43,056	31,407	(469)	14	(26,823)	47,185
	2014	47,185	42,432	(69)	(14)	(33,152)	56,382
Construction-in-progress	2013	34,313	16,797	(220)	14,756	(26,380)	39,266
	2014	39,266	19,150	(26)	25,951	(32,838)	51,503
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2013	30	415	-	25	(443)	27
	2014	27	316	(1)	7	(314)	35
Equipment for installation	2013	8,713	14,195	(249)	(14,767)	-	7,892
	2014	7,892	22,966	(42)	(25,972)	-	4,844

* Transfer of equipment for installation, reclassification of equipment to be installed to construction-in-progress and other movement not related to transfer of assets to property, plant and equipment

3.1.2 Long-term investments (line 1170 of the balance sheet)

Line 1170 "Financial investments" includes contributions to share capital of subsidiaries, associates and other entities, debt securities and long-term loans issued to subsidiaries and associates:

Narrative	31 December 2014	31 December 2013	31 December 2012
Investments in subsidiaries	216,413	95,619	66,355
Investments in associates	11,210	11,210	2,284
Investments in other entities	2,690	3,212	6,261
Long-term loans issued	34,039	33,018	18,760
Debt securities	-	-	-
Total line 1170 "Financial investments"	264,352	143,059	93,660

Exposure of long-term investments to financial risks is described in paragraph 3.16 of the Explanatory Notes.

Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
Long-term investments including:	2013	107,896	(14,236)	62,138	(3,119)	(10,394)	-	774	159,640	(16,581)
	2014	159,640	(16,581)	129,939	(574)	(8,050)	-	(22)	281,529	(17,177)
Investments in subsidiaries	2013	67,134	(779)	28,485	-	-	-	779	95,619	-
	2014	95,619	-	121,586	-	(778)	-	(14)	216,427	(14)
Investments in associates	2013	2,300	(16)	10,367	-	(1,441)	-	-	11,226	(16)
	2014	11,226	(16)	-	-	-	-	-	11,226	(16)
Investments in other entities	2013	12,803	(6,542)	75	(3,119)	-	-	(5)	12,878	(9,666)
	2014	12,878	(9,666)	75	(574)	(15)	-	(8)	12,938	(10,248)
Long-term loans issued	2013	18,760	-	23,211	-	(8,953)	-	-	33,018	-
	2014	33,018	-	8,278	-	(7,257)	-	-	34,039	-
Debt securities	2013	6,899	(6,899)	-	-	-	-	-	6,899	(6,899)
	2014	6,899	(6,899)	-	-	-	-	-	6,899	(6,899)

* Accumulated adjustment includes difference between original and current market value of investments for which current market value can be determined; difference between original and current market value of investments for which current market value is not determinable; provision for impairment of investments.

** Other movements include changes in provision for impairment of investments, accrual of discount on debt securities and reclassification within the balance sheet line 1170 "Investments".

(a) Investments in subsidiaries, associates and other entities

The balance sheet line 1170 "Investments" includes the below investments in subsidiaries, associates and other organisations:

Subsidiaries and associates and other entities	31 December 2014		31 December 2013		31 December 2012	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	216,413		95,619		66,355	
OAo Zagorskaya GAES-2	55,924	100.00%	9,780	100.00%	9,780	100.00%
OAo Ust-Srednekanskaya GES	23,111	67.82%	14,722	50.04%	8,049	35.21%
OAo RAO ES of the East	18,495	84.39%	18,495	84.39%	15,530	65.75%
OAo Zaramagskie GES	17,216	99.75%	1,904	98.35%	1,904	98.35%
OAo Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
OAo ESK RusHydro	11,832	100.00%-1 share	2,864	100.00% - 1 share	2,864	100.00%- 1 share
AO Sulasky Hydrocascade	10,094	100.00%	10,094	100.00%	1,134	100.00%
OAo Hydroinvest	9,550	100.00%	-	100.00%	-	100.00%
OAo Nizhne-Bureyskaya GES	8,673	100.00%	408	100.00%	408	100.00%
ZAO Malaya Dmitrovka	6,394	100.00%	5,455	100.00%	2,055	100.00%
ZAO Blagoveschenskaya TEC	6,302	100.00%	1	100.00%	-	-
AO Leningradskaya GAES	5,898	100.00%	1,690	100.00%	1,690	100.00%
ZAO Yakutsk GRES-2	5,638	100.00%	1	100.00%	-	-
ZAO CCGT in the City of Sovetskaya Gavan	4,375	100.00%	1	100.00%	-	-
OAo Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
OAo Yuzhno-Yakutsky GEK	3,255	100.00%	3,255	100.00%	10	100.00%
OAo Geotherm	2,425	99.65%	2,425	99.65%	829	92.80%
ZAO Hydro-Engineering Siberia	2,292	100.00%	300	100.00%	300	100.00%
OAo Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
HydroOGK Power Company Ltd	1,171	100.00%	1,171	100.00%	1,171	100.00%
OAo NIIES	983	100.00%	338	100.00%	338	100.00%
OOO Verkhnebalkarskaya MGES	937	100.00%	118	100.00%	118	100.00%
OAo Renewable Energy Engineering Centre	694	100.00%	694	100.00%	-	100.00%
OAo CSO SGES	589	100.00%	589	100.00%	22	100.00%
OAo Kamchatsky gas and energy complex	531	96.58%	531	96.58%	531	96.58%
Other	1,916		2,665		1,504	
Associates:	11,210		11,210		2,284	
OAo Irkutsk Electric Grid Company	8,543	42.75%	8,543	42.75%	-	-
OAo Sakhalin energy company	2,567	28.09%	2,567	31.49%	743	12.44%
OAo Trest Hydromontazh	-	-	-	-	1,441	33.54%
Other	100		100		100	
Other entities:	2,690		3,212		6,261	
OAo Inter RAO	1,445	1.94%	2,027	1.94%	5,077	1.94%
OAo Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
Other	164		104		103	
Total:	230,313		110,041		74,900	

* Investment in OAo Yakutskenergo (29.80%) is recorded within subsidiaries as the Company has control over these entities indirectly via other subsidiaries.

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2014 are as follows:

- acquisition of additionally issued shares of subsidiaries for the total of RUB 104,455 million, including OAo Zagorskaya GAES-2 for the amount of RUB 46,144 million, OAo Zaramagskie GES for the amount of RUB 15,312 million, OAo Hydroinvest for the amount of RUB 9,550 million, OAo ESK RusHydro for the amount of RUB 8,968 million,

OAo Ust-Srednekanskaya GES for RUB 8,389 million, OAo Nizhne-Bureyskaya GES for RUB 8,265 million, AO Leningradskaya GAES for RUB 4,208 million, ZAO Hydro-Engineering Siberia for the amount of RUB 1,992 million, ZAO Malaya Dmitrovka for the amount of RUB 939 million and other companies for the amount of RUB 688 million;

- acquisition of additionally issued shares of subsidiaries whose shares were transferred for trust management to OAo RAO ES of the east for the total of RUB 16,312 million, including ZAO Blagoveschenskaya TEC for the amount of RUB 6,301 million, ZAO Yakutsk GRES-2 for the amount of RUB 5,637 million and ZAO "CCGT in the City of Sovetskaya Gavan" for the amount of RUB 4,374 million;
- acquisition of share in the share capital of OOO Verkhnebalkarskaya MGES for the amount of RUB 819 million;
- assessment of investments that have current market value with recognition of a loss amounting to RUB 574 million (see paragraph 3.16 of the Explanatory Notes) including a loss amounting to RUB 582 million related to OAo INTER RAO shares.

Investments in subsidiaries that have current market value

As of 31 December 2014, 31 December 2013 and 31 December 2012, investments included shares of the Company's subsidiaries, i.e. OAo RAO Energy Systems of the East, OAo Yakutskenergo and OAo Far East Energy Company, received in 2011–2013 as a result of the additional issue of the Company's shares which are recognised on the Company's balance sheet. These investments are recorded at the value agreed with the founders and determined on the basis of the market valuation performed by an independent appraiser totalling 20,204 million as of 31 December 2014 (as of 31 December 2013: 20,204 million; as of 31 December 2012: 17,239 million). This valuation exceeds the current market value of the shares as of 31 December 2014, 31 December 2013 and 31 December 2012 by RUB 13,535, RUB 12,394 million and RUB 9,887 million, respectively.

The Company's management plans to get benefits from investments in OAo RAO Energy Systems of the East, OAo Yakutskenergo and OAo Far East Energy Company by controlling their business operations rather than as a result of fluctuations in their market value. Thus, according to the Company's management, current market quotes do not fairly reflect the fair value of the controlling shareholdings in these companies as the number of shares traded in the market is not representative; not more than 1% of total shares issued are in circulation on a daily basis.

In view of these circumstances and considering that the Company has no plans to sell these investments, in accordance with paragraph 6 of the Russian Accounting Regulation "Accounting reports of an organisation" (RAR 4/99), approved by order No. 43n of the Russian Ministry of Finance of 6 July 1999, the Company decided against performing revaluation of its investments in shares of OAo RAO Energy Systems of the East, OAo Yakutskenergo and OAo Far East Energy Company at the current market value from acquisition date.

The Company's management analysed the models of expected cash flows and factors that may show that there are indications of impairment of investments and came to a decision that these assets are not impaired as of 31 December 2014.

The amount of unrecognised change in the market value as compared to the carrying amount as of 31 December 2014 is RUB 13,535 million (as of 31 December 2013: RUB 12,394 million; as of 31 December 2012: RUB 9,887 million). The Company's net assets would have amounted to RUB 704,994 million, if it included the above unrecognised change in the value (as of 31 December 2013: RUB 612,026 million, as of 31 December 2012: RUB 582,887 million).

Impairment of investments in subsidiaries, associates and other entities for which current market value is not determinable

The Company's management analysed the negative trends related to a number of subsidiaries, which is presented below. The management performed the analysis of investments to the share capital of the entities listed below for possible signs of impairment, and also analysed possible impairment of other assets related to these subsidiaries, including those recorded within accounts receivable (see paragraph 3.2.2 of the Explanatory Notes).

ОАО Zagorskaya HAEPP-2. In September 2013, Zagorskaya HAEPP-2 which is currently under construction suffered from the flooding of a section of the HAEPP building from the lower reservoir. Due to the technical complexity of identifying the losses as a result of the accident, management are not able to estimate the amount of expenses needed to rectify the accident consequences and write off the damaged items of construction in progress.

Assets in relation to ОАО Zagorskaya HAEPP-2 on the balance sheet of the Company as of 31 December 2014 are as follows:

- within long-term investments: shares of ОАО Zagorskaya HAEPP-2 for the amount of RUB 55,924 million and interest-bearing loan for the amount of RUB 7,029 million;
- within other accounts receivable for additional shares issued but not yet transferred to the Company in the course of ОАО Zagorskaya HAEPP-2's additional share issue: accounts receivable for the amount of RUB 4,767 million, interest receivable accrued on loans issued for the amount of RUB 650 million and interest-free loan for the amount of RUB 452 million (see paragraph 3.2.2 of the Explanatory Notes).

The analysis of recoverability of these assets performed by the Company as of 31 December 2014 was based on the following key factors:

- Construction works and the assets are insured. In accordance with the insurance contracts and under the current Russian law, the acknowledgement of the fact that the accident at Zagorskaya HAEPP-2 which is currently under construction is the insurable event and subsequent payment of compensation is only due after the thorough analysis of the accident reasons by insurance companies based on the report on investigation of the causes of the flooding. February 2015 ОАО AlfaStrakhovanie, one of the insurance companies maintained the insurance of construction risks, acknowledged this accident as an insurable event. ОАО SOGAZ, insured the equipment installed at the plant, also recognised the accident as an insurable event. The final amount of compensation is not yet defined.
- Management plans to perform recovery work and complete construction of Zagorskaya HAEPP-2. As of December 2014 there is significant uncertainty in terms of the expenses to be incurred on recovery of damage caused by the flooding at Zagorskaya HAEPP-2. However, these expenses can be significant. Capacity supply contracts were concluded in respect of Zagorskaya HAEPP-2. There are specific rules for the price setting in respect of new HPPs (including pumped-storage power plants) being constructed: the price is set in a manner that guarantees payback period of 20 years for all CAPEX invested in construction.
- Following the decision of the regulatory body NP Market Council of 16 December 2013 the commissioning date for generating assets of Zagorskaya HAEPP-2 and the start date of fulfilment of obligations under the committed capacity supply contracts for new HPPs (including pumped-storage power plants) was transferred from the beginning of 2014 to the beginning of 2017. As these dates were adjusted for ОАО Zagorskaya HAEPP-2 is not subject to any penalties for under-supplied capacity under the above contracts.

Based on the analysis of factors that might indicate impairment of assets related to Zagorskaya HAEPP-2 construction project, the Company's management concluded that there were no such indicators as of 31 December 2014.

No negative trends which may result in impairment of other shareholdings were observed.

Provision for impairment of investments for which current market value is not determinable amounts to RUB 79 million (as of 31 December 2013: RUB 58 million, as of 31 December 2012: RUB - 832 million). Original cost of long-term investments for which provision for impairment of investments was made amounts to RUB 111 million as of 31 December 2014 (as of 31 December 2013 - RUB 96 million, as of 31 December 2012 – RUB 874 million).

(b) Long-term loans issued

Loan recipient's name	31 December 2014	31 December 2013	31 December 2012	Annual rate, %
Long-term loans issued to related parties, including:				
OAo Far East Generating Company	10,038	11,538	8,000	MosPrime + 2.48%/ MosPrime + 2.33%/ 7.997%
OAo Zagorskaya GAES-2	7,029	7,029	-	8.213%
OAo Far East Distribution Grid Company	6,630	1,670	-	MosPrime + 2.86%/ MosPrime + 2.33%/ 7.997% - 8.407%
OAo Sakhaenergo	3,476	3,476	-	7.997%
OAo Nizhne-Bureyskaya GES	2,300	694	-	8.213% - 8.420%
OAo Ust-Srednekanskaya GES	1,747	1,747	-	8.213%
ZAO Tekhnopark Rumyantsevo	1,292	1,508	1,503	7.875% – 8.00%
OAo Teploenergосervice	929	929	-	7.997%
OAo Hydroinvest	-	2,082	2,282	
OAo ESK RusHydro	-	1,700	3,294	
ZAO Malaya Dmitrovka	-	205	3,400	
Other	598	440	281	
Total long-term loans issued	34,039	33,018	18,760	

As of 31 December 2014 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- loan to OAo Far East Generating Company amounting to RUB 10,038 million to refinance liabilities maturing by 3 December 2018 and 15 September 2021;
- loans to OAo Zagorskaya GAES-2 in the total amount of RUB 7,029 million issued to finance expenses related to investment project OAo Zagorskaya GAES-2 maturing by 05 February 2018;
- loan to OAo Far East Distribution Grid Company amounting to RUB 6,630 million to refinance liabilities and finance working capital maturing by 14 March 2016, 3 December 2018 and 14 October 2025;
- loan to OAo Sakhaenergo in the total amount of RUB 3,476 million issued to refinance liabilities maturing by 03 December 2018;
- loans to OAo Nizhne-Bureyskaya GES in the total amount of RUB 2,300 million issued to finance expenses related to investment project «Nizhne-Bureyskaya GES» maturing by 15 April 2016, 5 February 2018 and 25 December 2019;
- loans to OAo Ust-Srednekanskaya GES in the total amount of RUB 1,747 million issued to finance expenses related to investment project «Ust-Srednekanskaya GES» maturing by 5 February 2018;
- loan to ZAO Tekhnopark Rumyantsevo in the total amount of RUB 1,292 million issued to refinance liabilities maturing by 30 November 2022;
- loan to OAo Teploenergосervice in the total amount of RUB 929 million issued to refinance liabilities maturing by 03 December 2018.

There are no indicators of a prolonged decline in the value of the above investments.

3.1.3 Other non-current assets (line 1190 of the balance sheet)

Line 1190 "Other non-current assets" includes expenses of future periods to be written-off from expense account during the period beyond 12 months of the reporting date.

Breakdown of total expenses of future periods by types is presented in the table below:

Narrative	31 December 2014	31 December 2013	31 December 2012
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	1,620	1,620	1,526
Software and licenses	1,461	1,239	823
Borrowing costs	1,175	647	715
Other	458	393	332
Total expenses of future periods, including:	4,714	3,899	3,396
Long-term expenses of future periods which are subject to writing-off from expense account during the period beyond 12 months of the reporting date (within the balance sheet line 1190)	3,538	2,987	2,772
Short-term expenses of future periods which are subject to writing-off from expense account during 12 months of the reporting date (within the balance sheet line 1210)	1,176	912	624

As a result of works performed to uplift the level of Cheboksary water reservoir it is planned to increase the production capacity of Cheboksary GES and eliminate the increased depreciation of equipment and hydraulic engineering installations. If the Company becomes aware that it won't obtain the expected additional economic benefits, the above expenses of future periods will be written-off against other expenses.

3.2 Current assets (Section II of the balance sheet)

3.2.1 Inventories (line 1210 the balance sheet)

Narrative	31 December 2014	31 December 2013	31 December 2012
Raw, materials and other inventories	2,241	1,813	1,428
Short-term expenses of future periods which are subject to writing-off from expense account during 12 months of the reporting date (see paragraph 3.1.3 of the Explanatory Notes)	1,176	912	624
Other	20	136	3
Total line 1210 "Inventories"	3,437	2,861	2,055

Raw, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2014 the provision for their impairment amounted to RUB 158 million (31 December 2013: RUB 105 million, 31 December 2012: RUB 20 million).

3.2.2 Accounts receivable (line 1230 of the balance sheet)

(a) Long-term accounts receivable (payments expected beyond 12 months of the reporting date)

Total long-term accounts receivable were RUB 62,341 million, 80,323 million and 75,630 million as of 31 December 2014, 2013 and 2012, respectively.

Breakdown by types of long-term accounts receivable is as follows:

Type of long-term accounts receivable	31 December 2014	31 December 2013	31 December 2012
Advances issued to suppliers of equipment and capital construction contractors	31,095	35,074	37,296
Interest-free promissory notes received	27,563	27,040	26,633
Interest-free loans issued	1,503	16,817	9,235
Lease receivables	495	927	1,431
Buyers and customers	409	103	128
Other long-term accounts receivable	1,276	362	907

Type of long-term accounts receivable	31 December 2014	31 December 2013	31 December 2012
Total line 1231 “Long-term accounts receivable (payments expected beyond 12 months of the reporting date)”	62,341	80,323	75,630

OAo RusHydro
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Long-term accounts receivable and their movement

Item	Period	Opening balance		Changes for the period*					Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Repayment*	Disposals		Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Reclassified from short-term to long-term		Accrual/release of doubtful debt provision	Reclassified from long-term to short-term		
Long-term accounts receivable, including:	2013	78,365	(2,735)	12,944	13,519	(149)	-	(21,621)	83,058	(2,735)
	2014	83,058	(2,735)	9,831	1,656	(1,580)	-	(27,889)	65,076	(2,735)
Advances issued to suppliers of equipment and capital construction contractors	2013	37,296	-	7,787	611	-	-	(10,620)	35,074	-
	2014	35,074	-	3,866	1,439	-	-	(9,284)	31,095	-
Interest-free promissory notes received	2013	26,633	-	1,061	-	(149)	-	(505)	27,040	-
	2014	27,040	-	773	-	-	-	(250)	27,563	-
	2013	9,235	-	3,260	12,840	-	-	(8,518)	16,817	-
Interest-free loans issued	2014	16,817	-	3,701	29	(1,578)	-	(17,466)	1,503	-
	2013	1,431	-	157	53	-	-	(714)	927	-
Lease receivables	2014	927	-	65	33	-	-	(530)	495	-
	2013	128	-	4	-	-	-	(29)	103	-
Buyers and customers	2014	103	-	304	143	(1)	-	(140)	409	-
Other long-term accounts receivable	2013	3,642	(2,735)	675	15	-	-	(1,235)	3,097	(2,735)
	2014	3,097	(2,735)	1,122	12	(1)	-	(219)	4,011	(2,735)

* Movements of accounts receivable arising as a result of economic transactions and settled within the same reporting period are presented on a gross basis.

Long-term accounts receivable include interest-free loans issued to the following counterparties:

Counterparty	31 December 2014	31 December 2013	31 December 2012
Subsidiaries, including:	1,155	16,530	9,006
OAo ESK RusHydro	1,034	1,034	8,926
OAo Hydroinvest	-	12,381	-
ZAO Blagoveschenskaya TEC	-	1,473	-
OAo MGES Kabardino-Balkarii	-	678	-
ZAO Yakutskaya GRES-2	-	674	-
Other	121	290	80
Other related parties, including:	28	18	24
Loans issued to the Company's key management	28	18	24
Total interest-free loans issued to related parties	1,183	16,548	9,030
Other	320	269	205
Total interest-free loans issued to other counterparties	320	269	205
Total long-term interest-free loans issued	1,503	16,817	9,235

Long-term accounts receivable include interest-free promissory notes issued by the following issuers:

Issuer	31 December 2014	31 December 2013	31 December 2012
Other related parties, including:	25,689	25,689	25,689
OAo Boguchanskaya GES	21,027	21,027	21,027
ZAO Boguchansky Aluminium Smelter	4,662	4,662	4,662
Total interest-free promissory notes from related parties	25,689	25,689	25,689
OAo ROSBANK	935	290	-
OAo Alfa-Bank	850	944	707
OAo Ulyanovskenergo	89	62	212
Other	-	55	25
Total interest-free promissory notes from other counterparties	1,874	1,351	944
Total long-term interest-free promissory notes received	27,563	27,040	26,633

As of 31 December 2014, the Company's long-term accounts receivable represented by other related parties' long-term interest-free promissory notes purchased for financing investment program consist of the following promissory notes:

- OAo Boguchanskaya GES: promissory notes for RUB 21,027 million payable on demand after 31 December 2029 (the present value of the promissory notes reflecting time value of money as of 31 December 2014 is RUB 5,203 million);
- ZAO Boguchansky Aluminium Smelter: promissory notes for RUB 4,662 million payable on demand after 31 December 2024 (the present value of the promissory notes reflecting time value of money as of 31 December 2014 is RUB 1,796 million).

Long-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors:

Counterparty	31 December 2014	31 December 2013	31 December 2012
OAo Silovye Mashiny	15,208	19,713	23,460
OOO Corporation SpetsHydroProject	6,565	5,534	4,642
Voith Hydro GmbH & Co KG	5,851	5,214	4,483
OAo Hydroremont-BKK	3,120	3,818	2,883
Other	351	795	1,828
Total advances issued to suppliers of equipment and capital construction contractors	31,095	35,074	37,296

TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2015 are included within short-term advances issued.

Counterparty	31 December 2014	31 December 2013	31 December 2012
Interest receivable accrued on loans issued and promissory notes received, including:	1,258	336	758
Subsidiaries	1,258	336	758
Other accounts receivable	18	26	149
Total other long-term accounts receivable	1,276	362	907

(b) Short-term accounts receivable (payments expected within 12 months of the reporting date)

Total short-term accounts receivable less doubtful debt provision were RUB 82,224 million, 153,157 million and 150,744 million as of 31 December 2014, 2013 and 2012, respectively.

Type of short-term accounts receivable	31 December 2014	31 December 2013	31 December 2012
Buyers and Customers, including:	5,840	5,648	6,567
Accounts receivable for electricity and capacity	5,521	5,437	6,381
Other	319	211	186
Advances issued, including:	12,870	15,517	12,173
Advances issued to suppliers of equipment and capital construction contractors	12,036	14,309	10,995
Other advances issued	834	1,208	1,178
Other debtors, including:	63,514	131,992	132,004
Interest-free promissory notes received	19,119	22,954	73,502
Interest-free loans issued	26,384	5,552	42,312
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	11,805	98,530	10,714
Taxes receivable	2,252	2,596	2,982
Lease receivables	707	805	1,037
Other	3,247	1,555	1,457
Total line 1232 "Long-term accounts receivable" (payments expected within 12 months of the reporting date)	82,224	153,157	150,744

Short-term accounts receivable and their movement

Item	Period	Opening balance		Changes for the period*								Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Disposals		Release of provision	Accrual of provision	Reclassified from long-term to short-term and vice versa	Write-off of receivables against provision	Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Interest, penalties and other accruals	Repayment*	Write-off to the financial result						
Short-term accounts receivable, including:	2013	155,610	(4,866)	264,908	-	(268,908)	(108)	1,480	(3,061)	8,102	1	159,603	(6,446)
	2014	159,603	(6,446)	168,596	-	(264,082)	-	2,168	(3,848)	26,233	35	90,315	(8,091)
Buyers and customers	2013	10,365	(3,798)	128,609	-	(128,238)	(104)	1,384	(2,599)	29	-	10,661	(5,013)
	2014	10,661	(5,013)	129,193	-	(127,499)	-	2,099	(3,598)	(3)	22	12,330	(6,490)
Advances issued	2013	12,196	(23)	26,464	-	(33,288)	-	7	(6)	10,167	-	15,539	(22)
	2014	15,539	(22)	32,127	-	(42,606)	-	-	(20)	7,852	11	12,901	(31)
Other debtors	2013	133,049	(1,045)	109,835	-	(107,382)	(4)	89	(456)	(2,094)	1	133,403	(1,411)
	2014	133,403	(1,411)	7,276	-	(93,977)	-	69	(230)	18,384	2	65,084	(1,570)

* Movements of accounts receivable arising as a result of economic transactions and settled within the same reporting period are presented on a gross basis.

Short-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply within 12 months of the reporting date.

Counterparty	31 December 2014	31 December 2013	31 December 2012
ОАО Silovye Mashiny	5,317	6,401	6,200
ООО Corporation SpetsHydroProject	1,817	1,016	13
Voith Hydro GmbH & Co KG	1,160	2,194	242
ОАО Hydroremont-BKK	965	1,365	143
ЗАО Technoserv A/C	441	47	1
ОАО ChirkeiGESstroi	286	-	18
ОАО Trest Hydromontazh	184	60	32
ЗАО A-security	172	61	8
ООО Sovremennye sistemy upravleniya	171	29	-
ООО Energy Standard	165	135	989
ЗАО Pentakon	134	26	41
ООО Construction company StroyLine	127	-	1
ООО Promhydroenergomash	107	136	26
ОАО Hydroelectromontazh	48	420	1,533
IBERDROLA	-	1,061	-
Other	942	1,358	1,748
Total advances issued to suppliers of equipment and capital construction contractors	12,036	14,309	10,995

Short-term accounts receivable include interest-free promissory notes issued by the following issuers:

Issuer	31 December 2014	31 December 2013	31 December 2012
Subsidiaries, including:	18,846	22,453	72,350
ООО Index energetiki – HydroOGK	13,646	13,668	13,688
HydroOGK Aluminium Company Ltd	2,142	3,338	3,338
ОАО Zaramagskie GES	1,563	-	13,325
ОАО MGES Kabardino-Balkarii	838	229	229
ОАО Hydroinvest	256	256	256
ОАО Karachaeve-Cherkesskaya Hydrogenerating Company	244	244	244
ОАО Ust-Srednekanskaya GES	-	4,105	3,455
ОАО Zagorskaya GAES-2	-	-	31,071
ЗАО Hydro-engineering Siberia	-	-	1,992
ОАО Nizhne-Bureyskaya GES	-	-	1,885
АО Leningradskaya GAES	-	-	1,466
Other	157	613	1,401
Total interest-free promissory notes from related parties	18,846	22,453	72,350
ОАО Alfa-Bank	195	416	176
ОАО SO UES	-	-	705
Other	78	85	271
Total interest-free promissory notes from other counterparties	273	501	1,152
Total short-term interest-free promissory notes received	19,119	22,954	73,502

As of 31 December 2014, short-term receivables from subsidiaries on short-term interest-free promissory notes acquired by the Company are represented by promissory notes payable on demand.

Short-term accounts receivable include interest-free loans issued to the following counterparties:

Counterparty	31 December 2014	31 December 2013	31 December 2012
Subsidiaries, including:	26,313	5,494	42,265
ОАО Hydroinvest	12,381	-	21,951
ООО EZOP	5,373	5,423	5,423
ОАО Уст-Среднеканская ГЭС	2,218	-	2,501
ЗАО Благовещенская ТЭС	1,473	-	-
ЗАО Якутская ГРЭС-2	973	-	-
АО Сулакский Гидрокаскад	923	-	-
ОАО МГЭС Кабардино-Балкарии	780	-	-
ЗАО ЦСГТ в г. Советская Гавань	631	-	-
ОАО Загорская ГАЭС-2	452	-	6,446
АО Ленинградская ГАЭС	151	-	1,138
ОАО Renewable Energy Engineering Centre	9	8	697
ОАО Нижне-Бурейская ГЭС	-	-	1,863
ОАО ЕСК RusHydro	-	-	549
Other	949	63	1,697
Other related parties, including:	12	6	7
Loans issued to the Company's key management	12	6	7
Total interest-free loans issued to related parties	26,352	5,500	42,272
Total short-term interest-free loans issued to other counterparties	59	52	40
Total short-term interest-free loans issued	26,384	5,552	42,312

As of 31 December 2014, short-term interest-free loans issued include:

- loans to ОАО Hydroinvest in the amount of RUB 12,381 million, transferred from long-term loans, including for the financing ОАО RusHydro share purchase agreements maturing by 20 December 2015 in the amount of RUB 11,301 million, for working capital financing maturing by 20 December 2015 in the amount of RUB 1,068 million;
- loans to ООО EZOP in the amount of RUB 5,373 million payable on demand issued (among other purposes) for purchasing ordinary registered uncertificated shares of the Company's additional issue;
- loan to ОАО Уст-Среднеканская ГЭС in the amount of RUB 2,218 million payable on demand issued for the financing investment project "Уст-Среднеканская ГЭС".

In addition, short-term accounts receivable include receivables from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company:

Counterparty	31 December 2014	31 December 2013	31 December 2012
ОАО Нижне-Бурейская ГЭС	5,938	8,265	-
ОАО Загорская ГАЭС-2	4,767	46,071	-
ОАО Зарамские ГЭС	-	15,139	-
ОАО Hydroinvest	-	9,550	-
ОАО ЕСК RusHydro	-	8,969	-
АО Ленинградская ГАЭС	-	4,202	-
ОАО Уст-Среднеканская ГЭС	-	2,872	-
ЗАО Гидро-инженерия Сибирь	-	1,992	-
АО Сулакский Гидрокаскад	-	-	7,566
ОАО Южно-Якутский ГЭК	-	-	3,148
Other	1,100	1,470	-
Total accounts receivable from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company	11,805	98,530	10,714

Short-term accounts receivable includes the following types of tax receivables:

Item	31 December 2014	31 December 2013	31 December 2012
Income tax	1,530	2,082	2,212
Other taxes and levies	722	514	770
Total tax receivables	2,252	2,596	2,982

Overdue accounts receivable

Item	31 December 2014		31 December 2013		31 December 2012	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	8,527	600	6,455	362	5,104	846
Buyers and customers	6,522	120	4,931	220	4,211	655
Advances issued	490	459	137	115	206	183
Other debtors	1,515	21	1,387	27	687	8

3.2.3 Short-term investments (Line 1240 of the balance sheet)

The structure of the Company's short-term investments is represented by the following assets:

Type of investment	31 December 2014	31 December 2013	31 December 2012
Bank deposits	33,307	50,000	50,000
Loans issued	10,139	5,568	12,290
Promissory notes	-	40	711
Other investments	-	-	789
Total line 1240 "Investments" (excluding cash equivalents)	43,446	55,608	63,790

OAo RusHydro
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(in millions of Russian Roubles unless otherwise stated)

Short-term investments and their movements

Item	Period	Opening balance		Changes for the period*				Closing balance	
		Historical cost	Accumulated adjustment	Additions*	Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2013	63,964	(174)	234,449	(242,805)	174	-	55,608	-
	2014	55,608	-	178,552	(190,714)	-	-	43,446	-
Bank deposits	2013	50,000	-	222,711	(222,711)	-	-	50,000	-
	2014	50,000	-	168,473	(185,166)	-	-	33,307	-
Short-term loans issued	2013	12,464	(174)	11,648	(18,544)	174	-	5,568	-
	2014	5,568	-	10,079	(5,508)	-	-	10,139	-
Promissory notes	2013	711	-	90	(761)	-	-	40	-
	2014	40	-	-	(40)	-	-	-	-
Other investments	2013	789	-	-	(789)	-	-	-	-
	2014	-	-	-	-	-	-	-	-

* Movements of short-term investments received and disposed of (repaid) in the same reporting period are presented on a gross basis.

Exposure of short-term investments to financial risks is described in paragraph 3.16 of the Explanatory Notes.

(a) Bank deposits

As of 31 December 2014, bank deposits include a short-term deposit of RUB 32,884 million placed with OAO Sberbank of Russia maturing by 16 January 2015, 16 February 2015 and 3 March 2015 (as of 31 December 2013 – RUB 50,000 million maturing by 7 February 2014). The deposited cash was received by the Company as a result of additional issue (paragraph 3.3.1 of the Explanatory Notes).

(b) Short-term loans issued

Loan recipient's name	31 December 2014	31 December 2013	31 December 2012	Annual rate,%
Short-term loans issued to related parties, including:				
OAO ESK RusHydro	3,120	1,520	-	8.212%
OAO Far East Generating Company	2,000	1,000	-	MosPrime + 2.48% / MosPrime + 2.33%
OAO Hydroinvest	1,920	-	-	7.875%
ZAO Verkhne-Narynskie GES	1,484	530	-	LIBOR + 1.5%
OAO ChirkeiGESstroi	450	300	300	8.212% / 8.834%
OAO Nizhne-Bureyskaya GES	282	-	694	8.299%
OAO ESKO UES	260	275	-	8.212%
ZAO Malaya Dmitrovka	205	300	-	8.51%
OAO Far East Distribution Grid Company	-	1,430	-	
OAO Zagorskaya GAES-2	-	-	7,029	
OAO Ust-Srednekanskaya GES	-	-	1,747	
AO Leningradskaya GAES	-	-	1,321	
OAO MGES Kabardino-Balkarii	-	-	408	
OOO Verkhnebalkarskaya MGES	-	-	377	
Other	418	213	414	
Total short-term loans issued	10,139	5,568	12,290	

As of 31 December 2014, short-term loans issued include:

- OAO ESK RusHydro's loans in the total amount of RUB 3,120 million issued for acquisition of shares in the OOO «ESK Bashkortostan» and participation in equity of OAO «RusHydro Bashkortostan Efficiency» maturing by 31 December 2015;
- OAO Far East Generating Company's short-term part of long-term loan in the total amount of RUB 2,000 million issued for refinance liabilities maturing by 15 September 2021 (paragraph 3.1.2 of the Explanatory notes);
- OAO Hydroinvest loan in the total amount of RUB 1,920 million for financing the acquisition of shares in OAO Institute Hydroproject and OAO Krasnoyarskenergosbyt maturing by 20 October 2015;
- ZAO Verkhne-Narynskie GES's loan in the total amount of RUB 1,484 million issued for refinance construction works of Verkhne-Narynskiy cascade of GES.

As of 31 December 2014 loans to OAO Far East Distribution Grid Company were reclassified to short-term loans due to changes of the conditions of the agreements (paragraph 3.1.2 of the Explanatory Notes).

There are no indicators of a prolonged decline in the value of investments.

3.2.4 Cash and cash equivalents (line 1250 of the balance sheet)

Item	31 December 2014	31 December 2013	31 December 2012
Cash in bank	3,661	1,981	1,615

Item	31 December 2014	31 December 2013	31 December 2012
Cash equivalents	5,371	16,565	22,205
Total line 1250 "Cash and cash equivalents"	9,032	18,546	23,820

As of 31 December 2014, 2013 and 2012, there is no restricted cash.

As of 31 December 2014, 2013 and 2012, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2014 there were cash balances denominated in US dollars equivalent to RUB 25 million (31 December 2013: RUB 29 million; 31 December 2012: RUB 0 million). As of 31 December 2014 there were cash balances denominated in Euro equivalent to RUB 2,239 million (31 December 2013: RUB 0 million, 31 December 2012: RUB 26 million).

As of 31 December 2014, interest rates on Rouble deposits were 10.00% – 18.50% p.a. (31 December 2013: 5.29% – 7.40%, 31 December 2012: 5.44% – 7.95%).

The Company holds cash and cash equivalents in the following credit institutions:

Credit institution	Rating	Rating agency	31 December 2014	31 December 2013	31 December 2012
Bank deposits, including:					
OA O Sberbank of Russia	BBB	Fitch Ratings	2,615	5,437	9,905
ZAO UniCredit Bank	BBB	Fitch Ratings	2,223	4,500	-
OA O Gazprombank	BBB-	Fitch Ratings	533	1,578	2,200
OA O Nordea Bank			-	2,910	2,100
OA O VTB Bank			-	2,140	820
OA O Alfa-Bank			-	-	5,780
OA O TransCreditBank			-	-	1,400
Total cash equivalents			5,371	16,565	22,205
Cash in banks, including:					
OA O Gazprombank	BBB-	Fitch Ratings	2,910	21	472
OA O Sberbank of Russia	BBB	Fitch Ratings	663	1,931	326
ZAO Peresvet			-	-	600
Other			88	29	217
Total cash in bank			3,661	1,981	1,615

* Bank ratings as of 31.12.2014. Ratings at the issue date of the financial statements were lower.

Notes to the statement of cash flows

Cash flows required for the purposes of supporting the existing scope of the Company's operations are presented within current operations. Cash flows related to expansion of the Company's business are included in investing activities.

Cash flows spent on investments and received on repayment of cash equivalents (excluding accrued interest) are not included in the cash flow statement.

Cash flows spent on investments and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period, are recorded on a net basis in line 4219 "Other receipts" or line 4229 "Other payments" of the cash flow statement if they have such characteristics as quick return, large amount and short-term maturity.

Breakdown for lines "Other receipts" and "Other payments" of the statement of cash flows is presented below:

Item	2014	2013
Other receipts from operating activities (line 4119), including:		
Value added tax	1,406	2,504
Penalties, interest and fines recognised or for which court rulings on collection have been received	709	1,877
	54	117
Receipt of proceeds of insurance and compensation for losses	-	76

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Item	2014	2013
Other receipts from operating activities	643	434
Other payments related to operating activities (line 4129) , including:	(13,089)	(12,040)
Taxes and levies	(7,300)	(7,024)
Non-budget funds	(1,594)	(1,324)
Charity payments	(1,166)	(1,130)
Business trip expenses	(945)	(813)
Water usage expenses	(877)	(995)
Payment of corporate expenses	(587)	(265)
Other payments related to operating activities	(620)	(489)
Other payments related to investing activities (line 4219), including:	16,721	-
Cash placement on a short-term deposit other than cash equivalent	16,701	-
Other payments related to investing activities	20	-
Other payments related to financing activities (line 4329), including:	(257)	(474)
Settlement of finance lease obligations (payments under lease contracts)	(257)	(473)
Other payments related to financing activities	-	(1)

3.3 Equity and reserves (Section III of the balance sheet)

3.3.1 Share capital (line 1310 of the balance sheet)

As of 31 December 2014, 2013 and 2012, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2014	Number of shares at 31 December 2013	Number of shares at 31 December 2012
Ordinary shares with nominal value of RUB 1 per share	386,255,464,890	317,637,520,094	317,637,520,094

As of 31 December 2014, the following shareholders are registered in the register of shareholders:

Shareholder	Type of shareholder	Number of shares	Ownership share, %
Russian Federation represented by the Federal Agency for State Property Management	beneficial owner	258,161,535,606	66.84%
Non-Banking Credit Organisation ZAO National Settlement Depository	nominee holder	112,435,510,802	29.11%
ООО Depository and Corporate Technologies	nominee holder	8,370,726,663	2.17%
Other		7,287,691,819	1.88%
Total		386,255,464,890	100.00%

Additional issue in 2012-2014

The Company's extraordinary general meeting of shareholders held on 16 November 2012 (Minutes No. 9) made the decision to increase the Company's share capital by placing 110,000,000,000 additional ordinary registered shares with the nominal value of RUB 1 each through public offering with payment in cash and non-monetary assets. Non-monetary assets include ordinary registered shares of the following joint stock companies: OAO RAO Energy Systems of the East, OAO Ust-Srednekanskaya GES, OAO SEC, OAO Irkutskenergo, OAO Irkutsk Electric Grid Company.

The Company's Board of directors approved the decision on additional issue of the Company's securities on 22 November 2012 (Minutes No.166). The Company's Board of directors approved the placing price of the Company's additional shares – RUB 1 each – on 10 December 2012 (Minutes No.169).

On 3 December 2012, the Federal Service of Financial Markets (hereinafter FSFM of Russia) registered the additional issue of the Company's 110,000,000,000 ordinary registered shares No. 1-01-55038-E-041D.

26 November 2013 is the actual completion date of the placement. FSFM of Russia registered the Report based on the results of additional issue of shares on 26 December 2013. Changes in the Company's founding documents are registered on 28 January 2014.

68,617,944,796 shares were actually placed as a result of this issue, which represents 62.38% of the issue's total number of securities

As part of this issue Company had been received as payment:

- blocks of shares of energy sector companies (paragraph 3.1.2 of the Explanatory Notes);
- cash in the total amount of RUB 50,022, including cash from Russian Federation represented by the Federal Agency for State Property Management in the amount of RUB 50,000 million for funding construction of electricity assets in the Russian Far East (see paragraphs 3.1.2 and 3.2.3 of the Explanatory Notes).

As of 31 December 2014, 622 million shares of the total number of ordinary shares are owned by the Company's Management Board members (31 December 2013: 651 million shares, 31 December 2012: 593 million shares). Subsidiaries and associates own 21,787 million shares of the Company (31 December 2013: 8,704 million shares, 31 December 2012: 8,704 million shares).

3.3.2 Revaluation of non-current assets (line 1340 of the balance sheet)

As of 31 December 2014, the amount of accumulated revaluation of non-current assets is RUB 53,111 million (31 December 2013: RUB 53,325 million, 31 December 2012: RUB 53,578 million). This metric consists of the amounts of revaluation accumulated by subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

The amount of accumulated revaluation was decreased by RUB 214 million in 2014 due to disposal of items of property, plant and equipment revalued earlier (2013: RUB 253 million,).

3.3.3 Additional paid-in capital (line 1350 of the balance sheet)

As of 31 December 2014, 2013 and 2012, the Company's additional paid capital was RUB 58,424 million, RUB 58,424 million and RUB 58,424 million, respectively, and consisted of share premium of the Company and subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

3.3.4 Reserve capital (line 1360 of the balance sheet)

As of 31 December 2014, 2013 and 2012, the Company's reserve capital was RUB 8,240 million, RUB 6,474 million and RUB 5,739 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 27 June 2014 (Minutes No. 12), the Company allocated 5% of its net profit for 2013 in the amount of RUB 1 766 million to the reserve capital.

3.4 Non-current liabilities (Section IV of the balance sheet)

3.4.1 Long-term borrowings (line 1410 of the balance sheet)

Balance sheet line 1410 "Borrowings" includes long-term loans payable:

Lender / creditor	31 December 2014	31 December 2013	31 December 2012
OAO Sberbank of Russia	33,389	30,613	-
Russian bonds issued in February 2013	20,000	20,000	-

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Lender / creditor	31 December 2014	31 December 2013	31 December 2012
Russian bonds issued in April 2011	15,000	15,000	15,000
European Bank for Reconstruction and Development	11,030	9,155	10,984
Crédit Agricole Corporate and Investment Bank Deutschland	5,946	-	-
UniCredit Bank Austria AG	5,892	2,862	2,336
Bayerische Landesbank (BayernLB)	1,005	335	46
RusHydro Finance Ltd	-	20,000	20,000
EM Falcon Ltd	-	-	1,500
Total line 1410 "Borrowings"	92,262	97,965	49,866

In March 2014 the Company contracted a loan with Crédit Agricole Corporate and Investment Bank Deutschland in the total amount of Euro 190 million for 15 years for financing the modernisation of hydroturbines of Saratovskaya GES.

In April 2014 the Company received RUB 2,776 million under the agreement on non-revolving credit facility with OA O Sberbank of Russia to finance operational, financing and investing activities including refinancing of credits and loans.

In 2014 the Company also received RUB 3,530 million under the loan agreement with EBRD concluded in 2013 for 12 years to refinance current liabilities of OA O FEDGC, a member of RAO Energy Systems of the East Group and support upgrading the Company's distribution networks. June 2014 the loan agreement was amended: the amount of loan was divided into 3 tranches with different interest rates and maturity periods.

The key provisions of the contracts were as follows:

Lender / creditor	Agreement effective year	Redemption year	Amount in million units (in the currency of the loan)	Currency	Loan interest rate
Bayerische Landesbank	2012	2024 / 2025*	16	Euro	Euribor 6M + 0.85%
Crédit Agricole Corporate and Investment Bank Deutschland	2014	2029	190	Euro	Euribor 6M + 0.625%
RusHydro Finance Ltd	2010	2015	20,000	Russian Roubles	7.875%
UniCredit Bank Austria AG	2011	2026	128	Euro	3.35%**
EBRD (Tranche A)	2011	2025	4,000	Russian Roubles	MosPrime 3M+ 2.45%
EBRD (Tranche B)	2011	2021	3,500	Russian Roubles	MosPrime 3M+ 2.32%
EBRD (Tranche A1)	2013	2025	1,770	Russian Roubles	MosPrime 3M+ 2.45%
EBRD (Tranche A2)	2013	2025	870	Russian Roubles	-
EBRD (Tranche B)	2013	2021	1,760	Russian Roubles	MosPrime 3M+ 2.32%
Russian bonds issued in April 2011	2011	2016***	15,000	Russian Roubles	8.00%
Russian bonds issued in February 2013	2013	2018***	20,000	Russian Roubles	8.50%
OA O Sberbank of Russia	2011	2020	20,000	Russian Roubles	8.30% / 9.30%****
OA O Sberbank of Russia	2013	2018	10,613	Russian Roubles	7.99% / 8.99%****
OA O Sberbank of Russia	2014	2022	2,776	Russian Roubles	MosPrime 3M+ 2.10%

* The final redemption date depends on the redemption commencement date.

** Fixed interest rate is applied to 90% of the loan amount, variable quarterly interest rate published by OeKB (Oesterreichische Kontrollbank AG) less 0.25% is applied to the remaining 10% of the loan amount.

*** Bonds maturity is 10 years with the right of bond holders of early redemption in 5 years after the date of issue,

**** Variable quarterly interest rate determined due to agreement's conditions.

As of 31 December 2014, the total amount of long-term loans to be repaid within 12 months of the reporting date and reclassified to short-term category was RUB 20,053 million (31 December 2013: RUB 3,329 million.) (see paragraph 3.5.1 of the Explanatory Notes).

The credit facilities under the agreement with EBRD concluded in 2006 in the amount of RUB 2,984 million as of 31 December 2013 were prepaid in full in 2014.

Besides the credit limits from Bayerische Landesbank (BayernLB), UniCredit Bank Austria AG, Crédit Agricole Corporate and Investment Bank Deutschland and EBRD which are not used in full as of 31 December 2014, the Company didn't have open unused credit lines.

Ageing analysis:

Due for repayment	31 December 2014	31 December 2013	31 December 2012
From 1 to 2 years	15,483	21,676	3,329
From 2 to 3 years	1,272	16,693	21,663
From 3 to 4 years	31,885	1,529	16,663
From 4 to 5 years	1,272	32,142	1,447
Over five years	42,350	25,926	6,764
Total line 1410 "Borrowings"	92,262	97,965	49,866

Interest on borrowings included into the cost of investment assets

In 2014, the amount of interest on borrowings included into the cost of investment assets was RUB 2,639 million (2013: RUB 2,830 million, 2012: RUB 2,868 million), of which RUB 2,198 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2013: RUB 2,481 million, 2012: RUB 2,360 million).

3.4.2 Other non-current liabilities (line 1450 of the balance sheet)

Line 1450 "Other liabilities" includes long-term VAT on advances issued in the amount of RUB 1,746 million as of 31 December 2014 (31 December 2013: RUB 1,559 million, 31 December 2012: RUB 1,265 million) and trade payables in the amount of RUB 589 million as of 31 December 2014 (31 December 2013: RUB 469 million, 31 December 2012: RUB 685 million).

3.5 Current liabilities (Section V of the balance sheet)

3.5.1 Short-term borrowings (line 1510 of the Balance sheet)

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
Borrowings, including:	2013	43,575	3,329	(43,575)	3,329
	2014	3,329	22,708	(5,984)	20,053
RusHydro Finance Ltd	2013	-	-	-	-
	2014	-	20,000	-	20,000
European Bank for Reconstruction and Development (EBRD)	2013	829	1,829	(829)	1,829
	2014	1,829	2,655	(4,484)	-
EM Falcon Ltd	2013	923	1,500	(923)	1,500
	2014	1,500	-	(1,500)	-
OAO Sberbank of Russia	2013	40,000	-	(40,000)	-
	2014	-	-	-	-
CF Structured Products B.V.	2013	1,823	-	(1,823)	-
	2014	-	-	-	-
Other	2013	-	-	-	-
	2014	-	53	-	53
Interest on borrowings,	2013	1,331	8,706	(8,440)	1,597

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Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
including:	2014	1,597	8,853	(8,588)	1,862
Russian bonds issued in February 2013	2013	-	1,346	(847)	499
	2014	499	1,843	(1,695)	647
ОАО Sberbank of Russia	2013	586	3,170	(3,299)	457
	2014	457	2,740	(2,676)	521
RusHydro Finance Ltd	2013	280	1,575	(1,575)	280
	2014	280	1,575	(1,575)	280
Russian bonds issued in April 2011	2013	230	1,200	(1,197)	233
	2014	233	1,200	(1,196)	237
European Bank for Reconstruction and Development (EBRD)	2013	143	1,131	(1,164)	110
	2014	110	1,324	(1,260)	174
Other	2013	92	284	(358)	18
	2014	18	174	(186)	3
Total line 1510 "Borrowings"	2013	44,906	12,035	(52,015)	4,926
	2014	4,926	31,561	(14,572)	21,915

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts receivable were RUB 8,575 million, 77,468 million and 57,822 million as of 31 December 2014, 2013 and 2012, respectively.

OAo RusHydro
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Accounts payable and their movement

Item	Period	Opening balance	Changes for the period*					Closing balance
			Additions		Disposals		Reclassified from long-term to short-term and vice versa	
			As a result of economic transactions*	Receivable on interest, penalties and other accruals	Repayment*	Write-off to the financial result		
Accounts payable, including:	2013	57,822	307,588	-	(288,156)	(1)	215	77,468
	2014	77,468	207,652	1	(276,442)	(1)	(103)	8,575
Trade payables	2013	5,326	67,762	-	(68,132)	(1)	215	5,170
	2014	5,170	83,508	1	(83,280)	(1)	(103)	5,295
Wages payable	2013	717	7,063	-	(7,179)	-	-	601
	2014	601	7,924	-	(7,702)	-	-	823
Payable to state non-budget funds	2013	59	1,436	-	(1,408)	-	-	87
	2014	87	1,648	-	(1,616)	-	-	119
Taxes payable	2013	1,296	27,343	-	(26,069)	-	-	2,570
	2014	2,570	20,660	-	(21,307)	-	-	1,923
Payables to the participants (founders) related to income payment	2013	33	3,543	-	(3,529)	-	-	47
	2014	47	5,227	-	(5,209)	-	-	65
Payables in respect of shares issued before the changes to the Charter	2013	50,000	18,618	-	-	-	-	68,618
	2014	68,618	-	-	(68,618)	--	-	-
Other payables	2013	391	181,823	-	(181,839)	-	-	375
	2014	375	88,685	-	(88,710)	-	-	350

* Movements in accounts payable which arose and were settled in the same reporting period are presented on a gross basis.

The balance sheet line 1521 "Trade accounts payable" includes the following types of payables:

Type of payables	31 December 2014	31 December 2013	31 December 2012
Payables to capital construction contractors	1,447	1,640	2,259
Payables to suppliers of equipment and other non-current assets	2,073	1,753	1,520
Payables for purchase of electricity and capacity	856	759	634
Payables to suppliers of repair and maintenance services	276	329	233
Other	643	689	680
Total line 1521 "Trade accounts payable"	5,295	5,170	5,326

The balance sheet line 1524 "Taxes payable" includes current payables on the following taxes:

Tax	31 December 2014	31 December 2013	31 December 2012
Property tax payable	1,343	1,429	1,063
VAT payable	464	1,053	60
Income tax payable	-	-	69
Other taxes payable	116	88	104
Total line 1524 "Taxes payable"	1,923	2,570	1,296

As of 31 December 2013 the balance sheet line 1526 "Payables in respect of shares issued" includes payable to the acquirers of the Company's shares of additional issue in the amount of RUB 68,618 million (31 December 2012: RUB 50,000 million), including payables to the Federal Agency for Federal Property Management in the amount of RUB 66,006 million (31 December 2012: RUB 50,000 million) (see paragraph 3.3.1 of the Explanatory Notes).

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2014 the total estimated liabilities are RUB 1,405 million (31 December 2013: RUB 1,020 million, 31 December 2012: RUB 408 million).

The estimated liability for forthcoming payment of earned but unused employee vacations has a short-term nature.

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2013	408	2,365	(1,503)	(250)	1,020
	2014	1,020	1,546	(926)	(235)	1,405
for forthcoming payment of earned but unused employee vacations	2013	408	1,044	(713)	(250)	489
	2014	489	1,213	(913)	(235)	554
for litigation on property tax	2013	-	1,321	(790)	-	531
	2014	531	210	(13)	-	728
other	2013	-	-	-	-	-
	2014	-	123	-	-	123

3.6 Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2014, the total rented property, plant and equipment are RUB 34,097 million (31 December 2013: RUB 33,754 million, 31 December 2012: RUB 33,906 million).

In 2014, the Company did not receive any property, plant and equipment under lease contracts. In 2014, no lease items were recognised on the Company's balance sheet under concluded contracts.

The Company will make lease payments of RUB 37 million (including VAT) for property, plant and equipment received under lease contracts over the period until they expire, including payment of RUB 25 million in 2015. In 2014, the Company accrued RUB 706 million (excluding VAT) and paid

RUB 304 million in lease payments (RUB 1,097 million and RUB 559 million in 2013, respectively).

The Company rented and received items of property, plant and equipment under lease contracts from the following entities:

Lessor	31 December 2014	31 December 2013	31 December 2012
ОАО Зарамagskie GES	5,042	4,995	4,995
Ministry of Property Relations of Moscow region	4,956	4,531	2,808
Territorial Office of Federal Property Management Agency in the Irkutsk Region	3,675	2,154	2,154
ZAO Malaya Dmitrovka	3,349	3,349	3,637
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	2,549	2,549	2,549
Perm Department of Land and Property Relations	1,350	1,245	27
Department of Property and Land Relations of Kochubeevsky region	1,060	1,190	745
Territorial Office of Federal Property Management Agency (Republic of Udmurtia)	943	577	601
Novosibirsk Department of Land and Property Relations	779	779	779
Corporate Jet Management Limited	-	-	2,005
Other	4,446	4,091	5,097
Total rent of property, plant and equipment	28,149	25,460	25,397
ООО RB-Leasing	1,894	2,383	2,832
ООО Leasefinance	1,844	3,546	3,353
ООО IR-Leasing	1,792	1,815	1,815
ZAO Business Alliance	321	321	321
Other	97	229	188
Total lease of property, plant and equipment under lease contracts	5,948	8,294	8,509
Total rent and lease of property, plant and equipment	34,097	33,754	33,906

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2014	31 December 2013	31 December 2012
ООО EZOP	5,428	5,428	5,428
Voith Hydro GmbH & Co KG	4,840	3,213	2,098
ОАО Hydroinvest	3,919	3,919	3,919
ОАО Silovye Mashiny	3,018	2,345	2,300
Alstom Hydro France	1,106	1,038	1,068
ОАО Transport company RusHydro	491	-	-
ZAO A-security	398	153	13
ООО Alstom	273	273	602
ООО Energy Standard	27	582	1,216
ОАО Hydroelectromontazh	-	46	1,679
ОАО United Energy Construction Corporation	-	-	532
Other	3,622	2,998	2,524
Total collateral for liabilities and payments received	23,122	19,995	21,379

The Company received its own shares purchased by ООО EZOP and ОАО Hydroinvest as a pledge to secure loans issued for the purpose of acquisition of the Company's shares by ООО EZOP and ОАО Hydroinvest (see paragraph 3.2.2 of the Explanatory Notes).

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, ОАО Silovye Mashiny, Alstom Hydro France, ООО Energy Standard, ООО Alstom, ЗАО А-security and others the Company received bank guarantees for return, in full or in part, of the advances issued to these entities or due fulfilment of the contractual scope of work by these entities.

According to property sales contracts bearing interest for payment by instalments to be made by ОАО Transport company RusHydro, the sold property for RUB 491 million was pledged.

3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

Creditor	Debtor	31 December 2014	31 December 2013	31 December 2012
GC Vnesheconombank	ОАО Богучанская GES	49,133	46,632	40,973
ОАО ТЕК Мосэнерго	ЗАО Якутская GRES-2	15,000	-	-
ОАО Bank of Moscow	ОАО Far East Generating Company	7,042	7,001	6,208
ОАО VTB Bank	ОАО Far East Energy Company	4,921	-	-
GC Vnesheconombank	ЗАО Богучанский Aluminium Smelter	4,615	4,615	4,615
ОАО VTB Bank	ОАО Far East Generating Company	4,522	4,543	-
European Bank for Reconstruction and Development (EBRD)	ОАО RAO Energy Systems of the East	4,097	4,070	-
ОАО Sberbank of Russia	ОАО Камчатскэнерго	3,979	3,978	-
ЗАО ING BANK (EURASIA)	ЗАО Якутская GRES-2	3,156	-	-
European Investment Bank (EIB)	ОАО RAO Energy Systems of the East	2,326	111	-
EBRD	ЗАО International Energy Corporation	1,417	402	-
Asian Development Bank, ADB	ЗАО International Energy Corporation	1,415	227	-
ОАО Sberbank of Russia	ОАО Сахалинэнерго	651	651	-
ОАО Bank of Moscow	ОАО Сахалинэнерго	499	700	701
Solios Environnement S. A., ALSTOM Grid SAS (AREVA T&D S. A.), ЗАО Commerzbank (Eurasia)	ЗАО Богучанский Aluminium Smelter	134	82	929
Other	Other	1,197	658	1,164
Total collateral for liabilities and payments issued		104,104	73,670	54,590

In 2014 the Company issued guarantees:

- in terms of liabilities of ЗАО Якутская GRES-2 under the construction agreement with ОАО ТЕК Мосэнерго and the letter of credit agreement with ЗАО ING Bank (Eurasia). Maturity date – 31 December 2015 and 14 August 2015 respectively.
- In terms of liabilities of ОАО Far East Energy Company under the credit agreement with ОАО VTB Bank. The guarantee covers the amount of credit and interest accrued. Maturity date – 30 November 2015.

In 2014 the amount of the guarantee issued in 2013 for liabilities of ЗАО International Energy Corporation under the credit agreement significantly increased. The guarantee covers the amount of credit and interest accrued. Maturity date – 10 September 2027.

Guarantees issued by the Company for liabilities of ОАО Богучанская GES under its loan agreement with GC Vnesheconombank include:

- total liabilities of ОАО Boguchanskaya GES under the loan agreement, including accumulated interest in the amount of RUB 28,106 million as of 31 December 2014 (31 December 2013: RUB 25,605 million);
- pledge of ОАО Boguchanskaya GES's interest-free promissory notes for the total of RUB 21,027 million (see Note 3.2.2 of the Explanatory Notes) and pledge of shares for the total of RUB 14 thousand.

RUSAL Group undertakes to reimburse the Company for 50 per cent of liabilities settled under this guarantee by the Company for ОАО Boguchanskaya GES.

3.7 Income and expenses on operating activities (statement of financial results)

3.7.1 Revenue (line 2110 of the statement of financial results)

Revenue from sales of electricity and capacity has the largest percentage in the Company's revenue structure (98.8%).

Item	2014	2013
Sale of electricity	76,532	78,975
Sale of capacity	30,678	29,251
Sale of heat	144	141
Other	1,124	427
Total line 2110 "Revenue"	108,478	108,794

The Company sells a major part of its produced electricity and capacity (99.9%) on the wholesale electricity and capacity market, where sales are made at non-regulated prices (except for sales at regulated tariffs in the RF Far East non-pricing zone and volumes produced for selling to households or equivalent consumer categories).

3.7.2 Cost of sales (line 2120 of the statement of financial results)

Item	2014	2013
Purchased electricity and capacity	17,975	16,696
Depreciation and amortisation	13,038	11,853
Wages and social insurance contributions	10,635	8,357
Property tax	6,123	6,004
Repairs and maintenance	3,615	3,308
Fees for administering the wholesale market of electricity and capacity (ОАО СО УЭС, ОАО АРС, ЗАО СФР)	2,770	2,672
Third party services	2,624	1,863
Fire and other security services	1,660	1,434
Insurance expenses	1,185	1,328
Lease expenses	1,140	1,038
Water usage expenses, water tax	836	967
Lease of power equipment	706	1,097
Other expenses	3,157	2,256
Total line 2120 "Cost of sales"	65,464	58,873

Operating expenses include contributions to non-state pension fund ОАО NPF of Electrical Energy Industry. The Company's responsibility to provide the personnel with pension facilities is limited by the amount of financial resources paid in pension fund; this determines the type of pension plan for the Company's personnel as the defined benefit plan.

Operating expenses broken down by cost elements are as follows:

Item	2014	2013
Material expenses	22,605	21,166
Payroll expenses	8,911	6,915

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Social contributions	1,724	1,442
Depreciation and amortisation	13,038	11,853
Other costs	19,186	17,497
Total for elements of costs	65,464	58,873
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	65,464	58,873

3.8 Expenses on purchase and use of energy resources

Type of energy resource	Total costs							
	2014				2013			
	Purchase	Use			Purchase	Use		
		for production purposes*	for internal needs	losses		for production purposes*	for internal needs	losses
Electricity** and capacity, including:	3,361	2,512	785	64	2,862	2,005	791	66
Electricity	3,352	2,512	776	64	2,857	2,005	786	66
Capacity	9	-	9	-	5	-	5	-

* Electricity consumption in normal pump operation by Zagorskaya GAES (Zagorskaya GAES branch) and Kuban GAES (Cascade of Kuban GES branch).

** This category does not include expenses for electricity purchased to fulfil obligations under electricity sales contracts and to balance the system which were RUB 14,614 million in 2014 and RUB 13,834 million in 2013 (see paragraph 3.7.2 of the Explanatory Notes).

3.9 Other income and expenses (line 2340 and line 2350 of the statement of financial results)

Item	2014		2013	
	Income	Expenses	Income	Expenses
Gain and loss on sale of promissory notes	9,307	(9,307)	62,720	(62,720)
Doubtful debt provision	2,168	(3,844)	1,480	(3,049)
Selling foreign currency	1,850	(1,899)	-	-
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	1,443	(3,427)	136	(391)
Income and expenses from sales, write-off and other transactions with assets	1,017	(1,316)	445	(1,354)
Income and expenses from sale of right of demand	368	(368)	1 117	(893)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	12	(15)	1 663	(1 441)
Charity donations	-	(1,294)	-	(1,321)
Expenses for social events	-	(684)	-	(512)
Gains / (losses) from revaluation of investments measured at current market value	-	(574)	-	(3,119)
Provision for impairment of investments	-	(22)	174	(5)
Other income and expenses	1,356	(1,037)	2,078	(1,755)
Total line 2340 "Other income" and 2350 "Other expenses"	17,521	(23,777)	69,813	(76,560)

3.10 Taxes

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 31,915 million in the reporting year (2013: RUB 32,149 million), including:

- VAT calculated on sales of goods (work, services) is RUB 19,727 million (2013: RUB 19,639 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be delivered in the future is RUB 10,114 million (2013: RUB 10,797 million);
- recoverable amount of tax is RUB 2,074 million (2013: RUB 1,713 million).

Total VAT recoverable in the reporting period was RUB 25,214 million (2013: RUB 23,529 million), including:

- VAT recoverable invoiced to the taxpayer on acquisition of goods (work, services), property rights in Russia was RUB 12,040 million (2013: RUB 10,182 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be deducted from their delivery date was RUB 10,115 million (2013: RUB 10,797 million);
- VAT calculated on the amounts of payment or partial payment for goods (work, services) to be delivered in the future was RUB 1,940 million (2013: RUB 2,390 million);
- VAT recovered in 2014 which was paid earlier when the goods were imported to the Russian customs territory was RUB 1,106 million (2013: RUB 151 million);
- other recoverable VAT was RUB 13 million (2013: RUB 9 million).

The Company decreases the calculated VAT by the amount invoiced on purchase of goods (work, services) in Russia, according to tax legislation.

Corporate income tax

Income tax calculated on the basis of the accounting profit (theoretical income tax charge) for the reporting year was RUB 7,989 million (2013: RUB 9,342 million).

The Company applied tax rate of 20% in the calculation of income tax based on accounting profit received by the Company's branches (excluding profits received by branches Kamskysya GES and Votkinskaya GES that apply 15.5% rate).

According to the tax accounting data, the taxable profit for 2014 was RUB 34,525 million (2013: RUB 49,764 million).

In the reporting year, the amount of non-temporary differences which affected the theoretical income tax charge adjustment for the purposes of income tax calculated for tax accounting purposes (current income tax) was RUB 6,059 million (2013: RUB 12,492 million).

The above non-temporary differences arise from differences in recognising certain income and expenses for accounting and income tax purposes.

Non-temporary differences resulted in permanent tax assets amounted to RUB 5,186 million for 2014 (2013: 4,107 million), including:

- income from reversal of doubtful debt provision in the amount of RUB 2,080 million (2013: RUB 1,292 million);
- income from participation in other entities (dividends) in the amount of RUB 382 for 2014 (2013: RUB 408 million);
- other non-temporary differences in the amount of RUB 2,724 million (2013: RUB 2,317 million).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 11,245 million for 2014 (2013: 16,509 million), including:

- depreciation of RUB 3,885 million (2013: RUB 3,926 million);
- charges to doubtful debt provision in the amount of RUB 1,206 million (2013: RUB 2,260 million);
- charity donations in the amount of RUB 1,294 million (2013: RUB 1,321 million);

- decrease in investments measured at current market value in the amount of RUB 574 million (2013: RUB 3,119 million);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 413 million (2013: RUB 826 million);
- financial support and other social payments to employees in the amount of RUB 297 million (2013: RUB 292 million);
- other non-temporary differences in the amount of RUB 3,576 million (2013: RUB 4,765 million).

The total amount of deductible temporary differences, which affected the adjustment of the theoretical income tax charge for the purpose of the current income tax calculated for tax accounting purposes, was RUB 418 million (2013: RUB 49 million), including those originated – RUB 999 million (2013: RUB 1,258 million) and settled – RUB 581 million (2013: RUB 1,209 million).

Total amount of taxable temporary differences that affected the theoretical income tax expense adjustment for the purpose of the income tax calculation for tax accounting purposes, was RUB 12,274 million (2013: RUB 10,092 million), including those originated – RUB 17,979 million (2013: RUB 16,552 million) and settled – RUB 5,705 million (2013: RUB 6,460 million).

In 2014, movement in deductible and taxable temporary differences was mainly due to:

- different useful lives of property, plant and equipment for accounting and income tax purposes;
- recognition of depreciation premium on items of property, plant and equipment for income tax purposes;
- application of multiplying factor for accrual of depreciation charges on property, plant and equipment used in operations in a hostile environment with a high turnover for tax accounting purposes in prior periods;
- capitalisation of interest on borrowings in the cost of investment assets for accounting purposes;
- including the costs of insurance in the value of investment assets in the accounting records of the Company.

Deferred tax assets and deferred tax liabilities were:

Item	31 December 2014	31 December 2013	31 December 2012
Deferred income tax assets	(2,343)	(2,260)	(2,318)
Deferred tax liabilities	12,015	9,444	7,570
Total line 1420 "Deferred tax liabilities"	9,672	7,184	5,252

Other taxes and levies

In 2014, operating expenses include other taxes and levies in the amount of RUB 7,872 million (2013: RUB 7,478 million), including:

- property tax in the amount of RUB 6,123 million (2013: RUB 6,004 million), including accrual provision for estimated liabilities for property tax;
- insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation and obligatory medical insurance funds in the amount of RUB 1,724 million (2013: RUB 1,442 million), including contributions related to estimated liabilities on future payment of employee vacations earned but not used;
- other taxes and levies in the amount of RUB 25 million (2013: RUB 32 million).

Relations with tax authorities

In 2013, tax authorities performed a field tax audit covering 2009-2011 which resulted in additionally assessed taxes of RUB 394 million. As of 31 December 2014, these tax claims are challenged in court.

Russian tax legislation active or effective as of the end of the reporting period allows varying interpretation of the separate facts of the Company's economic life. As a consequence, the position of the Company's management in terms of taxes and documents substantiates this position may be challenged by tax authorities. The tax control in Russian Federation gets stringent resulting in increase of tax inspections risk. These inspections may cover 3 calendar years preceding the year when the decision about inspection was made. In some cases the earlier periods may be examined.

As of 31 December 2014, the Company's management believe that their interpretation of the relevant legislation was appropriate, tax liabilities are recorded in full and the Company's tax and currency positions will be sustained.

3.11 Dividends

The Company's annual general meeting of shareholders held on 27 June 2014 (Minutes No. 12) made the decision to pay dividends on the Company's ordinary shares for 2013 in the amount of RUB 0.01358751 per 1 share for the total of RUB 5,248 million.

The Company's annual general meeting of shareholders held on 28 June 2013 (Minutes No. 11) made the decision to pay dividends on the Company's ordinary shares for 2012 in the amount of RUB 0.00955606 per 1 share for the total of RUB 3,676 million.

3.12 Earnings per share

Basic earnings per share reflect a portion of reporting period's profit that may be potentially distributed between the shareholders – owners of ordinary shares. It is calculated by dividing basic profit of the reporting year by the weighted average number of ordinary shares outstanding during the year. Basic profit is equal to net profit of the reporting year (Line 2400 of the statement of financial results).

Item	2014	2013
Basic profit for the reporting year (RUB million)	30,729	35,321
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	386,255,464,890	381,935,404,392
Basic earnings per share (RUB)	0,07956	0,09248

Weighted average number of ordinary shares, outstanding during the reporting year was calculated as follows:

Item	2014
Number of ordinary shares outstanding as of 1 January 2014 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 1 December 2014 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2014 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2014 (shares) (386,255,464,890 * 12 months) / 12 months	386,255,464,890
Item	2013
Number of ordinary shares outstanding as of 1 January 2013 (shares)	367,637,520,094
Number of shares of additional issue registered on 3 December 2012 which were placed in 2013 and paid by shareholders (see paragraph 3.3.1 of the Explanatory Notes) (shares)	18,617,944,796
Number of ordinary shares outstanding as of 1 December 2013 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2013 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2013 (shares) (367,637,520,094 shares * 2 months + 384,632,705,292 shares * 9 months + 386,255,464,890 * 1 month) / 12 months	381,935,404,392

In 2014 and 2013, the Company had no debt securities potentially convertible to shares.

3.13 Related Parties

The Company's related parties are its subsidiaries and associates and other entities where the Company has indirect control or significant influence through its subsidiaries and associates.

The list of the Company's related parties is given on the web-site – www.rushydro.ru/investors/disclosure/affiliated

3.13.1 Controlling entity

As of 31 December 2014 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 66.84% of the Company's ordinary shares (see paragraph 3.3.1 of the Explanatory Notes).

3.13.2 Sales to related parties

Total revenue from sales to related parties was:

Name of the buyer	2014	2013
Revenue from sales to subsidiaries, including:		
ОАО Far East Energy Company	5,530	5,436
ОАО Chuvashskaya Energy Sales Company	1,081	1,386
ОАО Krasnoyarskenergosbyt	864	931
ОАО Ryazanskaya Energy Sales Company	688	650
ОАО Transport company RusHydro	434	-
ООО ESK Bashkortostana	378	412
Other subsidiaries	311	262
Revenue from sales to related parties, including:		
PAO Krasnoyarskaya GES*	475	1,077
Total sales to related parties	9,761	10,154

*PAO Krasnoyarskaya GES was the related party until 15 July 2014

Sales to related parties include, among others, sales of electricity and capacity in the regulated sector of WEM at tariffs determined by the Federal Tariff Service and in the competitive sector at commercial prices established in accordance with the Wholesale Market Rules and Regulation of the Russian Government No. 109 of 26 February 2004, On Pricing of Electric and Heating Energy in the Russian Federation, and Regulation on the Company's sales policy for operating generation assets in the price zones of the wholesale electricity (capacity) market (minutes of the meeting of the Management Board No. 528 of 17 September 2010).

3.13.3 Purchases from related parties

The cost of services provided by related parties was:

Supplier	2014	2013
Repair and technical maintenance services, including:		
Subsidiaries		
ОАО Hydroremont-BKK	3,041	2,087
ОАО Service properties RusHydro	121	118
ОАО Turboremont-BKK	-	414
ОАО SShGER	-	191
ОАО Electroremont-BKK	-	125
Other	41	60
Total repair and maintenance services	3,203	2,995
Rent of premises, territories and other property, including:		
Subsidiaries		
ЗАО Malaya Dmitrovka	571	606
ОАО Zaramagskie GES	260	161
Other	9	11
Total rent of premises, territories and other property	840	778

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Supplier	2014	2013
Transport service, including:		
Subsidiaries		
ОАО Transport company RusHydro	813	149
Other	2	7
Total transport services	815	156
Electricity purchases	4	4
Other services of third parties	778	684
Total purchases from related parties	5,640	4,617

3.13.4 Settlements with non-state pension fund

Non-state Pension Fund of Electrical Energy Industry is the non-state pension fund for implementation of the non-governmental pension security program for the Company's employees. The total amount of contributions to the pension fund was RUB 252 million and RUB 443 million for 2014 and 2013, respectively.

3.13.5 Settlements with related parties

As of 31 December 2014, 2013 and 2012, accounts receivable from related parties to the Company less doubtful debt provision were (see paragraph 3.2.2 of the Explanatory Notes):

Type of accounts receivable	31 December 2014	31 December 2013	31 December 2012
Short-term interest-free promissory notes received	18,846	22,453	72,350
Short-term interest-free loans issued	26,325	5,500	42,272
Long-term interest-free promissory notes received	25,689	25,689	25,689
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	11,805	98,530	10,714
Long-term interest-free loans issued	1,183	16,548	9,030
Accounts receivable related to other sales	1,458	1,090	774
Other settlements with related parties	8,491	7,054	6,290
Total accounts receivable from related parties	93,797	176,864	167,119

Terms and conditions of settlements with related parties provide for the Company to make advance payments on transactions with individual related parties. As of 31 December 2014 balances include advances issued for the amount of RUB 5,116 million (31 December 2013: RUB 6,257 million, 31 December 2012: RUB 4,420 million).

Doubtful debt provision for related parties' accounts receivables as of 31 December 2014 was RUB 48 million (31 December 2013: RUB 364 million; 31 December 2012: RUB 379 million).

As of 31 December 2014, 2013 and 2012, the Company's accounts payable to the related parties were:

	31 December 2014	31 December 2013	31 December 2012
Subsidiaries	914	1,404	1,095
Associates	30	24	-
Total accounts payable to related parties	944	1,428	1,095

The whole amount accounts payable to related parties is payable in cash.

3.13.6 Related parties' debt within investments

As of 31 December 2014, 2013 and 2012, The Company's investments include the following amounts due from related parties (see paragraphs 3.1.2 and 3.2.3 of the Explanatory Notes):

Type of financial investments	31 December 2014	31 December 2013	31 December 2012
Loans issued to related parties	44,178	38,586	31,050

TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Type of financial investments	31 December 2014	31 December 2013	31 December 2012
Other investments	-	40	1,500
Total related parties' debt within investments	44,178	38,626	32,550
Total debt within long-term investments (Line 1170 of the Balance sheet)	34,039	33,018	18,760
Total debt within short-term investments (Line 1240 of the Balance sheet)	10,139	5,608	13,790

Interest income on loans issued to related parties and promissory notes received from related parties:

Entity	2014	2013
Subsidiaries, including:	3,792	2,518
ОАО Far East Generating Company	1,264	840
ОАО Far East Distribution Grid Company	610	35
ОАО Zagorskaya GAES-2	577	513
ОАО Sakhaenergo	278	21
ОАО ESK RusHydro	258	263
ОАО Hydroinvest	164	166
ЗАО Malaya Dmitrovka	28	116
Other	613	564
Total interest income	3,792	2,518

3.13.7 Income from investments in other companies (related parties)

Income from investments in other companies includes income from investments in subsidiaries in the amount of RUB 380 million for 2014 (2013: RUB 381 million).

3.13.8 Remuneration to key management personnel

The Company's key management personnel includes members of the Board of directors and Management Board and also includes heads of the Company's business divisions.

The remuneration to the members of the Board of directors is calculated according to the *Regulations on the payment of remuneration to ОАО RusHydro's directors* approved by the Annual General Meeting of Shareholders held on 30 June 2010 (Minutes No. 5).

Remuneration is paid to members of the Management Board and other management personnel of the Company for their services in management positions and is made up of a contractual salary and performance bonuses depending on the results for the period calculated based on key performance indicators approved by the Company's Board of directors.

The list of members of the Company's Board of directors and Management Board is included in paragraph 1.1 of the Explanatory Notes).

In 2014 and 2013, the Company paid remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,644 million and RUB 1,110 million, respectively. The insurance contributions amounted to RUB 179 million for 2014 (2013: 127 million).

3.13.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2014	2013
Cash flows from operating activities			
Receipts, including:	4110	7,655	7,556
sales of products, goods, work and services	4111	7,522	7,439
lease payments, licence payments, royalties, commission and other payments	4112	97	107
other receipts	4119	36	10

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Item	Line code	2014	2013
Payments, including:	4120	(5,859)	(4,542)
suppliers (contractors) – raw materials, work and services	4121	(5,674)	(4,445)
other payments	4129	(185)	(97)
Net cash flows from operating activities	4100	1,796	3,014
Cash flows from investing activities			
Receipts, including:	4210	9,277	49,826
sale of non-current assets (except for investments)	4211	64	17
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	6,833	45,768
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	2,360	4,041
other receipts	4219	20	-
Payments, including:	4220	(53,368)	(82,134)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(8,001)	(6,807)
purchase of shares (interest) in other entities	4222	(29,650)	(54,928)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(15,717)	(20,399)
Net cash flows from investing activities	4200	(44,091)	(32,308)
Cash flows from financing activities			
Payments, including:	4320	-	(77)
dividend payments or other distribution of profit to owners (participants)	4322	-	(77)
Net cash flows from financing activities	4300	-	(77)
Net cash flows for the reporting period	4400	(42,295)	(29,371)

3.14 Segment Information

The Company does not identify any reporting segments in its operations, as the Company's core business activity is production of electricity and capacity – their share in the revenue from sales is 98.8%. The individuals credentialed to make the decisions concerning allocation of the resources within the Company and assess the results of its performance analyse the Company's activity as a whole segment.

3.15 Contingent liabilities

As of 31 December 2014, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 104,104 million (31 December 2013: RUB 73,670 million, 31 December 2012: RUB 54,590 million) (see paragraph 3.6.3 of the Explanatory Notes). According to the Company's management expectations, no material liabilities will arise in connection with these guarantees.

Moreover, the prosecutor's office and other oversight bodies examined operations of the Company, and this also may result in additional claims filed against the Company and its employees.

The Russian transfer pricing legislation is aligned with the international principles developed by the Organisation for Economic Cooperation and Development (OECD). The legislation allows tax authorities to assess additional taxes for controlled transactions (transactions between related parties and some transactions between unrelated parties) if such transactions are not on an arm's length basis. The Company's management has implemented internal control procedures to ensure compliance with transfer pricing law.

Tax liabilities arising as a result of operations between the Company and its subsidiaries are determined based on the actual transaction price. There is a probability that the prices may be disputed as practice for application of the transfer rules changes. The effect of such course of events cannot be estimated reliably but may have a material effect on the Company's financial results and/or operations.

3.16 Financial risk management

The primary objectives of the financial risk management function are to provide reasonable assurance of achieving the Company's goals by developing a methodology of risk identification, analysis and assessment, as well as to establish risk limits, and then ensure that exposure to risks stays within these limits and if the limits are exceeded – to treat this risk accordingly.

Market risks

The Company is subject to market risks that arise from open positions in foreign currencies, interest bearing assets and liabilities, all of which are exposed to general and specific market movements. The Company establishes acceptable risk limits and monitors them on a daily basis. However, this approach may not prevent losses incurred due to overlimits caused by significant market fluctuations.

There was the significant rise in the exchange rate and depreciation of the Russian rouble in the latter half of the year 2014 but the Company's financial position, its liquidity, sources of financing and performance largely are not impacted by currency exchange rates and interest rates.

Currency risk. The Company sells its produced electricity and capacity in the Russian domestic market at prices denominated in national currency, settlements with resources suppliers, charge and acceptance of payments from the customers are made specifically in Russian roubles. Liabilities of the Company are denominated in national currency; share of liabilities denominated in foreign currency is amounted to less than 15%. As a result effect of changes in currency exchange rates on the Company's financial position and activities is estimated as insignificant. The Company's operations are planned and carried out in such a way that all its assets and liabilities are denominated in the national currency.

Information on the Company's exposure to currency risk is presented in line with its use for the preparation of RusHydro Group's IFRS financial statements as defined in IFRS 7:

	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
31 December 2014			
US Dollars	1,700	-	1,700
Euro	2,321	(13,446)	(11,125)
Total	4,021	(13,446)	(9,425)
31 December 2013			
US Dollars	779	-	799
Euro	54	(3,280)	(3,226)
Total	833	(3,280)	(2,477)
31 December 2012			
US Dollars	266	(1,894)	(1,628)
Euro	26	(2,400)	(2,374)
Total	292	(4,294)	(4,002)

The above analysis includes only monetary assets and liabilities. Investments in shares and non-monetary assets are not considered to give rise to significant currency risk.

Changes in exchange rates have no significant influence on the Company's financial position.

Interest rate risk. The Company's operating profits and cash flows from operating activity are substantially independent of the changes in market interest rates.

The effect of changes in the average market interest rates on the value of the Company's investments is insignificant as the rates of return on the Company's investments are fixed.

The fixed and floating interest rate loans received by the Company (see paragraph 3.4.1 of the Explanatory Notes) expose it to interest rate risks.

The Company also receives loans with floating interest rates based on MOSPRIME, Euribor, OeKB rates. The influence of changes in these rates on the Company's profit is insignificant.

The Company monitors interest rate risk for its financial instruments. Effective interest rates as of

the end of the period are presented in paragraph 3.4.1 of the Explanatory Notes.

To mitigate the interest rate risk, the Company takes the following measures:

- monitors the credit market to identify favourable terms of financing;
- diversifies credit portfolio by raising fixed and floating rate loans.

Price risk. The price risk determines the possible changes / fluctuations in the fair value or future cash flows due to changes in market prices (excluding changes leading to interest rate or currency risk).

The table below includes the Company's investments exposed to the price risk.

Category of investments	31 December 2014	31 December 2013	31 December 2012
Equity investments for which current market value can be determined, including:	1,505	2,079	5,128
ОАО Inter RAO	1,445	2,027	5,077
ОАО Irkutskenergo	25	33	11
PAO Krasnoyarskaya GES	35	19	40
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	20,204	20,204	17,239
Equity investments for which current market value cannot be determined	208,604	87,758	52,533
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	230,313	110,041	74,900

Current market value of quoted securities is determined by market prices established on the stock exchange ОАО MICEX-RTS (www.rts.micex.ru), according to the 'Procedure for determining market value of securities, estimated price of securities and the threshold for the fluctuations of securities' market price for the purpose of Chapter 23 of the Russian Tax Code approved by Order of the Federal Service for Financial Markets No. 10-65/pz-n of 9 November 2010.

Credit risk

Credit risk is the possibility of the Company's losses resulting from the counterparty's inability to meet its obligations under the contract. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Although collectability of receivables can be influenced by economic factors, management believe that there is no significant risk of loss to the Company beyond the provision for impairment of receivables already recorded.

Due to the absence of an independent assessment of customers' creditworthiness, the Company performs such an assessment at the contracting stage taking into account the customer's financial position and credit history, using internal rating. The Company regularly monitors existing receivables and undertakes actions to collect them and minimize losses.

Cash has been placed in financial institutions, which are considered at the time of deposit to have minimal risk of default. The Company approves deposit banks as well as rules for making cash deposits. The Company performs regular review of financial institutions, monitors their ratings assigned by independent agencies as well as other performance indicators of these financial institutions.

Summary information on cash deposits and their equivalents including names of banks and other financial institutions and their ratings as of the end of the reporting period is provided in paragraph 3.2.4 of the Explanatory Notes.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Efficient liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of additional funding through an adequate amount of committed credit facilities. The Group follows the balanced model of working capital financing when both long-term and short-term sources of finance are used. The Company places available cash to short-term financial instruments, mainly, bank deposits and short-term bank promissory notes. Short-term liabilities are represented mainly by trade accounts payable.

The Company has implemented controls over the contracting process by using standard financial procedures that include standard payment structure, standard payment time, standard correlation between the advance and final settlement amounts, etc. This way the Company controls the maturity structure of capital.

The ageing analysis for long term borrowings is presented in paragraph 3.4.1 of the Explanatory Notes.

3.17 Subsequent events

There are no significant events which have affected or could affect the Company's financial position, cash flows or its performance in the period between the reporting date and the date of signing the financial statements for 2014.

Chairman of Management Board - General Director of ОАО RusHydro

E. V. Dod

Chief Accountant of ОАО RusHydro

D. V. Finkel

5 March 2015

2014 IFRS Statements and the Auditor's Report

RUSHYDRO GROUP

**Consolidated Financial Statements
prepared in accordance with IFRS
with independent auditor's report**

As at and for the year ended 31 December 2014

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Independent Auditor's Report

To the Shareholders and Board of Directors of Open Joint Stock Company Federal Hydro-Generating Company – RusHydro (OJSC RusHydro)

We have audited the accompanying consolidated financial statements of OJSC RusHydro and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.



Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

25 March 2015

Moscow, Russian Federation


T.V. Sirotinskaya, Director (licence no. 01-000527),
ZAO PricewaterhouseCoopers Audit

Audited entity: OJSC RusHydro

Certificate of inclusion in the Unified State Register of Legal Entities
№ 1042401810494 issued on 26 December 2004

43 Dubrovinskogo Str., bldg. 1, Krasnoyarsk, Krasnoyarsk Territory,
Russian Federation, 660017

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow
Registration Bureau on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities
№ 1027700148431 issued on 22 August 2002

Certificate of membership in self regulated organisation non-profit
partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683
in the register of auditors and audit organizations

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

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	7	686,190	633,846
Investments in associates and joint ventures	8	14,032	30,301
Available-for-sale financial assets	9	4,132	5,794
Deferred income tax assets	16	5,355	4,066
Other non-current assets	10	25,021	24,976
Total non-current assets		734,730	698,983
Current assets			
Cash and cash equivalents	11	34,394	34,472
Income tax receivable		1,965	2,679
Accounts receivable and prepayments	12	48,012	45,385
Inventories	13	22,133	21,449
Other current assets	14	41,872	53,144
		148,376	157,129
Non-current assets and assets of disposal group classified as held for sale		664	-
Total current assets		149,040	157,129
TOTAL ASSETS		883,770	856,112
EQUITY AND LIABILITIES			
Equity			
Share capital	15	386,255	386,255
Treasury shares	15	(26,092)	(10,662)
Share premium		39,202	39,202
Retained earnings and other reserves		179,556	164,735
Equity attributable to the shareholders of OJSC RusHydro		578,921	579,530
Non-controlling interest		16,230	17,177
TOTAL EQUITY		595,151	596,707
Non-current liabilities			
Deferred income tax liabilities	16	35,891	35,066
Non-current debt	18	119,187	131,890
Other non-current liabilities	19	11,195	12,030
Total non-current liabilities		166,273	178,986
Current liabilities			
Current debt and current portion of non-current debt	18	57,843	19,887
Accounts payable and accruals	20	51,558	49,473
Current income tax payable		536	115
Other taxes payable	21	11,913	10,944
		121,850	80,419
Liabilities of disposal group classified as held for sale		496	-
Total current liabilities		122,346	80,419
TOTAL LIABILITIES		288,619	259,405
TOTAL EQUITY AND LIABILITIES		883,770	856,112

Chairman of Management Board – General Director

E. V. Dod

Chief Accountant

D. V. Finkel

25 March 2015



RusHydro Group
Consolidated Income Statement
(in millions of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Revenue	22	329,560	313,632
Government grants	23	12,428	13,246
Operating expenses (excluding impairment losses)	24	(290,838)	(265,763)
Operating profit excluding impairment losses		51,150	61,115
Impairment of property, plant and equipment	7	(8,884)	(18,995)
Impairment of accounts receivable, net		(6,603)	(4,895)
Impairment of available-for-sale financial assets	9	(1,781)	(7,944)
Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale	2	-	(4,804)
Impairment of long-term promissory notes	10	-	(1,633)
Operating profit		33,882	22,844
Finance income	25	9,319	9,328
Finance costs	25	(10,668)	(9,542)
(Loss) / profit in respect of associates and joint ventures	8	(342)	2,555
Profit before income tax		32,191	25,185
Total income tax expense	16	(8,060)	(4,192)
Profit for the year		24,131	20,993
Attributable to:			
Shareholders of OJSC RusHydro		25,606	19,767
Non-controlling interest		(1,475)	1,226
Earnings per ordinary share for profit attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	26	0.0689	0.0638
Weighted average number of shares outstanding – basic and diluted (thousands of shares)	26	371,494,140	309,873,684

The accompanying notes are an integral part of these Consolidated Financial Statements

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

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Profit for the year		24,131	20,993
Other comprehensive income / (loss), net of tax:			
<i>Items that will not be reclassified to profit or loss</i>			
Impairment of revalued property, plant and equipment	7	(6,178)	(19,637)
Remeasurement of pension benefit obligations	17	1,392	101
Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale	2	-	(646)
Total items that will not be reclassified to profit or loss		(4,786)	(20,182)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss arising on impaired available-for-sale financial assets	9	(121)	(289)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement	9	163	350
Loss arising on available-for-sale financial assets	9	-	(647)
Other comprehensive loss		(332)	(51)
Total items that may be reclassified subsequently to profit or loss		(290)	(637)
Other comprehensive loss for the year		(5,076)	(20,819)
Total comprehensive income for the year		19,055	174
Attributable to:			
Shareholders of OJSC RusHydro		20,004	(785)
Non-controlling interest		(949)	959

The accompanying notes are an integral part of these Consolidated Financial Statements

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

	Note	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		32,191	25,185
Depreciation of property, plant and equipment and intangible assets	7, 24	21,340	18,218
Loss on disposal of property, plant and equipment, net	24	1,288	1,447
Loss / (profit) in respect of associates and joint ventures	8	342	(2,555)
Gain on disposal of subsidiaries and associates	24	(28)	(517)
Finance income	25	(9,319)	(9,328)
Finance costs	25	10,668	9,542
Impairment of property, plant and equipment	7	8,884	18,995
Impairment of available-for-sale financial assets	9	1,781	7,944
Impairment of accounts receivable, net		6,603	4,895
Curtailment in pension payment and pension plan	17, 24	(501)	(1,609)
Pension expenses		368	568
Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale		-	4,804
Impairment of long-term promissory notes	10	-	1,633
Other loss / (income)		250	(55)
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		73,867	79,167
Working capital changes:			
Increase in accounts receivable and prepayments		(8,085)	(4,312)
Increase in inventories		(864)	(2,326)
Decrease in accounts payable and accruals		(413)	(1,034)
Increase in other taxes payable		130	2,751
Increase in other non-current assets		(427)	(277)
Increase / (decrease) in other non-current liabilities		34	(1,119)
Income tax paid		(6,316)	(10,422)
Net cash generated by operating activities		57,926	62,428
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(78,577)	(61,641)
Proceeds from sale of property, plant and equipment		116	356
Investment in bank deposits and purchase of other investments		(156,320)	(110,567)
Redemption of bank deposits and proceeds from sale of other investments		167,639	111,763
Purchase of subsidiaries from third parties, net of cash acquired		(86)	-
Contribution to share capital of associates and joint ventures		(70)	(533)
Interest received		6,865	7,554
Proceeds from sale of associates		-	1,913
Net cash used in investing activities		(60,433)	(51,155)

The accompanying notes are an integral part of these Consolidated Financial Statements

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

	Note	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt	18	85,600	87,352
Proceeds from non-current debt	18	28,176	67,554
Repayment of debt	18	(92,870)	(153,114)
Interest paid		(13,708)	(13,580)
Dividends paid to the shareholders of OJSC RusHydro		(5,127)	(3,586)
Dividends paid by subsidiaries to non-controlling interest holders		(80)	(160)
Finance lease payments		(900)	(1,194)
Proceeds from share issue	15	-	22
Net cash generated / (used in) by financing activities		1,091	(16,706)
Foreign exchange gain on cash balances		1,338	48
Decrease in cash and cash equivalents		(78)	(5,385)
Cash and cash equivalents at the beginning of the year		34,472	39,857
Cash and cash equivalents at the end of the year	11	34,394	34,472

RusHydro Group
Consolidated Statement of Changes in Equity
(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve	Available-for-sale financial assets	Remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2013		317,637	(10,662)	39,202	(127,216)	17	218,757	514	920	75,917	515,086	25,319	540,405
Profit for the year		-	-	-	-	-	-	-	-	19,767	19,767	1,226	20,993
Loss arising on available-for-sale financial assets	9	-	-	-	-	-	-	(587)	-	-	(587)	(60)	(647)
Loss arising on impaired available-for-sale financial assets	9	-	-	-	-	-	-	(289)	-	-	(289)	-	(289)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement	9	-	-	-	-	-	-	350	-	-	350	-	350
Remeasurement of pension benefit obligations	17	-	-	-	-	-	-	-	(45)	-	(45)	146	101
Impairment of revalued property, plant and equipment	7	-	-	-	-	-	(19,593)	-	-	-	(19,593)	(44)	(19,637)
Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale	2	-	-	-	-	-	(337)	-	-	-	(337)	(309)	(646)
Other comprehensive loss		-	-	-	-	(20)	-	-	-	(31)	(51)	-	(51)
Total comprehensive income		-	-	-	-	(20)	(19,930)	(526)	(45)	19,736	(785)	959	174
Share issue	15	68,618	-	-	-	-	-	-	-	-	68,618	-	68,618
Transactions with the Government and companies under common control	15	-	-	-	(7,859)	-	-	-	-	6,252	(1,607)	(6,270)	(7,877)
Effect of changes in non-controlling interest	15	-	-	-	-	-	-	-	-	1,812	1,812	(2,671)	(859)
Dividends	15	-	-	-	-	-	-	-	-	(3,594)	(3,594)	(160)	(3,754)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(812)	-	-	812	-	-	-
As at 31 December 2013		386,255	(10,662)	39,202	(135,075)	(3)	198,015	(12)	875	100,935	579,530	17,177	596,707

The accompanying notes are an integral part of these Consolidated Financial Statements

RusHydro Group
Consolidated Statement of Changes in Equity

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve	Available-for-sale financial assets	Remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2014		386,255	(10,662)	39,202	(135,075)	(3)	198,015	(12)	875	100,935	579,530	17,177	596,707
Profit for the year		-	-	-	-	-	-	-	-	25,606	25,606	(1,475)	24,131
Loss arising on impaired available-for-sale financial assets	9	-	-	-	-	-	-	(121)	-	-	(121)	-	(121)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement	9	-	-	-	-	-	-	163	-	-	163	-	163
Remeasurement of pension benefit obligations	17	-	-	-	-	-	-	-	846	-	846	546	1,392
Impairment of revalued property, plant and equipment	7	-	-	-	-	-	(6,130)	-	-	-	(6,130)	(48)	(6,178)
Other comprehensive loss		-	-	-	-	(359)	-	(30)	-	29	(360)	28	(332)
Total comprehensive income		-	-	-	-	(359)	(6,130)	12	846	25,635	20,004	(949)	19,055
Exchange of shares of PJSC Krasnoyarskaya HPP for treasury shares	8, 15	-	(15,430)	-	-	-	-	-	-	-	(15,430)	-	(15,430)
Effect of changes in non-controlling interest	15	-	-	-	-	-	-	-	-	(78)	(78)	78	-
Dividends	15	-	-	-	-	-	-	-	-	(5,130)	(5,130)	(80)	(5,210)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(1,409)	-	-	1,409	-	-	-
Other movements		-	-	-	-	-	-	-	-	25	25	4	29
As at 31 December 2014		386,255	(26,092)	39,202	(135,075)	(362)	190,476	-	1,721	122,796	578,921	16,230	595,151

The accompanying notes are an integral part of these Consolidated Financial Statements

Note 1. The Group and its operations

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for OJSC RusHydro (hereinafter referred to as "the Company") and its subsidiaries (hereinafter referred to as the "Group").

The Company was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by shares and was set up in accordance with Russian regulations.

The Group's primary activities are generation and sale of electricity and capacity on the Russian wholesale and retail markets, as well as generation and sale of heat energy.

Economic environment in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The Russian economy is particularly sensitive to changes in oil and gas prices.

The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Decline in oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Rouble and making it harder to raise international funding.

During 2014 year:

- exchange rate set by the Central Bank of the Russian Federation fluctuated between RR 32.6587 and RR 67.7851 per USD and between RR 45.0559 and RR 84.5890 per Euro;
- key interest rate set by the Central Bank of the Russian Federation increased from 5.5 percent p.a. to 17.0 percent p.a. including an increase from 12.0 percent p.a. to 17.0 percent p.a. on 16 December 2014.

Currently the financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- exchange rate set the Central Bank of the Russian Federation fluctuated between RR 56.2376 per USD and RR 69.6640 per USD and between RR 64,0504 and RR 78,7900 per Euro;
- key interest rate set by the Central Bank of the Russian Federation decreased from 17.0 percent p.a. to 14.0 percent p.a.;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates;
- in January 2015 Russia's credit rating was downgraded by Fitch Ratings to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. In February 2015 Moody's Investors Service also downgraded Russia's sovereign rating one notch below investment grade to Ba1. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.

In February 2015 Moody's Investors Service also downgraded the Company's rating from Ba1 to Ba2 with negative outlook.

These and other events may have a material impact on the Group's operations, its prospective financial position, operational results and business perspectives. Management is unable to foresee the outcome of such impact at this stage, but believes it takes all the necessary measures to support the sustainability and development of the Group's business.

Relations with the Government and current regulation. As at 31 December 2014 the Russian Federation owned 66.84 percent of the total voting ordinary shares of the Company (31 December 2013: 66.84 percent).

The Group's major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group's fuel and other suppliers (Note 6).

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

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

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

Overview of the electricity and capacity market. Capacity and electricity, while interrelated, are treated as separate economic products. The capacity market represents the obligation and ability to keep sufficient generation capability in reserve in order to satisfy a target level of potential demand, while the sale of electricity represents the actual delivery of electricity to the purchaser.

The Russian electricity and capacity market consists of wholesale and retail markets.

Participants of the wholesale market include: generating companies, electricity sales companies (including guaranteeing suppliers), electricity export / import operator, Federal Grid Company (in terms of electricity purchases to cover transmission losses), large electricity consumers. Participants of the wholesale market can act as electricity and capacity sellers and buyers.

Participants of the retail markets include: consumers, providers of public utilities, guaranteeing suppliers, electricity sales (supply) companies, electricity generators of retail markets, grid companies, participants of electricity dispatch.

Wholesale electricity and capacity market. The wholesale electricity and capacity market operates in accordance with the Resolution of the Russian Government No. 1172 dated 27 December 2010.

A wholesale market for electricity and capacity functions on the territory of the regions, which are integrated in pricing areas. European Russia and Urals are included in the first pricing area, Siberia is included in the second pricing area. In non-pricing areas (Arkhangelsk and Kaliningrad regions, Komi Republic, regions of the Far East), where the competitive market relationships are not possible due to technological reasons, sales of electricity and capacity are carried out based on regulated tariffs.

In the isolated energy systems which are not technically integrated into the country's unified energy system, there is no electricity and capacity wholesale market and electricity is supplied through the regulated markets.

Wholesale electricity market

The wholesale electricity market has a number of sectors varying in contractual terms, conditions and delivery time frames: sector of regulated contracts, day-ahead market, sector of unregulated bilateral contracts and the balancing market.

During 2013 and 2014 the electricity traded in pricing zones of wholesale market was sold at unregulated prices excluding of volumes designated for delivery to population, groups of customers equivalent to population and customers located in North Caucasus and Republic of Tyva.

Electricity and capacity supply tariffs for the Russian Federation are calculated using the price indexing formulas determined by the Federal Tariff Service (hereinafter referred to as "the FTS").

Electricity and capacity supply volumes are determined based on the estimated consolidated balance of electricity production and supply prepared by the FTS, so that for the electricity and capacity generator supply under regulated contracts does not exceed 35 percent of the total electricity and capacity supply to the wholesale market determined by the decision on balance for such generator.

Electricity volumes that are not covered by the regulated contracts are sold at unregulated prices on the day-ahead market (DAM) and balancing market (BM).

DAM is a competitive selection of seller and buyer price bids on the day ahead of actual electricity supply, including prices and volumes for each of 24 hours. The selection is managed by the Commercial Operator of the wholesale market (OJSC ATS). On DAM, the price is determined by balancing the demand and supply, and such price is applied to all market participants. To mitigate the price manipulation risk, DAM introduced a system encouraging the participants to submit competitive price bids – in accordance with the trading rules, the lowest price bids for electricity supply are satisfied first.

Price indices and trade volumes in DAM are published daily on the web-site of OJSC ATS.

Electricity volumes sold under bilateral contracts and on DAM constitute scheduled electricity consumption. However, actual consumption is inevitably different from the planned one. Deviations from scheduled production / consumption are traded on a real-time basis on BM, and the System Operator of the wholesale market (OJSC SO UES) holds additional tenders to select bids every three hours.

Under unregulated bilateral contracts, the market participants independently determine supply counter parties, prices and volumes.

Wholesale capacity market

The Resolution of the Russian Government No. 89 dated 24 February 2010 approved amendments to regulations of the electricity and capacity market providing for organisation of long-term capacity market.

Capacity is traded based on the following trading mechanisms:

- purchase / sale of capacity under capacity sales contracts, concluded as a result of capacity competitive selection of bids;
- purchase / sale of capacity under unregulated contracts, including concluded through the exchange;
- purchase / sale of capacity under contracts to provide capacity and under sale contracts of new nuclear power plants and hydroelectric power plants, similar to capacity sale contracts;
- purchase / sale of capacity produced by forced generators;
- purchase / sale of capacity under regulated contracts (within the volumes for delivery to population and groups of customers equivalent to population);
- purchase / sale of capacity of generating facilities selected by additional screening of investment projects performed when capacity selected through capacity competitive selection of bids in any area does not guarantee meeting the demand for capacity;
- purchase / sale of capacity of generating facilities determined upon the results of competitive selection of investment projects on developing the prospective technological capacity reserves.

During 2013 and 2014, similar to trading operations with electricity, capacity is supplied under regulated contracts only in the volumes required for supply to the population, equivalent consumer categories and consumers operating in some parts of the wholesale market pricing zones, consisting Russian constituent territories as determined by the Russian Government (North Caucasus and Republic of Tyva).

During 2013 and until May 2014 the volumes of capacity of hydropower plants located in the second pricing area (Siberia) were supplied for tariffs approved by the FTS. According to the Resolution of the Russian Government No. 374 dated 28 April 2014 approving changes to the regulations of the wholesale electricity and capacity market since 1 May 2014 35 percent of capacity are supplied for tariffs and 65 percent – at the price of capacity competitive selection of bids. The Resolution also provides phased increase in share of capacity of hydropower plants located in the second pricing area (Siberia) supplied at the price of capacity competitive selection of bids to 80 percent by 1 January 2016, to 100 percent by 1 January 2017.

In the capacity market, capacity tenders are held based on the demand estimated for the respective supply period by OJSC SO UES. If the actual demand for capacity is above the forecast one, additional tender selection may be held for adjusting it.

The tender first selects capacity commissioned under capacity supply contracts (CSC) entered into with heating generation sites and contracts with nuclear power plants and hydropower plants similar to CSC. Non-selected capacity that failed to pass through the tender is not paid for, excluding the capacity of the generating sites that are required to maintain the technological operating modes of the energy system or supply heat ("forced" generators). The capacity of "forced" generators is paid for using the tariff set up by the FTS.

Non-pricing zone of the Far East

Territories of the Amur Region, Primorsky Region, Khabarovsk Region, Jewish Autonomous Region and the Southern District of the Sakha Republic (Yakutia) are integrated into a single non-pricing zone of the wholesale electricity and capacity market of the Far East. There are specific features of managing electricity and capacity trading operations due to limitations in the competition among electricity suppliers and grid-imposed limitations for electricity flow.

Tariffs for electricity supplied by the Far East energy companies to the consumer (end-consumer tariffs) are approved by regional regulatory authorities based on the threshold tariff levels approved by the FTS for the regulated period.

The threshold tariff levels for electricity supplied to population or equivalent consumer categories and other consumers in the Russian constituent territories are determined by the FTS in accordance with the forecast of social and economic development in the Russian Federation for the regulated period.

The single buyer wholesale market model is implemented in the Far East non-pricing zone. Suppliers of the wholesale market supply electricity and capacity to the wholesale market using the tariffs established for them by the FTS.

The single buyer purchases electricity and capacity on the wholesale market at indicative prices calculated

by OJSC ATS based on the tariffs for suppliers of wholesale market approved by the FTS.

OJSC ATS makes sure settlements between the electricity generators and buyers. Functions of the single buyer are assigned to OJSC DEK on the territory of Amur Region, Jewish Autonomous Region, Khabarovsk Region, Primorsky Region and the Southern District of the Sakha Republic (Yakutia).

However there are regions with only retail market operations – they are isolated energy systems of Kamchatsky Region, Magadan Region, Chukotsk Autonomous Region, Western and Central Regions of Sakha Republic (Yakutia) and Sakhalin Region where systems are not technically integrated into the unified energy system.

Retail electricity market. In the retail electricity markets the sales of electricity purchased on the wholesale electricity and capacity market and electricity of generating companies which are not participants of the wholesale market are carried out.

The retail market rules were approved by Resolution of the Government No. 442 dated 4 May 2013 “On functioning of retail electricity markets, complete and (or) partial constraint of electricity consumption” (hereinafter referred to as “the retail market rules”).

In the territories of the constituent regions of the Russian Federation integrated into pricing zones of the wholesale market electricity is sold at unregulated prices except for electricity sales to population and equivalent consumer categories.

Electricity is supplied to population and groups of customers equivalent to population at regulated prices (tariffs) approved by executive authorities of the constituent regions of the Russian Federation in terms of state tariff regulation.

Regulated prices are established based on forecast of social and economic development of Russian Federation for the next year approved by the Government. The FTS determines the threshold levels for regulated tariffs for electricity supplied to population and equivalent consumer categories.

The guaranteeing suppliers sell electricity at unregulated prices within the threshold limits of unregulated prices determined and applied according to the retail market rules. Electricity sales (supply) companies sell electricity at unregulated prices. Electricity generators in the retail markets sell electricity at unregulated prices except for sales of electricity to guaranteeing supplier.

In the territories of the constituent regions of the Russian Federation integrated into non-pricing zones of the wholesale market for determination of prices for electricity supplied to final customers in the retail markets principles of prices translation of wholesale market are applied. Translation of prices of wholesale market is performed for all final customers except for population and equivalent consumer categories.

Translation prices calculated by electricity sales companies according to the Rules of application of the prices (tariffs) are determined based on regulated tariffs set up for the respective group of customers and cost of purchase of electricity and capacity by guaranteeing supplier (electricity sales company) in the wholesale market. Population and equivalent consumer categories pay for electricity under the tariffs set up by executive authorities of the constituent regions of the Russian Federation.

In the territories of isolated energy systems – sales of electricity to all consumer categories are carried out at regulated prices approved by the FTS and executive authorities of the constituent regions of the Russian Federation in terms of state tariff regulation in the territories where such energy systems are located.

Heating market. Operations of the heating market are regulated by Federal Law No.190-FZ “On Heating” dated 27 July 2010 and Resolution of the Government No. 1075 dated 22 October 2013 “On pricing of heating supply”.

The Group’s entities that are included into the segment RAO Energy System of the East Group are participants on the retail heating markets in the territories of their presence. Heat energy is supplied on the centralised basis from the heat power plants and boiling houses operated by the energy systems. And a number of energy systems are involved in supplies of heat, generating and distributing heat energy, while others – just generate heat energy.

Heating market provides for:

- supply of heat and heat transfer public utilities relating to hot water and heating supply needs;
- supply of heat for the entities’ technological needs.

According to the Russian legislation, sales of heat energy are fully regulated.

Prices (tariffs) for heat supplied by utilities for all consumer groups are approved by executive authorities in the Russian constituent regions responsible for state regulation of prices (tariffs) within the threshold limits of tariffs approved by the FTS.

Service fee for maintenance of spare heat capacity when there is no heat consumption and fee for connection to the system of heating supply are also regulated by executive authorities in the Russian constituent regions responsible for state regulation of prices.

Market of services for provision of system reliability. Types of services for provision of system reliability (hereinafter referred to as “the system services”), rules of their rendering, pricing mechanism and procedure of selection of the constituents of the utilities industry rendering such services and electricity consumers were introduced by Resolution of the Government No. 117 dated 3 March 2010.

Functions of selection of the constituents of the utilities industry rendering system services, conclusion of contracts with such constituents and service charge as well as coordination of actions of participants of the system services market are assigned to OJSC SO UES.

System services market is commissioned to provide functioning of the economic mechanisms stimulating maintenance and development of equipment in United Energy System (UES) of Russia with specific optional features for all constituents:

- ability to participate in standardized primary frequency regulation;
- ability to participate in automated secondary frequency regulation at heat power plants;
- reactive power regulation with use of generation equipment of the power plants which are not participating in generating of active capacity;
- operation of elements of emergency control system in UES of Russia created for the purpose of increase of carrying capacity in controlled sections of electric grid.

From the outlined system services the Group provides services for reactive power regulation with use of generation equipment of the hydroelectric power plants which are not used for electricity generation during the period of rendering the services.

Renewable-based power generation. Russian Government's order No. 449 of 28 May 2014 *On incentive mechanisms for using renewables in the wholesale electricity and capacity market* and Russian Government's Resolution No. 861-r of 28 May 2014 approved the pricing rules for capacity of renewable (“Renewables”) power generation assets and mechanisms and key parameters of support for renewable-based power generation in Russia.

The basic mechanism of support is as follows:

- The Russian Government set out annual limits for capacity commissioning for each of three technologies until 2020: wind, distributed power generation (5 to 25 mW) and solar energy.
- The government established the capital expenditure ceilings, localisation requirements, installed capacity utilisation benchmarks (ICUB) and operating expenses.
- ATS performs the annual competitive selection of capacity for the term of 4 years out of the assets of wholesale market zones 1 and 2 based on the minimal capital expenditure criterion.
- The tender winners sign a capacity supply contract (Renewable CSC), which guarantees the minimum capacity payments to investors over 15 years from the commissioning date.
- The contract provides for penalties for violating the terms and conditions set out in Renewable CSC (failure to meet the commissioning deadlines and localisation requirements, and under-supply of capacity).

On 19 September 2014, ATS published the results of the first tender for the construction of renewable energy projects.

The adoption of the above regulatory framework by the Russian Government guarantees economic efficiency of investments in renewable power generation projects.

In 2014 the Group's bids in the tender for the construction of renewable energy projects are selected by ATS.

Following the results of the tender contracts to provide capacity of qualified renewable energy projects are concluded.

Note 2. Summary of significant accounting policies

Basis of preparation. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) under the historical cost convention, as modified by the financial instruments initially recognised at fair value, revaluation of property, plant and equipment and available-for-sale financial assets. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Each company of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with Russian standards of accounting (hereinafter referred to as "RSA"). The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Russian Federation, Russian Rubles.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the fair value of the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between the Group's entities are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction directly in equity.

Acquisition of subsidiaries from parties under common control. Acquisitions of subsidiaries from parties under common control are accounted for using the predecessor values method. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is

also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to merger reserve within equity. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented, i.e. retrospectively except for acquisition of subsidiaries acquired exclusively with a view for resale which are accounted for using predecessor values method prospectively from the acquisition date.

Investments in associates and joint ventures. Investments in associates and joint ventures are accounted for using the equity method of accounting, based upon the percentage of ownership held by the Group. Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as profit or loss in respect of associates and joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, and (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the profit or loss in respect of associates and joint ventures.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is defined by making of decisions about the relevant activities required the unanimous consent of the parties sharing control.

The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence on joint ventures and associates.

Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Intangible assets and goodwill. The Group's intangible assets other than goodwill have definite useful lives and primarily include customer base acquired in business combination (Note 10), which is amortised over 5 years, and capitalised computer software. Intangible assets are amortised using the straight-line method over their useful lives. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. The Group uses such valuation techniques of fair value which are the most acceptable in the circumstances and as much as possible use the observable basic data.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

For disclosure of information on fair value the Group classified assets and liabilities on the basis of an appropriate level of hierarchy of fair value as it is stated above (Note 31).

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have the following categories: (i) loans and receivables; (ii) available-for-sale financial assets; (iii) financial assets held to maturity and (iv) financial assets at fair value through profit or loss. The description of categories of financial assets of the Group is given below.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments.

Derivative financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

All other financial assets are included in the *available-for-sale* category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (i) financial liabilities at fair value through profit or loss and (ii) other financial liabilities. All financial liabilities of the Group including loans are categorised as other and carried at amortized cost.

Available-for-sale financial assets. Available-for-sale financial assets are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is

established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale financial assets. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Foreign currency translation. Monetary assets and liabilities, which are held by the Group's entities and denominated in foreign currencies at the end of the reporting period, are translated into Russian Rubles at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

As at 31 December 2014, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between Russian Ruble and US Dollar (hereinafter referred to as "USD") was RR 56.26: USD 1.00 (31 December 2013: RR 32.73: USD 1.00), between Russian Ruble and Euro was RR 68.34: EUR 1.00 (31 December 2013: RR 44.97: EUR 1.00).

Property, plant and equipment. Property, plant and equipment except for office buildings and land are stated at revalued amounts less accumulated depreciation and provision for impairment (where required). Office buildings and land owned by the Group are stated at cost.

Property, plant and equipment except for office buildings and land are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the asset.

The revaluation surplus included in equity is transferred directly to retained earnings when the revaluation surplus is realised on disposal of the asset.

The Group charges deferred tax liabilities directly to other comprehensive income in respect of revaluation of property, plant and equipment that are recorded directly in other comprehensive income.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Social assets are not capitalised if they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

Depreciation. Depreciation on items of property, plant and equipment (except for land) is calculated using the straight-line method over their estimated useful lives.

The useful lives of property, plant and equipment are subject to annual assessment by management and if expectations differ from previous estimates, the changes of useful lives are accounted for as a change in an accounting estimate prospectively.

The average useful lives of property, plant and equipment by type of facility, in years, were as follows:

Type of facility	Average useful lives
Production buildings	25–80
Facilities	10–100
Plant and equipment	5–40
Other	3–30

Depreciation is charged once an asset is available for service. Land and assets under construction are not depreciated.

Impairment of property, plant and equipment. Impairment reviews for property, plant and equipment are carried out when there is an indication that impairment may have occurred, or where it is otherwise required to ensure that property, plant and equipment are not carried above their estimated recoverable amounts (Note 7). If such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the cash-generating unit.

The carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Investment property. Investment property is property held by the Group to earn rental income which is not occupied by the Group (Note 10). Investment properties are stated at cost. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred: (i) any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems; (ii) the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains; (iii) the counterparty considers bankruptcy or a financial reorganisation; (iv) there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or (v) the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Cost of inventory that is expensed is determined on the weighted average basis.

Non-current assets classified as held for sale. Discontinued operations. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the consolidated statement of financial position as “non-current assets classified as held for sale” if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within 12 months after the reporting period. Assets are reclassified when all of the following conditions are met: (i) the assets are available for immediate sale in their present condition; (ii) the Group’s management approved and initiated an active programme to locate a buyer; (iii) the assets are actively marketed for a sale at a reasonable price; (iv) the sale is expected within one year; and (v) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period’s consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current and / or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than 12 months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Disposal groups or non-current assets that ceases to be classified as held for sale are measured at the lower of (i) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and (ii) its recoverable amount at the date of the subsequent decision not to sell.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantially enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Debt. Debt is recognised initially at its fair value. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective interest method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement as an interest expense over the period of the debt obligation.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (i) the Group incurs expenditures for the qualifying asset; (ii) it incurs borrowing costs; and (iii) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Interest payments capitalised as part of the cost of an assets are classified as cash outflows from financing activities.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Pension and post-employment benefits. Defined benefit plans. The Group operates defined benefit plans that cover the majority of its employees. Defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, minimum tariff rate of remuneration and others.

The net liability recognised in the statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the end of the reporting period less fair value of plan assets.

The defined benefit obligations are calculated by independent actuary using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from remeasurement of pension benefit obligations are recognised in other comprehensive income. Past service cost is immediately recognised in profit or loss within operating expenses.

Defined contribution plans. For defined contribution plans, the Group pays contributions and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in the consolidated income statement.

Other post-employment benefit obligations. The Group pays a one-off financial aid on occasion of an employee's jubilee. The amount of the benefit depends on one or more factors, such as the age, length of service in the company and salary used in the Group companies and others.

For the purpose of calculating benefit obligations of these types, actuarial gains and losses arising as a result of adjustments or changes in actuarial assumptions are recognised within profit or loss in the consolidated statement of income in the period when they arise. All other aspects of accounting for these obligations are similar to those of accounting for defined benefit obligations.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Environmental liabilities. Liabilities for environmental remediation are recorded where there is a present obligation, the payment is probable and reliable estimates exist.

Revenue recognition. Revenue is recognised on the delivery of electricity and heat, provisioning for capacity, supply of non-utility services and on the dispatch of goods during the period. Revenue from retail operations is recognised on delivery of electricity and heat to the customer. Revenue amounts are presented exclusive of value added tax.

Revenue transactions under free bilateral contracts are shown net of related purchases of equivalent electricity volumes which the market participant is obliged to make in accordance with the industry regulations. Additional turnover in the amount of RR 10,064 million for the year ended 31 December 2014 (for the year ended 31 December 2013: RR 10,198 million) is shown net for presentation purposes to reflect the economic substance of transactions.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets. Government grants are included in cash flows from operating activities.

Earnings per share. The earnings per share are determined by dividing the profit attributable to ordinary

shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, excluding the average number of treasury shares held by the Group.

Share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the placement value over the par value of shares issued is recorded as share premium in equity.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. In case the consideration paid is non-cash asset, the treasury shares received are recognised at the fair value of this asset. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Dividends. Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared (approved by shareholders) before or at the end of the reporting period. Dividends are disclosed when they are declared after the end of the reporting period, but before the consolidated financial statements are authorised for issue.

Social expenditure. To the extent that the Group's contributions to social programmes benefit the community at large without creating constructive obligations to provide such benefits in the future and are not restricted to the Group's employees, they are recognised in the income statement as incurred.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition, and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of non-financial assets. At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognised in the consolidated income statement to the extent it exceeds any previous revaluation surplus held in equity. An impairment loss recognised for an asset in prior years may be reversed if there has been a positive change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Accounting for impairment of non-financial assets includes impairment of property, plant and equipment and impairment of investments in associates.

The effect of these critical accounting estimates and assumptions is disclosed in Notes 7 and 8.

Recognition of deferred tax assets. At each reporting date management assesses recoverability of deferred tax assets arising from operating losses and asset impairments in the context of the current economic environment, particularly when current and expected future profits have been adversely affected by market conditions. Management considers first the future reversal of existing deferred tax liabilities and then considers future taxable profits when evaluating deferred tax assets. The assessment is made on a tax payer basis. The future taxable profits and the amount of tax benefits that are probable in the future are

based on the medium term business plans of the Group companies prepared by management and extrapolated results thereafter.

Management considered the recoverability of recognised deferred tax assets, including those on tax losses carried forward, as probable (Note 16).

Useful life of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets and other factors. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear, warranty terms as well as the environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates which can affect the reported income.

Discontinued operations. In November 2014 management made the announcement of the decision not to sell OJSC DRSK. Based on the above facts, OJSC DRSK was no longer classified as a discontinued operation and as at 31 December 2014 the assets and liabilities of OJSC DRSK were recognised at their recoverable amount at the date of the decision not to sell and a loss in the amount of RR 5,450 million was recognised: RR 4,804 million in profit and loss and RR 646 million (net of tax of RR 144 million) in other comprehensive loss. The recoverable amount of property, plant and equipment of OJSC DRSK at the date of decision not to sell OJSC DRSK comprised RR 23 786 million (Note 7).

Reclassifications

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

Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective from 1 January 2014:

“Offsetting Financial Assets and Financial Liabilities” – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have any material impact on the Group’s consolidated financial statements.

“Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities” (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity’s investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have any material impact on the Group’s consolidated financial statements.

IFRIC 21 – “Levies” (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Group’s consolidated financial statements.

Amendments to IAS 36 – “Recoverable amount disclosures for non-financial assets” (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have any material impact on the Group’s

consolidated financial statements.

Amendments to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting” (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have any material impact on the Group’s consolidated financial statements.

Note 3. New accounting pronouncements

The following new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later approved for adoption in the Russian Federation and which the Group has not early adopted:

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group does not expect the amendment to have significant impact on its consolidated financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect the amendment to have significant impact on its consolidated financial statements.

Amendments to IAS 19 – “Defined benefit plans: Employee contributions” (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any significant impact on the Group’s consolidated financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a “vesting condition” and to define separately “performance condition” and “service condition”. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (i) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (ii) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (i) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (ii) a reconciliation of segment assets to the entity’s assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (“the management entity”), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for

the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later that are not yet adopted in the Russian Federation and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact four standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

Note 4. Principal subsidiaries

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

The Group operates in the three main reportable segments one of which is presented by the Group's parent company – OJSC RusHydro (Note 5). The principal subsidiaries are presented below according to their allocation to the reportable segments as at 31 December 2014 and 31 December 2013.

ESC RusHydro subgroup segment

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

	31 December 2014		31 December 2013	
	% of ownership	% of voting	% of ownership	% of voting
OJSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
OJSC Krasnoyarskenergosbyt	65.81%	65.81%	65.81%	69.40%
OJSC Ryazan Power Distributing Company	90.52%	90.52%	90.52%	90.52%
OJSC Chuvashskaya energy retail company	100.00%	100.00%	100.00%	100.00%
LLC ESC Bashkortostan	100.00%	-	100.00%	-

RAO Energy System of East subgroup segment

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

Principal subsidiaries of this segment are presented below:

	31 December 2014		31 December 2013	
	% of ownership	% of voting	% of ownership	% of voting
OJSC RAO Energy System of East*	85.92%	86.20%	85.92%	86.20%
OJSC DEK**	44.92%	52.17%	44.92%	52.17%
OJSC DGK**	44.92%	100.00%	44.92%	100.00%
OJSC DRSK**	44.92%	100.00%	44.92%	100.00%
OJSC Kamchatskenergo	84.83%	98.74%	84.83%	98.74%
OJSC Magadanenergo***	42.10%	49.00%	42.10%	64.39%
OJSC Sakhalinenergo	47.72%	55.55%	47.72%	55.55%
OJSC Yakutskenergo	72.21%	79.16%	72.21%	79.16%

* Voting and ownership percent interests in OJSC RAO Energy System of East include 1.80 percent interest held by the Group's subsidiary LLC Vostok-Finance.

** Principal subsidiaries included in DEK subgroup.

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

Other segments

Other segments include:

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

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(in millions of Russian Rubles unless noted otherwise)

Principal subsidiaries included in all other segments are presented below:

	31 December 2014		31 December 2013	
	% of ownership	% of voting	% of ownership	% of voting
CJSC Blagoveschensk HPP	100.00%	100.00%	100.00%	100.00%
OJSC VNIIG	100.00%	100.00%	100.00%	100.00%
OJSC Geotherm	99.65%	99.65%	99.65%	99.65%
OJSC Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
OJSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
OJSC Zaramag HS	99.75%	99.75%	98.35%	98.35%
OJSC Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
OJSC Kolimaenergo	98.76%	98.76%	98.76%	98.76%
OJSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
OJSC NIIES	100.00%	100.00%	100.00%	100.00%
OJSC Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
CJSC Sahalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
CJSC HPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
OJSC Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
OJSC Ust'-Srednekanskaya HPP	99.63%	100.00%	99.43%	100.00%
OJSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
OJSC ESCO UES	100.00%	100.00%	100.00%	100.00%
CJSC Yakutskaya GRES-2	100.00%	100.00%	100.00%	100.00%

The Group's interest in OJSC Ust'-Srednekanskaya HPP and OJSC Zaramag HS changed following additional share issues of these companies (Note 15).

Non-controlling interest

Summarised financial information related to subsidiaries with significant amount of non-controlling interest before elimination of operations between the Group's subsidiaries are presented below:

	RAO Energy System of East subgroup		including DEK subgroup	
Financial position	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Percent of non-controlling interest	14.08%	14.08%	55.08%	55.08%
Percent of voting rights, attributable to non-controlling interest	13.80%	13.80%	47.83%	47.83%
Non-current assets	95,072	87,925	55,443	53,356
Current assets	55,749	49,753	23,610	25,157
Non-current liabilities	(54,965)	(59,191)	(34,610)	(41,731)
Current liabilities	(68,768)	(50,207)	(44,090)	(33,061)
Net assets	27,088	28,280	353	3,721
Carrying value of non-controlling interest	14,660	15,766	2,193	4,101
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Financial results				
Revenue	150,286	139,596	100,807	91,216
(Loss) / profit	(2,181)	4,681	(3,821)	1,888
Total comprehensive (loss) / income	(1,193)	4,200	(3,101)	1,900
(Loss) / profit, attributable to non-controlling interest	(1,632)	1,576	(2,334)	101
Changes in other comprehensive income, attributable to non-controlling interest	526	(38)	393	(301)
Cash flows				
Cash generated by operating activities	12,452	15,970	2,425	6,979
Cash used in investing activities	(13,292)	(11,326)	(6,951)	(6,541)
Cash generated / (used) by financing activities	5,103	(2,911)	4,437	1,690
Increase / (decrease) in cash and cash equivalents	4,263	1,733	(89)	2,128

The rights of the non-controlling shareholders of the presented subgroups are determined by the Federal Law "On Joint Stock Companies" and the charter documents of OJSC RAO Energy System of East and OJSC DEK.

Note 5. Segment information

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

Information concerning the Group is considered by the groups of operations which are consolidated in the following separate reportable segments: OJSC RusHydro (Group's parent company), OJSC ESC RusHydro subgroup, RAO Energy System of East subgroup and other segments (Note 4). Transactions of other segments are not disclosed as reportable segments as the performance is based on quantitative indicators for the periods presented.

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

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating

profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of available-for-sale financial assets, accounts receivable, long-term promissory notes, loss on disposal of property, plant and equipment, loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale, curtailment in pension payment and pension plan and other non-monetary items of operating expenses. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

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

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

Intersegment sales are carried out at market prices.

Segment information for the years ended 31 December 2014 and 31 December 2013 and as at 31 December 2014 and 31 December 2013 is presented below:

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(in millions of Russian Rubles unless noted otherwise)

						Unallocated adjustments and intercompany operations	
Year ended 31 December 2014	OJSC RusHydro	ESC RusHydro subgroup	RAO Energy System of East subgroup	Other segments	Total segments		TOTAL
Revenue	98,581	82,230	150,286	29,664	360,761	(31,201)	329,560
<i>including:</i>							
<i>from external companies</i>	89,177	82,211	149,935	8,227	329,550	10	329,560
<i>sales of electricity</i>	64,016	81,307	93,888	332	239,543	-	239,543
<i>sales of heat and hot water sales</i>	144	-	33,912	3	34,059	-	34,059
<i>sales of capacity</i>	23,467	-	4,268	277	28,012	-	28,012
<i>other revenue</i>	1,550	904	17,867	7,615	27,936	10	27,946
<i>from intercompany operations</i>	9,404	19	351	21,437	31,211	(31,211)	-
Government grants	-	-	12,413	15	12,428	-	12,428
Operating expenses (excluding depreciation and other non-monetary items)	(41,233)	(81,092)	(147,301)	(27,881)	(297,507)	28,768	(268,739)
EBITDA	57,348	1,138	15,398	1,798	75,682	(2,433)	73,249
Depreciation of property, plant and equipment and intangible assets	(12,173)	(695)	(7,289)	(1,411)	(21,568)	228	(21,340)
Other non-monetary items of operating expenses	(9,560)	(560)	(5,372)	(2,386)	(17,878)	(149)	(18,027)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(7,138)	-	(1,746)	-	(8,884)	-	(8,884)
<i>impairment of accounts receivable, net</i>	(1,677)	(524)	(3,635)	(767)	(6,603)	-	(6,603)
<i>impairment of available-for-sale financial assets</i>	(669)	-	(82)	(1,030)	(1,781)	-	(1,781)
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(40)	(36)	(474)	(589)	(1,139)	(149)	(1,288)
<i>curtailment in pension payment and pension plan</i>	-	-	501	-	501	-	501
<i>(loss) / gain on disposal of subsidiaries and associates</i>	(36)	-	64	-	28	-	28
Operating profit / (loss)	35,615	(117)	2,737	(1,999)	36,236	(2,354)	33,882
Finance income							9,319
Finance costs							(10,668)
Loss in respect of associates and joint ventures							(342)
Profit before income tax							32,191
Total income tax expense							(8,060)
Profit for the year							24,131
Capital expenditure	42,496	146	19,486	34,441	96,569	(3,547)	93,022
31 December 2014							
Non-current and current debt	113,060	3,403	54,496	6,071	177,030	-	177,030

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(in millions of Russian Rubles unless noted otherwise)

						Unallocated adjustments and intercompany operations	
Year ended 31 December 2013	OJSC RusHydro	ESC RusHydro subgroup	RAO Energy System of East subgroup	Other segments	Total segments		TOTAL
Revenue	99,138	79,168	139,596	25,977	343,879	(30,247)	313,632
<i>including:</i>							
<i>from external companies</i>	88,882	78,712	138,925	7,285	313,804	(172)	313,632
<i>sales of electricity</i>	66,132	77,951	86,550	292	230,925	-	230,925
<i>sales of heat and hot water sales</i>	141	-	33,002	4	33,147	-	33,147
<i>sales of capacity</i>	22,317	-	3,102	197	25,616	-	25,616
<i>other revenue</i>	292	761	16,271	6,792	24,116	(172)	23,944
<i>from intercompany operations</i>	10,256	456	671	18,692	30,075	(30,075)	-
Government grants	-	-	13,233	13	13,246	-	13,246
Gain on disposal of subsidiaries and associates	224	-	-	51	275	242	517
Operating expenses (excluding depreciation and other non-monetary items)	(36,244)	(78,933)	(135,797)	(25,500)	(276,474)	28,250	(248,224)
EBITDA	63,118	235	17,032	541	80,926	(1,755)	79,171
Depreciation of property, plant and equipment and intangible assets	(11,380)	(670)	(5,174)	(1,238)	(18,462)	244	(18,218)
Other non-monetary items of operating expenses	(28,826)	(1,170)	(4,830)	(2,469)	(37,295)	(814)	(38,109)
<i>including:</i>							
<i>(impairment) / reversal of impairment of property, plant and equipment</i>	(16,927)	59	-	(2,127)	(18,995)	-	(18,995)
<i>loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale</i>	-	-	(4,804)	-	(4,804)	-	(4,804)
<i>impairment of long-term promissory notes</i>	(1,633)	-	-	-	(1,633)	-	(1,633)
<i>impairment of accounts receivable, net</i>	(1,592)	(1,229)	(1,778)	(296)	(4,895)	-	(4,895)
<i>impairment of available-for-sale financial assets</i>	(7,944)	-	-	-	(7,944)	-	(7,944)
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(730)	-	143	(46)	(633)	(814)	(1,447)
<i>curtailment in pension payment and pension plan</i>	-	-	1,609	-	1,609	-	1,609
Operating profit / (loss)	22,912	(1,605)	7,028	(3,166)	25,169	(2,325)	22,844
Finance income							9,328
Finance costs							(9,542)
Profit in respect of associates and joint ventures							2,555
Profit before income tax							25,185
Total income tax expense							(4,192)
Profit for the year							20,993
Capital expenditure	35,632	233	16,821	22,943	75,629	(5,376)	70,253
31 December 2013							
Non-current and current debt	102,576	2,196	44,492	2,513	151,777	-	151,777

Note 6. Related party transactions

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

The Group's principal related parties for the year ended 31 December 2014 were joint ventures, associates of the Group (Note 8) and government-related entities.

Joint ventures

The Group had the following balances with its joint ventures:

	Note	31 December 2014	31 December 2013
Promissory notes	10	5,203	4,741
Loans issued		1,492	533

The Group had the following transactions with its joint ventures:

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of electricity and capacity	146	179
Other revenue	569	818
Purchased electricity and capacity	1,049	411

Associates

The Group had the following balances with its associates:

	Year ended 31 December 2014	Year ended 31 December 2013
Trade and other receivables	293	198
Accounts payable	352	26

The Group had the following transactions with its associates:

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of electricity and capacity	2,671	3,040
Other revenue	150	409
Construction services	285	3,193
Purchased electricity and capacity	161	319

Government-related entities

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

The Group had transactions during the years ended 31 December 2014 and 31 December 2013 and balances outstanding as at 31 December 2014 and 31 December 2013 with the following government-related banks: SC Vnesheconombank, OJSC Sberbank of Russia, OJSC Gazprombank, OJSC VTB Bank, PJSC VTB24, OJSC Bank of Moscow, OJSC Rosselkhozbank (Notes 11, 14, 18). All transactions are carried out on market rates.

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 30 percent of total sales of electricity, capacity and heat for the year ended 31 December 2014 (for the year ended 31 December 2013: approximately 28 percent). Sales of electricity and capacity under the regulated contracts are conducted directly to the consumers, within the day-ahead market (DAM) – through commission agreements with OJSC Centre of Financial Settlements (hereinafter referred to as "CFS"). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants. Sales of heat are subject to tariff regulations (Note 1). During the period the Group received government subsidies in amount of RR 12,428 million (in 2013 in the amount of RR 13,246 million) (Note 23).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised

approximately 25 percent of total expenses on purchased electricity, capacity and fuel for the year ended 31 December 2014 (for the year ended 31 December 2013: approximately 27 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 60 percent of total electricity distribution expenses for the year ended 31 December 2014 (for the year ended 31 December 2013: approximately 62 percent). The distribution of electricity is subject to tariff regulations.

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

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

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

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

Short-term remuneration paid to the key management of the Group for the year ended 31 December 2014 comprised RR 2,365 million (for the year ended 31 December 2013: RR 1,715 million).

Note 7. Property, plant and equipment

Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2013	78,712	377,429	191,377	214,999	14,620	877,137
Impairment of revalued property, plant and equipment	(20)	(6,183)	(1,539)	-	(4)	(7,746)
Reclassification	(310)	(2,731)	(1,637)	4,692	(14)	-
Additions	202	1,646	620	89,444	1,110	93,022
Reclassification to non-current assets and assets of disposal group classified as held for sale	(14)	(1)	(50)	(130)	(630)	(825)
Transfers	2,718	8,840	39,569	(51,418)	291	-
Disposals and write-offs	(178)	(298)	(2,203)	(1,466)	(448)	(4,593)
Balance as at 31 December 2014	81,110	378,702	226,137	256,121	14,925	956,995
Accumulated depreciation (including impairment)						
Balance as at 31 December 2013	(27,139)	(108,005)	(75,665)	(26,904)	(5,578)	(243,291)
Impairment charge	(281)	(639)	(2,617)	(5,405)	(49)	(8,991)
Charge for the period	(1,740)	(7,300)	(10,259)	-	(1,636)	(20,935)
Reclassification to non-current assets and assets of disposal group classified as held for sale	13	1	25	92	269	400
Transfers	(439)	(585)	(2,055)	3,125	(46)	-
Disposals and write-offs	82	117	1,410	30	373	2,012
Balance as at 31 December 2014	(29,504)	(116,411)	(89,161)	(29,062)	(6,667)	(270,805)
Net book value as at 31 December 2014	51,606	262,291	136,976	227,059	8,258	686,190
Net book value as at 31 December 2013	51,573	269,424	115,712	188,095	9,042	633,846

Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2012	68,697	342,120	148,798	222,895	12,625	795,135
Impairment of revalued property, plant and equipment	(1,574)	(18,942)	(3,996)	-	(34)	(24,546)
Additions	191	544	2,008	66,665	845	70,253
Transfer from assets of subsidiary previously acquired with a view for resale	4,701	19,257	12,779	2,490	1,061	40,288
Transfers	7,180	34,943	33,382	(76,085)	580	-
Disposals and write-offs	(483)	(493)	(1,594)	(966)	(457)	(3,993)
Balance as at 31 December 2013	78,712	377,429	191,377	214,999	14,620	877,137
Accumulated depreciation (including impairment)						
Balance as at 31 December 2012	(20,946)	(68,659)	(52,488)	(44,876)	(3,705)	(190,674)
Impairment charge	(2,543)	(2,257)	(6,732)	(11,829)	(248)	(23,609)
Reversal of impairment	393	3,194	628	378	21	4,614
Charge for the period	(1,541)	(6,426)	(9,457)	-	(1,419)	(18,843)
Transfer from assets of subsidiary previously acquired with a view for resale	(1,570)	(8,421)	(5,549)	(515)	(447)	(16,502)
Transfers	(1,020)	(25,581)	(3,053)	29,685	(31)	-
Disposals and write-offs	88	145	986	253	251	1,723
Balance as at 31 December 2013	(27,139)	(108,005)	(75,665)	(26,904)	(5,578)	(243,291)
Net book value as at 31 December 2013	51,573	269,424	115,712	188,095	9,042	633,846
Net book value as at 31 December 2012	47,751	273,461	96,310	178,019	8,920	604,461

As at 31 December 2014 included in the net book value of the property, plant and equipment are office buildings and plots of land owned by the Group in the amount of RR 7,869 million (31 December 2013: RR 8,014 million) which are stated at cost.

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including hydropower plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 31 December 2014 such advances amounted to RR 51,785 million (31 December 2013: RR 49,577 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 9,347 million, the capitalisation rate was 8.77 percent (for the year ended 31 December 2013: RR 6,502 million, the capitalisation rate was 8.09 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 149 million (for the year ended 31 December 2013: RR 1,056 million).

Other property, plant and equipment include motor vehicles, land, computer equipment, office fixtures and other equipment.

Management of the Group considers that the carrying amount of property, plant and equipment as at 31 December 2014 and 31 December 2013 does not differ materially from their fair value at the end of the reporting period.

Process of fair value of property, plant and equipment assesement

Management of the Group determines the fair value of property, plant and equipment according to the following procedures.

The Group's property, plant and equipment are mainly represented by specialised property: the Group's key assets are represented by unique hydro engineering structures and power equipment manufactured under certain technical specifications for each power plant; such equipment is rarely sold in the market.

The Group's management determines the value of the specialised property on a regular basis, using the cost approach. The cost approach is based on the economic concept which implies that a buyer will pay no more for an asset than it would cost to develop or obtain another asset with the same functionality. The total costs of replacement or reproduction of the analysed asset resulting from such measurement are decreased by the amount of physical, functional and economic depreciation.

The replacement costs are determined based on specialised reference books, regulatory documents, construction rates, manufacturer's prices in effect as of the valuation date; physical and functional depreciation is measured based on the age of the assets, their actual condition and operating mode, etc.

To determine the economic depreciation of specialised assets, the Group's management calculates the recoverable amount using the income approach. It is based on discounted cash flow method, and the Group uses certain assumptions when building the cash flow forecast. In particular, these assumptions are used to determine the expected cash flows, capital expenditures and discount rates for each cash generating unit. The Group's management determines the forecast horizon, and net cash inflows from the asset's operation are calculated for each period of this horizon. The recoverable amount of the cash generating unit is determined by recalculating the discounted net cash flows. The Group's management believes that the Group subsidiaries and Company's branches are separate cash generating units.

When the recoverable amount of the cash generating unit is higher than the replacement cost less physical and functional depreciation of property, plant and equipment included in this cash generating unit, it is concluded that there is no economic depreciation. If this is not the case and if the recoverable amount is less than the carrying amount of cash generating unit, the economic impairment is determined as the difference between the recoverable amount and the carrying amount.

Impairment of property, plant and equipment as at 31 December 2014 and 31 December 2013

The following key assumptions were used when the cash flow testing was performed for the years ended 31 December 2014 and 31 December 2013:

Key assumptions used in the cash flow testing	Year ended 31 December 2014	Year ended 31 December 2013
Information used	Actual operating results for 2014 and business plans for 2015–2020	Actual operating results for 2013 and business plans for 2014–2017
Forecast period*	For existing plants 10 years (2015–2024) For plants under construction - 20 years after commissioning and before the completion of capacity sale contracts (2015–2038) For cash-generating units of the Far East - 11-25 years (2015–2040)	For existing plants 10 years (2014–2023) For plants under construction - 20 years after commissioning and before the completion of capacity sale contracts (2014–2037) For cash-generating units of the Far East - 11-25 years (2014–2039)
Forecasted growth rates in terminal period	4.0 – 4.1 percent, depending on the length of the forecast period	3.0 – 3.9 percent, depending on the length of the forecast period
Discount rate before tax (based on weighted average cost of capital)	14.4 – 17.8 percent (RR)	12.4 – 14.0 percent (RR)
Forecast of electricity and capacity tariffs in the isolated energy systems and in non-pricing zone of the Far East	Based on methodology of tariffs calculation adopted by regulatory authority	
Forecast of electricity and capacity prices in competitive market	Based on the forecast of OJSC ATS and forecast rates on energy prices growth prepared by the Ministry of Economic Development of RF	
Forecast of capacity prices related to competitive capacity selection	For 2015 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used For 2016–2024 – adjusted on consumer index price and forecasts of CJSC Energy Forecasting Agency	For 2014 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used For 2015–2023 – adjusted on consumer index price
Forecast of electricity and capacity volumes	Based on the Company's management assessment of future trends in the business	
Forecast of capital expenditures	Based on the management valuation of capital expenditures on modernisation and reconstruction programme	

* Management considers that a forecast period greater than five years is appropriate as the wholesale electricity and capacity market is expected to change significantly over the forecast period and cash flow projections will not be stabilised within five years. However a forecast period of cash flows was defined by remaining useful life of assets tested. For hydroelectric power plants this period exceeds 100 years due to the fact that key asset is a dam. In this regard the recoverable amount of assets was defined based on cash flows during the forecast period and terminal values.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

Loss was recognized mainly in respect of receipt of fixed assets as a cash-generating unit means impaired in prior periods. As a result, impairment loss in the amount of RR 8,991 million was recognised in Consolidated Income Statement and decrease of previous revaluation reserve in the amount of RR 7,746 million (before income tax of RR 1,549 million) – in other comprehensive loss.

The net book value of property, plant and equipment of the Group decreased for the total amount of RR 16,737 million, the effects relate mainly to the following cash-generating units:

- Saratovskaya HPP – impairment loss in the amount of RR 3,642 million and decrease of previous revaluation reserve in the amount of RR 7,612 million;
- Cascade of Kubanskiye HPPs – impairment loss in the amount of RR 1,871 million and decrease of previous revaluation reserve in the amount of RR nil million;
- Zeiskaya HPP – impairment loss in the amount of RR 755 million and decrease of previous revaluation reserve in the amount of RR 1 million;
- Zagorskaya GAES – impairment loss in the amount of RR 609 million and decrease of previous revaluation reserve in the amount of RR nil million.

The sensitivity analysis of the recoverable amounts of cash-generating units for the key assumptions is presented in Note 31.

For the year ended 31 December 2014 revaluation of reserve for ash dump obligations (Note 28) due to discount rate increase resulted in impairment loss reduction in the amount of RR 107 million and other comprehensive income in the amount of RR 22 million.

As at 31 December 2013 net book value of property, plant and equipment decreased for the total amount of RR 43,541 million. As a result, impairment loss in the amount of RR 18,995 million was recognised in Consolidated Income Statement and decrease of previous revaluation reserve in the amount of RR 24,546 million (before income tax of RR 4,909 million) – in other comprehensive loss.

The carrying amount of each class of property, plant and equipment that would have been recognised had the assets been carried under the cost model is as follows:

	Production buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Net book value as at 31 December 2014	28,409	103,047	124,524	231,039	1,914	488,933
Net book value as at 31 December 2013	27,834	107,607	101,344	192,075	4,235	433,095

Events on Zagorskaya GAES-2. On 17 September 2013 there was a partial flooding at Zagorskaya GAES-2 which is under construction in the Moscow Region. The flooding of the GAES building originated from the lower reservoir via functional joints of the station block and a newly formed cavity in the right junction of the GAES-2 building foundation (hereinafter "the technical incident").

Currently management of the Group cannot reliably estimate expenses that may be necessary to eliminate consequences of the technical incident and write-off damaged assets under construction items. However, these expenses may be material for the Group. Construction and assembly works as well as property, including equipment, are insured and management of the Group continue working with the insurance companies.

As of today OJSC AlfaStrakhovanie and OJSC SOGAZ have recognized the technical incident at Zagorskaya GAES-2 as an insured event. The maximum insurance amount under the contract with OJSC SOGAZ is RR 2.6 billion and under the contract with OJSC AlfaStrakhovanie it is RR 1.2 billion. Negotiations are under way with OJSC Ingosstrakh who together with OJSC AlfaStrakhovanie is the insurer of risks associated with the construction and assembly work but has not yet finalized the insured event recognition process.

Works at the station block of Zagorskaya GAES-2 are being carried on along with the negotiations on the insurance indemnity. In 2014 the station unit was stabilized, a stock-take of equipment was performed as well as the inspection for damage. The Group specialists in cooperation with the engaged independent expert, the German engineering company Lahmeyer International, have come to the conclusion that in the circumstances the method of compensation grouting would be the optimal recovery technique. Under this method the GAES building is to be levelled by increasing the bank yard under it.

As at 31 December 2014 total construction costs for Zagorskaya GAES-2 amounted to RR 62,121 million.

Management of the Group believes that there are no indications of property, plant and equipment impairment as at 31 December 2014 there were capacity supply contracts concluded in respect of new power generation facilities of Zagorskaya GAES-2, that guarantee the payback period of 20 years for all capital expenses invested in construction in the period.

Leased equipment. As at 31 December 2014 the net book value of assets held under finance lease and included in property, plant and equipment was RR 4,639 million (31 December 2013: RR 4,564 million). Assets held under finance lease were mainly represented by plant and equipment.

Operating lease. The Group leases a number of land areas owned by local governments and production buildings under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The land areas leased by the Group are the territories on which the Group's hydropower plants and other assets are located. According to the Land Code of the Russian Federation such land areas are limited in their alienability and cannot become private property. The Group's operating leases typically run for an initial period of 5-49 years with an option to renew the lease after that date. Lease payments are reviewed regularly.

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The future payments under non-cancellable operating leases in accordance with rates as at the reporting period end are as follows:

	31 December 2014	31 December 2013
Less than one year	2,174	2,290
Between one and five years	4,169	3,635
After five years	40,028	35,332
Total	46,371	41,257

Pledged assets. As at 31 December 2014 RR 3 million of property, plant and equipment have been pledged as collateral for borrowings (31 December 2013: RR nil million).

Note 8. Investments in associates and joint ventures

The Group's interests in associates and joint ventures and its carrying value were as follows:

	Place of business	% held		Carrying value	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Associates					
OJSC Irkutsk Electronetwork Company (OJSC IENC)	Russia	42.75%	42.75%	8,060	8,420
OJSC Sakhalin Energy Company (OJSC SEC)	Russia	36.09%	40.47%	3,441	3,341
PJSC Krasnoyarskaya HPP	Russia	-	25.12%	-	15,209
Other				343	267
Total associates				11,844	27,237
Joint ventures					
BoGES Group	Russia	50.00%	50.00%	1,048	1,960
BALP Group	Russia	50.00%	50.00%	-	-
Other				1,140	1,104
Total joint ventures				2,188	3,064
Total investments in associates and joint ventures				14,032	30,301

The amounts in respect of associates and joint ventures recognised in the Income Statement are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Associates		
PJSC Krasnoyarskaya HPP	293	6,589
OJSC IENC	(360)	(97)
OJSC SEC	101	266
Other	76	55
Total associates	110	6,813
Joint ventures		
BoGES Group	(467)	(4,216)
BALP Group	-	-
Other	15	(42)
Total joint ventures	(452)	(4,258)
(Loss) / profit in respect of associates and joint ventures	(342)	2,555

Associates

OJSC Irkutsk Electronetwork Company (OJSC IENC)

OJSC IENC maintains 0.4–500 kW electric grids of the Irkutsk region with the total length of over 40,000 km and more than 8,900 transforming substations with total capacity of over 26,000 MVA. The core activities of OJSC IENC are provision of services of electricity transmission via electric grids in the interests of large consumers and utilities companies, i.e. entities operating in the wholesale electricity and capacity market. OJSC IENC is controlled by EN+ Group.

The Group's investments in OJSC IENC represent its strategic assets and allow the Group to use them in the acquisition and asset exchange transactions; in addition, they represent a source of dividends.

OJSC Sakhalin Energy Company (OJSC SEC)

OJSC SEC is the customer-developer of a number of electricity sector assets in the Sakhalin region as part of the federal special purpose program Economic and Social Development of the Far East and Transbaikalia until 2014 and the oblast's special purpose program Power Sector Development in the Sakhalin Region until 2010 and for the Long-term Period until 2020. OJSC SEC's major investment project was the Construction of Power Generating Unit No. 4 at Yuzhno-Sakhalinsk Thermal Power Plant-1, which is operated by OJSC Sakhalinenergo, the Group's subsidiary, under a lease agreement. Other OJSC SEC's shareholders, in addition to the Group, are the Russian Government and the government of the Sakhalin region represented by the Ministry of Land and Property Affairs of Sakhalin region.

The Group's investments in OJSC SEC represent strategic assets which allow a more efficient joint operation of the assets of Sakhalinenergo and OJSC SEC.

The Group's share in OJSC SEC changed as a result of the additional share issues of OJSC SEC. As at 31 December 2014 the Group's share in OJSC SEC comprised 36.09 percent.

PJSC Krasnoyarskaya HPP

In July 2014 25 percent minus 1 share of PJSC Krasnoyarskaya HPP were transferred by the Group's subsidiary OJSC HydroInvest to OJSC EuroSibEnergo in exchange of 3.39 percent of treasury shares (Note 15). Remaining 0.12 percent of shares of PJSC Krasnoyarskaya HPP were reclassified to available-for-sale financial assets.

Summarised financial information for significant associates for the years ended 31 December 2014 and 31 December 2013 and as at 31 December 2014 and 31 December 2013:

	PJSC Krasnoyarskaya HPP		OJSC IENC		OJSC SEC	
As at 31 December	2014	2013	2014	2013	2014	2013
Non-current assets	-	50,576	25,848	25,489	10,519	9,361
Current assets	-	12,270	2,478	2,129	1,516	2,537
Non-current liabilities	-	(6,787)	(5,334)	(5,638)	-	-
Current liabilities	-	(860)	(6,353)	(4,498)	(1,063)	(1,207)
Net assets	-	55,199	16,639	17,482	10,972	10,691
For the year ended 31 December	2014	2013	2014	2013	2014	2013
Revenue	7,673	15,569	15,674	11,210	285	1
Reversal of impairment of property, plant and equipment	-	20,778	-	-	-	-
Profit / (loss) for the year	1,166	19,357	(843)	(227)	(69)	437
Total comprehensive income / (loss) for the year	1,166	19,357	(843)	(227)	(69)	437

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(in millions of Russian Rubles unless noted otherwise)

Reconciliation of the summarised financial information presented to the carrying value of interest in associates:

	PJSC Krasnoyarskaya HPP	OJSC IENC	OJSC SEC	Others	Total
Net assets as at 31 December 2012	35,842	-	7,388	637	43,867
Net assets at the date of the purchase	-	17,777	-	200	17,977
Profit / (loss) for the year	19,357	(227)	437	(23)	19,544
Additional share issue	-	-	2,866	-	2,866
Dividends	-	(68)	-	-	(68)
Net assets as at 31 December 2013	55,199	17,482	10,691	814	84,186
Interest in associates	13,866	7,474	4,327	266	25,933
Goodwill	8,619	946	-	-	9,565
Accumulated impairment of investments in associates	(7,276)	-	-	-	(7,276)
Effect of recognition of fair value of interest received as a result of additional share issues	-	-	(986)	-	(986)
Accumulated losses	-	-	-	1	1
Carrying value as at 31 December 2013	15,209	8,420	3,341	267	27,237
Net assets as at 31 December 2013	55,199	17,482	10,691	814	84,186
Profit / (loss) for the year	1,166	(843)	(69)	212	466
Additional share issue	-	-	350	-	350
Disposal	(56,103)	-	-	-	(56,103)
Reclassification to available-for-sale financial assets	(262)	-	-	-	(262)
Net assets as at 31 December 2014	-	16,639	10,972	1,026	28,637
Interest in associates	-	7,114	3,960	335	11,409
Goodwill	-	946	-	-	946
Additional share issues	-	-	(519)	-	(519)
Accumulated losses	-	-	-	8	8
Carrying value as at 31 December 2014	-	8,060	3,441	343	11,844

Joint ventures

BoGES Group and BALP Group

Starting from 2006 the Company and RUSAL Group have been jointly implementing the BEMA project based on an agreement for mutual financing, completion and subsequent operation of Boguchanskaya HPP, with an installed capacity of 2,997 MW, and Boguchansky aluminium plant, with a capacity of 600,000 tonnes of aluminium per annum. Within the BEMA project on parity basis joint ventures BoGES Ltd (Cyprus) and BALP Ltd (Cyprus) were formed, which have controlling interests in OJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant.

BoGES Ltd and OJSC Boguchanskaya GES together form BoGES Group. BALP Ltd and CJSC Boguchansky Aluminium Plant together form BALP Group.

BoGES Ltd and BALP Ltd provide corporate governance of Boguchanskaya HPP and Boguchansky Aluminium Plant in line with the parity of interests of the investors and are not engaged in other operations.

Starting from November 2012, Boguchanskaya HPP sells electricity and capacity to large consumers and utilities companies, having commissioned hydroelectric generating units of Boguchanskaya HPP and having the status of an entity operating in the wholesale electricity and capacity market.

The construction of Boguchansky Aluminium Plant is ongoing. Boguchansky Aluminium Plant will become a key consumer of energy generated by Boguchanskaya HPP. The plant's production complex will include electrolytic, casting and anode production facilities.

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Summarised financial information for significant joint ventures for the years ended 31 December 2014 and 31 December 2013 and as at 31 December 2014 and 31 December 2013:

	BoGES Group		BALP Group	
As at 31 December	2014	2013	2014	2013
Non-current assets	44,551	44,673	17,290	9,999
Current assets including:	3,103	2,054	756	1,023
<i>Cash and cash equivalents</i>	765	248	130	194
Non-current liabilities including:	(43,629)	(41,128)	(5,952)	(32,202)
<i>Non-current financial liabilities (excluding trade payables)</i>	(37,347)	(34,634)	(3,337)	(30,220)
Current liabilities including:	(1,973)	(1,627)	(61,729)	(1,527)
<i>Current financial liabilities (excluding trade payables)</i>	(731)	(22)	(60,157)	(63)
Net assets	2,052	3,972	(49,635)	(22,707)
For the year ended 31 December	2014	2013	2014	2013
Revenue	6,571	4,249	275	252
Depreciation of property, plant and equipment	(1,066)	(405)	(55)	(59)
Interest income	53	20	15	1
Interest expense	(2,730)	(2,401)	(3,407)	(1,963)
Impairment of property, plant and equipment	-	(7,296)	(5,521)	(9,724)
Loss before income tax	(2,146)	(11,663)	(33,584)	(13,571)
Income tax benefit	226	1,795	6,656	2,705
Loss for the year	(1,920)	(9,868)	(26,928)	(10,866)
Other comprehensive loss for the year	-	(127)	-	-
Total comprehensive loss for the year	(1,920)	(9,995)	(26,928)	(10,866)

Reconciliation of the summarised financial information presented to the carrying value of interest in joint ventures:

	BoGES Group	BALP Group	Others	Total
Net assets as at 31 December 2012	13,967	(11,841)	1,190	3,316
Net assets at the date of the purchase	-	-	1,156	1,156
Loss for the year	(9,995)	(10,866)	(105)	(20,966)
Net assets as at 31 December 2013	3,972	(22,707)	2,241	(16,494)
Interest in joint ventures	1,986	(11,354)	1,100	(8,268)
Non-controlling interest	(26)	-	-	(26)
Accumulated losses	-	11,354	4	11,358
Carrying value as at 31 December 2013	1,960	-	1,104	3,064
Net assets as at 31 December 2013	3,972	(22,707)	2,241	(16,494)
Increase of share capital	-	-	23	23
Loss for the year	(1,920)	(26,928)	(159)	(29,007)
Net assets as at 31 December 2014	2,052	(49,635)	2,105	(45,478)
Interest in joint ventures	1,026	(24,818)	1,036	(22,756)
Non-controlling interest	22	-	-	22
Accumulated losses	-	24,818	104	24,922
Carrying value as at 31 December 2014	1,048	-	1,140	2,188

The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries and for OJSC Boguchanskaya HPP for the loan facility in favour of the State Corporation Vnesheconombank (Note 28).

In accordance with investment programme of the Company the Group has to invest RR 3,449 million for the period 2015–2017 in construction Boguchanskaya HPP (RR 142 million for the period 2014–2016), as well as RR 13,373 million for the period 2015–2017 in construction Boguchansky Aluminium Plant (RR 25,257 million for the period 2014–2016).

Note 9. Available-for-sale financial assets

	31 December 2014		31 December 2013	
	% of ownership	Fair value	% of ownership	Fair value
OJSC Inter RAO	4,92%	3,654	4.92%	5,132
OJSC Russian Grids	0,28%	212	0.28%	356
OJSC FGC UES	0,13%	76	0.13%	150
Other	-	190	-	156
Total available-for-sale financial assets		4,132		5,794

The fair values of available-for-sale financial assets were calculated based on quoted market prices, for those which are not publicly traded fair values were estimated by reference to the discounted cash flows of the investees (Note 31).

For the year ended 31 December 2014 an impairment of available-for-sale financial assets in respect of shares of OJSC Inter RAO was recognised in profit or loss in the amount of RR 1,478 million (for the year ended 31 December 2013: RR 7,594 million).

Loss arising on other available-for-sale financial assets for the year ended 31 December 2014 totaled RR 261 million was recorded within other comprehensive income in amount of RR 42 million, net of tax, (for the year ended 31 December 2013: RR 586 million, net of tax) and in profit or loss in amount of RR 303 million (for the year ended 31 December 2013: RR 350 million).

Note 10. Other non-current assets

	31 December 2014	31 December 2013
Long-term promissory notes	37,047	36,690
Discount	(16,864)	(17,021)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	6,158	5,644
Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs	5,478	5,573
VAT recoverable	3,226	5,381
Customer base of LLC ESC Bashkortostan	1,109	1,662
Goodwill	929	929
Other non-current assets	8,121	5,787
Total other non-current assets	25,021	24,976

	Rating*	Rating agency	Effective interest rate	Maturity date	31 December 2014	31 December 2013
Long-term promissory notes						
OJSC Boguchanskaya HPP	-	-	9.75%	2029	5,203	4,741
OJSC Alfa Bank	Ba1	Moody's	10.40-14.00%	2015-2021	466	668
PJSC ROSBANK	Baa3	Moody's	10.90-14.00%	2020-2021	446	142
Other					43	93
Total long-term promissory notes					6,158	5,644

* Banks' ratings are presented as at 31 December 2014. The ratings of several banks decreased after the year end.

Promissory notes of OJSC Boguchanskaya HPP. As at 31 December 2014 the amortised cost of interest-free long-term promissory notes of OJSC Boguchanskaya HPP (payable not earlier than 31 December 2029 with total nominal value of RR 21,027 million) pledged as collateral to the State Corporation Vnesheconombank amounted to RR 5,203 million (31 December 2013: RR 4,741 million) (Note 8).

Promissory notes of CJSC Boguchansky Aluminium Plant. As a result of the performed analysis as at 31 December 2013, management of the Group concluded that promissory notes of CJSC Boguchansky Aluminium Plant are highly probable not recoverable and recognised an impairment loss of RR 1,633 million (including unwinding of discount for the period). As at 31 December 2014 there were no indicators for reversal of impairment of these promissory notes.

Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs. As at 31 December 2014 the carrying value of dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs owned by the Group received in 2011 in the course of additional share issue of the Company was RR 5,478 million. The recoverable amount of these dams is

estimated by management based on future cash flows. Key assumption as at 31 December 2014 used for the cash flows analysis is estimation of the annual consideration, received from OJSC Irkutskenergo and respective to market value of right of temporary ownership and use this property.

Goodwill and customer base. Presented below is the carrying value of goodwill:

	Year ended 31 December 2014	Year ended 31 December 2013
Gross book value as of 1 January	3,013	3,013
Accumulated impairment losses as of 1 January	(2,084)	(2,084)
Carrying amount as of 1 January	929	929
Impairment loss	-	-
Carrying amount as of 31 December	929	929
Gross book value as of 31 December	3,013	3,013
Accumulated impairment losses as of 31 December	(2,084)	(2,084)

Goodwill of OJSC Institute Hydroproject. Goodwill of RR 929 million was recognised at the date of the acquisition of OJSC Institute Hydroproject in October 2010 as the Group was able to receive economic benefits from the expected synergy from the high qualification of engineering specialists and long-term relationships between OJSC Institute Hydroproject and customers, including the Group entities.

As at 31 December 2014 and 31 December 2013, the Group tested goodwill related to OJSC Institute Hydroproject for its potential impairment. For the testing purposes, OJSC Institute Hydroproject was considered as a single cash generating asset.

Presented below are key assumptions used for the impairment testing purposes for the years ended 31 December 2014 and 31 December 2013:

Key assumptions used for the impairment testing purposes	For the year ended 31 December 2014	For the year ended 31 December 2013
Information used	Actual performance for 2014 and results of business plans for 2015-2019	Actual performance for 2013 and results of business plans for 2014-2018
Forecast period	5 years	5 years
Growth interest rate after the forecast period	4.3 percent	3.6 percent
Discount rate	16.1 percent	13.9 percent
Net cash inflow after the forecast period	Minimum expectation: RR 167 million in 2015, RR 175 million in 2016, RR 182 million in 2017, RR 193 million in 2018, RR 201 million in 2019	Minimum expectation: RR 216 million in 2014, RR 179million in 2015, RR 200 million in 2016, RR 234 million in 2017, RR 243 million in 2018
Net cash inflow after the forecast period	Minimum expectation: RR 178 million per year	Minimum expectation: RR 250 million per year

Based on the above assumptions, as at 31 December 2014 and 31 December 2013 the recoverable amount of OJSC Institute Hydroproject as a cash generating asset exceeded the carrying amount – there is no economic impairment.

Customer base of LLC ESC Baskortostan. As at 31 December 2014 and 31 December 2013 the Group tested customer base of LLC ESC Baskortostan for potential impairment. For the testing purposes LLC ESC Baskortostan was considered as a single cash generating unit.

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Presented below are key assumptions used for the impairment testing purposes:

Key assumptions used for the impairment testing purposes	For the year ended 31 December 2014	For the year ended 31 December 2013
Information used	Actual performance for 2014 and results of business plans for 2015-2019	Actual performance for 2013 and results of business plans for 2014-2018
Forecast period*	10 years (2015-2024)	10 years (2014-2023)
Growth interest rate after the forecast period	4.0 percent	2.3 percent
Discount rate	15.2 percent	14.2 percent
Forecast electricity sales	Based on management forecast	
Forecast electricity tariffs	2015 – based on tariffs set by regulators 2016-2024 – based on the consumer price index	2014 – based on tariffs set by regulators 2015-2023 – based on the consumer price index

* The management believes that the forecast period exceeding five years is more reliable as the electricity and capacity market is expected to undergo significant changes during the forecast period, and cash flows will not flatten out within five years.

As at 31 December 2014 and 31 December 2013 the recoverable amount of LLC ESC Baskortostan exceeded the carrying amount – no loss on impairment related to the customer base of LLC ESC Baskortostan was recognised.

Note 11. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash at bank	14,960	10,744
Cash equivalents (contractual interest rate: 9.25-29.40%)	19,417	23,712
Cash in hand	17	16
Total cash and cash equivalents	34,394	34,472

Cash equivalents held as at 31 December 2014 and 31 December 2013 comprised short-term bank deposits with original maturities of three months or less.

Cash and cash equivalents balances denominated in US Dollars as at 31 December 2014 were RR 767 million (31 December 2013: RR 252 million). Cash and cash equivalents balances denominated in Euros as at 31 December 2014 were RR 2,310 million (31 December 2013: RR 682 million).

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Cash and cash equivalents are deposited in several institutions as follows:

	Rating*	Rating agency	31 December 2014	31 December 2013
Cash at banks				
JSC Gazprombank	Ba1	Moody's	5,996	2,115
OJSC Sberbank of Russia	Baa2	Moody's	5,354	4,827
CJSC Peresvet Bank	B+	Standard & Poor's	1,228	2,739
UBS AG	A	Fitch Ratings	526	17
LLC Creditinvestbank	-	-	262	-
PJSC VTB24	Baa3	Moody's	200	106
JSC Bank Severny Morskoy Put	-	-	187	-
OJSC Kamchatkomargoprombank	-	-	170	30
JSC InvestCapitalBank	-	-	159	-
PJSC ROSBANK	Baa3	Moody's	158	299
OJSC VTB Bank	BBB-	Standard & Poor's	83	258
Other			637	353
Total cash at banks			14,960	10,744
Bank deposits				
CJSC Peresvet Bank	B+	Standard & Poor's	7,319	3,477
OJSC Sberbank of Russia	Baa2	Moody's	5,613	7,151
JSC Gazprombank	Ba1	Moody's	2,892	1,781
JSC UniCredit Bank	BBB	Fitch Ratings	2,347	4,500
PJSC ROSBANK	Baa3	Moody's	507	230
OJSC Asian-Pacific Bank	B+	Fitch Ratings	278	170
OJSC VTB Bank	BBB-	Standard & Poor's	65	2,150
CJSC Raiffeisenbank	-	-	-	652
JSC Nordea Bank	-	-	-	2,910
Other			396	691
Total cash equivalents			19,417	23,712

* Banks' ratings are presented as at 31 December 2014. The ratings of several banks decreased after the year end.

Note 12. Accounts receivable and prepayments

	31 December 2014	31 December 2013
Trade receivables	50,931	45,716
Provision for impairment of trade receivables	(18,643)	(15,374)
Trade receivables, net	32,288	30,342
VAT recoverable	8,683	8,059
Advances to suppliers and other prepayments	3,957	4,612
Provision for impairment of advances to suppliers and other prepayments	(670)	(460)
Advances to suppliers and other prepayments, net	3,287	4,152
Other receivables	6,637	5,350
Provision for impairment of other receivables	(2,883)	(2,518)
Other receivables, net	3,754	2,832
Total accounts receivable and prepayments	48,012	45,385

The provision for impairment of accounts receivable has been determined based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analysis of expected future cash flows (Note 2). The Group believes that the Group's subsidiaries will be able to realise the net receivable amount through direct collections and other non-cash settlements, and the carrying value approximates their fair value.

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Movements in the impairment provision for accounts receivables and prepayments are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
As at 1 January	18,352	14,465
Charge for the year	8,893	7,241
Reversal of impairment	(3,346)	(2,754)
Trade receivables written-off as uncollectible	(1,626)	(618)
Disposal of impairment provision due to disposal of subsidiaries	(77)	-
Transfer of assets of the subsidiary acquired with a view for resale	-	18
As at 31 December	22,196	18,352

The ageing analysis of trade and other finance accounts receivable is as follows:

	31 December 2014	Provision as at 31 December 2014	31 December 2013	Provision as at 31 December 2013
Not past due	26,143	(967)	23,855	(547)
Past due for less than 3 months	6,229	(953)	5,021	(897)
Past due for 3 months to 1 year	8,139	(3,838)	8,344	(4,854)
Past due for more than 1 year	16,127	(15,768)	13,183	(11,594)
Total	56,638	(21,526)	50,403	(17,892)

The majority of trade debtors which are neither past due nor impaired could be aggregated in several groups based on similarities in their credit quality: large industrial consumers – participants of the wholesale and retail electricity and capacity market as well as public sector entities and population.

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

Note 13. Inventories

	31 December 2014	31 December 2013
Fuel	13,229	13,329
Materials and supplies	6,383	6,249
Spare parts	2,085	1,524
Other materials	645	536
Total inventories before provision for impairment	22,342	21,638
Provision for impairment of inventories	(209)	(189)
Total inventories	22,133	21,449

There are no inventories pledged as collateral for borrowings as at 31 December 2014 and as at 31 December 2013.

Note 14. Other current assets

	31 December 2014	31 December 2013
Deposits and promissory notes	40,122	52,406
Loans issued	1,484	530
Other short-term investments	266	208
Total other current assets	41,872	53,144

	Rating*	Rating agency	Effective interest rate	31 December 2014	31 December 2013
Deposits					
OJSC Sberbank of Russia	Baa2	Moody's	9.85–28.61%	38,915	50,726
CJSC Peresvet Bank	B+	Standard & Poor's	9.50–18.72%	166	833
Other deposits				768	306
Promissory notes					
OJSC Alfa-Bank	Ba1	Moody's	-	195	416
Other promissory notes				78	125
Total deposits and promissory notes				40,122	52,406

* Banks' ratings are presented as at 31 December 2014. The ratings of several banks decreased after the year end.

Note 15. Equity

	Number of issued and fully paid ordinary shares (Par value of RR 1.00)
As at 31 December 2014	386,255,464,890
As at 31 December 2013	386,255,464,890
As at 31 December 2012	317,637,520,094

Additional share issue 2012–2013. On 16 November 2012 the Extraordinary General Meeting of shareholders of the Company adopted a resolution to make a placement of 110,000,000,000 ordinary shares with a par value of RR 1.00 by open subscription with cash and non-cash considerations. On 10 December 2012 the Board of Directors of the Company determined the placement price of RR 1.00 per share.

As part of this issue the Group received:

- in 2012 the funds in amount RR 50,000 million from the Russian Federation to fund construction of four heat power plants in the Far East region;
- in 2013 19.54 percent shares of OJSC RAO Energy System of East, 24.54 percent shares of OJSC SEC, 14.83 percent shares of OJSC Ust'-Srednekanskaya HPP, 42.75 percent shares of OJSC IENC, 0.08 percent shares of OJSC Irkutskenergo.

68,617,944,796 shares were actually placed as a result of the issue, which represents 62.38 percent of the additional issue's total number of securities.

The Report based on the results of additional share issue was registered by the Bank of Russia on 26 December 2013.

Treasury shares. As at 31 December 2014 treasury shares were represented by 21,786,611,933 ordinary shares in the amount of RR 26,092 million (31 December 2013: 8,703,807,839 ordinary shares in the amount of RR 10,662 million).

In July 2014 3.39 percent of treasury shares were received by the Group's subsidiary OJSC HydroInvest from OJSC EuroSibEnergo in exchange of 25 percent minus 1 share of PJSC Krasnoyarskaya HPP (Note 8).

Treasury shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by management of the Group.

Transactions with the Government and companies under common control. The change of merge reserve for the year ended 31 December 2013 in the amount of RR 7,859 million relates to assets that were received in 2013 from the Russian Federation and companies under common control in the course of additional share issue 2012–2013.

As a result of the increase in Group's share in OJSC RAO Energy System of East non-controlling interest decreased by RR 6,563 million and retained earnings of the Group increased in the same amount.

As a result of the increase in Group's share in OJSC Ust'-Srednekanskaya HPP non-controlling interest increased by RR 293 million and retained earnings of the Group decreased by the same amount due to increase of share of Group's shareholders in losses accumulated by OJSC Ust'-Srednekanskaya HPP.

Effect of changes in non-controlling interest of subsidiaries. During 2014 the placement of additional share issue of OJSC Ust'-Srednekanskaya HPP and OJSC Zaramag HS were registered. As a result non-controlling interest increased by RR 78 million due to increase of share in losses of OJSC Ust'-Srednekanskaya HPP and OJSC Zaramag HS previously absorbed by shareholders of the Group.

In 2013 in the course of additional share issue 2012–2013 the Group also has received shares of OJSC RAO Energy System of East from shareholders which are not controlled by the Government. As a result non-controlling interest decreased by RR 2,671 million and retained earnings of the Group increased by RR 1,812 million.

Dividends. In accordance with the Russian legislation the Company and its subsidiaries distribute profits as dividends on the basis of financial statements prepared in accordance with Russian accounting standards.

On 27 June 2014 the Company declared dividends for the year ended 31 December 2013 of RR 0.0136 per share in the total amount of RR 5,248 million (RR 5,130 million excluding dividends to subsidiaries).

On 28 June 2013 the Company declared dividends for the year ended 31 December 2012 of RR 0.0096 per share in the total amount of RR 3,675 million (RR 3,594 million excluding dividends to subsidiaries).

Dividends in favour of non-controlling interest holders were declared by the Group's subsidiaries in the amount of RR 80 million for the year ended 31 December 2014 (for the year ended 31 December 2013: RR 160 million).

Note 16. Income tax

Income tax expense is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax expense	7,450	10,248
Deferred income tax / (benefit)	610	(6,056)
Total income tax expense	8,060	4,192

The income tax rate applicable to the majority of the Group's entities for the year ended 31 December 2014 is 20 percent (for the year ended 31 December 2013: 20 percent).

A reconciliation between the expected and actual income tax expense is provided below:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before income tax	32,191	25,185
Theoretical tax expense at a statutory rate of 20 percent	(6,438)	(5,037)
Tax effect of items which are not deductible or assessable for taxation purposes	(1,469)	(2,335)
Change in unrecognised deferred tax assets in respect of investments in associates and joint ventures (Note 8)	(68)	511
Unrecognised deferred tax assets related to impairment of available-for-sale financial assets (Note 9)	(334)	(1,589)
(Increase) in other unrecognised deferred tax assets / Use of other deferred tax assets unrecognised in previous periods	(1,053)	1,695
Write-off of deferred tax related to subsidiary acquired exclusively with a view for resale (Note 2)	-	1,873
Other	1,302	690
Total income tax expense	(8,060)	(4,192)

The total amount of deductible temporary differences for which deferred income tax assets have not been recognised by the Group as at 31 December 2014 comprised RR 51,960 million (31 December 2013: RR 46,574 million). These temporary differences mainly relate to accumulated impairment of property, plant and equipment, assets under construction and pension liabilities of several Group's subsidiaries.

Deferred income tax. Differences between IFRS and statutory taxation regulations in the Russian Federation give rise to temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20 percent (for the year ended 31 December 2013: 20 percent).

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	31 December 2013	Income tax charge	Charged directly to other comprehensive income	Reclassification of discontinued operations and disposal of subsidiaries	31 December 2014
Deferred income tax assets	4,066	1,621	(211)	(121)	5,355
Property, plant and equipment	3,284	166	-	(25)	3,425
Accounts receivable	5,631	179	-	(11)	5,799
Losses carried forward	1,199	453	-	(78)	1,574
Other	2,229	611	(211)	(7)	2,622
<i>Deferred tax offset</i>	<i>(8,277)</i>	<i>212</i>	<i>-</i>	<i>-</i>	<i>(8,065)</i>
Deferred income tax liabilities	(35,066)	(2,231)	1,406	-	(35,891)
Property, plant and equipment	(42,452)	(2,395)	1,544	-	(43,303)
Accounts receivable	(78)	(44)	-	-	(122)
Loans and borrowings	(404)	289	-	-	(115)
Other	(409)	131	(138)	-	(416)
<i>Deferred tax offset</i>	<i>8,277</i>	<i>(212)</i>	<i>-</i>	<i>-</i>	<i>8,065</i>

	31 December 2012 (restated)	Income tax charge	Charged directly to other comprehensive income	Reclassification of discontinued operations	Other movement	31 December 2013
Deferred income tax assets	3,455	291	(29)	630	(281)	4,066
Property, plant and equipment	2,707	577	-	-	-	3,284
Accounts receivable	5,046	572	-	13	-	5,631
Losses carried forward	744	253	-	202	-	1,199
Other	1,683	441	(29)	415	(281)	2,229
<i>Deferred tax offset</i>	<i>(6,725)</i>	<i>(1,552)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(8,277)</i>
Deferred income tax liabilities	(42,937)	5,765	5,066	(2,960)	-	(35,066)
Property, plant and equipment	(46,649)	2,091	5,066	(2,960)	-	(42,452)
Accounts receivable	(212)	134	-	-	-	(78)
Loans and borrowings	(410)	6	-	-	-	(404)
Investment in OJSC DRSK	(1,873)	1,873	-	-	-	-
Other	(518)	109	-	-	-	(409)
<i>Deferred tax offset</i>	<i>6,725</i>	<i>1,552</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>8,277</i>

Under existing Group' structure tax losses and current income tax assets of different Group's entities may not be offset against current income tax liabilities and taxable profits of other Group's entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has legal rights to offset it.

Note 17. Pension benefit obligations

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2014 and 31 December 2013.

Amounts recognised in the Group's Consolidated Statement of Financial Position among other non-current liabilities (Note 19):

	31 December 2014	31 December 2013
Fair value of plan assets	(986)	(856)
Present value of defined benefit obligations	7,874	9,243
Net liability	6,888	8,387

The movements in the defined benefit liability for the years ended 31 December 2014 and 31 December 2013 are presented in the tables below:

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2014	9,243	(856)	8,387
Recognition assets related to the OJSC DGK agreements	-	(35)	(35)
Current service cost	407	-	407
Interest expense / (income)	725	(70)	655
Past service cost	343	-	343
Curtailment in pension payment	(501)	-	(501)
Remeasurement effects (for other long-term benefits):			
Actuarial gain - changes in actuarial assumptions	(74)	-	(74)
Actuarial loss - experience adjustment	203	-	203
Recognised in profit or loss for the year ended 31 December 2014	1,103	(70)	1,033
Remeasurements (for post-employment benefits):			
Actuarial loss - change in demographic assumptions	72	-	72
Actuarial gain - change in financial assumptions	(2,190)	-	(2,190)
Actuarial loss - experience adjustments	361	18	379
Recognised other comprehensive income for the year ended 31 December 2014 before income tax charge of RR 347 million	(1,757)	18	(1,739)
Employer contributions for funded pension plan	-	(270)	(270)
Benefit payments (Funding NSPF pensions)	(400)	227	(173)
Benefit payments (Non-funded pension plan)	(315)	-	(315)
At 31 December 2014	7,874	(986)	6,888

In July 2014 OJSC DGK decided to reduce payments to the pensioners. As a result the Group recognised RR 501 million gain for the year ended 31 December 2014 (Note 24).

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	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2013	10,482	(824)	9,658
Reclassification of plan assets	-	67	67
Current service cost	442	-	442
Interest expense / (income)	628	(57)	571
Past service cost	9	-	9
Curtailment in pension plan	(1,609)	-	(1,609)
Remeasurement effects (for other long-term benefits):			
Actuarial gain - changes in actuarial assumptions	(17)	-	(17)
Actuarial gain - experience adjustment	(23)	-	(23)
Recognised in profit or loss for the year ended 31 December 2013	(570)	(57)	(627)
Remeasurements (for post-employment benefits):			
Actuarial loss - change in demographic assumptions	249	-	249
Actuarial gain - change in financial assumptions	(1,131)	-	(1,131)
Actuarial loss / (gain) - experience adjustments	824	(68)	756
Recognised other comprehensive income for the year ended 31 December 2013 before income tax charge of RR 25 million	(58)	(68)	(126)
Employer contributions for funded pension plan	-	(156)	(156)
Benefit payments (Funding NSPF pensions)	(325)	182	(143)
Benefit payments (Non-funded pension plan)	(286)		(286)
At 31 December 2013	9,243	(856)	8,387

In March 2013 OJSC DGK decided to cancel the defined benefit pension plan. The pension liability of the plan on cancellation date was RR 2,458 million. Following the defined benefit pension plan cancellation lump sum payment liabilities have increased for RR 315 million and periodical retirement payments liabilities have increased for RR 534 million. These payments were included in collective agreement and were alternatives for defined benefit pension plan. As a result the Group recognised RR 1,609 million curtailment gain for the year ended 31 December 2013.

Principal actuarial assumptions for the Group are as follows:

	31 December 2014	31 December 2013
Nominal discount rate	13.00%	7.90%
Inflation rate	7.00%	5.10%
Wage growth rate	8.50%	6.60%
Staff turnover	Staff turnover depending on age based on statistics for three years	
Mortality table	Russia-2011*	Russia-2011

* Taking into account the pull down adjustment calculated based on statistical data of mortality for employees of the Group of age till 60 years old for years 2012–2013

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2014 is presented below:

	Change in assumption	Effect on net liability	Effect on net liability, %
Nominal discount rate	+ 1%	(568)	- 7%
	- 1%	654	8%
Inflation rate	+ 1%	358	4%
	- 1%	(319)	- 4%
Wage growth rate	+ 1%	334	4%
	- 1%	(289)	- 3%
Staff turnover	+ 3%	(321)	- 4%
	- 3%	402	5%
Mortality Rates	+ 10%	(532)	- 6%
	- 10%	764	9%

The Group expects to contribute RR 599 million to the defined benefit plans in 2015.

The weighted average duration of the defined benefit obligation of the Group is 8 years.

Retirement benefit plan parameters and related risks. The Group has liabilities under retirement benefit plans in Russia. The retirement benefit plan includes benefits of the following types: lump sum payment upon retirement, jubilee benefits paid at certain age or upon completion of a certain number of years of service, financial aid and compensation to cover funeral expenses in the event of an employee's or pensioner's death, financial aid provided to pensioners, pension benefits paid to former employees through the non-state pension fund (hereinafter referred to as the "NPF").

The amount of benefits depends on the period of the employees' service (years of service), salary level over the recent years preceding retirement, predetermined fixed amount or minimum tariff rate of remuneration or salary or a combination of these factors.

As a rule, the above benefits are indexed according to the inflation rate and salary growth for benefits that depend on the salary level, excluding the retirement benefits paid through NPF, which are not indexed for the inflation rate at the time the payment is made (following the retirement of employees, all risks are borne by NPF).

In addition to the inflation risk, all retirement benefit plans of the Group are exposed to mortality and survival risks.

Plan assets held on NPF's accounts are governed in accordance with the local legislation and regulatory practices.

The Group and NPF are severally liable for plans management, including investments decisions and the contribution schedule.

NPF invests the Group's funds in a diversified portfolio. When investing pension savings and placing the pension reserves, NPF is guided by the Russian legislation that provides a strict regulation with respect to the possible list of financial instruments and restricts their utilisation, which also leads to diversification and reduces investment risks.

The Group transfers the obligation to pay lifelong non-state pension benefits to the Group's former employees to NPF and funds these obligations when awarding the pension. Therefore, the Group insures the risks related to payment of non-state pensions (investment risks and survival risks).

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Note 18. Current and non-current debt

Non-current debt

	Effective interest rate	Due date	31 December 2014	31 December 2013
OJSC Sberbank of Russia	7.98–12.72%/MosPrime 3M+2.1%	2015–2022	48,473	46,295
Russian bonds (OJSC RusHydro) issued in February 2014	8.50%	2018*	20,628	20,478
Eurobonds (RusHydro Finance Ltd)	7.875%	2015	20,281	20,254
EBRD	MOSPRIME+1.50– 3.45% / LIBOR6M+3.45%	2015–2027	18,560	14,971
Russian bonds (OJSC RusHydro) issued in April 2011	8.00%	2016*	15,233	15,225
OJSC Bank of Moscow	MosPrime+2.20%	2015	7,536	7,700
UniCredit Bank Austria AG	3.35%**	2017–2026	5,580	2,523
Crédit Agricole Corporate and Investment Bank Deutschland	Euribor 6M + 0.625%	2029	5,211	-
OJSC Bank VTB	8.39%	2015–2018	4,522	4,500
PJSC ROSBANK	8.99–11.10%	2015–2016	4,481	1,558
Municipal authority of Kamchatka region	8.57%	2034	2,526	1,572
ASIAN Development bank	LIBOR6M+3.45%	2017–2027	1,437	-
JSC Gazprombank	8.63–9.00%	2015–2016	1,179	1,997
Bayerische Landesbank	Euribor 6M + 0.85%	2017–2025	965	-
EM Falcon Ltd	-	-	-	1,517
Other long-term debt	-	-	1,112	1,282
Finance lease liabilities	8.70–21.00%	-	2,313	2,082
Total			160,037	141,954
Less current portion of non-current			(39,937)	(9,057)
Less current portion of finance lease liabilities			(913)	(1,007)
Total non-current debt			119,187	131,890

* The bonds mature in 10 years with a put option to redeem them in 2018 and 2016 respectively.

** Fixed interest rate applied to 90 percent of the credit facility, to the rest 10 percent of the facility the quarterly variable export finance rate published by OeKB (Oesterreichische Kontrollbank AG) less 0.25 percent is applied.

Crédit Agricole Corporate and Investment Bank Deutschland. In March 2014 the Group concluded the loan agreement with Crédit Agricole Corporate and Investment Bank Deutschland for total amount of EUR 190 million for a period of 15 years for financing the upgrade of hydroturbines of Saratovskaya HPP.

OJSC Sberbank of Russia. In April 2014 the Group obtained RR 2,776 million under the agreement of non-revolving credit line with OJSC Sberbank of Russia for financing of the operating, financial and investment activities including of refinancing of loans and borrowings.

European Bank for Reconstruction and Development (hereinafter referred to as "EBRD"). In April 2014 the Group concluded the loan agreement with EBRD amounting RR 3,530 million for a period of 12 years to refinance the current liability of OJSC DRSK included in RAO Energy System of East subgroup.

RusHydro Group
Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Current debt

	Effective interest rate	31 December 2014	31 December 2013
OJSC Bank VTB	7.97–11.00%	4,921	950
PJSC ROSBANK	7.50–15.60%	4,096	3,419
OJSC Sberbank of Russia	7.20–16.43%	3,331	2,350
JSC Gazprombank	8.63–15.50%	2,076	2,323
OJSC Alfa-Bank	10.50%	851	-
CJSC Raiffeisenbank	8.69–10.84%	598	-
Current portion of non-current debt	-	39,937	9,057
Current portion of finance lease liabilities	8.70–21.00%	913	1,007
Other current debt	-	1,120	781
Total current debt and current portion of non-current debt		57,843	19,887
<i>Reference:</i>			
Interest payable		2,190	1,768

Compliance with covenants. The Group is subject to certain covenants related primarily to its debt. As at 31 December 2014 and 31 December 2013 the Group met all required covenant clauses of the credit agreements.

Finance lease liabilities. Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments as at 31 December 2014	979	1,135	3,169	5,283
Less future finance charges	(66)	(276)	(2,628)	(2,970)
Present value of minimum lease payments as at 31 December 2014	913	859	541	2,313
Minimum lease payments as at 31 December 2013	1,044	1,420	-	2,464
Less future finance charges	(37)	(345)	-	(382)
Present value of minimum lease payments as at 31 December 2013	1,007	1,075	-	2,082

Note 19. Other non-current liabilities

	31 December 2014	31 December 2013
Pension benefit obligations (Note 17)	6,888	8,387
Other non-current liabilities	4,307	3,643
Total other non-current liabilities	11,195	12,030

Note 20. Accounts payable and accruals

	31 December 2014	31 December 2013
Trade payables	33,290	30,968
Advances received	7,824	8,869
Settlements with personnel	7,714	6,933
Dividends payable	88	85
Other accounts payable	2,642	2,618
Total accounts payable and accruals	51,558	49,473

All accounts payable and accruals are denominated in Russian Rubles.

Note 21. Other taxes payable

	31 December 2014	31 December 2013
VAT	5,855	5,982
Property tax	2,717	2,412
Insurance contributions	2,404	1,937
Other taxes	937	613
Total other taxes payable	11,913	10,944

Note 22. Revenue

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of electricity	239,543	230,925
Sales of heat and hot water	34,059	33,147
Sales of capacity	28,012	25,616
Other revenue	27,946	23,944
Total revenue	329,560	313,632

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

Note 23. Government grants

In accordance with legislation of the Russian Federation several companies of the Group are entitled to government subsidies for compensation of the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel. During the year ended 31 December 2014 the Group received government subsidies in the amount of RR 12,428 million (for the year ended 31 December 2013: RR 13,246 million) in the following subsidised territories: Kamchatsky territory, the Sakha Republic (Yakutia), Magadan Region and other Far East regions.

Note 24. Operating expenses (excluding impairment losses)

	Year ended 31 December 2014	Year ended 31 December 2013
Employee benefit expenses (including payroll taxes and pension benefit expenses)	65,114	56,907
Purchased electricity and capacity	57,504	54,622
Fuel expenses	46,639	44,472
Electricity distribution expenses	41,282	37,922
Depreciation of property, plant and equipment and intangible assets	21,340	18,218
Other materials	10,787	9,599
Taxes other than on income	9,008	9,295
Third parties services, including:		
Repairs and maintenance	3,784	3,608
Services of SO UES, ATS, CFS	3,598	3,480
Services of subcontracting companies	3,404	5,096
Security expenses	3,122	2,759
Purchase and transportation of heat power	2,874	2,699
Consulting, legal and information expenses	2,437	1,575
Rent	2,033	1,802
Insurance cost	1,229	1,086
Transportation expenses	1,007	1,344
Other third parties services	5,811	4,703
Water usage expenses	2,656	2,742
Social charges	2,274	2,082
Travel expenses	1,780	1,453
Loss on disposal of property, plant and equipment, net	1,288	1,447
Purchase of oil products for sale	425	718
Curtailment in pension payment and pension plan	(501)	(1,609)
Gain on disposal of subsidiaries and associates	(28)	(517)
Other expenses	1,971	260
Total operating expenses (excluding impairment losses)	290,838	265,763

Note 25. Finance income, costs

	Year ended 31 December 2014	Year ended 31 December 2013
<i>Finance income</i>		
Interest income	7,407	7,917
Foreign exchange gain	1,404	485
Gain on derivative financial instruments	309	71
Income on discounting	109	677
Other income	90	178
Total finance income	9,319	9,328
<i>Finance costs</i>		
Interest expense	(4,879)	(7,259)
Foreign exchange loss	(3,218)	(635)
Expense on discounting	(1,438)	(690)
Finance lease expense	(115)	(323)
Other costs	(1,018)	(635)
Total finance costs	(10,668)	(9,542)

Note 26. Earnings per share

	Year ended 31 December 2014	Year ended 31 December 2013
Weighted average number of ordinary shares issued (thousands of shares)	371,494,140	309,873,684
Profit for the period attributable to the shareholders of OJSC RusHydro	25,606	19,767
Earnings per share attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.0689	0.0638

Note 27. Capital commitments

Capital commitments. In accordance with investment programme of the Company and separate investment programmes of subsidiaries of RAO Energy System of East subgroup segment, the Group has to invest RR 341,208 million for the period 2015-2017 for reconstruction of the existing and construction of new power plants (RR 324,878 million for the period 2014-2016). Currently there are plans on revision of investment programs of the Company and subsidiaries of the Group.

Capital commitments of the Group as at 31 December 2014 are as follows: 2015 year – RR 144,745 million, 2016 year – RR 113,936 million, 2017 year – RR 82,527 million.

Future capital expenditures are mainly related to reconstruction of equipment of power plants: Saratovskaya HPP in the amount of RR 17,290 million, Zhigulevskaya HPP in the amount of RR 13,949 million, Volzhskaya HPP in the amount of RR 16,709 million; and to construction of power plants: Yakutskaya GRES-2 in the amount of RR 21,842 million, Nizhne-Bureiskaya HPP in the amount of RR 18,137 million, Sakhalin GRES-2 in the amount of RR 15,787 million, HPP in Sovetskaya Gavan in the amount of RR 15,051 million.

Note 28. Contingencies

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

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

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

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

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

During the year ended 31 December 2014 the Group's subsidiaries had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the year 2014. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could

be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Management believes that as at 31 December 2014 its interpretation of the relevant legislation was appropriate and the Group's tax position would be sustained.

Environmental matters. The Group's subsidiaries and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group's subsidiaries periodically evaluate their obligations under environmental regulations. Group accrued assets retirement obligation for ash dumps used by the Group which is included in other non-current liabilities and other accounts payable and comprised RR 653 million as at 31 December 2014 (31 December 2013: RR 693 million).

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

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

Counterparty	31 December 2014	31 December 2013
<i>for OJSC Boguchanskaya HPP:</i>		
State Corporation Vnesheconombank	28,106	25,605
<i>for CJSC Boguchansky Aluminium Plant:</i>		
ALSTOM Grid SAS	134	82
Total guarantees issued	28,240	25,687

Note 29. Financial risk management

The risk management function within the Group is carried out in respect of financial and operational risks. Financial risk comprise market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to provide reasonable assurance for achievement of the Group's objectives by establishing Group's overall framework, identifying, analyzing and evaluating risks, establishing risk limits, and then ensuring that exposure to risks stays within these limits and in case of exceeding these limits to impact on the risks.

In order to optimise the Group's exposure to risks, the Company constantly works on their identification, assessment and monitoring, as well as the development and implementation of activities which impact on the risks, business continuity management and insurance, seeks to comply with international and national standards of advanced risk management (COSO ERM 2004, ISO 31000 and others), increases the culture of risk management and continuously improves risk management.

Credit risk. Credit risk is the risk of financial loss for the Group in the case of non-fulfillment by the Contractor of the obligations on the financial instrument under the proper contract. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the Note 32.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

There is no independent rating for the Group's customers and therefore the Group considers the credit quality of customers at the contract execution stage. The Group considers their financial position and credit history. The Group monitors the existing receivables on a continuous basis and takes actions regularly to ensure collection or to minimise losses.

To reduce the credit risk in the wholesale electricity and capacity markets the Group has introduced marketing policy and procedure to calculate internal ratings of counterparties in the unregulated market, based on the frequency of default, and to establish limits based on the rating of the customers' portfolio.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide past due accounts receivable and other information about credit risk as disclosed in Note 12.

Cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. Management of the Group approved the list of banks for deposits, as well as rules for their placement. Moreover, management constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors of such banks.

The tables in Notes 10, 11 and 14 show deposits with banks and other financial institutions and their ratings at the end of the reporting period.

Credit risk for financial guarantees is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for other financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The Group's maximum exposure to credit risk for financial guarantees was RR 28,240 million as at 31 December 2014 (31 December 2013: RR 25,687 million) (Note 28).

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (i) foreign currencies, (ii) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated.

Currency risk. Electricity and capacity produced by the Group is sold on the domestic market of the Russian Federation at the prices fixed in Russian Rubles. Hence, the Group does not have significant foreign currency exchange risk. The financial condition of the Group, its liquidity, financing sources and the results of operations do not considerably depend on currency rates as the Group operations are planned to be performed in such a way that its assets and liabilities are to be denominated in the national currency.

The table below summarises the Group's exposure to foreign currency exchange rate risk:

	31 December 2014			31 December 2013		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
USD	3,300	(5,464)	(2,164)	782	(2,232)	(1,450)
EUR	2,310	(12,292)	(9,982)	682	(2,988)	(2,306)
Other	25	-	25	15	-	15
Total	5,635	(17,756)	(12,121)	1,479	(5,220)	(3,741)

The above analysis includes only monetary assets and liabilities. Equity investments and non-monetary assets are not considered to give rise to any material currency risk.

There is no significant effect of the changes of foreign currency rates on the Group's financial position.

Interest rate risk. The Group's operating profits and cash flows from operating activities are not dependent largely on the changes in the market interest rates. Borrowings issued at variable rates (Note 18) expose the Group to cash flow interest rate risk.

The Group obtains debt financing with floating rates, which are established on the basis of the MOSPRIME, Euribor, Libor rates.

As at 31 December 2014, had interest rates at that date been 6 percent higher (31 December 2013: 0.5 percent higher), with all other variables held constant, profit for the year ended 31 December 2014 and the amount of capital that the Group managed as at 31 December 2014 would have been RR 2 093 million (31 December 2013: RR 182 million) lower, mainly as a result of higher interest expense on variable interest liabilities.

The Group monitors interest rates for its financial instruments. Effective interest rates are disclosed in Note 18.

For the purpose of interest risk reduction the Group makes the following arrangements:

- credit market monitoring to identify favourable credit conditions,
- diversification of credit portfolio by raising of borrowings with fixed rates and floating rates.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding from an adequate amount of committed credit facilities. The Group adheres to the balanced model of financing of working capital – both at the expense of short-term sources and long-term sources. Temporarily free funds are placed into short-term financial instruments, mainly bank deposits and short-term bank promissory notes. Current liabilities are represented mainly by the accounts payable to suppliers and contractors.

The Group has implemented a control system under its contract conclusion process by introducing and applying typical financial arrangements which include standardised payment structure, payment deadlines, percentage ratio between advance and final settlement, etc. In such a manner the Group controls capital maturity.

The table below shows liabilities as at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the Consolidated Statement of Financial Position because this amount is based on the discounted cash flows.

The maturity analysis of financial liabilities as at 31 December 2014 is as follows:

	2015 year	2016 year	2017 year	2018 year	2019 year	Starting from year 2020
Liabilities						
Current and non-current debt	67,650	30,036	10,676	44,154	12,325	64,984
Trade payables (Note 20)	33,290	-	-	-	-	-
Financial guarantees (Note 28)	842	636	771	1,008	1,269	23,714
Dividends payable (Note 20)	88	-	-	-	-	-
Finance lease liabilities (Note 18)	979	449	367	192	127	3,169
Net settled derivatives	103	118	65	36	20	7
Total future payments, including principal and interest payments	102,952	31,239	11,879	45,390	13,741	91,874
Liabilities of disposal group	496	-	-	-	-	-

The maturity analysis of financial liabilities as at 31 December 2013 is as follows:

	2014 year	2015 year	2016 year	2017 year	2018 year	Starting from year 2019
Liabilities						
Current and non-current debt	31,678	51,943	26,024	9,466	47,280	38,020
Trade payables (Note 20)	30,968	-	-	-	-	-
Financial guarantees (Note 28)	-	727	579	702	919	22,760
Dividends payable (Note 20)	85	-	-	-	-	-
Finance lease liabilities (Note 18)	1,044	778	334	244	64	-
Net settled derivatives	(14)	10	13	8	7	8
Total future payments, including principal and interest payments	63,761	53,458	26,950	10,420	48,270	60,788

Note 30. Management of capital

Compliance with Russian legislation requirements and capital cost reduction are key objectives of the Group's capital risk management.

The following capital requirements have been established for joint stock companies by the legislation of the Russian Federation:

- share capital cannot be lower than 1,000 minimum shares on the date of the company's registration;
- if the share capital of the entity is more than the statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets;
- if the minimum allowed share capital is more than the statutory net assets of the entity, such entity is subject to liquidation.

As at 31 December 2014 and 31 December 2013 the Company was in compliance with the above share capital requirements.

The Group's objectives in respect of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The amount of capital that the Group managed as at 31 December 2014 was RR 595,151 million (31 December 2013: RR 596,707 million).

Consistent with others in the energy industry, the Group monitors the gearing ratio, that is calculated as the total debt divided by the total capital. Debt is calculated as a sum of non-current and current debt, as shown in the Consolidated Statement of Financial Position. Total capital is equal to the total equity, as shown in the Consolidated Statement of Financial Position. The gearing ratio was 0.30 as at 31 December 2014 (31 December 2013: 0.25).

Note 31. Fair value of assets and liabilities

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

a) Recurring fair value measurements

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

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

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	4,055	-	77	4,132
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	451,262	451,262
Total assets recurring fair value measurements	4,055	-	451,339	455,394
31 December 2013				
Financial assets				
Available-for-sale financial assets	5,766	-	28	5,794
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	437,737	437,737
Total assets recurring fair value measurements	5,766	-	437,765	443,531

The Group had no liabilities measured at fair value as at 31 December 2014 and 31 December 2013.

The valuation technique, inputs used in the fair value measurement for significant Level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2014:

	Fair value	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity of fair value measurement
Non-financial assets					
Property, plant and equipment (except for construction in progress, office buildings and land)	451,262	Replacement cost and discounted cash flows	Electricity and capacity prices Discount rate Capital expenditures	-10% +1% +10%	(19,894) (31,072) (19,382)
Total recurring fair value measurements at Level 3	451,262				(60,348)

The above tables disclose sensitivity to valuation inputs for property, plant and equipment as changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly.

There were no changes in valuation technique for Level 3 recurring fair value measurements during the years ended 31 December 2014 and 31 December 2013.

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

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

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

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

As at 31 December 2014 the carrying value of bonds exceeded their fair value by RR 2,527 million. As at 31 December 2013 fair value of bonds approximated their carrying value.

As at 31 December 2014 the carrying value of non-current fixed rate debt exceeded their fair value by RR 7,319 million. As at 31 December 2013 fair value of non-current fixed rate debt approximated their carrying value.

Note 32. Presentation of financial instruments by measurement category

The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39, *Financial Instruments: Recognition and Measurement* as at 31 December 2014:

	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 10)	7,297	-	7,297
Promissory notes	6,158	-	6,158
Deposits	585	-	585
Long-term loans issued	373	-	373
Net settled derivatives	181	-	181
Available-for-sale financial assets (Note 9)	-	4,132	4,132
Trade and other receivables (Note 12)	35,113	-	35,113
Trade receivables	32,288	-	32,288
Promissory notes receivable	13	-	13
Other financial receivables	2,812	-	2,812
Other current assets (Note 14)	41,703	-	41,703
Deposits and promissory notes	40,122	-	40,122
Short-term loans issued	1,484	-	1,484
Net settled derivatives	97	-	97
Cash and cash equivalents (Note 11)	34,394	-	34,394
Total financial assets	118,507	4,132	122,639
Non-financial assets			760,467
Non-current assets and assets of disposal group classified as held for sale			664
Total assets			883,770

All of the Group's financial liabilities are carried at amortised cost. Financial liabilities are represented mainly by the current and non-current debt (Note 18), trade payables and other account payable (Note 20).

The following table provides a reconciliation of financial assets with the measurement categories as at 31 December 2013:

	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 10)	5,915	-	5,915
Promissory notes	5,644	-	5,644
Deposits	38	-	38
Long-term loans issued	196	-	196
Net settled derivatives	37	-	37
Available-for-sale financial assets (Note 9)	-	5,794	5,794
Trade and other receivables (Note 12)	32,511	-	32,511
Trade receivables	30,342	-	30,342
Promissory notes receivable	1	-	1
Other financial receivables	2,168	-	2,168
Other current assets (Note 14)	52,936	-	52,936
Deposits and promissory notes	52,406	-	52,406
Short-term loans issued	530	-	530
Cash and cash equivalents (Note 11)	34,472	-	34,472
Total financial assets	125,834	5,794	131,628
Non-financial assets			724,484
Total assets			856,112

Note 33. Subsequent events

There were no significant subsequent events that can influence the Group's financial position, cash flows or operating results which took place during the period between reporting date and date of signing of the Group's consolidated financial statements for the year ended 31 December 2014 prepared in accordance to IFRS.