



PJSC «RusHydro»

Financial statements and
Independent Auditor's report

31 December 2018

Translation from Russian original

Content

INDEPENDENT AUDITOR'S REPORT FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders and Board of Directors of Public Joint Stock Company Federal Hydro-Generating Company – RusHydro:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC RusHydro (the “Company”) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2018;
- the statement of financial results for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the balance sheet and statement of financial results.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter

We draw attention to Note 2.5 Investments and Note 3.1.2 Long-term investments (balance sheet line 1170) to the balance sheet and statement of financial results which describe the reasons for departure from accounting rules in respect of non-revaluation of quoted financial investments in shares of AO RAO ES of East which previously had current market value, at their last available market value, PAO Yakutskenergo and PAO Far East Energy Company at their current market values. As of 31 December 2018 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 6,670 million, as of 31 December 2017 – RUB 6,702 million. Our opinion is not modified in respect of this matter.

AO PricewaterhouseCoopers Audit

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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.



Our audit approach

Overview

- Materiality**
- Overall materiality: Russian Roubles (“RUB”) 2,570 million, which represents 5% of the average profit before tax for the last three years.
-
- Key audit matter**
- Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties
-

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of the concept of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	RUB 2,570 million
<i>How we determined it</i>	5% of the average profit before tax for the last three years
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the accompanying financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties</i></p> <p><i>See paras 2.5, 2.8, 3.1.2, 3.2.2, 3.2.3, 3.12.5 and 3.12.6 of the explanatory notes to the balance sheet and income statement.</i></p> <p>At 31 December 2018, the aggregate carrying amount of the Company’s investments in equity and debt securities of its subsidiaries and other related parties was RUB 349,789 million (net of the impairment provision of RUB 33,374 million), or 34% of the total value of Company’s assets.</p> <p>At 31 December 2018, the carrying amount of accounts receivable from subsidiaries and other related parties was RUB 142,792 million (net of the doubtful debt provision of RUB 4,946 million), or 14% of the total value of Company’s assets.</p> <p>As part of the annual reporting process the Company performs a comprehensive analysis of all investments that are not carried at their current market value and of accounts receivable from related parties (primarily in the form of interest-free loans and bills) as at the reporting date, to identify any indications of impairment and its amount.</p> <p>The Company decides on the need to recognise impairment of the above assets following the results of the comprehensive analysis of the current and expected financial position of the issuer taking into account impairment criteria established in PBU 19/02, and the assessment of the debtor’s solvency, individual specifics, payment dynamics and other factors.</p>	<p>Our audit procedures aimed at analysing the impairment testing by the management of Company’s investments in equity and debt securities of related parties and accounts receivable from related parties, included:</p> <ul style="list-style-type: none"> • understanding of how impairment estimates were calculated; • review of the methodology used by Company’s management for the impairment test purposes; • review of reasonableness of accounting estimates made by the management and management’s position on whether there are indicators of assets’ potential impairment; • review on a test basis of key assumptions and source data used in the impairment tests and their compliance with the approved budgets and business plans, external available and reliable information and our expert knowledge of industry specifics; • review of the collectability analysis performed by management taking into account the solvency analysis of contractors as at the reporting date, any intention to allow payment by instalments and other factors considered by management; • review on a test basis of the calculation accuracy and appropriateness of presentation in the financial statements of

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Key audit matter	How our audit addressed the Key audit matter
<p>We focused on the impairment assessment of investments in and receivables from related parties due to significance of their carrying value and because the assessment process is complicated and requires significant management's judgements, and impairment provisions for investments and doubtful debts can be significant.</p>	<p>impairment provisions for investments and doubtful debts;</p> <ul style="list-style-type: none">• receipt and analysis of management's written representations related to performed impairment testing of these assets. <p>Following the results of our procedures, we believe that estimates and judgements made by management with regard to the impairment of investments and accounts receivable of related parties are relevant for the purposes of the attached financial statements.</p> <p>Acceptability of the current estimates made by the Company management for the purpose of the financial statements for the year ended 31 December 2017 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates.</p> <p>In addition, we verified compliance of disclosures in paras 2.5, 2.8, 3.1.2, 3.2.2, 3.2.3, 3.12.5 and 3.12.6 of the explanatory notes to the balance sheet and income statement, with the disclosure requirements as per PBU 1/2008, PBU 19/02.</p> <p>Our procedures have not identified any findings that evidence that there is a need for any significant adjustments to these financial statements.</p>

Other information

Management is responsible for the other information. Other information includes PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019, but does not include the financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above, when it is made available to us, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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When we read PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to



the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the accompanying financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report, is Alexey Sergeevich Ivanov.

28 February 2019
Moscow, Russian Federation

A. S. Ivanov, certified auditor (licence no. 01-000531), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company Federal Hydro-Generating Company – RusHydro

Record made in the Unified State Register of Legal Entities on 26 December 2004 under State Registration Number 1042401810494

660017, Russian Federation, Krasnoyarsk Region, Krasnoyarsk, Dubrovinskogo str. 43, bld. 1

Independent auditor:
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

BALANCE SHEET

as at 31 December 2018

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Public joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **RUB mln**
 Address: **Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660017**

Form on OKUD
 Date (year, month, day)
 OKPO
 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES	
Form on OKUD	0710001
Date (year, month, day)	2018/12/31
OKPO	75782411
INN	2460066195
OKVED	35.11.2
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
1	2	3	4	5	6
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	1,070	1,267	1,324
	Results of research and development	1120	1,097	920	1,077
3.1.1	Property, plant and equipment, incl.:	1150	419,084	419,635	409,109
	fixed assets	1151	386,401	382,007	372,514
	construction in process	1152	32,683	37,628	36,595
3.1.2	Financial investments, incl.:	1170	343,606	312,149	292,273
	investments in subsidiaries, associates and other entities	1171	277,478	256,730	264,587
	loans issued	1172	66,128	55,419	27,085
	promissory notes	1173	-	-	601
3.1.3	Other non-current assets	1190	2,629	4,222	4,703
	Total Section I	1100	767,486	738,193	708,486
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	4,765	4,258	4,252
3.9	Value added tax on goods purchased	1220	19	30	51
3.2.2	Accounts receivable, incl.:	1230	185,770	177,308	149,614
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	53,687	54,713	62,615
	buyers and customers	1231.1	41	34	178
	advances issued	1231.2	16,453	19,819	20,004
	promissory notes	1231.3	30,974	29,931	29,312
	loans issued	1231.4	441	2,600	11,258
	other debtors	1231.5	5,778	2,329	1,863
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	132,083	122,595	86,999
	buyers and customers	1232.1	6,879	6,726	7,120
	advances issued	1232.2	7,059	4,276	10,206
	promissory notes	1232.3	2,343	2,385	5,459
	loans issued	1232.4	94,181	64,331	30,792
	other debtors	1232.5	21,621	44,877	33,422
3.2.3	Financial investments (excl. cash equivalents), incl.:	1240	35,770	12,450	5,305
	bank deposits	1241	29,585	163	4,075
	loans issued	1242	5,584	11,686	1,230
	promissory notes	1243	601	601	-
3.2.4	Cash and cash equivalents	1250	42,971	50,929	40,954
	Other current assets	1260	26	11	11
	Total Section II	1200	269,321	244,986	200,187
	TOTAL	1600	1,036,807	983,179	908,673

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Note	Narrative	Line code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
1	2	3	4	5	6
	EQUITY AND LIABILITIES				
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	426,289	426,289	386,255
3.3.2	Revaluation of non-current assets	1340	52,437	52,606	52,705
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	58,424
3.3.4	Reserve capital	1360	15,179	13,371	11,278
	Retained earnings (loss), incl.:	1370	298,877	274,994	260,674
	undistributed profit of previous years	1371	262,151	238,845	218,797
	undistributed profit of the current year	1372	36,726	36,149	41,877
	Total Section III	1300	851,206	825,684	769,336
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	128,177	71,698	94,848
3.9	Deferred tax liabilities	1420	19,308	17,113	13,676
3.4.2	Other liabilities	1450	2,840	4,264	3,746
	Total Section IV	1400	150,325	93,075	112,270
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	19,769	50,258	14,025
3.5.2	Accounts payable, incl.:	1520	11,703	10,563	9,681
	suppliers and contractors	1521	4,978	4,040	4,190
	payables to employees	1522	211	244	24
	payables to state non-budgetary funds	1523	143	134	14
	taxes payable	1524	5,408	5,242	4,697
	dividends payable	1525	143	141	122
	payables in respect of shares issued	1526	-	-	33
	other creditors	1527	820	762	601
	Income of future periods	1530	63	67	73
3.5.3	Estimated liabilities	1540	2,863	2,976	2,447
	Other liabilities	1550	878	556	841
	Total Section V	1500	35,276	64,420	27,067
	TOTAL	1700	1,036,807	983,179	908,673

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

Y. G. Medvedeva
(clarification of signature)

28 February 2019

STATEMENT OF FINANCIAL RESULTS

for the year ended 31 December 2018

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Public 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	
Form on OKUD	0710002
Date (year, month, day)	2018/12/31
OKPO	75782411
INN	2460066195
OKVED	35.11.2
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	Year ended 31 December 2018	Year ended 31 December 2017
1	2	3	4	5
3.7.1	Revenue	2110	162,813	144,697
3.7.2	Cost of sales	2120	(96,847)	(83,807)
	Gross profit	2100	65,966	60,890
	Profit from sales	2200	65,966	60,890
3.12.7	Income from participation in other companies	2310	829	2,563
	Interest income	2320	8,213	8,759
	Interest expense	2330	(7,772)	(8,280)
3.8	Other income	2340	14,840	7,895
3.8	Other expense	2350	(31,978)	(22,349)
	Profit before tax	2300	50,098	49,478
3.9	Current income tax, incl.:	2410	(11,044)	(9,868)
	permanent tax liabilities	2421	3,196	3,088
	Change in deferred tax liabilities	2430	(2,309)	(3,232)
	Change in deferred tax assets	2450	114	(205)
	Other	2460	(133)	(24)
	Net profit	2400	36,726	36,149
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	36,726	36,149
	REFERENCE			
3.11	Basic earnings per share, RR	2900	0,0862	0,0890

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

28 February 2019

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership **Public joint-stock company/mixed Russian ownership with a federal ownership share**
 Measurement unit: **RUB mln**

Form on OKUD **0710003**
 Date (year, month, day) **2018/12/31**
 OKPO **75782411**
 INN **2460066195**
 OKVED **35.11.2**
 OKOPF/OKFC **12247 / 41**
 OKEI **385**

CODES	
Form on OKUD	0710003
Date (year, month, day)	2018/12/31
OKPO	75782411
INN	2460066195
OKVED	35.11.2
OKOPF/OKFC	12247 / 41
OKEI	385

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 2016 for 2017	3100	386,255	111,129	11,278	260,674	769,336
Increase of equity, including:						
net profit	3210	40,034	-	-	36,149	76,183
additional shares issue	3211	-	-	-	36,149	36,149
Decrease of equity, including:						
dividends	3214	40,034	-	x	x	40,034
other	3220	-	-	-	(19,835)	(19,835)
Additional capital change	3227	x	x	x	(19,835)	(19,835)
Reserve capital change	3228	-	-	x	-	-
Equity as of 31 December 2017 for 2018	3200	426,289	111,030	13,371	274,994	825,684
Increase of equity, including:						
net profit	3230	x	(99)	x	99	x
additional shares issue	3240	x	x	2,093	(2,093)	x
other	3310	-	-	-	36,748	36,748
Decrease of equity, including:						
dividends	3311	-	-	-	36,726	36,726
other	3314	-	-	x	x	-
Additional capital change	3317	-	-	x	22	22
Reserve capital change	3320	-	-	-	(11,226)	(11,226)
Equity as of 31 December 2018	3300	426,289	110,861	15,179	298,877	851,206

III. Net assets

Narrative	Line code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
1	2	3	4	5
Net assets	3600	851,265	825,745	769,399

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

28 February 2019

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.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Public 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
0710004
2018/12/31
75782411
2460066195
35.11.2
12247 / 41
385

Note	Narrative	Line code	For 2018	For 2017
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	172,151	145,899
	sales of products, goods, work and services	4111	161,297	143,005
	lease payments, license payments, royalties, commissions and other payments	4112	95	680
3.2.4	other receipts	4119	10,759	2,214
	Payments including:	4120	(105,843)	(91,517)
	to suppliers (contractors) – raw materials, works and services	4121	(60,098)	(47,352)
	wages and salaries	4122	(7,435)	(6,855)
	interest on debt liabilities	4123	(8,404)	(7,890)
	corporate income tax	4124	(11,343)	(12,521)
3.2.4	other payments	4129	(18,563)	(16,899)
	Net cash flows from operating activities	4100	66,308	54,382
	Cash flows from investing activities			
	Receipts, including:	4210	13,385	39,893
	sale of non-current assets (except for investments)	4211	20	267
	sale of shares of other organisations (ownership interest)	4212	939	90
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	6,925	27,396
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	5,501	8,206
3.2.4	other receipts	4219	-	3,934
	Payments, including:	4220	(102,166)	(117,042)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(16,096)	(21,679)
	related to purchase of shares of other organisations (ownership interest)	4222	(14,917)	(7,591)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(39,648)	(85,860)
	borrowing costs included in the cost of the investment assets	4224	(2,083)	(1,912)
3.2.4	other payments	4229	(29,422)	-
	Net cash flows from investing activities	4200	(88,781)	(77,149)

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Note	Narrative	Line code	For 2018	For 2017
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	78,436	70,675
	borrowings and bank loans	4311	78,436	20,676
	issue of shares, increase in ownership interest	4313	-	40,000
	issue of bonds, promissory notes and other debt securities, etc.	4314	-	9,999
	Payments, including:	4320	(64,174)	(37,912)
	dividends and other distributions to owners	4322	(11,135)	(19,771)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(53,037)	(18,135)
3.2.4	other payments	4329	(2)	(6)
	Net cash flows from financing activities	4300	14,262	32,763
	Net cash flows for the reporting period	4400	(8,211)	9,996
3.2.4	Cash and cash equivalents at the beginning of the reporting period	4450	50,929	40,954
3.2.4	Cash and cash equivalents at the end of the reporting period	4500	42,971	50,929
	Foreign exchange rate difference	4490	253	(21)

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

Y. G. Medvedeva
(clarification of signature)

28 February 2019

I. General information

1.1 Information about the Company

Principal activities of public joint stock company Federal Hydro Generating Company - RusHydro (PJSC RusHydro, hereinafter - the Company) are the generation of electricity (power). The Federal Agency for State Property Management 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 2018 the Company employed 5 538 people (as of 31 December 2017 – 5,547 people, as of 31 December 2016 – 5,499 people).

The Company's shares are traded on MOEX stock exchange (<http://moex.com>). 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 2018 the ownership share of the Russian Federation in the Company's share capital amounted to 60,56% (as of 31 December 2017 – 60.56%, as of 31 December 2016 – 66.84%).

As of 31 December 2018 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 2018 is as follows:

- Trutnev Yury Petrovich, Chairman of the Board of Directors, Deputy Prime Minister - Plenipotentiary Representative of RF President in the Far Eastern Federal District;
- Ivanov Sergey Nikolaevich, Deputy chairman of the Board of Directors
- Avetisyan Artem Davidovich, head of "New business" stream of autonomous non-profit organization "Agency of strategic initiatives for promotion of new projects";
- Bystrov Maxim Sergeevich, Chairman of the Management Board NP Market Council responsible for organization of effective system of energy power and capacity wholesale and retail;
- Grachev Pavel Sergeevich, General Director of PJSC "Polyus", General Director of LLC "Polyus";
- Kravchenko Vyacheslav Mikhailovich
- Livinskiy Pavel Anatolyevich, Chairman of the Board of Directors and General Director of PJSC "Rosseti";
- Pivovarov Vyacheslav Victorovich, Chief Executive Officer, LLC Altera Capital;
- Rasstrigin Mikhail Alekseevich, Depute Minister of Economic Development of the Russian Federation;
- Rogalev Nikolay Dmitrievich, rector of the Federal State Budget Educational Institution of Higher Education "National Research University "MEI";
- Shishin Sergey Vladimirovich, Senior Vice-President, VTB Bank (PJSC);
- Shishkin Andrey Nikolaevich, Vice President for power and localisation PJSC Rosneft; member of Board of PJSC "NK "Rosneft", Chief Executive Officer and Chairman of the Management Board PJSC ANK "Bashneft", General Director of LLC "RN-Aktiv";
- Shulginov Nikolay Grigoryevich, Chairman of Management Board, General Director, PJSC RusHydro.

PJSC RusHydro

Explanatory Notes to the 2018 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

By the decision of the Annual General Meeting of Shareholders dated 28 June 2018 (protocol No.17) Livinskiy Pavel Anatolyevich were elected members of Board of Directors, Rasstrigin Mikhail Alekseevich and the authority of Podguzov Nikolay Radievich and Chekunkov Aleksey Olegovich.

As of 31 December 2018 the Company's Management Board includes:

- Shulginov Nikolay Grigoryevich, Chairman of the Management Board, General director,
- Bogush Boris Borisovich, First Deputy General Director, Chief engineer,
- Kazachenkov Andrey Valentinovich, First Deputy General Director,
- Kirov Sergey Anatolyevich, First Deputy General Director,
- Markin Vladimir Ivanovich, First Deputy General Director,
- Rizhinashvili George Ilyich, First Deputy General Director.

In 2018 there was no change in the composition of the Company's Management Board.

As of 31 December 2018 members of the Company's Internal Audit Commission included:

- Annikova Natalia Nikolaevna, First deputy of General Director on economics and finance JSC "Stroitelnoe upravlenie №308",
- Zobkova Tatiana Valentinovna, Department Division Head, Russian Ministry of Energy,
- Kostina Marina Alexandrovna, Department Deputy Director, Russian Ministry of Economic Development,
- Repin Igor Nikolaevich, Deputy Executive Director, Investor protection association,
- Simochkin Dmitry Igorevich, Depute of head of Department of Federal Property Management Agency.

The above members of the Revision Group were elected by the decision of the Annual General Meeting of Shareholders dated 28 June 2018 (protocol No.17).

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. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018..

This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future impact of the current economic situation is difficult to predict, and the current expectations and assessments by management may differ from any actual results.

Developing capacity and power wholesale and retail markets possess higher level of risks than developed markets of other products and services. The Company's operations are exposed to financial, legal, country, regional, reputation and other risks.

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 31000-2018, GOST R ISO 31000-2010, COSO ERM 2017 etc.), Code of corporate governance Central Bank of RF, methodological recommendations of the Federal Property Management Agency and the Ministry of Finance of the Russian Federation in the field of risk management and internal control.

Financial risks

Financial risk includes market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

Financial position of the Company, its liquidity, sources of financing, performance results do not depend significantly on changes of rate of exchange and changes of interest rates.

Information about the Company's exposure to financial risks, their reasons and risk management tools is presented in paragraph 3.15 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 financial position.

The Company manages these risks by developing a Company-friendly legal framework for operations of the electricity and capacity market. To accomplish this task the Company participates in the processes undertaken by the Russian Ministry of Energy, the NP Market Council and FTS in the area of developing the electric power industry regulations, and carries out continuous monitoring of changes in the legislation.

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.

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 the country risk can be indirectly assessed, subject to some assumptions, based on the credit rating (the business exposure to political risks is not taken into account). At the end of 2018, Russia's foreign currency obligations were rates as follows: BBB- (Standard & Poor's), Ba1 (Moody's) and BBB- (Fitch). At the same time these three international agencies improved the outlook for Russia's sovereign rating to: stable (Moody's) and positive (Standard & Poor's and Fitch). According to analysts, 'external risks' to Russia have decreased and the Russian economy continuous adjustment to lower feedstock prices.

Also in 2018 international rating agencies raised the long-term credit rating of the Company as follows: Moody's improved the rating to Ba1 with stable outlook, Standard & Poor's – to BB+ with positive outlook, Fitch confirmed the rating at BB+ and revised the outlook from negative to stable.

Russian economy is vulnerable to market downturns and global economic slowdown. At the moment 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: optimization of leverage, optimisation of the obtained borrowed funds, increase turnover of current assets, 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 and subsidiaries' investment programmes and also develops and improves the corporate internal control system and risk management.

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 negative perception of the quality of Company's products, works, services sold, the ability to meet the deadlines for payment discipline, 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 of the Company in mass media, control over compliance with production discipline, cooperating actively with all stakeholders to maintain high reputation. The company organizes public events jointly with interested parties; special events for mass media, analytics and investors. Also, the Company regularly updates information on official Internet sources and prepares official comments on key activities questions.

Besides the Company takes measures to prevent corruption. Anti-corruption policy, 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 risk of capital construction, 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, subject to the rules and assumptions described in the Company's accounting policies.

Assets are valued at actual costs, excluding fixed assets of subsidiaries and dependent companies (hereinafter referred to as "SDCs") received in 2008 in connection with the merger of SDCs into the Company; Financial investments, for which the current market value is determined; assets, for which, in accordance with established procedure, reserves were created to reduce their value (impairment).

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 69.4706 as of 31 December 2018 (31 December 2017: USD 1 = RUB 57.6002, 31 December 2016: USD 1 = 60.6569), EUR 1 = RUB 79.4605 as of 31 December 2018 (31 December 2017: EUR 1 = RUB 68.8668, 31 December 2016: EUR 1 = RUB 63.8111) and CNY 1 = RUB 10.0997 as of 31 December 2018.

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 recognised at their historical cost equal to actual acquisition (construction, production) cost. At the same time, fixed assets received in 2008 in connection with the merger of a number of subsidiaries and affiliates to the Company, are accounted for at their market value determined by an independent appraiser.

The acquired property, plant and equipment with historical cost of below RUB 40 thousand per unit are accounted for within inventories.

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 historical cost less depreciation, while fixed assets received in 2008 due to the merger of a number of subsidiaries and affiliates to the Company are depicted at historical cost less depreciation accumulated from the time of independent valuation in order to merge with the subsidiaries.

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;
- 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.

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), taking into account the rules adopted by the Company for reflecting financial investments in subsidiaries that have a current market value at the reporting date or earlier.

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);
- interest-bearing loans issued to other entities;
- government and municipal securities and other investments.

The initial cost of financial investments purchased at a charge is the sum of the Company's actual expenses for their 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.

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 claims from investments are recognised in the balance sheet line 1230 "Accounts receivable".

Investments, the current market value of which can be determined under the established procedure, with the exception of contributions to the authorized capital of subsidiaries, 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 MOEX stock exchange (<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 in subsidiaries that have a current market value at the reporting or earlier date

The Company records investments in charter capital of its subsidiaries (irrespective of current market quotes available for them) within financial investments that are not revalued at current market value. These financial investments on the Company's balance sheet include: AO RAO Energy Systems of the East, PAO Yakutsenrgo and PAO DEK, i.e. entities obtained in 2011-2013 as a result of the Company's additional share issues. These investments are recorded at value that is agreed with the Company's shareholders, including the controlling shareholder - the Russian Federation represented by the Federal Agency for State Property Management. The value measurement is based on an independent market appraisal.

In accordance with para 20 of PBU 19/02, investments the fair market value of which is determinable under the established procedure are recorded in year-end financial statements at their current market value that is derived by adjusting their value as at the prior reporting date. In accordance with para 24 of PBU 19/02, if no current market value can be determined at the reporting date for investments that were earlier carried at market value, such investments should be recorded at their latest value.

Management of the Company does not follow the Accounting Regulation "Accounting for Investments" (PBU 19/02) in the part related to accounting for investments in subsidiaries that have a current market value as at the reporting or earlier date and has not performed any market revaluation of such investments after they were obtained.

Management of the Company believes that market quotes do not fairly present the estimated value of the Company's controlling stakes in its subsidiaries at relevant dates because the number of shares traded in the market is not representative: less than 1% of the total number of outstanding shares are daily traded in the market.

In 2016 the interest of RusHydro Group (RusHydro Group means the Company and entities that the Company controls directly or through other subsidiaries) in AO RAO Energy Systems of the East increased from 86.20% to 99.98% as a result of the consolidation process by buying shares from minority shareholders. In 2016, shares of AO RAO Energy Systems of the East stopped being quoted and in 2017 the company was de-listed from the Moscow Exchange and removed from quotation lists.

The Company's management plans to benefit 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 from their market value fluctuations. In view of these circumstances and taking into account the fact that the Company has no plans to sell these investments, in accordance with para 6 of the Russian Accounting Regulation "Accounting Reports of an Entity" (PBU 4/99), approved by order No. 43n of the Russian Ministry of Finance of 6 July 1999, the Company decided not to follow the accounting rules and not to perform any market revaluation of its investments in OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company after their purchase date.

Therefore, the valuation approach used by the Company to record these investments, i.e. at value that is agreed with the shareholders and is based on an independent market appraisal, allows to avoid inappropriate presentation of the Company's financial position and financial results.

Additionally, the Company's management reviewed IAS 27 "Separate Financial Statements", IFRS 9 "Financial Instruments" and IFRS 13 "Fair Value Measurement".

IAS 27 sets the rules of recognizing investments in subsidiaries, joint ventures and associates in the process of preparing separate financial statements. In accordance with para 10 of IAS 27, an entity can choose to account for such investments at cost or in accordance with IFRS 9 at fair value. IFRS 13 gives the highest priority in fair value measurement to quoted prices in active markets for identical assets. The term 'active market' is defined as one in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The market for investments under review is not deemed active.

The alternative accounting treatment of investments in subsidiaries as per IAS 27, i.e. at cost without any revaluation at market quotes, complies with the Company's accounting policies that

provide for the departure from the Accounting Regulation "Accounting for Investments" (PBU 19/02).

Impairment of financial investments

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.

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 include non-interest-bearing promissory notes and non-interest-bearing loans issued.

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.

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 and included in the line 4219 "Other receipts" and in the line 4229 "Other payments".

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;
- on payment of bonuses for the results of work for the fourth quarter and year, the value of which at the end of the reporting year is determined based on the forecast of performance of internal corporate key performance indicators, taking into account insurance premiums;
- in other cases provided by RAR 8/2010.

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.

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, interest for the commodity credit 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 produced (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;
- 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 2018.

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),

PP&E group	Net book value		
	31 December 2018	31 December 2017	31 December 2016
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	185,342	189,107	192,240
Machinery and equipment	162,476	153,576	140,215
Buildings	38,193	38,903	39,539
Motor vehicles	6	6	6
Production and maintenance tools	154	220	293
Land plots	4	4	4
Other types of property, plant and equipment	176	191	217
Total line 1151 "Property, plant and equipment"	386,401	382,007	372,514

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Availability and movement of property, plant and equipment

Narrative	Period	At the beginning of the year		Additions*	Changes for the period			At the end of the year	
		Cost	Accumulated depreciation		Disposals		Depreciation accrued*	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment	2017	470,944	(98,430)	27,220	(1,075)	743	(17,395)	497,089	(115,082)
	2018	497,089	(115,082)	21,584	(2,369)	1,390	(16,211)	516,304	(129,903)
including:									
Facilities and transmission equipment	2017	226,077	(33,837)	1,428	(59)	47	(4,549)	227,446	(38,339)
	2018	227,446	(38,339)	1,469	(912)	308	(4,580)	228,003	(42,611)
	2017	198,113	(57,898)	25,391	(841)	652	(11,841)	222,663	(69,087)
Machinery and equipment	2018	222,663	(69,087)	19,732	(1,194)	992	(10,630)	241,201	(78,725)
	2017	45,244	(5,705)	366	(141)	20	(881)	45,469	(6,566)
Buildings	2018	45,469	(6,566)	343	(236)	63	(880)	45,576	(7,383)
	2017	13	(7)	-	-	-	-	13	(7)
Motor vehicles	2018	13	(7)	1	-	-	(1)	14	(8)
	2017	1,075	(782)	31	(22)	12	(94)	1,084	(864)
Production and maintenance tools	2018	1,084	(864)	32	(25)	25	(98)	1,091	(937)
	2017	4	-	-	-	-	-	4	-
Land plots	2018	4	-	-	-	-	-	4	-
	2017	418	(201)	4	(12)	12	(30)	410	(219)
Other types of property, plant and equipment	2018	410	(219)	7	(2)	1	(22)	415	(239)

* Cost of property, plant and equipment received in 2017 and depreciation for the period includes cost of property, plant and equipment repurchased at the expiration of the lease agreements of RUB 1,150 million and accumulated depreciation of RUB 998 million. Exposure of leased property, plant and equipment is described in paragraph 3.6.1 of the Explanatory Notes.

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Changes in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction or partial liquidation

Narrative	2018	2017
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	11,168	14,885
Machinery and equipment	10,121	13,472
Facilities and transmission equipment	946	1,099
Buildings	89	314
Business and administrative equipment and stock	12	-
Decrease in value of property, plant and equipment as a result of partial liquidation including:	85	85
Machinery and equipment	80	77
Other types of property, plant and equipment	5	8

Other use of property, plant and equipment

Narrative	31 December 2018	31 December 2017	31 December 2016
Leased out PP&E recognised on the balance sheet	1,023	1,308	1,451
Leased PP&E recognised in the off-balance-sheet accounts	36,256	35,760	33,862
Real estate assets which were put into operation and actually used but are in the process of state registration	856	1,178	5,924
PP&E that have been temporarily shut down	100	71	80

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Construction-in-progress and purchase of property, plant and equipment

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:	2017	36,595	27,209	(58)	29	(26,147)	37,628
	2018	37,628	16,732	(85)	(8)	(21,584)	32,683
Construction-in-progress	2017	33,238	13,171	(58)	11,539	(25,676)	32,214
	2018	32,214	8,979	(80)	8,688	(21,357)	28,444
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2017	24	471	-	(2)	(471)	22
	2018	22	236	-	-	(227)	31
Equipment for installation	2017	3,333	13,567	-	(11,508)	-	5,392
	2018	5,392	7,517	(5)	8,696	-	4,208

* *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 2018	31 December 2017	31 December 2016
Investments in subsidiaries	264,824	237,257	244,104
Investments in associates	11,110	11,110	11,110
Investments in other entities	1,544	8,363	9,373
Long-term loans issued	66,128	55,419	27,085
Debt securities	-	-	601
Total line 1170 "Financial investments"	343,606	312,149	292,273

Exposure of long-term investments to financial risks is described in paragraph 3.15 of the Explanatory Notes.

PJSC RusHydro
Explanatory Notes to the 2018 Balance sheet and Statement of Financial Results
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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:	2017	320,913	(28,640)	56,192	(893)	(27,692)	16	(7,747)	349,412	(37,263)
	2018	349,412	(37,263)	45,455	1,448	(13,580)	3,330	(5,196)	381,287	(37,681)
Investments in subsidiaries	2017	261,933	(17,829)	900	-	-	-	(7,747)	262,833	(25,576)
	2018	262,833	(25,576)	34,247	-	(1,484)	-	(5,196)	295,596	(30,772)
Investments in associates	2017	11,126	(16)	-	-	(16)	16	-	11,110	-
	2018	11,110	-	-	-	-	-	-	11,110	-
Investments in other entities	2017	13,269	(3,896)	-	(893)	(117)	-	-	13,151	(4,788)
	2018	13,151	(4,788)	-	1,448	(11,597)	3,330	-	1,554	(10)
Long-term loans issued	2017	27,085	-	55,292	-	(26,958)	-	-	55,419	-
	2018	55,419	-	11,208	-	(499)	-	-	66,128	-
Debt securities	2017	7,500	(6,899)	-	-	(601)	-	-	6,899	(6,899)
	2018	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".

PJSC RusHydro
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(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 2018		31 December 2017		31 December 2016	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	264,824		237,257		244,104	
JSC Zagorskaya GAES-2	69,691	100.00%	60,691	100.00%	60,691	100.00%
JSC Nizhne-Bureiskaya GES	38,393	100.00%	14,611	100.00%	14,611	100.00%
JSC Ust-Srednekanskaya GES	23,111	67.82%	23,111	67.82%	23,111	67.82%
JSC RAO ES of East	18,495	84.39%	18,495	84.39%	18,495	84.39%
JSC Zaramagskie GES	17,216	99.75%	17,216	99.75%	17,216	99.75%
JSC Yakutskaya GRES-2	16,862	100.00%	16,862	100.00%	16,862	100.00%
JSC Sakhalinskaya GRES-2	15,012	100.00%	15,012	100.00%	15,012	100.00%
JSC CCGT in the City of Sovetskaya Gavan	13,844	100.00%	13,844	100.00%	13,844	100.00%
PJSC Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
JSC Sulakskiy Hydrocascade	11,480	100.00%	10,094	100.00%	10,094	100.00%
JSC Malaya Dmitrovka	6,394	100.00%	6,394	100.00%	6,394	100.00%
JSC Blagoveschenskaya TEC	4,285	100.00%	4,285	100.00%	4,285	100.00%
JSC ESK RusHydro	3,358	100.00% - 1 share	3,358	100.00% - 1 share	3,420	100.00% - 1 share
JSC Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
JSC Geoterm	2,493	99.74%	2,425	99.65%	2,425	99.65%
JSC Leningradskaya GAES	1,987	100.00%	1,987	100.00%	4,994	100.00%
PJSC Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
JSC NIIES	1,067	100.00%	1,067	100.00%	1,067	100.00%
LLC Verkhnebalkarskaya MGES	937	100.00%	937	100.00%	937	100.00%
OJSC P. S. Neporozhny Sayano-Shushenskaya HPP	589	100.00%	589	100.00%	589	100.00%
PJSC Kamchatsky gas and energy complex	531	100.00%	531	96.58%	531	96.58%
JSC Yuzhno-Yakutskiy GEK	49	100.00%	2,993	100.00%	3,005	100.00%
JSC Gidroinvest***	-	66.81%	3,255	100.00%	5,422	100.00%
HydroOGK Power Company Ltd	-	100.00%	-	100.00%	1,171	100.00%
Other	912		1,382		1,810	
Associates:	11,110		11,110		11,110	
PJSC Irkutsk Electric Grid Company	8,543	42.75%	8,543	42.75%	8,543	42.75%
PJSC Sakhalin energy company	2,567	26.94%	2,567	26.94%	2,567	28.09%
Other entities:	1,544		8,363		9,373	
PJSC Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
PJSC Inter RAO	-	-	6,809	1.94%	7,709	1.94%
Other	463		473		583	
Total:	277,478		256,730		264,587	

* Investment in PJSC Yakutskenergo (29.80%) is recorded within subsidiaries as the Company has control over these entities indirectly via other subsidiaries.

** JSC Yuzhno-Yakutskiy GEK was renamed to JSC TSOK RusHydro in 2018.

*** The ownership percentage of shares changed due to reorganisation through merger LLC Index energetiki – HydroOGK, LLC EZOP, LLC Vostok-Finans into JSC Gidroinvest.

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2018 are as follows:

- acquisition of additionally issued shares of subsidiaries for the total of RUB 34,246 million, including AO Nizhne-Bureyskaya GES of RUB 23,782 million, AO Zagorskaya HAEP-2

of RUB 9,000 million, AO Sulaksky Hydrocascade of RUB 1,386 million, other subsidiaries of RUB 78 million;

- measurement of investments that have current market value and recognition of the resulting gain of RUB 1,449 million on shares of PAO Inter RAO;
- sale in July 2018 of PAO Inter RAO's shares with the carrying value of RUB 8,267 million; AO Inter RAO Capital with the sales cost of 6,790 million (as at 31 December 2018 short-term receivables contains RAO Inter RAO's receivables in the amount of RUB 5 936 million (see paragraph 3.2.2 of the Explanatory Notes) in accordance with the terms of repayment under the sales contract;
- creating an investment impairment provision of RUB 6,452 million, including RUB 3,255 million for AO Hidroinvest, RUB 2,943 million for AO TSOK RusHydro and RUB 254 million for other subsidiaries;

Investments in subsidiaries that have current market value as of reporting date or formerly

As of 31 December 2018, 31 December 2017 and 31 December 2016, investments included shares of the Company's subsidiaries, i.e. JSC RAO ES of East, PJSC Yakutskenergo and PJSC DEK, 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 RUB 20 204 million as of 31 December 2018. This valuation exceeds the current market value of the shares (for JSC RAO ES of East - the cost of the last valuation at the current market value) as of 31 December 2018, 31 December 2017 and 31 December 2016 by RUB 6 670 million, RUB 6,702 million and RUB 6,614 million, respectively.

Description of the Company's accounting policies and explanation of the departure from PBU 19/02 in the accounting treatment of the above investments are provided in para 2.5 of the Notes.

Items of the financial statements that change as a result of the departure from the accounting rules and the adjustment amount for each such item are presented below:

Items of the financial statements	Date/period	Item value as if there were no departure	Adjustment amount	Items of the financial statements
Net assets	31.12.2016	762 785	6 614	769 399
	31.12.2017	819 043	6 702	825 745
	31.12.2018	844 595	6 670	851 265
Line 1170 "Financial investments"	31.12.2016	285 659	6 614	292 273
	31.12.2017	305 447	6 702	312 149
	31.12.2018	336 936	6 670	343 606
Line 1370 "Retained earnings (loss)"	31.12.2016	254 060	6 614	260 674
	31.12.2017	268 292	6 702	274 994
	31.12.2018	292 207	6 670	298 877
Line 2340 "Other income"	2017	7 895	-	7 895
	2018	14 872	(32)	14 840
Line 2350 "Other expense"	2017	(22 437)	88	(22 349)
	2018	(31 978)	-	(31 978)
Line 2340 "Net income"	2017	36 061	88	36 149
	2018	36 758	(32)	36 726
Line 2340 "Basic earning per share, RR"	2017	0,0888	0,0002	0,0890
	2018	0,0862	-	0,0862

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 2018.

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).

As a result of the analysis, a number of subsidiaries and other organizations were impaired and a provision was made in the total amount RUB 6 453 million (for 2017 - RUB 7,747 million).

The initial value of equity financial investments in respect of which a provision for impairment of financial investments was created is RUB 36 318 million as of 31.12.2018 (as of 31.12.2017 – RUB 37,166 million, as of 31.12.2016 – RUB 35,096 million). The amount of provision for impairment of these financial investments as of 31 December 2018 is RUB 30 781 million (as of 31.12.2017 – RUB 25,586 million, as of 31.12.2016 – RUB 17,855 million).

JSC Zagorskaya GAES-2. As of 31 December 2018 the balance sheet includes JSC Zagorskaya GAES-2 shares as long-term financial investments in the amount of RUB 69,691 million.

The analysis of recoverability of these assets performed by the Company as of 31 December 2018 was based on the following key factors:

- Management plans to perform recovery work and complete construction of Zagorskaya GAES-2. As of 31 December 2018 there is significant uncertainty in terms of the expenses to be incurred on recovery of damage caused by the flooding at Zagorskaya GAES-2. However, these expenses can be significant.
- Capacity supply contracts were concluded in respect of Zagorskaya GAES-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.
- By the decision of the Association "NP Market Council" dated April 18, 2018, the date of commencement of the fulfillment of PJSC RusHydro's obligations for the supply of capacity to JSC Zagorskaya GAES-2 was postponed in respect of the first and second stages - on January 1, 2024.

Based on the analysis of factors that might indicate impairment of assets related to Zagorskaya GAES-2 construction project, the Company's management concluded that there were no such indicators as of 31 December 2018.

No negative trends which may result in impairment of other shareholdings were observed.

(b) Long-term loans issued

Loan recipient's name	31 December 2018	31 December 2017	31 December 2016	Maturity date	Annual rate, %
Long-term loans issued to related parties, including:					
JSC Far East Generating Company	40,546	35,608	4,538	2021-2023	5,9%-8,0%
JSC RAO ES Vostoka	8,523	8,523	-	2022	5,9% - 6,4%
JSC Sakhaenergo	5,426	1,950	3,476	2021-2022	5,9%-8,0%
PJSC Yakutskenergo	2,400	2,400	-	2022	5,9% - 6,4%
PJSC Kamchatskenergo	2,004	2,004	-	2022	5,9% - 6,4%
JSC Hydroinvest	1,748	-	12,137	2021	10,1%
PJSC Magadanenergo	1,618	1,618	-	2022	5,9% - 6,4%
JSC Teploenergосervice	1,517	588	929	2021-2022	5,9%-8,0%
PJSC Sakhalinenergo	1,345	1,345	-	2022	5,9% - 6,4%
JSC Far East Distribution Grid Company	-	-	4,846		

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Loan recipient's name	31 December 2018	31 December 2017	31 December 2016	Maturity date	Annual rate, %
Other	1,001	1,085	1,159		
Total long-term loans issued	66,128	55,419	27,085		

As of 31 December 2018 the balance sheet line 1170 "Financial investments" includes the target loan granted to subsidiaries of the Company in the amount of RUB 55 000 million in 2017 for refinancing their current liabilities (as of JSC Far East Generating Company – RUB 35 608 million, JSC RAO ES Vostoka – RUB 8 523 million, PJSC Yakutskenergo – RUB 2 400 million, PJSC Kamchatskenergo – RUB 2 004 million and others in the amount of RUB 6 465 million).

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 2018	31 December 2017	31 December 2016
Zelenchukskaya GAES connections to the grid	1,704	1,817	1,931
Software and licenses	693	734	984
Borrowing costs	540	420	891
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	-	1,620	1,620
Other	369	243	150
Total expenses of future periods, including:	3,306	4,834	5,576
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)	2,629	4,222	4,703
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)	677	612	873

3.2 Current assets (Section II of the balance sheet)**3.2.1 Inventories (line 1210 the balance sheet)**

Narrative	31 December 2018	31 December 2017	31 December 2016
Spare parts, materials and other inventories	4,063	3,614	3,328
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)	677	612	873
Other	25	32	51
Total line 1210 "Inventories"	4,765	4,258	4,252

Spare parts, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2018 the provision for their impairment amounted to RUB 45 million (31 December 2017: RUB 155 million, 31 December 2016: RUB 157 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)**

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Total long-term accounts receivable were RUB 53 687 million, 54,713 million and 62,615 million as of 31 December 2018, 2017 and 2016, respectively.

Breakdown by types of long-term accounts receivable is as follows:

Type of long-term accounts receivable	31 December 2018	31 December 2017	31 December 2016
Interest-free promissory notes received	30,974	29,931	29,312
Advances issued to suppliers of equipment and capital construction contractors	16,373	19,697	19,676
Interest-free loans issued	441	2,600	11,258
Buyers and customers	41	34	178
Lease receivables	-	-	152
Other long-term accounts receivable	5,858	2,451	2,039
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	53,687	54,713	62,615

Long-term accounts receivable include interest-free promissory notes issued by the following issuers:

Issuer	31 December 2018	31 December 2017	31 December 2016
Other related parties, including:	25,689	25,689	25,689
PJSC Boguchanskaya GES	21,027	21,027	21,027
CJSC Boguchansky Aluminium Plant	4,662	4,662	4,662
Total interest-free promissory notes received from related parties	25,689	25,689	25,689
VTB Bank (PJSC)	2,307	1,361	742
PJSC Rosbank	1,491	1,491	1,491
JSC Alfa-Bank	1,280	1,280	1,280
PJSC Ulyanovskenergo	207	110	110
Total interest-free promissory notes received from other counterparties	5,285	4,242	3,623
Total long-term interest-free promissory notes receivable	30,974	29,931	29,312

As of 31 December 2018, 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:

- PJSC 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 2018 is RUB 7,551 million);
- CJSC Boguchansky Aluminium Plant: 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 2018 is RUB 2,630 million);

Long-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors:

Counterparty	31 December 2018	31 December 2017	31 December 2016
Subsidiaries, including:	89	782	645
JSC Hydroremont-VKK	5	747	616
Other	84	35	29
Other related parties, including:	-	-	325
LLC VolgaHydro	-	-	325
Total advances issued to related parties	89	782	970
Voith Hydro GmbH & Co KG	8,266	10,537	9,371
PJSC Silovye Mashiny	7,404	7,990	9,220
LLC Siemens	266	266	-
Other	348	122	115
Total advances issued to other counterparties	16,284	18,915	18,706
Total advances issued to suppliers of equipment and capital construction contractors	16,373	19,697	19,676

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With respect to a number of advances issued to equipment suppliers and capital construction contractors, bank guarantees were obtained (see 3.6.2 of the Explanatory Notes).

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2019 are included within short-term advances issued.

Long-term accounts receivable include interest-free loans issued to the following counterparties:

Counterparty	31 December 2018	31 December 2017	31 December 2016
Subsidiaries, including:	148	2,232	10,890
JSC Nizhne-Bureiskaya GES	148	1,198	4,653
JSC ESK RusHydro	-	1,034	1,034
JSC CCGT in the City of Sovetskaya Gavan	-	-	2,355
JSC Ust-Srednekanskaya GES	-	-	2,111
JSC MGES Kabardino-Balkarii	-	-	407
JSC Sakhalinskaya GRES-2	-	-	330
Other related parties	-	2	7
Total interest-free loans issued to related parties	148	2,234	10,897
Other	293	366	361
Total interest-free loans issued to other counterparties	293	366	361
Total long-term interest-free loans issued	441	2,600	11,258

Other long-term accounts receivable include the following types of receivables:

Counterparty	31 December 2018	31 December 2017	31 December 2016
Interest receivable accrued on loans issued and promissory notes received, including:	5,766	2,243	1,702
Subsidiaries	5,766	2,243	1,702
Other accounts receivable	92	208	337
Total other long-term accounts receivable	5,858	2,451	2,039

Amount and movements in the impairment provision for long-term accounts receivable

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer to provision for short-term receivables	At the end of the year
Impairment provision for long-term accounts receivable, including:	2017	2,879	-	-	-	(144)	2,735
	2018	2,735	-	-	-	-	2,735
Trade receivables	2017	144	-	-	-	(144)	-
	2018	-	-	-	-	-	-
Other	2017	2,735	-	-	-	-	2,735
	2018	2,735	-	-	-	-	2,735

(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 132,083 million, RUB 122,595 million and RUB 86,999 million as of 31 December 2018, 2017 and 2016, respectively.

Type of short-term accounts receivable	31 December 2018	31 December 2017	31 December 2016
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Type of short-term accounts receivable	31 December 2018	31 December 2017	31 December 2016
Buyers and Customers, including:	6,879	6,726	7,120
Accounts receivable for electricity and capacity	6,822	6,649	6,214
Other	57	77	906
Advances issued, including:	7,059	4,276	10,206
Advances issued to suppliers of equipment and capital construction contractors	6,496	3,754	9,641
Other advances issued	563	522	565
Other debtors, including:	118,145	111,593	69,673
Interest-free promissory notes received	2,343	2,385	5,459
Interest-free loans issued	94,181	64,331	30,792
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	10,272	29,621	22,997
Indebtedness under assignment agreement	-	9,962	8,257
Taxes receivable	3,437	3,322	676
Lease receivables	-	-	95
PJSC Inter RAO	5,936	-	-
Other	1,976	1,972	1,397
Total line 1232 "Accounts receivable" (payments expected within 12 months of the reporting date)	132,083	122,595	86,999

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 2018	31 December 2017	31 December 2016
Subsidiaries, including:	1,999	1,013	1,207
JSC Hydroremont – VKK	1,303	582	838
Other	696	431	369
Other related parties, including:	-	3	475
LLC VolgaHydro	-	3	475
Total advances issued to related parties	1,999	1,016	1,682
PJSC Silovye Mashiny	2,552	1,118	22
Voith Hydro GmbH & Co KG	1,127	903	6,538
JSC VNIIR Hydroelectroautomatics	180	420	111
Other	638	297	1,288
Total advances issued to other counterparties	4,497	2,738	7,959
Total advances issued to suppliers of equipment and capital construction contractors	6,496	3,754	9,641

With respect to a number of advances issued to equipment suppliers and capital construction contractors, bank guarantees were obtained (see 3.6.2 of the Explanatory Notes).

Short-term accounts receivable include interest-free promissory notes issued by the following issuers:

Issuer	31 December 2018	31 December 2017	31 December 2016
Subsidiaries, including:	2,142	2,142	5,457
JSC MGES Kabardino-Balkarii	2,142	2,142	2,142
JSC Zaramagskie GES	-	-	3,090
Other	-	-	225
Total interest-free promissory notes from related parties	2,142	2,142	5,457
Other	201	243	2
Total interest-free promissory notes from other counterparties	201	243	2
Total short-term interest-free promissory notes received	2,343	2,385	5,459

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As of 31 December 2018, 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 2018	31 December 2017	31 December 2016
Subsidiaries, including:	94,113	64,253	30,700
JSC Zaramagskie GES	17,122	8,769	-
JSC Hydroinvest	16,533	1,896	-
JSC Ust-Srednekanskaya GES	15,463	11,551	6,303
JSC RAO ES Vostoka	14,867	7,745	-
JSC Sakhalinskaya GRES-2	9,217	2,020	-
JSC Yakutskaya GRES-2	5,912	6,463	1,353
JSC Nizhne-Bureyskaya GES	5,275	3,779	-
JSC CCGT in the City of Sovetskaya Gavan	2,645	2,355	-
LLC Malye GES Stavropolya and KChR	1,833	816	31
LLC Verkhnebalkarskaya MGES	1,790	641	165
JSC MGES Kabardino-Balkarii	1,352	1,444	851
JSC Magadanenergo	543	85	-
JSC Sulaksky Hydrocascade	35	538	1,559
LLC Index energetiki – HydroOGK	-	13,014	13,521
LLC Vostok-finans	-	2,246	2,337
LLC EZOP	-	-	2,902
Other	1,526	891	1,678
Other related parties, including:	-	4	7
Loans issued to the Company's key management	-	4	7
Total interest-free loans issued to related parties	94,113	64,257	30,707
Total short-term interest-free loans issued to other counterparties	68	74	85
Total short-term interest-free loans issued	94,181	64,331	30,792

As of 31 December 2018, short-term interest-free loans issued include:

- at call loans of RUB 17,122 million provided to AO Zaramagskie GES to finance expenditures under the investment project Zaramagskie GES and to replenish its working capital to be used for refinancing payables ;
- at call loans of RUB 16,533 million provided to AO Gidroinvest, including loans of RUB 14,878 million received from OOO Index Energetiki – HydroOGK and OOO Vostok-Finance as a result of the reorganisation.
- at call loans of RUB 15,463 million provided to AO Ust-Srednekanskaya GES to finance expenditures under the investment project Ust-Srednekanskaya GES;
- at call loans of RUB 14,867 million provided to AO RAO Energy System of the East to finance its investment program and other projects as well as to refinance bank loans payable;
- at call loans of RUB 9,217 million provided to AO Sakhalin GRES-2, including to finance its investment project “Sakhalin GRES-2 Construction” (1st stage).

Interest-free loans of RUB 94,113 million provided to subsidiaries as at 31 December 2018 are recorded within short-term accounts receivable in line with effective contract terms.

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 2018	31 December 2017	31 December 2016
JSC Holding company BoGES	9,963	-	-
JSC TK RusHydro	309	309	10
JSC Nizhne-Bureyskaya GES	-	21,279	16,128

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JSC Zagorskaya GAES-2	-	6,647	5,473
JSC Sulaksky Hydrocascade	-	1,386	1,386
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	10,272	29,621	22,997

Short-term accounts receivable includes the following types of tax receivables:

Item	31 December 2018	31 December 2017	31 December 2016
Income tax	3,039	2,905	438
Other taxes and levies	398	417	238
Total tax receivables	3,437	3,322	676

Amount and movements in the impairment provision for short-term accounts receivable

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer*	At the end of the year
Provision for short-term accounts receivable, including	2017	13,129	3,508	(3,965)	(97)	144	12,719
	2018	12,719	4,409	(2,652)	(95)	-	14,381
Trade receivables	2017	5,539	1,970	(1,141)	(23)	144	6,489
	2018	6,489	3,248	(2,604)	(8)	-	7,125
Advances issued	2017	87	307	(1)	(54)	-	339
	2018	339	34	(12)	(3)	-	358
Other	2017	7,503	1,231	(2,823)	(20)	-	5,891
	2018	5,891	1,127	(36)	(84)	-	6,898

* Includes transfer from provision for long-term accounts receivable and financial investments.

Overdue accounts receivable

Item	31 December 2018		31 December 2017		31 December 2016	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	10,045	624	9,098	810	8,594	1,721
Buyers and customers	6,998	169	6,127	126	5,423	320
Advances issued	706	348	556	217	1,332	1,246
Other debtors	2,341	107	2,415	467	1,839	155

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 2018	31 December 2017	31 December 2016
Bank deposits	29,585	163	4,075
Loans issued	5,584	11,686	1,230
Promissory notes	601	601	-
Total line 1240 "Investments" (excluding cash equivalents)	35,770	12,450	5,305

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Short-term investments and their movements

Item	Period	Opening balance		Additions*	Changes for the period*			Closing balance	
		Historical cost	Accumulated adjustment		Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2017	7,561	(2,256)	50,589	(43,551)	-	107	14,599	(2,149)
	2018	14,599	(2,149)	50,660	(26,896)	-	(444)	38,363	(2,593)
Bank deposits	2017	4,075	-	21,966	(25,878)	-	-	163	-
	2018	163	-	43,738	(14,316)	-	-	29,585	-
Loans issued	2017	3,486	(2,256)	28,022	(17,673)	-	107	13,835	(2,149)
	2018	13,835	(2,149)	6,922	(12,580)	-	(444)	8,177	(2,593)
Promissory notes	2017	-	-	601	-	-	-	601	-
	2018	601	-	-	-	-	-	601	-

* 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 3.15 of the Explanatory Notes.

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(a) Bank deposits

As at 31 December 2018, the Company had Rouble deposits with banks of RUB 29,585 million, due in 2019. As at 31 December 2018, interest rates on Rouble deposits were 5.85% – 8.15% p.a. (31 December 2017: 5.55%, 31 December 2016: 10.75% – 10.85%).

Credit institution	Rating on 31 December 2018	Rating agency	31 December 2018	31 December 2017	31 December 2016
JSC UniCredit Bank	BBB-	Fitch	9 000	-	-
Bank GPB (JSC)	BB+	Fitch	6 500	-	-
PJSC Rosbank	BBB-	Fitch	6 000	-	-
VTB Bank (PJSC)	BBB-	S&P	5 000	-	-
PJSC Sberbank	BBB-	Fitch	3 085	163	4 075
Total bank deposits			29 585	163	4 075

(b) Short-term loans issued

Loan recipient's name	31 December 2018	31 December 2017	31 December 2016	Annual rate,%
Short-term loans issued to related parties, including:				
PJSC Kamchatskenergo	3 975	-	-	7,51%
PJSC Sakhalinenergo	650	-	-	7,51%
PJSC Yakutskenergo	507	-	-	10,14%
JSC ESK RusHydro	197	420	446	10,10%
JSC Yakutskaya GRES-2	97	495	231	10,14%
JSC Far East Distribution Company	49	4,538	-	7,25%-7,75%
JSC Sakhaenergo	-	3,476	-	
JSC Hydroinvest	-	1,748	-	
JSC Teploenergосervice	-	929		
Other	109	80	553	
Total short-term loans issued	5,584	11,686	1,230	

As of 31 December 2018 provision was made RUB 2,593 million for CJSC Verkhne-Narynskie GES (31 December 2017: RUB 2,149 million, 31 December 2016: RUB 2,256 million).

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 2018	31 December 2017	31 December 2016
Cash in bank	7,902	2,194	7,206
Cash equivalents	34,170	47,836	32,849
Cash at accounts in the Office of the Federal Treasury	899	899	899
Total line 1250 "Cash and cash equivalents"	42,971	50,929	40,954

As of 31 December 2018, 2017 and 2016, there is no restricted cash.

The balance of the target cash in the amount of RUB 899 million, received by the Company within the framework of an additional issue in previous periods for the implementation of investment projects for the construction of electric power facilities, as of 31 December 2018 is placed on special accounts in the Office of the Federal Treasury for Moscow (as of 31 December 2017 - RUB 899 million, as of 31 December 2016 - RUB 899 million). These funds can be used by the Company only after passing the approval procedure by the Federal Treasury on the basis of the established procedure for authorizing the expenses of organizations by Order No. 213n of the Ministry of Finance of the Russian Federation of 25 December 2015.

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As of 31 December 2018, 2017 and 2016, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2018 there were cash balances denominated in US dollars equivalent to RUB 0 million (31 December 2017: RUB 477 million; 31 December 2016: RUB 312 million).

As of 31 December 2018, interest rates on Rouble deposits were 7.50% – 8.22% p.a. (31 December 2017: 5.55% – 7.50%, 31 December 2016: 9.55% – 10.41%).

The Company holds cash and cash equivalents in the following credit institutions:

Credit institution	Rating on 31 December 2018	Rating agency	31 December 2018	31 December 2017	31 December 2016
Bank deposits, including:					
VTB Bank (PJSC))	BBB-	S&P	18,497	32,034	20,430
Bank GPB (JSC)	BB+	Fitch	13,100	15,329	12,107
JSC UniCredit Bank	BBB-	Fitch	2,573	-	-
PJSC Sberbank	BBB-	Fitch	-	472	312
Total cash equivalents			34,170	47,835	32,849
Cash in banks, including:					
Bank GPB (JSC)	BB+	Fitch	3,827	20	4,918
JSC Bank «ROSSIYA»	A+	AKPA	3,740	1,811	4
PJSC Sberbank	BBB-	Fitch	205	313	479
VTB Bank (PJSC)	BBB-	S&P	126	47	1,803
Other			4	3	2
Total cash in bank			7,902	2,194	7,206

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.

Breakdown for lines "Other receipts" and "Other payments" of the statement of cash flows is presented below:

Item	2018	2017
Other receipts from operating activities (line 4119), including:	10,759	2,214
Value added tax	372	1,625
Penalties, interest and fines recognised or for which court rulings on collection have been received	70	237
GDR	223	219
Income from assignment of rights	10,080	34
Other receipts from operating activities	14	99
Other payments related to operating activities (line 4129), including:	(18,563)	(16,899)
Taxes and levies	(8,571)	(7,831)
Non-budget funds	(2,003)	(1,783)
Charity payments	(1,397)	(1,726)
Business trip expenses	(335)	(225)
Water usage expenses	(1,824)	(1,401)
Payments of non-deliverable forward contract for shares	(2,813)	(3,243)
Payment of expenses for raising borrowed capital	(1,207)	(298)
Other payments related to operating activities	(413)	(392)
Other payments related to investing activities (line 4219), including:	-	3,934
Cash placement on a short-term deposit other than cash equivalent	-	3,918
Other payments related to investing activities	-	16

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Other payments related to investing activities (line 4229), including:	(29,422)	-
Cash placement on a short-term deposit other than cash equivalent	(29,244)	-
Other payments related to financing activities (line 4329), including:	(2)	(6)
Settlement of finance lease obligations (payments under lease contracts)	-	(2)
Other payments related to financing activities	(2)	(4)

In 2018 other payments related to operating activities include the payment of assigned receivables of JSC Holding company BoGES in the amount of RUB 9 962 million (Note 3.2.2), that were received in payment for dividends from HydroOGK Power Company Ltd. in 2017 and 2016.

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 2018, 2017 and 2016, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2018	Number of shares at 31 December 2017	Number of shares at 31 December 2016
Ordinary shares with nominal value of RUB 1 per share	426,288,813,551	426,288,813,551	386,255,464,890

As of 31 December 2018, 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	60.56%
Non-Banking Credit Organisation JSC National Settlement Depository	nominee holder	157 874 433 885	37,03%
Other		10 252 844 060	2,41%
Total		426,288,813,551	100.00%

The members of the Management Board of the Company hold 16 million shares of the total number of ordinary shares as of 31 December 2018 (as of 31.12.2017 - 71 million shares, as of 31.12.2016 - 71 million shares). Subsidiaries and associates own 3,852 million shares of the Company (as of 31.12.2017 - 3,852 million shares, as of 31.12.2016 - 18,852 million shares).

Additional issue in 2018-2019

On 21 June 2018, the Company's Board of Directors approved (Minutes No.272 of 22 June 2018) the decision to have an additional issue of the Company's securities in the amount of 14,013,888,828 shares through their public offering with payment in cash, the placing price for the Company's additional share issue was set at RUB 1 per share.

On 27 August 2018, the Central Bank of the Russian Federation registered the additional issue of the Company's 14,013,888,828 ordinary registered shares No. 1-01-55038-E-043D

Additional issue in 2016-2017

The Company's extraordinary general meeting of shareholders held on 22 November 2016 (Minutes No. 244 on 23.11.2016) made the decision to increase the Company's share capital by placing 40,429,000,000 additional ordinary registered shares with the nominal value of RUB 1 each through public offering with payment in cash and non-monetary assets.

On 7 December 2016, the Central Bank of the Russian Federation registered the additional issue of the Company's 40,429,000,000 ordinary registered shares No. 1-01-55038-E-042D.

In January 2017 the Company resumed the results of execution of pre-emptive right by eligible shareholders to acquire Company's shares of additional issue, registered by Bank of Russia on 7 December 2016. During the pre-emptive right period the Company placed 33,348,661 additional shares, which were paid in December, 2016.

In March 2017, the Company and VTB Bank (PJSC) signed agreements related to a purchase of 55 billion ordinary shares of the Company (40 billion shares of the new issue and 15 billion shares of quasi-treasury stock) and conclusion of a 5-year non-deliverable forward contract in respect of these shares. In accordance with these agreements VTB Bank (PJSC) bought 40,000,000,000 shares of the Company during the current share issue. (Note 3.6.4)

The 6 March 2017 is the date of actual end of share placement. The statement of results of additional shares placement was registered by Bank of Russia at 5 June 2017. The changes in Articles was registered at 4 August 2017.

By the results of emission 40 033 348 661 shares were actually placed. That takes 99.02% of the additional issue.

3.3.2 Revaluation of non-current assets (line 1340 of the balance sheet)

As of 31 December 2018, the amount of accumulated revaluation of non-current assets is RUB 52,437 million (31 December 2017: RUB 52,606 million, 31 December 2016: RUB 52,705 million). This metric consists of the amounts of revaluation accumulated by subsidiaries and associate which the Company acquired as part of the 2008 restructuring process.

The amount of accumulated revaluation was decreased by RUB 169 million in 2018 due to disposal of items of property, plant and equipment revalued earlier (2017: RUB 99 million).

3.3.3 Additional paid-in capital (line 1350 of the balance sheet)

As of 31 December 2018, 2017 and 2016, 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 2018, 2017 and 2016, the Company's reserve capital was RUB 15,179 million, RUB 13,371 million and RUB 11,278 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 28 June 2018 (Minutes No. 17), the Company allocated 5% of its net profit for 2017 in the amount of RUB 1,808 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 2018	31 December 2017	31 December 2016
PJSC Sberbank	20,000	20,000	33,389
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	20,000	20 000	-
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	20,000	-	-
VTB Bank (PJSC)	20,000	-	-

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Lender / creditor	31 December 2018	31 December 2017	31 December 2016
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (CNY)	15,150	-	-
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (RUB)	15,000	-	-
Russian bonds issued in June 2017	10,000	10,000	-
Far East Development Fund	4,814	-	-
Russian bonds issued in February 2013	2,196	-	20,000
Russian bonds issued in April 2016	-	15,000	15,000
UniCredit Bank Austria AG	-	4,749	4,951
Russian bonds issued in July 2015	-	-	15,000
Crédit Agricole Corporate and Investment Bank Deutschland	-	-	5,552
Other	1,017	1,949	956
Total line 1410 "Borrowings"	128,177	71,698	94,848

In February 2018, holders of February 2013 Russian bonds called for an early redemption of a part of these securities in the framework of a corresponding offer. As a result, the Company obtained bonds of RUB 17,804 million in nominal value. Bonds of RUB 2,196 million in nominal value that were not presented for an early redemption will remain in circulation until their final maturity in February 2023 with the coupon yield of 0.10%.

In February 2018, the Company made a placement of Eurobonds of RUB 20 billion due in February 2021 with the coupon yield of 7.4% p.a. The issuer is RusHydro Capital Markets DAC, a special purpose entity, who provided financing to the Company in the form of a loan. The Company used proceeds from the Eurobond issue to finance its current activities and to refinance the debt.

In April 2018 the Company signed a special purpose financing agreement with AO "Far East and Baikal Region Development Fund" for RUB 5 billion due in 2019-2026 with the interest rate of 5% p.a. The received special purpose funds were used to finance the "Sakhalin GRES-2 Construction" project (1st stage).

In July 2018, a drawdown of RUB 20 billion was made under the credit facility of 30 March 2018 with PAO Bank VTB. The proceeds were used to refinance the debt of the Company and its subsidiaries.

In November 2018, the Company placed two Eurobond issues of CNH 1.5 billion due in November 2021 with the coupon yield of 6.125% p.a., and of RUB 15 billion due in 2022, with the coupon rate of 8.975 p.a. The issuer of the two placements is RusHydro Capital Markets DAC, a special purpose entity, who provided financing to the Company in the form of loans. The Company used proceeds from the Eurobond issues to finance its current operations and to refinance the debt.

In November 2018, the Company entered into a cross currency and interest rate swap with PAO Bank VTB to fix in CNH the Company's liability related to Eurobonds. The swap is signed for three years and fixes the nominal amount (CNH 1.5 billion) as at the redemption date (November 2021) at the level of RUB 14,430 million based on the effective market rate at the swap signing date, as well as interim payments that are set for the Company in Russian Roubles at the floating rate determined as an arithmetical mean of the values of the key rate of the Central Bank of Russia plus a spread of 1.5% p. a. from the nominal value set for the Company in roubles.

In November 2018 the loan of Euro 68.97 million dated 12.12.2011 from UniCredit Bank Austria AG was early repaid in full.

As of 31 December 2018 terms of material received long-term borrowings were the following:

Lender / creditor	Contract year	Maturity year	Sum in mln units of borrowing currency	Currency of borrowing	Interest rate of borrowing
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	2017	2022	20 000	RUB	8,13%

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Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	2018	2021	20 000	RUB	7,40%
VTB Bank (PJSC))	2018	2033	20 000	RUB	7,50%
PJSC Sberbank	2011	2020	20 000	RUB	8,30% / 9,30%*
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (CNY)	2018	2021	1 500	CNY	6,125%
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (RUB)	2018	2022	15 000	RUB	8,975%
Russian bonds issued in June 2017	2017	2020	10 000	RUB	8,20%

* Variable quarterly interest rate determined due to agreement's conditions.

Apart from the fully used (as at 31 December 2018) credit facility from PAO Bank VTB of RUB 10,000 million due in 2033, after 31 December 2018 the Company can raise funds under credit agreements with PAO Bank VTB of up to RUB 30,000 million due in 2020, with PAO Sberbank of up to RUB 40,000 million due in 2026, with AO Bank GPB of up to RUB 20,000 million due in 2026 and with AO AB Rossia of up to RUB 7,000 million due in 2023, with PAO Rosbank of up to RUB 8,000 million due in 2025, with AO Alfa-Bank of up to RUB 10,000 million due 2023, for the total amount of RUB 125,000 million.

Ageing analysis:

Due for repayment	31 December 2018	31 December 2017	31 December 2016
From 1 to 2 years	30,741	16,526	46,495
From 2 to 3 years	36,140	30,594	16,480
From 3 to 4 years	35,741	844	21,105
From 4 to 5 years	2,936	20,594	1,355
Over five years	22,619	3,140	9,413
Total line 1410 "Borrowings"	128,177	71,698	94,848

Interest on borrowings included into the cost of investment assets

In 2018, the amount of interest on borrowings included into the cost of investment assets was RUB 1,833 million (2017: RUB 1,699 million), of which RUB 1,666 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2017: RUB 1,476 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 912 million as of 31 December 2018 (31 December 2017: RUB 1,153 million, 31 December 2016: RUB 1,289 million) and trade payables in the amount of RUB 1,928 million as of 31 December 2018 (31 December 2017: RUB 3,111 million, 31 December 2016: RUB 2,457 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	31 December 2018	31 December 2017	31 December 2016
Borrowings, including:	17 802	47 412	11 367
Russian bonds issued in April 2016	15 000	-	-
AO Malaya Dmitrovka	1 107	-	-
JSC Zagorskaya GAES-2	929	-	-
Russian bonds issued in February 2013	-	20 000	-
Russian bonds issued in July 2015	-	15 000	-
PJSC Sberbank	-	10 613	-
UniCredit Bank Austria AG	-	593	550
Russian bonds issued in April 2015	-	-	10 000

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Lender / creditor	31 December 2018	31 December 2017	31 December 2016
Other	766	1 206	817
Interest on borrowings, including:	1 967	2 846	2 658
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	557	-	-
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	423	423	-
Russian bonds issued in April 2016	374	370	371
PJSC Sberbank	296	447	522
Russian bonds issued in February 2013	1	666	661
Russian bonds issued in July 2015	-	872	867
Other	316	68	237
Total line 1510 "Borrowings"	19 769	50 258	14 025

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts receivable were RUB 11,703 million, RUB 10,563 million and RUB 9,681 million as of 31 December 2018, 2017 and 2016, respectively:

Type of payables	31 December 2018	31 December 2017	31 December 2016
Trade payables	4,978	4,040	4,190
Settlements with personnel	211	244	24
Payables to state off-budget funds	143	134	14
Tax payables	5,408	5,242	4,697
Settlements with participants (founders) in payment of income	143	141	122
Settlements for the payment of own shares before the change of the charter capital in the constituent documents	-	-	33
Other	820	762	601
Total line 1520 "Accounts payable"	11,703	10,563	9,681

The balance sheet line 1521 "Trade accounts payable" includes the following types of payables:

Type of payables	31 December 2018	31 December 2017	31 December 2016
Payables to capital construction contractors	723	705	773
Payables to suppliers of equipment and other non-current assets	2,731	1,842	1,801
Payables for purchase of electricity and capacity	480	427	432
Payables to suppliers of repair and maintenance services	319	381	322
Other	725	685	862
Total line 1521 "Trade accounts payable"	4,978	4,040	4,190

The balance sheet line 1524 "Taxes payable" includes current payables on the following taxes:

Tax	31 December 2018	31 December 2017	31 December 2016
Property tax payable	1,316	1,291	1,338
VAT payable	4,031	3,902	3,113
Income tax payable	2	-	239
Other taxes payable	59	49	7
Total line 1524 "Taxes payable"	5,408	5,242	4,697

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2018 the total estimated liabilities are RUB 2,863 million (31 December 2017: RUB 2,976 million, 31 December 2016: RUB 2,447 million). The estimated liabilities have a short-term nature.

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Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2017	2,447	3,201	(2,381)	(291)	2,976
	2018	2,976	3,204	(2,953)	(364)	2,863
for remuneration payments	2017	1,364	1,876	(1,321)	(43)	1,876
	2018	1,876	1,990	(1,762)	(113)	1,991
for litigation	2017	627	181	(125)	-	683
	2018	683	57	(250)	-	490
for forthcoming payment of earned but unused employee vacations	2017	456	1,144	(935)	(248)	417
	2018	417	1,157	(941)	(251)	382

3.6. Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2018, the total rented property, plant and equipment are RUB 36,256 million (31 December 2017: RUB 35,760 million, 31 December 2016: RUB 33,862 million). In 2018 and 2017, the Company did not receive any property, plant and equipment under lease contracts.

The Company rented and received items of property, plant and equipment under lease contracts from the following entities:

Lessor	31 December 2018	31 December 2017	31 December 2016
JSC Sulakskiy HydroKaskad	10,478	10,478	9,463
JSC Zaramagskie GES	5,138	4,927	4,927
Administration of Sergiev Posad Municipal District *	4,996	4,996	4,996
JSC Malye GES Kabardino-Balkarii	3,567	3,567	-
JSC Malaya Dmitrovka	3,395	3,394	3,381
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	3,122	2,771	3,185
Novosibirsk Department of Land and Property Relations	777	777	777
Territorial Office of Federal Property Management Agency in the Volgograd region	604	604	604
Territorial Office of Federal Property Management Agency in the Nizhny Novgorod region	569	569	569
Territorial Department of FA for the management of state property in the Republic of Mordovia, the Republic of Mari El, the Republic of Chuvashia	451	451	451
Perm Department of Land and Property Relations	138	502	1,307
Other	3,021	2,724	3,011
Total rent of property, plant and equipment	36,256	35,760	32,671
LLC Leasefinance	-	-	1,022
CJSC Business Alliance	-	-	169
Total lease of property, plant and equipment under lease contracts	-	-	1,191
Total rent and lease of property, plant and equipment	36,256	35,760	33,862

*In 2018 the owner of plot of land was changed from the Ministry of Property Relations of the Moscow Region to the Administration of the Sergiev Posad Municipal District.

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2018	31 December 2017	31 December 2016
Subsidiaries, including:	5,530	5,320	9,029
JSC Hidroinvest	5,320	-	984

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Counterparty	31 December 2018	31 December 2017	31 December 2016
Subsidiaries, including:	5,530	5,320	9,029
LLC EZOP	-	3,214	5,428
LLC Vostok-finans	-	2,106	2,106
Others	210	-	511
Other related parties	8	18	33
Total liabilities and payments received from related parties	5,538	5,338	9,062
Other counterparties, including:	18,333	16,337	17,991
PJSC Silovye Mashiny	10,014	7,878	8,780
Voith Hydro GmbH & Co KG	5,339	4,809	5,433
JSC VNIIR Hydroelectroavtomatika	870	857	429
JSC Hydroelectromontazh	-	453	453
Other	2,110	2,340	2,896
Total collateral for liabilities and payments received	23,871	21,675	27,053

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, PJSC Silovye Mashiny, JSC VNIIR Hydroelectroavtomatika, 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 2018	31 December 2017	31 December 2016
Collateral for liabilities and payments issued to subsidiaries, including:		28,699	30,688	48,853
PJSC Sberbank	PJSC Far East Generating Company	7,603	5,400	10,760
PJSC Rosbank	JSC Far East Generating Company	6,295	2,395	2,704
PJSC Sberbank	PJSC Far East Energy Company	5,384	7,460	-
VTB Bank (PJSC)	JSC Far East Generating Company	3,327	4,521	11,556
European Bank for Reconstruction and Development (EBRD)	CJSC International Energy Corporation	1,533	1,367	1,538
Asian Development Bank, ADB	CJSC International Energy Corporation	1,533	1,367	1,538
PJSC Sberbank	PJSC Magadanenergo	1,150	1,248	500
PJSC Sberbank	PJSC Kamchatskenergo	200	4,768	3,978
PJSC Rosbank	PJSC Far East Energy Company	-	-	3,313
European Bank for Reconstruction and Development (EBRD)	JSC RAO ES of East	-	-	3,276
PJSC Sberbank	JSC RAO ES of East	-	-	2,878
VTB Bank (PJSC)	JSC RAO ES of East	-	-	1,831
Bank GPB (JSC)	JSC RAO ES of East	-	-	1,323
Bank GPB (JSC)	PJSC Magadanenergo	-	-	1,012
Others	Others	1,674	2,162	2,646
Collateral for liabilities and payments issued to other related parties, including:		25,642	52,228	53,073
GC Vnesheconombank	PJSC Boguchanskaya GES	21,027	46,962	47,777
GC Vnesheconombank	CJSC Boguchansky Aluminium Smelter	4,615	4,615	4,615
Others	Others	-	651	681
Total collateral for liabilities and payments issued		54,341	82,916	101,926

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In 2018 the Company issued guarantees:

- Guarantees provided for liabilities of JSC Far East Generating Company under its loan agreements with PJSC Sberbank, VTB Bank (PJSC) and PJSC Rosbank cover the principle amount and interest. The guarantees expire in 2019, 2021, 2022, 2023.
- Guarantees provided for liabilities of PJSC DEK under its loan agreements with PJSC Sberbank cover the principle amount and interest. The guarantees expire in 2023.
- Guarantees provided for liabilities of PJSC Magadanenergo under its loan agreements with PJSC Sberbank and VTB Bank (PJSC) cover the principle amount and interest. The guarantees expire in 2021 and 2023.

As at 31 December 2018, 2017 and 2016, guarantees issued by the Company for liabilities of PAO Boguchanskaya GES under its loan agreement with GK Vnesheconombank are represented by the pledge of OAO 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 the pledge of shares for the total of RUB 14 thousand.

Apart from the above pledges as at 31 December 2017 and 2016 the guarantees included total liabilities of PAO Boguchanskaya GES under the loan agreement, including accumulated interest, in the amount of RUB 25,935 million and RUB 26,750 million respectively. In February 2018, the Company signed an agreement on the termination of the surety agreement with GK Vnesheconombank with regard to performance by PAO Boguchanskaya GES of its obligations under the loan agreement.

3.6.4 Non-deliverable forward contract for shares

In March 2017 the Company signed a contract with VTB Bank (PJSC) (hereinafter the "Bank") under which the Bank is to acquire 55 billion ordinary shares of the Company and a non-deliverable equity forward for these shares for a 5-year period. Under the contract the Bank bought 40 000 000 000 shares of the Company from the current additional issue of the Company shares (see para 3.3.1 of the Notes) and 15 000 000 000 shares of the Company from subsidiaries at the price of RUB 1 per share for the total amount of RUB 55 billion.

Cash received from the Bank was used to provide long-term special purpose loans to JSC RAO ES Vostoka and its subsidiaries to refinance their current liabilities to banks (see para 3.1.2 of the Notes).

According to the forward contract, the forward value is determined as the purchase consideration paid by the Bank plus the amount of prepayment that the Company pays to the Bank on a quarterly basis. The prepayment amount is calculated using a special formula that reduces the prepayment amount by the amount of dividends received by the Bank in the effective period of the forward contract.

The Bank is assumed to sell the Company's shares at the time of final settlement under the forward contract. The difference between the proceeds that the Bank will receive from the sale of these shares and their forward value is subject to cash settlement between the Company and the Bank. Thus, if the forward value is higher than the purchase consideration paid for the shares sold, the Company will reimburse the difference, net of the prepaid amount, to the Bank and, vice versa, if the proceeds from the sale of shares are in excess of the forward value, the difference will be paid by the Bank to the Company. If, for any reason, the Bank does not sell the shares, they will continue to be held by the Bank. If this is the case, the amount of additional payment to be made when closing the forward transaction is calculated based on the quoted market price of the Company's shares.

Thus, the payments will be made upon expiry of the forward contract or earlier, if the Bank sells the shares held. The payment can be made both by the Company to the Bank or by the Bank to the Company, depending on the level of the market value of the Company's shares at the time of sale / expiry of the transaction term and their forward value.

Management of the Company analysed terms of the contract with the Bank and concluded that the Bank acts a full-fledged shareholder as it receives the right to take part in the Company's governance and the right to receive dividends while the Company does not have any obligations to buy the shares back from the Bank or any other binding arrangements. According to the management, decreasing a prepaid amount of forward value by the amounts of dividends

received by the Bank does not directly represent a return of dividends, and, therefore, does not limit the Bank in terms of receiving benefits from the share ownership.

As at 31 December 2018 the fair value of the liability under the non-deliverable equity forward calculates in accordance with IFRS was RUB 31,896 million (31 December 2017: RUB 20,716 million).

As at 31 December 2018 the Company's management believe that there will be no return of prepaid amounts to the Company upon expiry of the five year period at the time of the forward contract closure. Given the above and following the prudence, principle prepayments of RUB 2,813 million made under the non-deliverable forward contract in 2018 (2017: RUB 3,243 million) are recognised within other expenses (see paragraph 3.8 of the Explanatory Notes).

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 (99.8%).

Item	2018	2017
Sale of electricity	85,059	78,900
Sale of capacity	77,359	65,393
Sale of heat	166	157
Other	229	247
Total line 2110 "Revenue"	162,813	144,697

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	2018	2017
Fees for administering the wholesale market of electricity and capacity (JSC SO UES, JSC ARS, JSC CFR), incl.:	38,050	26,947
Earmarked contributions to the budget of constituent entities of the Russian Federation	35,032	23,995
Depreciation and amortisation	16,532	16,680
Wages and social insurance contributions	10,584	10,444
Purchased electricity and capacity	8,236	7,015
Property tax	7,140	6,744
Repairs and maintenance	3,861	3,729
Third party services	3,854	4,286
Lease expenses	1,938	1,933
Water usage expenses, water tax	1,887	1,464
Insurance expenses	1,756	1,660
Fire and other security services	1,748	1,712
Other expenses	1,261	1,193
Total line 2120 "Cost of sales"	96,847	83,807

The cost of sales include administrative expenses. In 2018, administrative expenses totalled RUB 7,337 million (2017: RUB 7,567 million). Administrative expenses include expenses on the maintenance of subdivisions and premises of the Executive Body and the branch "Corporate University of the Hydro Power Industry" (including payroll and social expenses, PP&E depreciation charge, lease expenses, security costs etc.), insurance, legal, advisory, information, audit and other similar services, representation and other expenses.

Electricity and capacity market administration expenses include RUB 35,032 million (2017: RUB 23,995 million) of special-purpose contributions to the budgets of Russian constituent regions in

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the Far Eastern Territory in accordance with the Rules of targeted use of funds received from applying a mark-up on the cost of capacity sold in the price ranges of the wholesale power and capacity market in 2018.

Operating expenses broken down by cost elements are as follows:

Item	2018	2017
Material expenses	19,327	17,389
Payroll expenses	8,514	8,422
Social contributions	2,422	2,318
Depreciation and amortisation	16,532	16,680
Other costs	50,052	38,998
Total for elements of costs	96,847	83,807
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	96,847	83,807

3.8 Other income and expenses (line 2340 and line 2350 of the statement of financial results)

Item	2018		2017	
	Income	Expenses	Income	Expenses
Income and expenses due to sale or other disposal of securities (exception promissory notes)	6,864	(8,300)	125	(133)
Doubtful debt provision	2,652	(4,409)	3,965	(3,508)
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	1,848	(3,187)	1,661	(2,080)
Gains / (losses) from revaluation of investments measured at current market value	1,449	(1)	531	(1,424)
Income and expenses from sales, write-off and other transactions with assets	682	(3 110)	540	(754)
Provision for impairment of investments	-	(6,453)	16	(7,755)
Expenses on operations with derivatives	-	(2,813)	-	(3,243)
Charity donations	-	(1,276)	-	(1,667)
Expenses for social events	-	(456)	-	(425)
OeKV commission for early repayment of a loan from UniCredit Bank Austria AG	-	(746)	-	-
Other income and expenses	1,345	(1,227)	1,057	(1,360)
Total line 2340 "Other income" and 2350 "Other expenses"	14,840	(31,978)	7,895	(22,349)

3.9 Taxes

Corporate income tax

Income tax calculated on the basis of the accounting profit (theoretical income tax charge) for the reporting year was RUB 10,020 million (2017: RUB 9,884 million).

The Company applied tax rate of 20% in the calculation of income tax based on accounting profit received by the Company's branches.

According to the tax accounting data, the taxable profit for 2018 was RUB 55,220 million (2017: RUB 49,399 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 15,959 million (2017: RUB 15,458 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 11,334 million for 2018 (2017: 3,190 million), including:

- income from participation in other entities (dividends) in the amount of RUB 859 million for 2018 (2017: RUB 2,563 million);
- increase in value of financial placements determined in fair value in the amount of RUB 1,449 million (2017: RUB 531 million);
- release of the provision for impairment of investments in the amount of RUB 1,258 million (2017: RUB 16 million);
- proceeds from the sale of shares taxable at 0%, in the amount of RUB 6,790 million (2017: RUB 0 million);
- other permanent differences in the amount of RUB 978 million (2017: RUB 80 million).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 27,293 million for 2018 (2017: 18,648 million), including:

- depreciation of RUB 3,068 million (2017: RUB 3,209 million);
- charity donations in the amount of RUB 1,241 million (2017: RUB 1,644 million);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 908 million (2017: RUB 253 million);
- provision for impairment of financial investments in the amount of RUB 6,453 million (2017: RUB 7,755 million);
- loss on transactions in derivative financial instruments not traded on the organized financial market, RUB 2,813 million (2017: RUB 3,220 million);
- loss on operations with securities not traded on the organized financial market in the amount of 890 million rubles. (2017: RUB 10 million);
- decrease in the value of financial investments, which determine the current market value, in the amount of RUB 1 million (2017: RUB 1,424 million);
- proceeds from the sale of shares taxable at 0%, in the amount of RUB 8,261 million (2017: RUB 112 million);
- value of written-off assets (RAR) RUB 1,671 million (2017: RUB 0 million)
- other non-temporary differences in the amount of RUB 1,987 million (2017: RUB 1,021 million).

As at 31 December 2018, 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 565 million (2017: RUB 1,041 million), including those originated – RUB 11,331 million (2017: RUB 11,981 million) and settled – RUB 10,766 million (2017: RUB 13,022 million).

As at 31 December 2018, 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 11,408 million (2017: RUB 15,585 million), including those originated – RUB 18,602 million (2017: RUB 22,011 million) and settled – RUB 7,194 million (2017: RUB 6,426 million).

In 2018 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;

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- 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 2018	31 December 2017	31 December 2016
Deferred income tax assets	(3,157)	(3,043)	(3,248)
Deferred tax liabilities	22,465	20,156	16,924
Total line 1420 "Deferred tax liabilities"	19,308	17,113	13,676

Line 2430 "Change in deferred tax liabilities" includes increase of deferred tax liabilities in amount of RUB 136 million (2017: RUB 125 million) with no effect on current income tax. Line 2450 "Change in deferred tax assets" includes decrease of deferred tax assets in amount of RUB 112 million (2017: RUB 211 million) with no effect on current income tax.

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 41,944 million in the reporting year (2017: RUB 38,350 million).

Total VAT recoverable in the reporting period was RUB 19,554 million (2017: RUB 20,393 million).

The Company decreases the calculated VAT by the amount invoiced on purchase of goods (work, services) in Russia, according to tax legislation.

Other taxes and levies

In 2018, operating expenses include other taxes, levies, and also insurance contributions in the amount of RUB 8,834 million (2017: RUB 8,401 million), including:

- property tax in the amount of RUB 7,140 million (2017: RUB 6,744 million);
- 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 1,684 million (2017: RUB 1,648 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 10 million (2017: RUB 9 million).

Relations with tax authorities

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 substantiated this position may be challenged by tax authorities. The tax control in Russian Federation gets stringent resulting in increase of tax inspections risk, not having a clear financial and business objectives or transactions with counterparties not complying with the requirements of tax legislation. 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 2018, 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.

In 2016, the tax authorities conducted an on-site tax audit for 2012-2014, according to which the Company was presented claims, part of which were successfully challenged by the Company. For the rest of the claims, the Company will file an appeal with the higher tax authority and, if necessary, intend to appeal the claims in court in the future. At the end of 2018, the tax authorities settled an on-site tax audit for 2015-2017.

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.

3.10 Dividends

The Company's annual general meeting of shareholders held on 28 June 2018 (Minutes No. 17) made the decision to pay dividends on the Company's ordinary shares for 2017 in the amount of RUB 0,0263335 per 1 share for the total of RUB 11,226 million.

The Company's annual general meeting of shareholders held on 27 June 2017 (Minutes No. 16) made the decision to pay dividends on the Company's ordinary shares for 2016 in the amount of RUB 0,0466245 per 1 share for the total of RUB 19,876 million.

3.11 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	2018	2017
Basic profit for the reporting year (RUB million)	36,726	36,149
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	426,288,813,551	406,272,139,221
Basic earnings per share (RUB)	0,0862	0,0890

Weighted average number of ordinary shares, outstanding during the reporting year was calculated as follows:

Item	2018
Number of ordinary shares outstanding as of 1 January 2018 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 1 December 2018 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 31 December 2018 (shares)	426,288,813,551
Weighted average number of ordinary shares, outstanding in 2018 (shares) (426 288 813 551 * 12 month) / 12 months	426,288,813,551
Item	2017
Number of ordinary shares outstanding as of 1 January 2017 (shares)	386,255,464,890
Number of additional shares outstanding in 2017, registered 07.12.2016, paid by shareholders (see paragraph 3.3.1 Explanatory Notes) (pieces of shares)	40,033,348,661
Number of ordinary shares outstanding as of 1 December 2017 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 31 December 2017 (shares)	426,288,813,551
Weighted average number of ordinary shares, outstanding in 2017 (shares) (386,255,464,890 * 6 months + 426,288,813,551 * 6 months) / 12 months	406,272,139,221

In 2018 and 2017, the Company had no debt securities potentially convertible to shares.

3.12 Related Parties

The Company's related parties are its subsidiaries and affiliates, including organizations over which the Company indirectly controls or has a significant influence, as well as key management personnel and non-state pension funds acting in the interests of the Company's employees.

The list of the Company's related parties is given on the web-site – www.rushydro.ru/investors/disclosure/affiliated.

3.12.1 Controlling entity

As of 31 December 2018 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 60.56% of the Company's ordinary shares (see paragraph 3.3.1 of the Explanatory Notes).

3.12.2 Sales to related parties

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Total revenue from sales to related parties was:

Name of the buyer	2018	2017
Revenue from sales to subsidiaries, including:		
PJSC Far East Energy Company	6,990	6,557
PJSC Krasnoyarskenergosbyt	1,802	919
JSC Chuvashskaya Energy Sales Company	847	742
JSC ESK RusHydro	690	583
PJSC Ryazanskaya Energy Sales Company	606	249
Other subsidiaries	91	106
Revenue from sales to related parties, including:		
PJSC Boguchanskaya GES	115	112
CJSC Boguchanskiy Alluminievy zavod	160	54
Total sales to related parties	11,301	9,322

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).

3.12.3 Purchases from related parties

The cost of services provided by related parties was:

Name of the supplier	2018	2017
Construction-and-assembling operations, survey and design works, research and development, including:		
Subsidiaries		
JSC Hydroremont-VKK	1,259	1,559
JSC Institut Hydroproject	257	309
JSC Mosoblhydroproject	111	228
JSC Lenhydroproject	89	240
Other	251	327
Total construction-and-assembling operations, survey and design works, research and development:	1,967	2,663
Services rendered by related parties, including:		
Subsidiary company:		
JSC Hydroremont-VKK	3,116	2,925
JSC Transport company Rushydro	1,448	1,433
JSC Sulaksky HydroKaskad	531	527
JSC Malaya Dmitrovka	514	514
LLC RusHydro IT Servis	458	416
JSC Zaramagskiye GES	243	249
LLC SNRG	234	260
Other	642	642
Other related parties	-	7
Services rendered by related parties, total	7,186	6,973
Purchased electricity	2	2
Total purchases from related parties	9,115	9,638

3.12.4 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 expenses of the Company's contributions to non-state pension funds are recorded as expenses for ordinary activities. The total amount of contributions to the pension fund was RUB 321 million and RUB 265 million for 2018 and 2017, respectively.

3.12.5 Settlements with related parties

As of 31 December 2018, 2017 and 2016, 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 2018	31 December 2017	31 December 2016
Short-term interest-free promissory notes received	2,142	2,142	5,457
Short-term interest-free loans issued	94,113	64,257	30,707
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	10,272	29,621	22,997
Indebtedness under the assignment agreement	-	9,962	8,257
Long-term interest-free loans issued	148	2,234	10,897
Accounts receivable related to other sales	1,098	952	1,217
Accounts receivable of interest accrued on loans issued and promissory notes received	6,698	3,488	2,219
Advances	2,560	2,240	3,334
Other settlements with related parties	72	141	113
Total accounts receivable from related parties	142,792	140,726	110,887

Doubtful debt provision for related parties' accounts receivables as of 31 December 2018 was RUB 4,946 million (31 December 2017: RUB 4,123 million; 31 December 2016: RUB 5,904 million).

As of 31 December 2018, 2017 and 2016, the Company's accounts payable to the related parties were:

	31 December 2018	31 December 2017	31 December 2016
Subsidiaries	978	1,001	1,164
Other related parties	-	18	81
Total accounts payable to related parties	978	1,019	1,245

The whole amount accounts payable to related parties is payable in cash.

3.12.6 Related parties' debt within investments

As of 31 December 2018, 2017 and 2016, 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 2018	31 December 2017	31 December 2016
Loans issued to related parties	71,712	67,105	28,315
Other investments	601	601	601
Total related parties' debt within investments	72,313	67,706	28,916
Total debt within long-term investments (Line 1170 of the Balance sheet)	66,128	55,419	27,686
Total debt within short-term investments (Line 1240 of the Balance sheet)	6,185	12,287	1,230

As of December 31, 2018, the total amount of the Company's equity and debt financial investments in subsidiaries and other related parties amounted to RUB 349,789 million. (2017 - RUB 317,615 million, 2016 - RUB 285,672 million). The provision for impairment of these financial investments as of December 31, 2018 amounted to RUB 33,374 million. (2017 - RUB 27,735 million, 2016 - RUB 20,111 million).

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Interest income on loans issued to related parties and promissory notes received from related parties:

Entity	2018	2017
Subsidiaries, including:	4,538	3,689
JSC Far East Generating Company	2,527	1,797
JSC RAO Energy Systems of the East	517	339
JSC Sakhaenergo	388	358
JSC Kamchatskenrgo	248	82
PJSC Yakutskenergo	183	97
JSC Hydroinvest	151	312
JSC Teploenergoservis	108	98
JSC Far East Distribution Grid Company	-	212
Other	416	394
Other subsidiaries	91	63
Total interest income	4,629	3,752

3.12.7 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 599 million for 2018 (2017: RUB 2,303 million):

Entity	2018	2017
JSC Hydroremont-VKK	345	154
HydroOGK Power Company Ltd	-	1,706
JSC Blagoveschenskaya TETS	-	176
Other	254	267
Total income from investments in subsidiaries	599	2,303

3.12.8 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 and their deputies.

The remuneration to the members of the Board of directors is calculated according to the *Regulations on the payment of remuneration to PJSC RusHydro's directors* approved by the Annual General Meeting of Shareholders held on 26 June 2017 (Minutes No. 16).

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 2018 and 2017, the Company remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,145 million and RUB 1,141 million, respectively. The insurance contributions amounted to RUB 189 million for 2018 (2017: RUB 190 million). In addition, in 2018, an appraisal obligation was established for premiums to key management personnel in the amount of RUB 398 million (2017: RUB 400 million). In calculation of the estimated liability for remuneration payments includes the expected remuneration for 2018 as part of the Long-Term Motivation Program of the Company's key management.

3.12.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2018	2017
Cash flows from operating activities			
Receipts, including:	4110	19,875	8,126
sales of products, goods, work and services	4111	9,853	8,026
lease payments, license payments, royalties, commission and other payments	4112	59	67
other receipts, including:	4119	9,963	33
<i>receipts on assignment of the right of claim (see 3.2.4 of the Explanatory Notes)</i>		9,962	-
Payments, including:	4120	(7,666)	(7,237)
suppliers (contractors) – raw materials, work and services	4121	(7,508)	(7,095)
interest on debt liabilities	4123	(15)	(39)
other payments	4129	(143)	(103)
Net cash flows from operating activities	4100	12,209	889
Cash flows from investing activities			
Receipts, including:	4210	8,548	30,667
sale of non-current assets (except for investments)	4211	8	241
sale of shares of other organisations (ownership interest)	4212	11	9
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	6,677	27,384
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	1,852	3,017
other receipts	4219	-	16
Payments, including:	4220	(57,322)	(96,487)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(2,845)	(3,103)
purchase of shares (interest) in other entities	4222	(14,829)	(7,524)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(39,648)	(85,860)
Net cash flows from investing activities	4200	(48,771)	(65,821)
Cash flows from financing activities			
Receipts, including:	4310	4,247	676
borrowings and bank loans	4311	4,247	676
Payments, including:	4320	(3,754)	(22)
dividends and other payments on distribution of profit in favor of owners (participants)	4322	(9)	(15)
redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(3,745)	(7)
Net cash flows from financing activities	4300	493	654
Net cash flows for the reporting period	4400	(36,072)	(64,277)

3.13 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 99.8%. 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.

3.14 Contingent liabilities

As of 31 December 2018, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 54,341 million (31 December 2017: RUB 82,916 million, 31 December 2016: RUB 101,926 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. At the same time, there has recently been a certain easing of the transfer pricing rules, characterized by a decrease in cases in which transactions may be deemed controlled, which is expected to reduce the possible impact on the Company's financial position. The management plans to defend with resolve the Company's position on transfer pricing in case of disputes with tax authorities.

New provisions aimed at deoffshorisation of Russian economy have been added to the Russian tax legislation and are effective from 1 January 2015. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation and also the rules for determining the tax residence of foreign legal entities at the place of their actual management (in case of a foreign company recognition as a Russian tax resident, all income of such a company will be subject to taxation in the Russian Federation). Management of the Company conducts analysis of impact of new rules on Companies' activity and takes necessary measures to meet new requirements of Russian Tax legislation. Likelihood of claims from Russian tax authorities (and probability of positive resolution of disputes) can't be reliably measured because there's no practice of new tax rules. Financial statements of the Company can be affected if tax disputes arise. The Company carries out systematic work to decrease the number of its foreign subsidiaries, which should reduce the impact of this factor on the financial position and results of the Company's business.

3.15 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

Market risks include currency risk, interest rate and price risks.

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. In November 2018, the Company placed Eurobonds in Chinese yuan offshore, while the management of currency risk was eliminated by concluding a hedging transaction (currency swap interest), details of the transaction are described in paragraph 3.4.1 of the Notes. 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:

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	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
31 December 2018			
US Dollars	161	-	161
Euro	-	(1,237)	(1,237)
Chinese yuan*	-	(15,254)	(15,254)
Total	161	(16,491)	(16,330)
31 December 2017			
US Dollars	704	-	704
Euro	-	(6,112)	(6,112)
Total	704	(6,112)	(5,408)
31 December 2016			
US Dollars	547	-	547
Euro	-	(11,716)	(11,716)
Total	547	(11,716)	(11,169)

*Management of currency risk on obligations expressed in Chinese yuan offshore is excluded by entering into a currency-interest swap transaction (Note 3.4.1).

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 Company's loan portfolio as at 31 December 2018, as at 31 December 2017 and as at 31 December 2016 is represented by borrowings with a fixed interest rate. The influence of changes in these rates on the Company's profit is insignificant.

The Company monitors the loan market in order to identify favorable credit conditions, and also 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.

Price risk. The Company sales power and capacity, mainly, in the wholesale market. The price risk at the wholesale market is connected with possible volatility of the prices, and also with reduction of prices of the corresponding goods.

Electricity at the wholesale market is realized by Company mainly at the market for the days ahead. Weighted average price of sale of electricity for the days ahead for the Company in 2018 didn't change significantly in comparison with an indicator of 2017.

As the key instrument for trading capacity in the wholesale market is the contracts for purchase and sale of capacity by results of competitive selection of capacity. The price of capacity, based on which liabilities under such contracts are calculated, after the transition in 2015 to long-term model of competitive selection of capacity, is determined by results of competitive selections of capacity for four years ahead. The price differences on capacity created following the results of competitive selections of capacity for 2016-2020, make no more than 5% for each price zone.

At the liberalised market of the electric power the price of goods directly depends on demand amount. For the purpose of increase in a financial result of economic activity Company considers the seasonal, week and daily changes in demand on the electric power in case of sales planning of the electric power.

In general, the risks associated with a possible reduction in the price of sales of electricity and power in the wholesale market are assessed as insignificant.

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.

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.

PJSC RusHydro

Explanatory Notes to the 2018 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Category of investments	31 December 2018	31 December 2017	31 December 2016
Equity investments for which current market value can be determined, including:	-	6,809	7,818
PJSC Inter RAO	-	6,809	7,709
PJSC Irkutskenergo	-	-	65
PJSC Krasnoyarskaya GES	-	-	44
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date*	1,709	1,709	20,204
Equity investments for which current market value cannot be determined*	275,769	248,212	236,565
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	277,478	256,730	264,587

* As of 31.12.2018 and 31.12.2017, the financial investment in JSC RAO ES of the East in the amount of RUB 18,495 million was included in the line "Equity investments for which the current market value is not determined", as in 2017 the company's shares were delisted from the Moscow exchange. As at 31.12.2016 the financial investments were included in the line "Equity investments in subsidiaries subject to fair value, but revaluation at the reporting date was not made".

Current market value of quoted securities is determined by market prices established on the stock exchange PJSC MICEX-RTS (<http://moex.com>), 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. 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 difficulties 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.

3.16 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 2018.

Chairman of Management Board - General Director
of PJSC RusHydro

N.G. Shulginov

Chief Accountant of PJSC RusHydro

Y. G. Medvedeva

28 February 2019