



RusHydro

APPROVED
By Annual General Meeting
of Shareholders decision
Minutes of _____. 2018 No. ____

PRELIMINARILY APPROVED
By Board of Directors decision
Minutes of _____. 2018 No. ____

ANNUAL REPORT

PUBLIC JOINT-STOCK COMPANY «FEDERAL HYDROGENERATING COMPANY - RUSHYDRO»

(including information on sustainable development)

2017

Translation from Russian original

**(In the case of inaccuracies, ambiguities and other contradictions, the Russian version
is in priority)**

Chairman of Management Board, CEO

N.G. Shulginov

Registered in Krasnoyarsk City, the Krasnoyarsk Region

**This Annual Report is subject to prior approval by the
Board of Directors and approval by the Annual General
Meeting of Shareholders of PJSC RusHydro**

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Responsibility Statement

We hereby confirm that to the best of our knowledge:

(a) the consolidated financial statements of PJSC RusHydro and its subsidiaries (RusHydro Group), prepared in accordance with International Financial Reporting Standards, constitute a reliable assessment of the assets, liabilities, financial position, profit or loss of RusHydro Group;

(b) the annual report includes a reliable assessment of the development and business condition and the position of RusHydro Group, as well as a description of the main risks and uncertainties which the activities of PJSC RusHydro and its controlled entities are susceptible to.

Chairman of the Management Board – General Director N.G. Shulginov

Chief Accountant Y. G. Medvedeva

Disclaimer on the publication of forecast data

The report contains information about the plans and intentions of RusHydro Group in the medium and long term. Plans and intentions are predictive in nature and their feasibility depends, among other things, on a number of economic, political and legal factors that are beyond the Company's influence (financial and economic and political conditions, key markets, changes in tax, customs and environmental legislation and etc.). For this reason, the actual performance indicators of future years may differ from the statements published in this Report.

Report information

The annual report of Federal Hydro-Generating Company – RusHydro (or “PJSC RusHydro”, “Company”) 2017 is the thirteenth annual report prepared by the Company and addressed to a wide range of stakeholders. **(102-52)**

This annual report includes information previously disclosed in a separate report on corporate social responsibility and sustainable development as well as the main results of the Group's activities in the field of strategic and corporate governance, the financial and operating results for 2017. **(102-50)**

The report is prepared in accordance with the regulatory requirements of the current legislation and adheres to the following principles and the requirements **(102-54)**:

- Legislation of the Russian Federation,
- London Stock Exchange,
- The UK Disclosure and Transparency Rules for Listing,
- Code of Corporate Governance (recommended by the Bank of Russia);
- Corporate Governance Code of PJSC RusHydro,
- Provisions on the information policy of PJSC RusHydro,
- The AA1000 series of Accountability,
- Standards of the Global Reporting Initiative (GRI SRS) in the main version of the disclosure and the GRI industry application for energy companies,
- International standard on integrated reporting(<IR>).

The annexes to this annual report are available in the Appendices Book - see <http://www.rushydro.ru/investors/reports/>. RusHydro Group's previous annual reports as well as reports on corporate social responsibility and sustainable development, are available on the Company's website at <http://www.rushydro.ru/investors/reports/> and http://www.rushydro.ru/sustainable_development/socialotvetstvenost/kso/ respectively. **(102-51)**

The representative of the senior management of the Company responsible for preparing the Annual Report and the quality of the data contained therein is the member of the Management Board, First Deputy General Director A.V. Kazachenkov. **(102-32)**

Report boundaries

The scope of this annual report on social and economic key figures correspond with the limits of the consolidated financial statements of the Group prepared in accordance with IFRS, unless otherwise indicated in the notes to the disclosure of the key figures. The key figures of the report for the remaining categories are disclosed for the Group's main affiliates **(102-7)**, while the key figures of organisations controlled by the Group that are not included within the limits of disclosure are not significant for the purposes of reporting. Exceptions on the limits of indicators are available in the GRI compliance table on page 192.

For a complete list of legal entities that are members of the RusHydro Group's structure, *including within the report boundaries¹*, please see the section *RusHydro Group's Structure* **(102-45)**.

(103). No data has been restated for the reporting year; however, calculations of certain figures are indicated in footnotes. **(102-48)**.

In 2017 there were no significant changes in the Group's scope of business. **(102-10)**

External audit of the Report **(102-56)**

The report passed an external, independent verification in accordance with the International Standard of Assurance (ISAE) 3000 (revised) "Assurance tasks other than audit and review of financial information of past periods". The independent auditor was JSC PricewaterhouseCoopers Audit.

In the current reporting period, the Company did its best to take into account the recommendations of the Russian Union of Industrialists and Entrepreneurs, following the review of RusHydro Group's Corporate Social Responsibility report for 2016.

In the course of preparation of the Report, comments and recommendations of expert committees on annual reports of the Moscow Stock Exchange and Rating Agency Expert RA were taken into account.

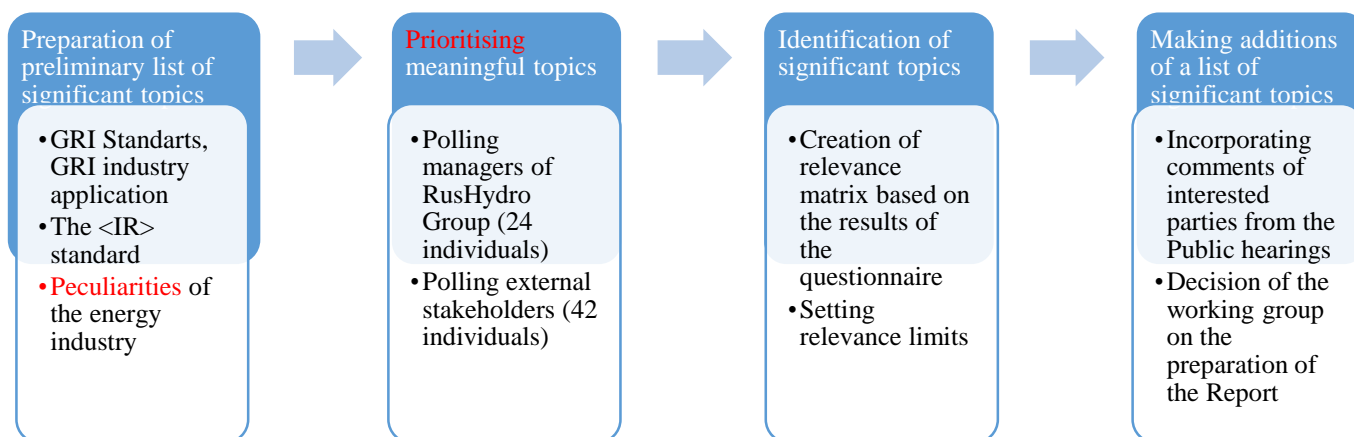
GRI Content Index Service reviewed the report: the content confirms to accuracy of compliance with GRI Standards.

¹ PJSC "Boguchanskaya HPP", which is not a controlled company, is not part of the RusHydro Group and is a joint venture with UC RUSAL is included in the Report's boundaries.

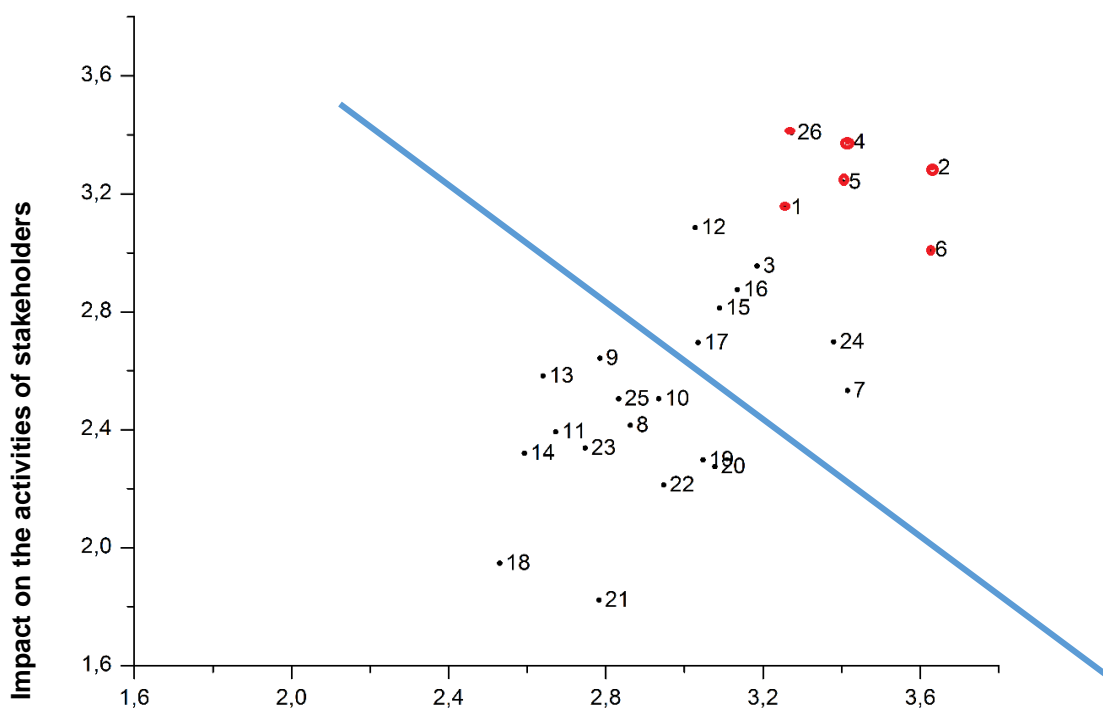
During the preparation of the Report in 2018, a public hearing on the Draft Report attended by representatives of major stakeholder groups took place. For the third year in a row, the Group has held this event. RusHydro tried to take into account the recommendations of the stakeholders received following the results of the public hearings held in 2017.

Defining the content of the Report

International standards (Standard <IR> and GRI Standards) recommend defining significant topics for disclosure in the Report as a joint dialogue between the Company and interested parties. In determining the content and scope of information included in the Report, RusHydro defined a procedure for determining significant topics 2018. (102-49).



Relevant topics matrix (102-46)



The Group's influence on the economy, social environment, and the environment

Relevant Topics (102-47)

№	Relevant Topics
1	<i>Implementation of the Long-term Development Programme of RusHydro Group</i>
2	<i>Role of RusHydro in the development of power generation in the Far East</i>
3	Improving investment attractiveness

4	<i>Investment policy and implementation of the investment programme, including the commissioning of new energy facilities and the replacement of obsolete capacity</i>
5	<i>Security and reliability of the RusHydro Group's facilities</i>
6	<i>Safety and reliability of hydraulic structures and infrastructure facilities of thermal stations</i>
7	The system of prevention of natural disasters and emergencies and their handling (including floods, , low water levels)
8	Development of renewable energy
9	Implementation of RusHydro Group's Innovative Development Program
10	Energy Efficiency and Energy Conservation
11	Participation of RusHydro Group in the digital transition in the power generation industry of the Russian Federation
12	Increasing operational efficiency and financial sustainability
13	Procurement management
14	Counteraction of unfair competition
15	Human resource development
16	Ensuring decent working conditions and respect for the rights of employees
17	Occupational safety and health at work
18	Charity
19	Implementation of the Group's Environmental Policy
20	Increasing efficiency of water usage
21	Managing the impact on biodiversity
22	Reduction of harmful emissions into the atmosphere (including greenhouse gases)
23	International cooperation
24	Social and economic development of regions of presence
25	Anti-corruption
26	<i>Information openness and transparency of activities</i>

* Boldface highlighted significant topics. The themes that have the greatest importance are highlighted in bolded italics.

The Chairman's Statement

Dear shareholders, colleagues and partners!

The year of 2017 has been a fruitful year for the Company. RusHydro Group has made progress in all strategic directions: ensuring reliable and safe operations of its power facilities and hydroelectric complexes, sustainable development of electricity production, advancing development of the Far Eastern energy sector as well as growth of the Company's value.

RusHydro successfully carries out projects of significant importance for the Far East. The first stage of Yakutskaya GRES-2, the second out of the four power plants in the Far East, built in accordance with a Presidential Decree, was put into operation-. Other projects in the region such as Sakhalinskaya GRES-2, Vostochnaya CHPP and Nizhne-Bureyskaya HPP are at a high degree of completion, slated for commission within a year.

Thanks to commissioning of new and modernisation of existing facilities, as well as effective management of power plant operations, electricity production of RusHydro Group including Boguchanskaya HPP in 2017 reached a record level of 140.3 bn kWh, out of which 109.3 bn kWh was carbon-free production.

RusHydro continues to pay extra attention to energy efficiency. Energy Efficiency and Improvement Program for 2016-2020, updated in 2017, has already resulted in reducing electricity loss in the Far East by 10% or about 375 mn kWh per year, equivalent to annual electricity consumption of a small city.

Execution of infrastructure and investment projects in the Far East territories of socio-economic development continued in 2017. The financial stability of RusHydro's facilities in the Far East improved as well. RAO ES East Subgroup's debt was refinanced in 2017. In 2017, the law on reducing end-user electricity tariffs in the Far East to the average tariff level in Russia became effective, which aims to improve the business environment in the key region for the Company.

A series of measures to reduce costs and increase operational efficiency came into effect last year. The corporate management structure of Far Eastern assets was optimised: headquarters of JSC "RusHydro" and JSC "RAO ES East" have been integrated. Centralisation of procurement activities came into effect in 2017 while centralisation and optimisation of certain functions in subsidiaries is on the way.

One of the most important activities of RusHydro Group is the development of the regions of presence. The Group's facilities are major employers in the regions while construction of new energy facilities creates

additional jobs. RusHydro's contribution to social welfare, education and environment has been widely recognised and acknowledged.

By a Decree of the President of the Russian Federation, 2017 in Russia was declared the year of ecology. For RusHydro, environmental responsibility has been a top priority since its foundation. Last year RusHydro confirmed its status as one of the leaders among environmental social responsible domestic companies in the fuel and energy sector. The Group pays particular attention to ensuring environmental safety, reducing the negative impact on the environment, including reducing greenhouse gas emissions and preserving biodiversity in the course of production activities. Regular measures are undertaken to introduce the best available technologies in the fields of environmental protection, preservation of rare animals and plants, artificial reproduction of valuable breeds of fish and support of specially protected natural areas.

Managing hydroelectric power stations and developing projects in the field of wind and solar energy, RusHydro Group is regarded as having one of the lowest indicators of greenhouse gas emissions per kilowatt hour of electricity output in Russia. RusHydro is also one of the leaders in Russia in the field of sustainable development. The company pays a great deal of attention to the activities of the Global Energy Partnership for Sustainable Development (GSEP). GSEP recognizes RusHydro's efforts in constructing new hydraulic, wind, and solar power capacities, as well as gasifying power plants in the Far East.

In world-specialised rankings, RusHydro Group ranks high among energy companies. The actions implemented by RusHydro in the direction of sustainable development are in line with the strategic goal of increasing the value of the company. In 2017, the Group was included in the index of the British stock exchange in the field of sustainable development FTSE4GOOD Emerging Index. This index serves as a guide to investors who are interested in acquiring shares of companies that meet high standards in the field of environment, social responsibility, and corporate governance.

In 2017, the Company was included in the first one hundred of the S & P Global Platts rating of the world's 250 largest energy companies, which serves as recognition of the Company in the international financial environment. The goal to further increase the Company's investment attractiveness continues.

In order to maximise the value of the company and increase its attractiveness for shareholders, strategic and financial investors, the Board of Directors of PJSC RusHydro approved the Group's Value Increase Plan for the period up to 2021.

We thank our shareholders, partners, and employees for their contribution to the development of RusHydro and their confidence in the actions of the Company's management bodies.

Chairman of the Board of Directors
PJSC RusHydro

Yuri Trutnev

CEO's Statement

Dear shareholders, colleagues, partners!

The year of 2017 has been successful. We managed to carry out all of our priority tasks such as completing key projects and commissioning new generating capacities. We have set a new record in electricity generation, proving that we not only achieve meaningful results and sustain them, but strive and go further raising the bar. We continue our journey onward by implementing state-of-the art technologies, modernising our existing facilities and improving our operating results.

The development of the infrastructure of the Far East, as well as locating a source of investment for the modernisation of existing heat generating facilities in the region, remains one of our main goals. In 2017, we completed the integration of headquarters of JSC RusHydro and JSC RAO ES East to create a single management office with unified standards.

The company pays special attention to operational efficiency, improvement of procurement activities, and personnel policy to ensure stable long-term development of the Company.

Production

The Group's electricity generation, including Boguchanskaya HPP, amounted to 140.3 bn kWh, which is more than one bn kWh higher than in the previous year.

Achieving a record result became possible through effective planning of water and energy regimes at the Volga-Kama cascade, commissioning new and upgrading existing stations. Strong operational performance of thermal power plants of the RAO ES East Subgroup, which have produced 32.82 bn kWh in 2017, have also contributed to the record level of electricity generation. Heat output by thermal plants of RAO ES East Subgroup amounted to 29.9 million GCal.

The installed capacity of RusHydro's power plants, including Boguchanskaya HPP, reached 39.04 GW in 2017, while the installed heat capacity of the Group increased to 18.5 thousand GCal / h.

Development

The Group spent 91.8 bn rubles on its investment programme in 2017. The preliminary consolidated investment program for the period of 2018-2023 includes projects amounting to \$443.6 bn rubles. introduction total of 1.5 GW of electric capacity and 1 thousand Gcal / h of thermal capacity are planned for commission.

The active construction phase of Far Eastern facilities, Sakhalinskaya GRES-2 and CHPP in Sovetskaya Gavan, carried out in accordance with the Presidential Decree, is under way. The second phase of Blagoveshchenskaya TPP (2016) and the first phase of the Yakutskaya GRES-2 (2017) have been already commissioned. Three major projects in the Far East electric grid system were launched: the construction of two 110 KW Overhead Lines "Pevek-Bilibino" in Chukotka, the modernisation of Magadanenergo substations to connect a new 220 KW overhead line, the construction of approach lines to the 220 KW Maya substation in Yakutia. Construction of GTU-CHPP in Vladivostok is approaching the finish line, Ust-Srednekanskaya hydroelectric power station is going according to the schedule as hydroelectric unit No.3 is set for commission in 2018. This year we successfully completed the gasification project at Anadyrskaya CHPP, which is of fundamental importance for the diversification of fuel balance of Chukotenergo.

RusHydro will commission over 250 MW of capacity until 2023 as a result of technical re-equipment and modernisation of our power plants. We are striving to increase the efficiency of the programmes for technical re-equipment and modernisation by reducing the implementation time and unit cost of work, employing new technologies and advanced approaches to project management as well as optimising procurement procedures. Improving the technological level is one of the key goals of the Group's Innovation Development Program for the period until 2025. In the reporting year, the quality of development of our Innovative development program received one of the highest ratings of the Interdepartmental Working Group on Implementing Innovation Development Priorities under the Presidium of the Presidential Council for Modernisation of the Economy and Innovative Development of Russia among the fuel and energy companies.

Improving efficiency

In 2017, the implementation of the Action Plan for cost optimisation continued. Processes of simplifying the organisational structure, eliminating duplicate administrative and management functions, optimising unit costs for maintenance, repair and fuel and transportation costs resulted in an economic effect of almost 6 bn rubles in 2017 alone. Given the actual inflation in 2017 at 3.68%, the Group's operating expenses increased by less than 2%. to the process aimed at reducing costs and increasing productivity continues.

We have completed the centralisation of procurement activities on the basis of a specially established controlled entity. This measure brought close to 30 billion rubles in savings over two years. The total amount of savings based on the results of purchases of RusHydro Group for 2017 amounted to 20.8 billion rubles.

Finance

In 2017, RusHydro Group demonstrated sound financial results from its operating activities. The consolidated revenue for the reporting year amounted to 380.9 bn rubles, consolidated EBITDA increased by 3.7% and reached a record level of 104 bn rubles. Net profit (IFRS) amounted to 22.4 bn rubles.

Following successful completion of the transaction with VTB Bank (PJSC) to raise equity capital, PJSC RusHydro received RUB55 bn in order to repay loans of the Group companies in the Far East. Savings in interest expenses of RAO ES East Subgroup were directed towards improvement of reliability of its facilities. Due to the high operational performance and the reduction in the Group's debt burden, the Net Financial Debt / EBITDA ratio, which characterises the company's financial stability, was reduced from 1.6 at the end of 2016 to 1.4 by the end of 2017. In the current year, we have made an exception to the debt burden of obligations under the guarantee of PJSC RusHydro to Vnesheconombank under the loan agreement of PJSC Boguchanskaya HPP concluded with the bank in 2010. As a result of the cancellation of the guarantee, RusHydro's financial debt decreased by another 26 billion rubles.

In 2017, international rating agencies S & P and Moody's upgraded the credit ratings of PJSC RusHydro to a sovereign level. Analysts rated the high level of state support for the Company and systemic improvement of RusHydro's financial and economic performance. This year, the long-term credit rating of PJSC RusHydro was raised by S & P to the investment level of "BBB-" with a stable outlook.

In 2017, PJSC RusHydro became one of the first Russian companies with state co-ownership and the first company among utilities to receive a credit rating from the Russian Analytical Credit Rating Agency (ACRA), while maintaining the highest level of reliability "AAA (RU)".

Successful placements of loan-participation notes placed in 2017 and 2018 on the Global Exchange Market confirms RusHydro's status as a reliable borrower. Investors' demand for securities of PJSC RusHydro has significantly exceeded the offer. The first issue was the best ruble-denominated transaction in the international market under the Cbonds version, while the second issue had a historically low yield for ruble issues of Eurobonds of Russian corporate issuers.

Sustainable development

We not only strive to improve operational and financial results, but also demonstrate maximum transparency of our activities. The leading rating agencies, business associations, and public organisations recognised our actions in this direction in 2017 as well. At the end of the year, RusHydro Group was among the leaders of the "Responsibility and Openness" index of the Russian Union of Industrialists and Entrepreneurs and ranked as one of the three most transparent companies in the electric power industry, according to Transparency International.

Our activities in the field of sustainable development received a positive assessment internationally as well. RusHydro ranked high in the RobecoSAM ranking in the reporting year, on the basis of which companies are selected for inclusion in the Dow Jones family of sustainable development indices. We are also the only Russian energy company included in the list of 100 best companies in the world in the field of sustainable development according to the rating agency Vigeo Eiris.

RusHydro employs thousands of hydro and thermal power engineers, service technicians and marketers, scientists, designers and other professionals in different regions of the country ranging from the Far East to St. Petersburg, from the south of Russia to Arctic regions. All of them are working for the benefit of the Company. I would like to thank all the employees of the Group for their hard work in supplying energy to our consumers and ensuring sustainable development of the Company. We will not stop and continue doing our best to achieve RusHydro's strategic goals.

N.G. Shulginov

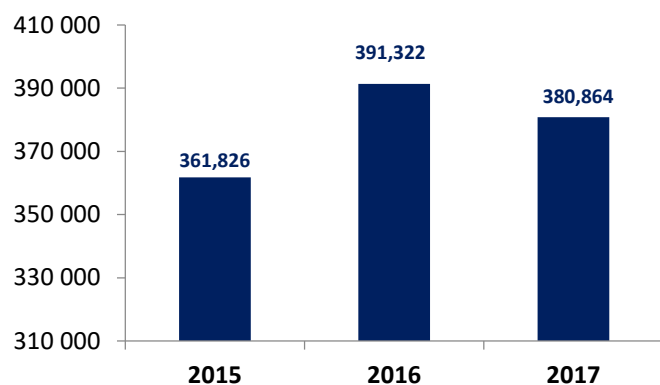
The Chairman of the Management Board – CEO of PJSC RusHydro

(102-14)

Key figures (102-7)

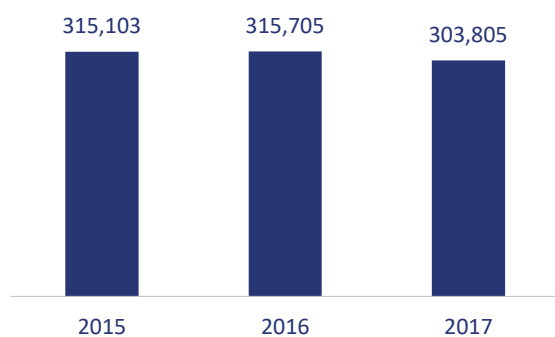
Financial indicators in accordance with IFRS

Revenue *, mn rubles.



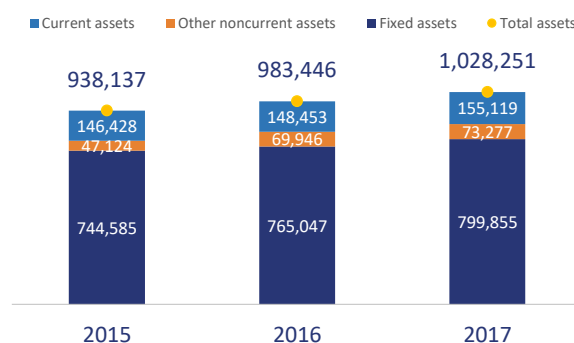
* Including government subsidies.

Operating expenses *, mn rubles.

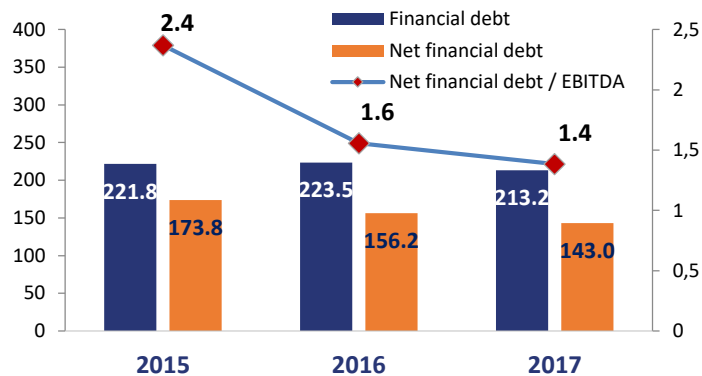


* Without taking into account impairment losses.

Assets, mn rubles.

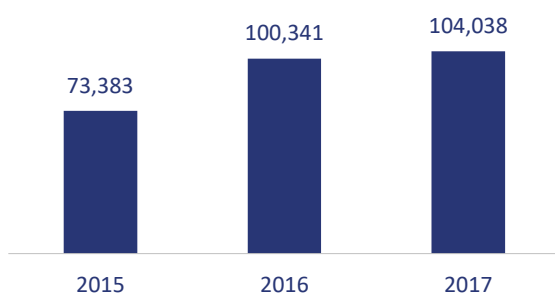


Net and total financial debt *, bn rubles.

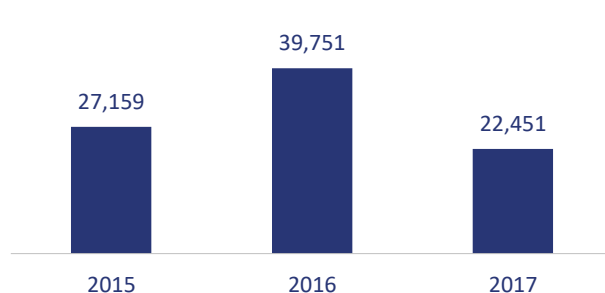


* The data are provided taking into account the obligations on the guarantee of the Company (cancelled from 07.02.2018 onwards) for the obligations of PJSC "Boguchanskaya HPP" under the credit of the GC Vnesheconombank.

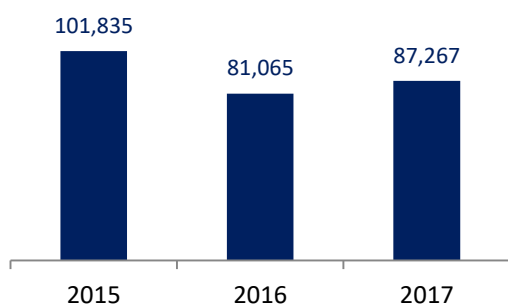
EBITDA, mn rubles.



Net profit, mn rubles.



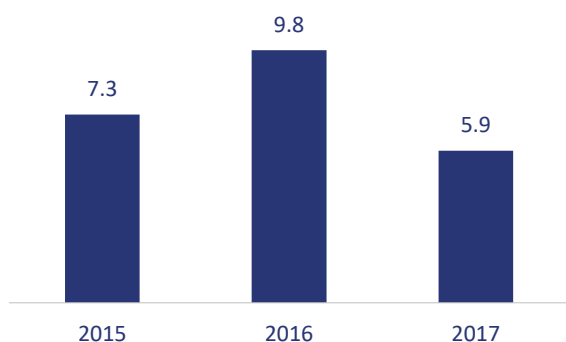
CAPEX *, mn rubles.



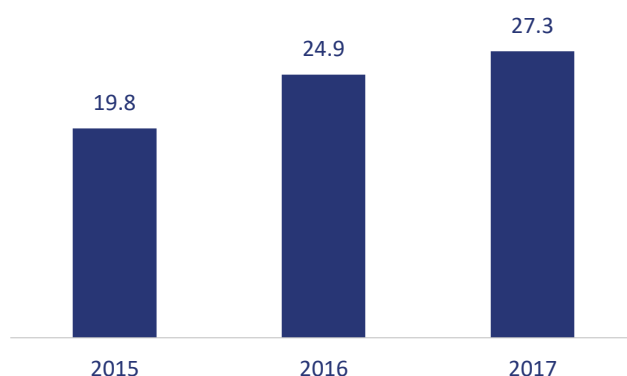
* Excluding VAT.

Financial Ratios

Net profit margin ,%

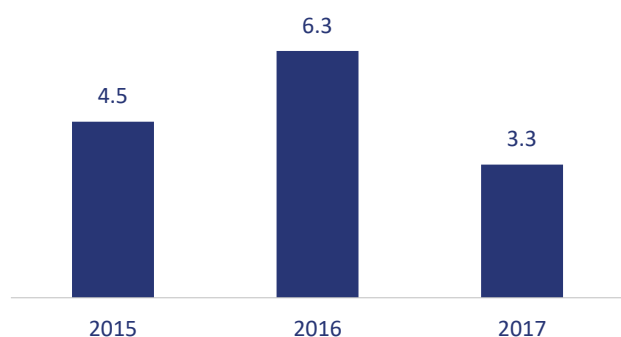


EBITDA margin *,%

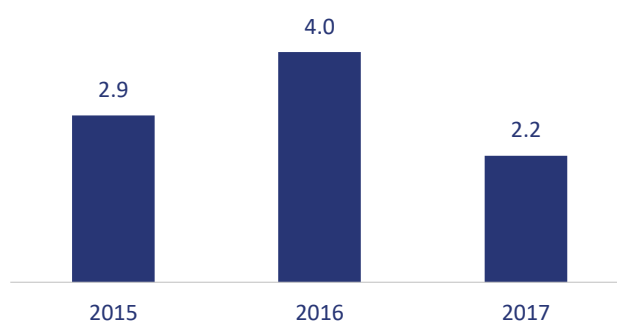


* The figures are calculated taking into account other operating income received by RusHydro Group in 2015 (8.2 billion rubles), in 2016 (12.4 billion rubles) and in 2017 (0.7 billion rubles) in the form of insurance compensation, income from the sale of assets and controlled entities, and received dividends.

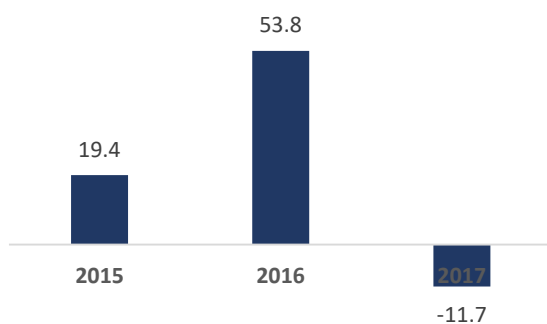
Return on equity (ROE),%



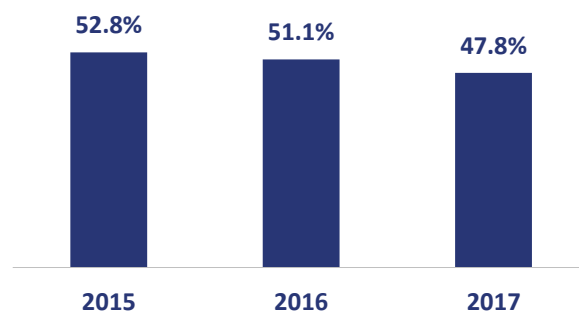
Return on assets (ROA),%



Total Shareholder Return (TSR) *,%



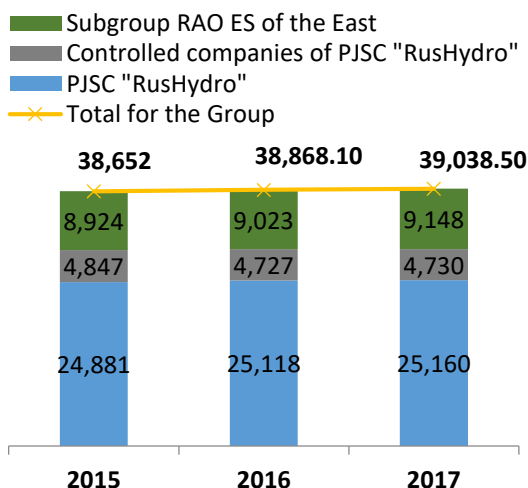
Leverage, %



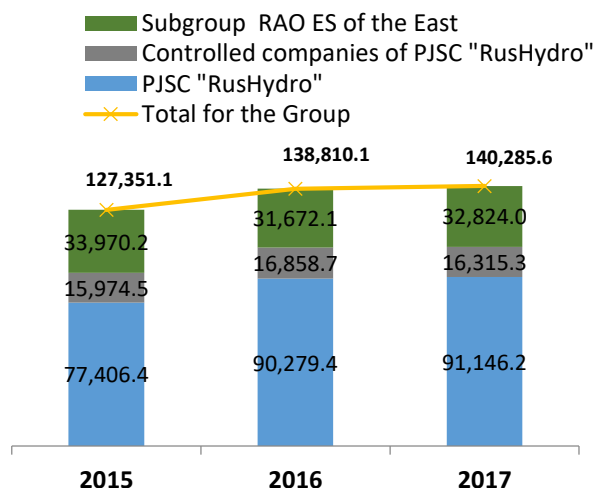
*In the annual report for 2016, the TSR for 2015 was calculated using a different methodology, so the 2015 indicator in this report is different from the one disclosed in the 2016 report.

Operational indicators

Installed power *, MW

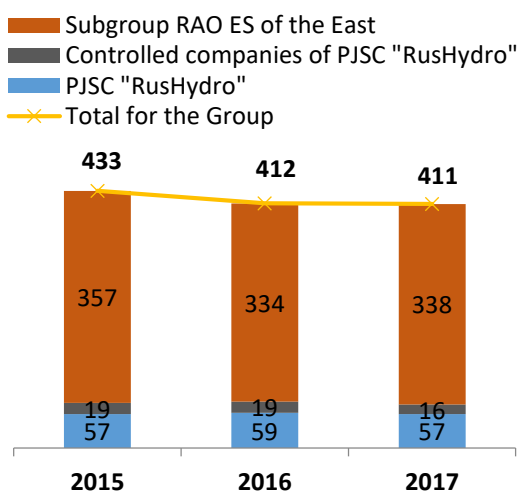


Electricity generation *, mn kWh · h

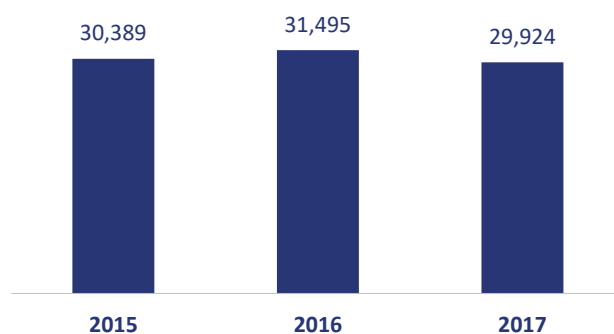


* The data are given taking into account the PJSC "Boguchanskaya HPP" (owned by PJSC RusHydro and UC RUSAL), inclusive of HPP-2 of PJSC KamGEK, excluding HPP-1 and HPP-3 of PJSC KamGEK, management.

Number of generating facilities *, units.



Heat output by RAO ES East Subgroup, thousand GCal



* The main part of generating facilities is concentrated in the perimeter of JSC "RAO ES of the East".

About Company

The public joint-stock company "Federal Hydro-Generating Company RusHydro" is the largest energy company in Russia and the third largest in the world in the hydropower industry. RusHydro Group is the leader in production of renewable energy. The Company produces renewable energy from water currents, sea tides, sun, wind, and geothermal sources. **(102-1) (102-2)**

Brief history of PJSC RusHydro

PJSC RusHydro was established on December 26, 2004, following implementation of the state programme to reform electric power industry in accordance with the Decree of the Government of the Russian Federation No. 1254-r of 01.09.2003.

In 2008, the Company consolidated more than 50 hydropower plants in 18 regions of the constituent entities of the Russian Federation. In the same year, the Company's shares were listed on the Russian stock market, and a programme of depositary receipts was launched; in this case, the Bank of New York Mellon acted as a depositary bank.

In 2011, the Russian Federation introduced a controlling stake in JSC RAO ES of the East in the authorized capital of JSC RusHydro, as a result of which the installed capacity of RusHydro Group increased from 26.1 to 35.2 GW. RusHydro Group companies are systemic organisations and key state institutions for the development of the electric power industry in the country. In accordance with Presidential Decree No. 1009 of 04.08.2004, since 2012, PJSC RusHydro has been included in the list of strategic enterprises and strategic joint-stock companies.

The Company has been in operation for 13 years.

Activity of RusHydro

RusHydro Group's operations are characterised by a wide geography of presence: from Saint Petersburg to the Primorsky Region, from the Chukotka Autonomous District to the Republic of Dagestan. The Group has international presence, managing the Sevan-Hrazdan cascade of hydroelectric power stations in Armenia.

(102-4) The company is registered in Krasnoyarsk, while its headquarters are in Moscow. **(102-3)**

RusHydro Group operates within the framework of the Unified Energy System (UES) of Russia. The installed capacity of the Group's assets is 39.04² GW.

Currently, the Group unites 400 power facilities, including more than 90 renewable energy facilities (including Sayano-Shushenskaya HPP named after P.S. Neporozhniy, with capacity of 6,721 MW in conjunction with the Mainsky hydropower complex). RusHydro also includes nine Volga-Kama cascade hydropower stations with total installed capacity of more than 10,000 MW, Zeyskaya HPP (1,330 MW), Bureyskaya HPP (2,010 MW), Novosibirsk HPP (475 MW), and several dozens of power plants in the North Caucasus. RusHydro Group manages geothermal stations in Kamchatka, the only Kislogubskaya tidal power station in Russia, and the highly manoeuvrable capacity of the Zagorsk Pumped Storage Power Plant (PSHPP) in the Moscow Region.

An important asset of the Group is RAO ES East Subgroup - the power system of the Far Eastern Federal District. The installed electric capacity of RAO ES East Subgroup is 9,148 MW while the thermal installed capacity is 18,497.1 GW al / h.

RusHydro Group also includes LLC IEC, which owns the Sevan-Hrazdan cascade of hydroelectric power stations in the Republic of Armenia (seven stations with a total installed capacity of 561 MW).

The RusHydro Group's installed capacity by source of energy (EU1)

Energy source	Installed capacity, MW
HPP, PSPP	30,494.45
TPP	8,465.94
RES*	78.08
Total	39,038.47

*excluding HPP, PSPP

The installed capacity of RusHydro Group in terms of the regulatory regime (EU1)

Regulation mode	Installed capacity, MW
1st price zone	14,625.54
2nd price zone	10,193

² the indicator includes the electric capacity of the Subgroup of RAO ES of the East as well as the Boguchanskaya HPP, built and operated jointly with the United Company (UC RUSAL).

Non-price zones and isolated energy systems	13,658.63
Republic of Armenia (market zone)	561.4
Total	39,038.47

Actual energy production by region and energy source (EU2)

Actual energy production by region		
Geographical region	Electricity production, GWh	Heat output, thousand GCal
Far East	47,344.24	30,124.5
Siberia	38,667.21	
Centre	46,982.43	
South	6,825.69	
Armenia	466.02	
Total	140,285.59	30,124.5
Actual energy production broken down by primary energy sources		
Name	Electricity production, GWh	Heat output, thousand GCal
The total amount of energy produced, including primary energy sources:		
- water resources *	109,736.14	
- Coal / natural gas / fuel oil / diesel fuel	30,546.49	30,124.5
- non-traditional energy sources	2.96	
Total	140,285.59	30,124.5

* Taking into account geothermal sources.

Planned capacity in comparison with the forecast demand for electricity, broken down by energy sources and regimes, thousand KW (EU10)

Source type	RAO ES East Subgroup			RusHydro Group (without RAO ES East Subgroup)			incl.PJSC RusHydro		
	Installed capacity		Planned installed capacity *	Installed capacity		Planned installed capacity *	Installed capacity		Planned installed capacity *
	2017	2018	after 5 years	2017	2018	after 5 years	2017	2018	after 5 years
Water	681.7	681.7	681.7	29,812.74	30,343.47	30,883.27	25,161.54	25,208.04	25,357.04
Geothermal energy	0.0	0.0	0.0	74.00	74.00	-	-	-	-
Wind energy	3.0	3.9	3.9	-	-	-	-	-	-
Tidal energy	0.0	0.0	0.0	-	-	-	-	-	-
Thermal generation:	8,461.9	8,727.12	8,934.52	3.57	3.57	3.57	-	-	-
type of fuel coal (coal / gas, coal / fuel oil)	6,182.2	6,305.34	6,468.34		-	-	-	-	-
type of fuel gas (gas / fuel oil)	1,879.3	2,018.80	2,018.80	-	-	-	-	-	-
type of fuel d / t, etc.	400.4	402.98	447.38	1.57	1.57	-	-	-	-
Other (solar energy)	1.6	1.6	1.6	-	-	-	-	-	-

* Taking into account the commissioning of new capacities.

Capacity balances for UES of Russia*, thousand kWh

	2017	2018	2019	2020	2021	2022	2023
Demand for capacity	183,704	185,337	187,311	189,214	191,019	192,880	194,652
Coverage of demand	216,243.9	219,796.5	222,304.3	220,881.1	222,802.9	222,572.9	224,081.9
Own surplus (+) deficit (-) of reserves	32,539.5	34,459.7	34,993.4	31,667.5	31,784.3	29,692.5	29,430.2

* excluding isolated energy areas.

Outlook for RusHydro Group

In accordance with the plans of the Ministry of Energy of Russia, the scheme and the development program of the Unified Energy System of Russia for 2017-2023 approved in a Decree of the Ministry of Energy of Russia No. 143 of March 1, 2017 and based on the analysis of the Investment Program and RusHydro Group's business plan, that the following scenario will most likely happen:

- the share of generating facilities of RusHydro Group in the total output of the Russian Federation will decrease from 13.07% in 2017 to 12.97% in 2018, while the Group's production decline will be about 0.5%. The decrease is a result of long-run average production used in calculations, whereas the actual production will depend on water inflows;
- the share of the installed capacity of RusHydro's power plants in the installed capacity of the Russian power plants will increase from 15.81% in 2017 to 15.93% in 2018, while the Group's installed capacity growth will be about 2%.

Grid

The length of overground and underground transmission lines and distribution lines, broken down by the regulatory regime (EU4)

The length of transmission lines, km (in chains)			
WECM - Adjustable prices		REM - regulated prices	
Overhead power lines		Overhead power lines	
110 KW	7,939.7	220 KW	5,179.9
		110 KW	5,903.7
35 KW	8,806.9	35 KW	6,997.1
Cable power lines		Cable power lines	
110 (10) KW	40.1	110 (10) KW	1.6
35 KW	83.5	35 KW	4
Length of power distribution lines, km (by chain)			
WECM - Adjustable prices		REM - regulated prices	
Overhead power lines		Overhead power lines	
6 (10) KW	20,539.6	6 (10) KW	10,957.3
0.4 KW	20,531.9	0.4 KW	11,458.8
Cable power lines		Cable power lines	
6 (10) KW	1,155.7	6 (10) KW	2,040.8
0.4 KW	1,120.4	0.4 KW	1,450.7

Number of and installed capacity of transformer substations (EU4)

	Number of transformer substations, pcs.	Installed capacity of transformer substations, MVA
WECM - Adjustable prices		
220 KW	1	80
110 KW	242	7,370.8
35 KW	476	4,380.8
6 (10) KW	10,943	3,511.8
REM - regulated prices		
220 KW	28	3,652.3
110 KW	140	4,496.3
35 KW	383	1,613
6 (10) KW	9,451	3,672.3

Geographical spread



RusHydro Group's structure

RusHydro's branches and its Controlled Companies within report boundaries
Subgroup RAO Energy Systems of the East companies within report boundaries

<p>Branches</p> <p>Industrial:</p> <ul style="list-style-type: none"> • PJSC RusHydro's branch Bureyskaya HPP • PJSC RusHydro's branch Votkinskaya HPP • PJSC RusHydro's branch Volzhskaya HPP • PJSC RusHydro's branch Dagestan branch • PJSC RusHydro's branch Zhigulevskaya HPP • PJSC RusHydro's branch Zagorskaya PSPP • PJSC RusHydro's branch Zeyskaya HPP • PJSC RusHydro's branch Kabardino-Balkarian branch • PJSC RusHydro's branch Kamskaya HPP • PJSC RusHydro's branch Karachay-Cherkessia branch • PJSC RusHydro's branch Cascade of Verkhnevolzhskiy HPPs • PJSC RusHydro's branch Cascade of Kubanskiye HPP • PJSC RusHydro's branch Nizhegorodskaya HPP • PJSC RusHydro's branch Novosibirskaya HPP • PJSC RusHydro's branch Saratovskaya HPP • PJSC RusHydro's branch Sayano-Shushenskaya HPP named after P.S. Neporozhniy • PJSC RusHydro's branch North Ossetian branch • PJSC RusHydro's branch Cheboksarskaya HPP <p>Non-industrial:</p> <ul style="list-style-type: none"> • PJSC RusHydro's branch CorUnH 	<p>Management companies</p> <ul style="list-style-type: none"> • JSC MC HydroMC • PJSC RAO Energy Systems of the East • JSC ESC RusHydro <p>Generation controlled companies</p> <ul style="list-style-type: none"> • JSC Geoterm • JSC Verkhne-Mutnovskaya GeoPP • JSC KamHEK • CJSC MEK • JSC Pauzhetskaya GeoPP • JSC Blagoveschenskaya • JSC Far-Eastern Generation Company • JSC NDES <p>Controlled companies combining generation, transmission, and distribution of electricity</p> <ul style="list-style-type: none"> • JSK Kolymaenergo • PJSC Yakutskenergo • JSC Sakhaenergo • PJSC Kamchatskenergo • JSC SENK • PJSC Magadanenergo • JSC Chukotenergo • JSC Sakhalinenergo • PJSC Peredvizhnaya Energetika <p>Other profiled companies</p> <ul style="list-style-type: none"> • JSC FECC • JSC Teploenergoservis 	<p>Sales controlled companies</p> <ul style="list-style-type: none"> • JSC Krasnoyarskenergosbyt • JSC RESK • JSC Chuvashskaya Power Suooly Company • PJSC Far-Eastern Energy Company <p>Controlled companies under construction</p> <ul style="list-style-type: none"> • JSC TPP in Sovetskaya Gavan • JSC Yakutskaya TPP-2 • JSC Sakhalin TPP-2 • JSC Nizhne-Bureiskaya HPP • JSC Zagorskaya PSP-2 • JSC SHPP KBR • LLC ayaSHPP Stavropol and KChR • LLC Verhnebakansky SHPP <p>Construction, repair and maintenance controlled companies</p> <ul style="list-style-type: none"> • JSC Hydroremont VCC • JSC ChirkeiHPPstroy • LLC Montazhenergo • JSC "Ust-Srednekan HPPstroy • JSC KhPRC • JSC KhRAC • JSC Neryungrienergoremont • JSC KhETC • JSC VOSTEC • JSC FAR-EASTERN ENERGY COMPANY • JSC YaERC • JSC Energotranssnab • JSC Magadanenergoremont • JSC Magadanelektrosetremont • LLC HYDROPROJECT-SERVIS • JSC LCM 	<p>Controlled companies – institutions</p> <ul style="list-style-type: none"> • JSC Vedeneyev VNIIG • JSC NIIES • JSC Lengidroproject • JSC MOSOBLHYDROPROJECT • JSC Hydroproject Institute • LLP VNIIG <p>Controlled companies combining generation and construction</p> <ul style="list-style-type: none"> • JSC Zaramag HPP • JSC Sulak Hidrokaskad • JSC Ust-Srednekanskaya HPP. A. F. Dyakov <p>BEMA's structure companies</p> <ul style="list-style-type: none"> • JSC Boguchanskaya HPP* • JSC BoAP • HYDROOGK ALUMINIUM COMPANY LIMITED» • «HYDROOGK POWER COMPANY LIMITED • JSC Customer of construction of Boguchansky aluminum plant • JSC Organizer Boguchanskaya HPP construction
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Other service controlled and non-core companies

- JSC RHS
- LLC RusHydro IT Service
- JSC Technopark Rumyantsevo
- LLC Energy Index – Hydro OGK
- JSC TC RusHydro
- JSC SC SSHPP
- JSC Hydroinvest
- JSC Malaya Dmitrovka
- RUSHYDRO INTERNATIONAL B.V.
- JSC Engineering center of renewable energy
- JSC Nizhne-Zeyskaya HPP
- JSC Small HPPs of Altai
- RUSHYDRO INTERNATIONAL A.G.
- JSC Sibenergosbyt
- LLC Vostok-Finans
- JSC Motor transport enterprise LuTEK
- JSC Avtotransportnogo
- JSC IC "Agroenergo
- JSC HOUSING SERVICES
- LLC Duz
- LLC SNGR
- JSC Rodnik Zdoroviya

Controlled by companies which do not conduct significant activities or are in the process of liquidation

- LLC EZOP
- LLC ENEKS
- LLC SRERH
- JSC ESCO UES
- JSC RHBE
- JSC Far East WES
- JSC GVTs of Energy
- JSC Karachay-Cherkessia Hydrogeneration company
- JSC Hydroengineering Siberia
- JSC Yuzhno-Yakutsk GEC"
- JSC SHPP of Dagestan
- LLC Fiagdonskaya SHPP
- LLC Verhne-Naryn hydroelectric power plant
- LLC HOUSE of -21 century
- JSC HRS
- JSC HC the Amur pearl
- LLC Energokomfort
- LLC "NGOS MRC"
- JSC Leningrad PSP

** PJSC Boguchanskaya HPP is not a part of RusHydro Group, it is a joint venture of RusHydro Group and RUSAL Group.*

Awards and ratings 2017

- RusHydro, with the issue of ruble-denominated Eurobonds, won the Cbonds Awards 2017 in the nomination "The best ruble deal in the international market".
- PJSC RusHydro was included in the first one hundred of S & P Global Platts rating of the world's 250 largest energy companies and the top ten fastest growing companies in the macro-region of Europe, the Middle East and Africa.
- PJSC RusHydro improved its position in the annual ranking of the largest Russian companies RBC-500. The Group demonstrated record operating results through the effective planning of water and energy regimes, commissioning of new and upgrading existing power plants, and increasing electricity generation in the Far East.
- PJSC RusHydro was included for the first time in the ranking of Vigeo Eiris "100 Best Companies in the Field of Sustainable Development from Emerging Markets" (the only Russian energy company included in the list).
- PJSC RusHydro received the awards of the "MediaTEK" contest. In the nomination "Social and Environmental Initiative" the project "Security and rescue operation" Bureysky Mazai "was recognised as the best. This project also received a special prize of the expert council "For systemic work on covering the development projects of the Far East."
- PJSC RusHydro became one of the leaders of the rating "Environmental initiatives of Russian companies in the media. Fuel and Energy and Metallurgy", prepared by the Institute of Modern Media in conjunction with the "Living Planet" TV channel.
- PJSC RusHydro took the highest position in the RobecoSAM ranking in the field of sustainable development among Russian companies. The society was evaluated according to 26 criteria related to the economic, environmental and social spheres. Based on the evaluation of RobecoSAM, companies are selected for inclusion in the Dow Jones Sustainable Development Index family.
- Corporate Hydropower University PJSC "RusHydro" became the winner in two categories of the IV All-Russian competition of the best practices of employers for the development of human capital "Creating a future".
- Annual report of PJSC "RusHydro" and Corporate Social Responsibility Report of RusHydro Group for 2016:
 - rose in the ranking of the contest of annual reports ReportWatch from index B to B +;
 - received the result of 5 stars (the highest quality) in the Competition of annual reports Expert RA;
 - entered the top five in the rating of corporate transparency of the largest Russian companies of the Russian Regional Network for Integrated Reporting,
 - received the RSPP award in the nomination "For high quality of reporting in the field of sustainable development"
 - marked in the category "Golden" in the nomination "Best Annual Report" of the International Corporate Communications Contest "MarCom Awards 2017".

2017 events

January	<p>PJSC RusHydro was included in the new index of the British stock exchange in the field of sustainable development FTSE4GOOD Emerging Index. This indicator serves as a guide for investors who are interested in acquiring shares of companies that meet high standards in the field of ecology, social responsibility, and corporate governance.</p> <p>A personal section of the Group was created on the Single electronic trading platform "Roseltorg", where almost all purchases by RusHydro are taking place. RusHydro's cooperation with the largest electronic trading operator for government customers and commercial enterprises is an important step in improving the efficiency of procurement.</p>
February	<p>PJSC RusHydro published the results of the implementation of the Comprehensive Modernisation Program for five years, for the period of 2012-2016. As a result of the installation of more efficient equipment, the total capacity of the RusHydro HPP increased by 267 MW. It completely replaced 39 hydroturbines, 23 hydrogenerators, 41 transformers, more than 6,000 units of auxiliary and electrical equipment</p>
March	<p>PJSC RusHydro and VTB Bank (PJSC) implemented a unique transaction for the Russian market to acquire 55 billion common shares of PJSC RusHydro, which is about 13% of the Company's capital, and a 5-year settlement forward contract. As a result of the deal, RusHydro received 55 billion rubles in full afterwards to pay off debts of Far Eastern energy companies of RusHydro Group.</p>
April	<p>Management of the controlled entities of JSC "RAO ES of the East" was completely transferred to the executive office of PJSC "RusHydro". The merger brought about a synergistic effect by reducing the number of levels of management in RusHydro Group and the centralisation of similar functions in a single responsibility centre.</p> <p>The international rating agency S & P Global Ratings raised the long-term credit rating of PJSC RusHydro on the international scale to the sovereign level of "BB +" and on the national scale to the level of "ruAA +". S & P experts noted the strong production results of PJSC RusHydro and the systemic improvement of the Company's financial and economic performance for 2016.</p>
May	<p>PJSC RusHydro completed the placement of an additional issue of 40 billion shares held for a deal with VTB. As a result of the additional issue, VTB Bank (PJSC) received about 9.4 % of the Company's shares, another 3.5 % was Treasury shares.</p>
June	<p>The Annual General Meeting of Shareholders of PJSC RusHydro approved record dividends for the entire duration of the Company's existence. The total amount of dividend payments amounted to more than 19.9 billion rubles, which is almost 5 billion rubles more than last year's payments. The dividend per share grew by 20%.</p>
July	<p>The Resolution of the Government of the Russian Federation on equalising tariffs for electricity in the Far East to the average Russian level came into effect. Alignment was achieved by introducing an allowance to the price for capacity in price zones. PJSC "RusHydro" is defined by the recipient of the extra charge, which is transferred to the budgets of the subjects of the Far Eastern Federal District.</p> <p>PJSC RusHydro conducted public hearings in the form of an open dialogue between the Company's management and representatives of stakeholders (stakeholders), within which a discussion of the CSR report for 2016 was held.</p> <p>Within the framework of the Development Programme of RusHydro Group's sales activities for 2017-2019, the authority of the sole executive body (PJSC "DEK") was transferred to the managing organisation of JSC ESK RusHydro.</p>
August	<p>A formal ceremony of launching the first three hydroelectric units of the Nizhne-Bureyskaya HPP was held. In addition to generating electricity, the station performs the functions of equalising the uneven water discharges of Bureyskaya HPP during the day and protecting settlements from underflooding. The design capacity of 4 hydroelectric units of the station is 320 MW.</p> <p>The Board of Directors of PJSC RusHydro approved preliminary results of the work on structuring the Company's participation in the Taishet Aluminum Plant completion project.</p>
September	<p>The international rating agency Moody's raised the long-term credit rating of PJSC RusHydro on the international scale to the sovereign level of Ba1 (stable outlook). The basis for improving the rating was the systemic improvement of financial and economic indicators, the reduction in the debt burden, the high level of liquidity and government support for PJSC RusHydro.</p> <p>RusHydro successfully placed the issue of ruble eurobonds with a maturity of 5 years. The company raised 20 billion rubles at 8.125% per annum, Asian investors bought 40% of the issue. Placement and listing of Eurobonds was conducted on the Irish Stock Exchange.</p> <p>PJSC RusHydro joined the UN Global Compact, the largest business initiative in the field of sustainable development. The company undertook to support the Treaty, as well as to follow its ten principles in the field of human rights, labor relations, environmental protection, anti-corruption, and sustainable development goals of the UN until 2030.</p>

	<p>Within the framework of the Eastern Energy Forum-2017, the Company's management reached an agreement on cooperation with a number of partners. A handful of agreements was signed, including with the governments of the Magadan Region, the Chukotka Autonomous Okrug (Region), the Kamchatka Territory, the Republic of Sakha (Yakutia), as well as with Japanese partners: the Japanese government organisation NEDO and Kawasaki Heavy Industries. Additionally, an agreement on strategic cooperation with ALROSA was signed.</p> <p>In Yakutia, solar power stations were put into operation in the villages of Sebyan-Kuel, Orto-Balagan and Kystatyam. New sources of energy partially replace the production of expensive diesel generation. One station with a capacity of 50 kW allows to save approximately 15 tons of diesel fuel per year.</p> <p>RusHydro set goals for sustainable development for the period until 2020. While forming the list, the main provisions of the Strategy of Ecological Safety of the Russian Federation until 2025, as well as the Concept of the Russian Federation's transition to sustainable development, were taken into account.</p>
October	<p>AKRA awarded RusHydro a national scale credit rating at the highest reliability level (stable outlook). PJSC RusHydro was the first company in the power generation sector to receive such a rating.</p> <p>The Board of Directors of PJSC RusHydro approved the Group's Value Increase Plan for the period up to 2021. The plan is aimed at ensuring the investment attractiveness of shares of PJSC RusHydro, the growth of the company's fundamental and market value, creating prerequisites for further sustained growth of the company's market capitalisation.</p> <p>JSC RusHydro organised public hearings of the new version of the Group's Environmental Policy. Representatives of the environmental community, of expert and scientific organisations, of the business community supported the policy of RusHydro to improve its own environmental policy and highly appreciated the open nature of the company's public dialogue.</p>
November	<p>RusHydro put into operation the first stage of the Yakutsk SDPP-2 with an electric capacity of 193 MW, thermal power - 469 Gcal / h (inclusive of the peak water-heating boiler-house). GRES is the most powerful thermal power plant built in the Russian Far East in the post-Soviet period. This is the second completed project (of four priority ones) for the construction of new power facilities in the Far East, which are being implemented by RusHydro in accordance with RF Decree No. 1564 of 22.11.2012.</p> <p>RusHydro completed the comprehensive restoration of the Sayano-Shushenskaya HPP. The bulk of the work was completed in 2014 with the launch of the tenth hydroelectric unit; thus, the station reached a design capacity of 6,400 MW. In 2017, the complex reconstruction was brought to a final conclusion with the signing of all necessary documents. The power generation of the HPP by the end of 2017 amounted to 22 billion kWh, which corresponds to the project level of the hydroelectric power.</p>
December	<p>The construction of the Boguchanskaya HPP was completed. At full capacity of 2,997 MW, the station was launched in 2014, becoming the fifth largest hydroelectric power station in Russia. On the crest of the dam the stations laid a two-lane road, designed to travel 2,000 cars a day and connected the banks of the Angara. With the opening of traffic along the road, the more than 40-year history of the construction of the Boguchanskaya HPP was completed.</p> <p>Within the framework of the Comprehensive Modernisation Programme, ten hydroelectric units with a total capacity of 956 MW were updated at six hydroelectric power stations. Three hydroturbines were replaced at the Zhigulevskaya HPP, two hydroelectric units were installed at the Volzhskaya HPP, one hydro turbine was renewed at the Saratov and Novosibirsk HPPs. A new hydroelectric unit was commissioned at the Votkinskaya HPP. At the Cheboksary hydroelectric power station, the operating mode of the turbines was changed.</p> <p>RusHydro summed up the results of production activities. The development of RusHydro Group along with the Boguchanskaya HPP in 2017 reached a historic record of 140.28 billion kWh, which is 1.1% more than in 2016. The installed capacity of the Group's power plants and Boguchanskaya HPP for the first time exceeded 39.04 GW for the first time. The installed heat capacity of the Group increased to 18.5 thousand Gcal / h.</p> <p>The Board of Directors of PJSC RusHydro approved the Investment Program of PJSC RusHydro for 2018 and took note of the investment plan for the medium term until 2022. The investment program of PJSC "RusHydro" for 2018-2022 provides for financing of measures for technical re-equipment and reconstruction (TP & R) of operating generation facilities aimed at improving the safety and technical reliability of production equipment. Within the framework of the implementation of the TPiR program, an additional 174.5 MW of capacity will be provided within 5 years without the construction of new generation facilities.</p>
Events after the balance sheet date	
January	<p>PJSC RusHydro is among the three most transparent companies in the electric power industry, according to Transparency International. In the course of the study, experts assessed the openness of the commercial sector in Russia, the overall level of transparency and public accountability of Russian companies, most of which are on the list of backbone enterprises of the Russian Federation.</p>

February	<p>RusHydro was the first Russian issuer to place 3-year ruble Eurobonds in 2018. The company raised 20 billion rubles at the lowest rate in the Russian market - 7.4% per annum. The total amount of bids received for the purchase of bonds was 4 times higher than the volume required by the company. Approximately 2/3 of the issue were bought back by foreign investors.</p> <p>The international rating agency S & P upgraded the long-term credit rating of PJSC RusHydro to the investment grade "BBB-" (forecast "Stable"). The Company's short-term credit rating was upgraded to "A-3". Analysts of S & P evaluated the high level of state support of the Company in conjunction with strong indicators of the independent creditworthiness of PJSC RusHydro.</p> <p>The financial debt of RusHydro Group decreased by 26 billion rubles due to the exclusion of obligations under the guarantee of PJSC RusHydro to Vnesheconombank under the loan agreement of PJSC Boguchanskaya HPP concluded with the bank in 2010.</p> <p>PJSC RusHydro signed an agreement with Japanese companies on construction in the Arctic village of Tiksi, the Republic of Sakha (Yakutia), a unique wind farm for the Russian Federation. The complex will include wind power plants and diesel generators with a total capacity of 3.9 MW, as well as an energy storage system and an automated control system.</p>
March	<p>Anadyrskaya CHPP with a 50 MW capacity switched over to gas. This allowed to reduce the emissions of pollutants, to limit the accumulation of ash from coal combustion, to increase the efficiency of the station, and to improve the reliability of power supply for the residents of Anadyr.</p> <p>On the Day of Water RusHydro held more than 40 sports and environmental education activities in the regions of presence. The World Day of Water is celebrated annually by the decision of the UN General Assembly to draw public attention to the problem of preserving and improving the quality and quantity of fresh water.</p>
April	<p>The Board of Directors of PJSC RusHydro has approved a report on the Business plan of PJSC RusHydro execution for 2017, including reports on the implementation of the investment program (including the program for the comprehensive modernization of generating facilities) and the annual comprehensive procurement program.</p>

CHAPTER 1 STRATEGIC REVIEW

RusHydro Group sees its mission in the efficient usage of hydro resources, creating conditions ensuring the reliability of the Unified Energy System of Russia as well as social and economic development of the Far East regions by ensuring the availability of energy infrastructure for existing and prospective consumers.

The Company's values

Clean energy – environmental safety and respect for natural resources.

Engineering culture – safe and reliable operation of the assets.

Prosperous society – reliability and infrastructure development, sustainable use of water resources, development of the hydro generation potential and expanded use of renewable energy sources that promote development of the territories, economic growth and prosperity of the society.

Responsible business – social policy that supports personnel and residents of the regions where the Company operates.

Leading company – ensuring the Company's success and leadership by combining the efforts of the personnel, the usability of resources, and the excellence of business activities in the pursuit of high quality performance in every activity.

Unified team – fair remuneration and development opportunities for employees to achieve the Company's competitive advantages in different areas of its activity (team spirit, self-expression, and personal fulfilment for each team member).

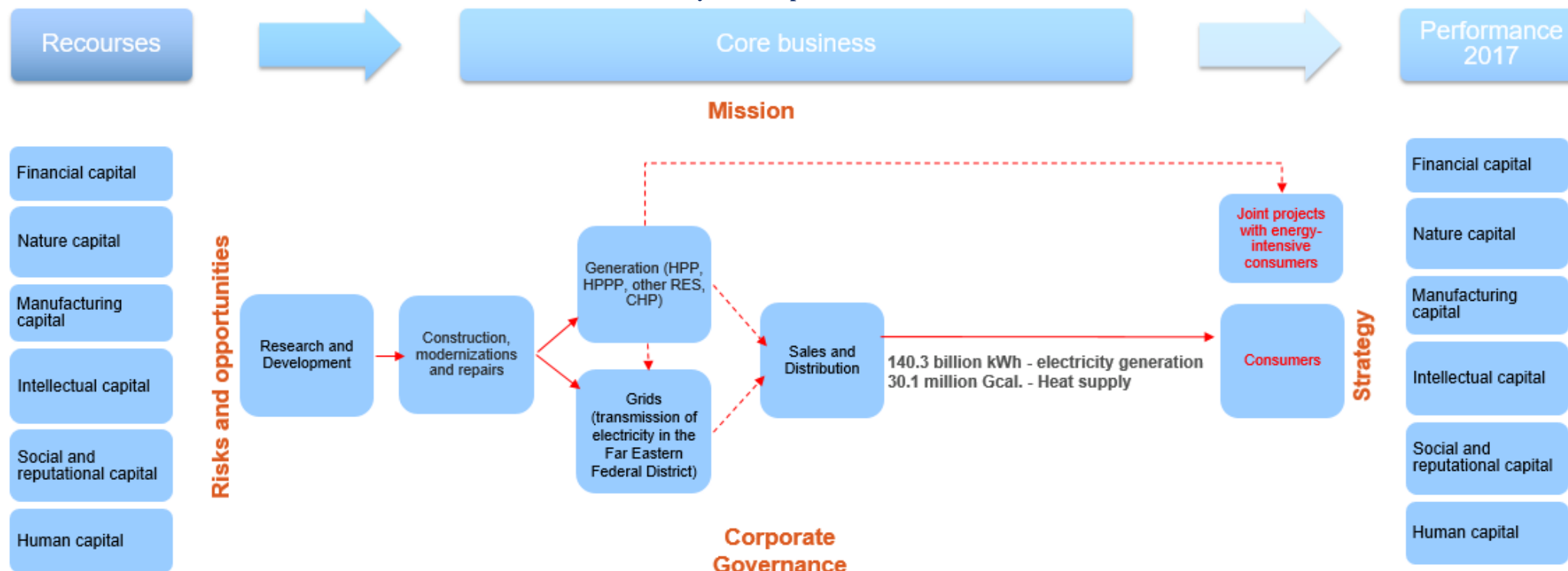
Developing environment – new technologies and unlimited development opportunities.

Young energy – professional development of the Russian youth at school.

1.1 Business Model

The main economic activities of RusHydro Group companies are electricity generation by hydroelectric power stations, generation of electricity by thermal power plants, transmission, distribution and sale of electricity. The resources at the input and output of the business model are grouped into six main capitals. As a result of capital transformation through core activities, the Group creates value for both external and internal stakeholders.

RusHydro Group business model



Resources as of 01.01.2017	Results as of 31.12.2017	
	For RusHydro	For Stakeholders
Financial capital		
650.9 bn rubles. - equity 332.51 bn rubles. - borrowed capital	104 bn rubles. - Consolidated EBITDA (+3.7% by 2016) 1.4 - net financial debt / EBITDA (-12.5% by 2016) from 10.2% to 9% per annum weighted average cost of ruble borrowings is reduced	19.9 bn rubles. – dividend payments (+ 32.6% by 2016)
Manufacturing capital		
412 - number of generation facilities	39.04 GW - installed capacity of power plants (+ 0.4% by 2016) 18 497.1 Gcal / h. - installed thermal capacity of power plants (+ 1.8% of 2016)	1.5 billion kWh - increase in electricity generation (+ 1.06% by 2016)

38.9 GW - installed capacity of power plants 18,133.13 Gcal / h - installed heat capacity of power plants 104.2 thousand km - length of power transmission lines	92 bn rubles. - funding of the investment program (+ 14.2% by 2016) New capacities were introduced: - electric - 242.3 MW - thermal energy - 475.34 Gcal / h - transformer capacities - 455.78 MVA - length of repaired and constructed grids - 1,470.68 km	375 mn kWh - reduction of power losses in networks in the Far East (-10% by 2016) 22 617 - number of new connected consumers (+1, 04% by 2016)
Intellectual capital		
1.32 bn rubles - value of intangible assets (according to RAS) 1.65 bn rubles - amount of funding of the Innovative Development Program	1.27 bn rubles - value of intangible assets (- 4.3% of 2016) (according to RAS) 2.19 bn rubles – amount of funding of the Innovative Development Program (+ 33% by 2016) 402.4 mn rubles. - R & D costs 1.1% - share of innovative products in the total volume of purchases 0.25% - share of R & D expenses from revenue	Cooperation with foreign partners: Mitsui & Co, Ltd, KOMAIHALTEC Inc, Kawasaki Heavy Industries, NEDO, Voith Hydro, JSC Uzbekhydroenergo, etc. Participation in the development of 8 Federal standards
Human capital		
71,528 - number of workers	2.1 bn rubles - cost of labour protection (+ 470% by 2016) 27% - employees aged 35 years and less 5.2 thousand rubles / person-hour. -productivity of labor	1,311 - number of workplaces created 305.1 mn rubles - costs of human resources development 72.48 thousand rubles - average salary (+ 7.1% by 2016)
Nature capital		
743.29 mn m3 - the volume of water withdrawn 16,8 mn tons - amount of coal taken	1,6 bn rubles - expenses for environmental protection 114.60 mn kWh. - overall effect of measures to improve energy efficiency of PJSC RusHydro (+ 12.9% by 2016)	109 739 GWh – RES generation 271.1 thousand tons - emissions into the atmosphere (-0.15% by 2016) 585.31 million m3 - the volume of discharges of sewage into water bodies (+0.4% by 2016) 133 thousand fry are released into rivers and reservoirs 3 solar power plants put into operation
Social and Reputational capital		
The first in Russia and the third in the world company among analogical companies with HPPs predominant; Leader in the production of energy based on renewable sources - a Strategic Organisation of Russia	> 507 mn rubles. - cost of improving the living conditions of workers	80.4 mn rubles. - tax payments to budgets of different levels Participation in the reduction of tariffs for consumers in the Far Eastern Federal District to the average Russian level Increase of long-term credit ratings of the company: - S & P: from "BB" (Outlook Positive) to "BBB-" (Stable Outlook) - Moody's: from "Ba2" (stable outlook) to "Ba1" (outlook Positive) - Fitch: from BB + (Negative Outlook) to BB + (Stable Outlook) - ACRA: assigned the highest rating "AAA (RU)" (stable outlook) Implemented more than 100 charitable projects 58 705 - number of publications in the media More than 96% of positive and neutral publications in the media

1.2 Strategy and its implementation in 2017

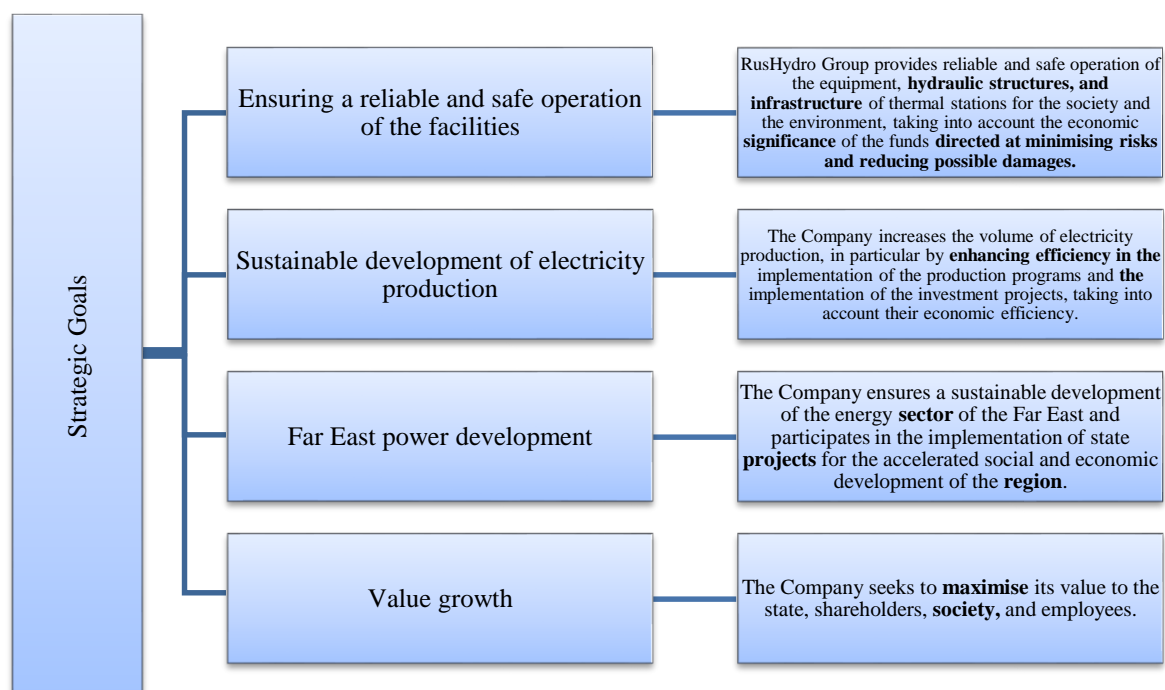
1.2.1 Strategy of RusHydro Group

In June 2016, the Board of Directors of PJSC RusHydro approved the Development Strategy of RusHydro Group for the period until 2020, with the possibility of prolonging the strategy until 2025³.

RusHydro Group developed the strategy in accordance with the following documents:

- Concept of long-term social and economic development of the Russian Federation until 2020,
- National Security Strategy of the Russian Federation,
- Long-term forecast of the development of the economy of the Russian Federation until 2030,
- Draft Energy Strategy of the Russian Federation for the period up to 2035,
- Scheme and program for the development of the Unified Energy System of Russia for 2015-2021,
- General layout of the location of electric power facilities until 2020,
- Regional strategies for social and economic development and energy strategies of regions,
- Sectoral strategies.

The strategy of RusHydro Group is based on the Energy Strategy of the Russian Federation for the period until 2035, in the development of which PJSC RusHydro actively participates. The central element of the sectoral strategy is the transition from resource-based to innovative development of the fuel and energy complex (FEC), with a special emphasis on the need for in-depth and comprehensive modernisation of the fuel and energy sector in Russia. Strategic objectives of RusHydro Group lie in implementing the tasks outlined in the Draft Energy Strategy of the Russian Federation for the period up to 2035.



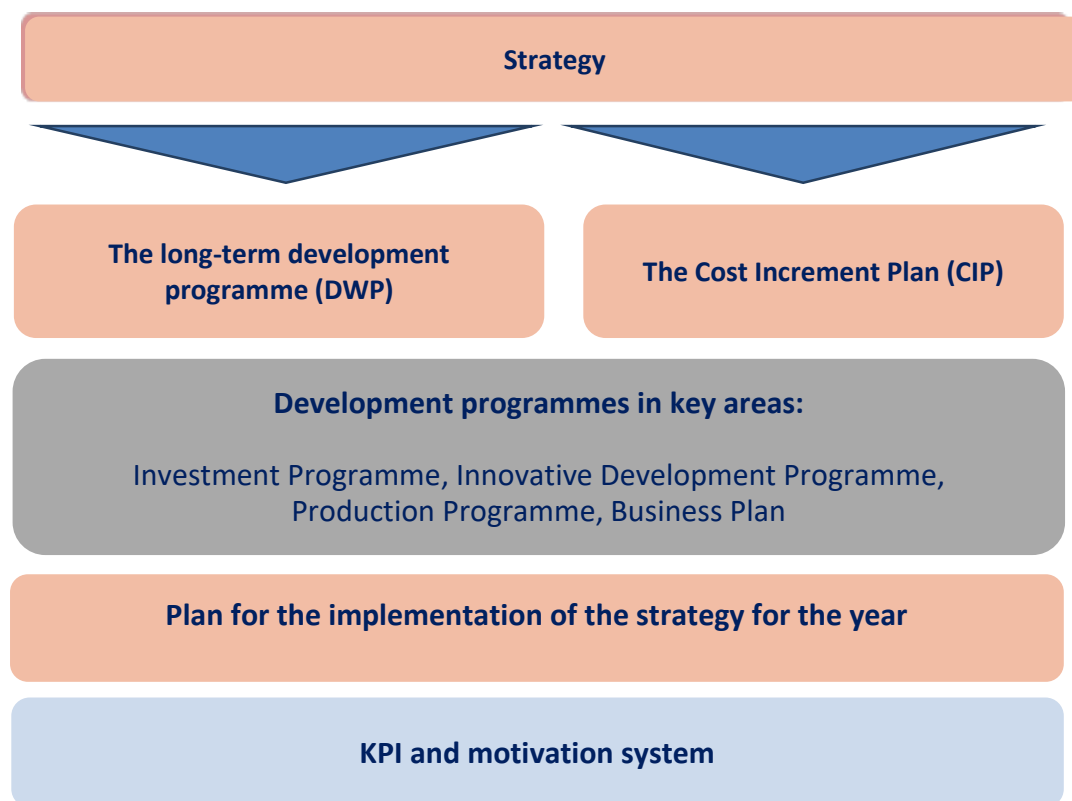
To achieve the strategic goals, specific tasks have been set for the main areas of activity.

³ Minutes of the Board of Directors No. 238 of June 8, 2016.



Mechanisms for implementing the Strategy

The Company has introduced a strategic management system that links the processes of strategic management with motivation system. The system was created taking into account the recommendations of the Federal Agency for State Property Management⁴ for the development of key strategic documents.



The main tools for the implementation of the Strategy are the Long-term Development Program of RusHydro Group and the Strategy Implementation Plan, which contain the Company's development priorities, as well as tasks and indicators aimed at achieving its strategic goals. Since 2017, the RusHydro Group's Value Increasing Plan has been included in the strategic documents system.

RusHydro Group value increase plan

⁴ Recommendations of the Federal Agency for the Management of State Property No. OD-11/18576 of April 29, 2014.

RusHydro Group's value increase plan (hereinafter - VIP) for the period up to 2021 is designed to maximise the value of the Company and reinforce its attractiveness for shareholders and investors. The plan was approved by the decision of the Board of Directors of PJSC RusHydro dated October 27, 2017⁵.

The plan aims to increase the fundamental and market value of RusHydro. At the same time, the increase in fundamental value is a key factor in the growth of market capitalisation, which is especially important given the significant current discount to the market price of shares of PJSC RusHydro, as well as other companies in the Russian electric power industry, compared to the largest foreign counterparts.

For the effective implementation of VIP activities, a cost approach Company's management is in the plan, ensuring focus on management processes, systems and solutions for maximising costs while ensuring the safety of the operation of generating capacities.

VIP includes tasks and activities to improve the efficiency of operational and investment activities, both controlled by the management, and dependent on external factors. In particular, the it includes activities implemented as a result of the audit of RusHydro Group's expenses in 2016, additional measures aimed at improving the efficiency and streamlining the Company's operations, including the reduction of losses in networks, receivables, and the sale of non-core assets.

In addition, VIP is used to improve the efficiency of the forward transaction and create conditions for the fulfillment of obligations of PJSC "RusHydro" to VTB Bank (PJSC) due to the increase in the value of shares.

One of the key focuses of the VIP is the work on interaction with federal executive bodies, including the development of normative acts aimed at creating investment-attractive conditions in the energy sector of the Far Eastern Federal District, improving the mechanisms for guaranteed return on investment in new construction and modernisation projects.

The Plan also identifies key areas of the Company's activities aimed at increasing the transparency and openness of RusHydro Group for stock market investors and minimising the gap between the fundamental and market values, In addition, the Company's activities are stepped up through the improved quality of corporate governance, a consistently high and projected dividend flow, the liquidity of shares and depositary receipts, an increase in the weight of shares in key indices and others.

Strategy implementation plan

The Strategy implementation plan is a set of annual tasks and indicators assigned to specific structural divisions and officials of the Company, the implementation of which is aimed at achieving the strategic objectives of RusHydro Group.

The strategy implementation plan includes the Development Priorities, which is a list of key tasks and activities, implementation of which is considered a priority in the current year.

Priority tasks	Performance
Reliability as well as modernisation of existing assets, improving the management of the production facilities	The long-term production programme has been adjusted in the part of the TPiR projects as a constituent of the investment program of PJSC RusHydro.
Boost the operational efficiency and transparency of operations	The Plan of measures for cost optimisation is implemented based on the results of an external independent audit of the costs of PJSC RusHydro, taking into account the controlled entities.
Advance the competitiveness of the project facilities	In accordance with the approved timetable, the Concept for the reorganisation of the management system of the scientific and technological resources of PJSC RusHydro is being implemented.
Enhance the effectiveness of the Far East asset management system and the development of power in the Far East	The Plan of measures for cost optimisation, formed on the basis of the results of an external independent audit of costs, is being implemented for the respective controlled organisations of JSC RAO ES of the East.
Compose strategic documents of the Company	The Long-term Development Program of RusHydro Group for the period 2016-2020 has been updated.
Advance the corporate governance system	The number of norms and principles of corporate governance enshrined in the Code of Corporate Governance and introduced into the practice of corporate management of PJSC RusHydro has been grown.
Develop human resources	The implementation plan for professional standards is being implemented, taking into account the provisions of Federal Law No. 122-FZ of 02.05.2015 "On Amendments to the Labour Code of the Russian Federation and Articles 11 and 73 of the Federal Law "On Education in the Russian Federation".

⁵ Minutes of the Board of Directors of the Company No. 259 of October 30, 2017.

1.2.2 Long-term development programme

The long-term development program of RusHydro Group (hereinafter - LTDP RusHydro) was composed during the period of 2016-2020 in accordance with the instructions of the President of the Russian Federation⁶ and the Government of the Russian Federation⁷.

LTDP RusHydro for the period of 2016-2020 approved by the resolution of the Board of Directors of the Company of November 23, 2016 (Minutes No. 244). By the decision of the Board of Directors of the Company dated April 18, 2017 (Minutes No. 251), changes were made to the LTDP in terms of the list and methodology of key performance indicators of the LTDP in accordance with the KPIs approved by the members of the Management Board of PJSC RusHydro and the KPI of the Long-Term Motivation Program of PJSC RusHydro.

LTDP was devised for the period of 2016-2020 and defines the main principles and directions ensuring the dynamic development of RusHydro Group for the effective use of hydro resources, creating conditions for ensuring the reliability of the Unified Energy System of Russia, and creating conditions for the social and economic development of the regions of the Far East by ensuring the availability of energy infrastructure for existing and prospective consumers.

Goals of LTDP RusHydro:

- reliable and safe operations of the Company's facilities,
- sustainable development of electricity generation,
- development of power in the Far East,
- growth of the Company's value.

LTDP RusHydro was formed in accordance with the Strategy for the development of RusHydro Group for the period until 2020, with the possibility of prolonging it till 2025⁸, on the basis of RusHydro's consolidated business plan and approved programme documents of RusHydro Group - production programmes, investment programmes, innovative development programmes.

LTDP RusHydro contains proposals to improve the operational and investment performance of RusHydro Group, measures to improve the corporate governance system, personnel management system, anti-terrorism, information and economic security and international development system, analysis of risks associated with the implementation of activities, key performance indicators and methodology calculation and evaluation of key performance indicators of the Long-Term Development Program.

The main activities aimed at implementing the LTDP in the reporting year were carried out by means of production, investment and innovation programmes. Information on their implementation is available in sections 2.1, 2.2., 2.3.

The audit of the implementation of LTDP RusHydro is carried out in accordance with the Standard approved by the Board of Directors of PJSC RusHydro⁹ for the implementation of the Long-Term Development Programme of RusHydro¹⁰ Group and the Terms of Reference for conducting an audit of the implementation of the DG RusHydro¹¹, developed while taking into account the recommendations of the Government of the Russian Federation.

⁶ Decree of December 27, 2013 No. Pr-3086.

⁷ Minutes dated 30.01.2014 No. 3, directive of the Government of the Russian Federation of July 17, 2014 No. 4955p-P13.

⁸ Minutes of the Board of Directors No. 238 of June 8, 2016.

⁹ Minutes of the Board of Directors No. 206 of November 21, 2014.

¹⁰ Minutes of the Board of Directors No. 227 of November 16, 2015.

¹¹ Decree of the Government of the Russian Federation of 04.15.2014 No. ISH-P13-2583.

1.2.3 Key Performance Indicators

The system of key performance indicators (hereinafter referred to as KPI) of the management of PJSC RusHydro was developed taking into account item 4 of the list of instructions of the President of the Russian Federation No. Pr-1474 of July 5, 2013, instructions of the Government of the Russian Federation No. IS-P13-2043 of 27.03.2014 and directives of the Government of the Russian Federation from 25.04.2014 No. 2579p-P13, from 12.11.2014 № 7558p-P133 in accordance with the Methodological Guidelines of the Federal Property Management Agency and is aimed at improving the efficiency of the Company's operations and achieving the goals set by shareholders. Since 2017, the KPI management system includes the annual key performance indicators of the members of the Management Board of PJSC RusHydro and the key performance indicators of LTDP RusHydro.

- The target values for the annual KPI of the members of the Management Board of PJSC RusHydro for 2017 were approved by the decision of the Board of Directors (minutes of the Board of Directors dated 26.12.2016 No. 245, taking into account the changes approved by the Board of Directors protocol No. 254 of June 22, 2017).

- Target values of KPI of the long-term motivation programme of PJSC "RusHydro" for the first stage for 2017-2019 approved by the decision of the Board of Directors (Minutes No. 245 of December 26, 2016, taking into account the changes approved by the protocol of the Board of Directors of June 22, 2017 No. 254).

In 2016, based on the recommendations of an independent consultant¹², a list, a methodology for calculating and estimating the annual KPIs of the members of the Management Board of JSC RusHydro for 2017, as well

The fulfillment of key performance indicators of the LTDP by 50% depends on the performance of the 3-year TSR indicator. According to the adopted methodology of the Long-Term Motivation Program, the TSR, calculated as the sum of the change in the market price of the share and dividend yield for the reporting period, is considered to be met if the calculated actual value of the indicator exceeds the dynamics of the Moscow Stock Exchange Index for the reported 3-year period by a positive amount.

as KPI of the long-term motivation programme of JSC RusHydro's first stage for 2017-2019 were introduced, hence allowing to motivate the Company's management to implement strategic objectives and, thereby, to combine the interests of the management and shareholders of the Company. Calculation and evaluation of KPIs of members of the Management Board and KPI of the Company's long-term motivation programme is carried out on the basis of the procedure for calculating and assessing the annual KPIs of the members of the Management Board of PJSC

RusHydro (taking into account the changes from Minutes No. 251 of April 18, 2017) and the Methodology for Calculating and Evaluating the Key Performance Indicators of the Long-Term Motivation Program PJSC "RusHydro" of the first stage for 2017-2019 respectively.

Annual KPIs of members of the Management Board of PJSC RusHydro for 2017

The annual KPIs of the members of the Management Board of PJSC RusHydro for 2017 include five financial and economic indicators and two industry indicators (which meet the requirements of the Federal Property Management Agency). The financial and economic indicators of the annual KPIs of the members of the Management Board of PJSC RusHydro include an indicator that is mandatory for use, according to the instructions of the Federal Property Management Agency - ROE. The basis for the calculation of financial and economic indicators in the Company is the Group's consolidated financial statements under IFRS. Also, in 2017, the Board of Directors changed the methodology for calculating and evaluating annual KPIs of members of the Management Board of PJSC RusHydro (Minutes No. 251 of April 18, 2017) pursuant to the decision of the Board of Directors of the Company "On proposals to improve the methodology for calculating and evaluating key performance indicators in terms of the implementation of capacity utilisation schedules and the plan for financing and development, % (Minutes No. 245 of December 26, 2016).

¹² The recommendations of the independent consultant (Ernst & Young (CIS) BV) on the methodology of the payment system for members of the Management Board were approved by the Board of Directors (Minutes No. 241 of September 23, 2016).

Target and actual values of annual KPIs of members of the Management Board of PJSC RusHydro

№	Key Performance Indicators (KPI	2016				2017				Achievement degree of KPI in 2017 compared to 2016 (%)
		Target Value	Actual value	Degree of achievement of target	Indicator or weight	Target Value	Actual value	Degree of achievement of target	Indicator weight	
1	Annual KPI of members of the Management Board of PJSC RusHydro:									-
1.1	Profit before taxes and depreciation (EBITDA), mn rubles.	Not installed	Not estimated	-	-	97,993	110,323	Completed	15 %	-
1.2	Profitability of the share capital (ROE),%	3.6 %	6.3 %	Completed	20 %	6.1 %	10.13 %	Completed	15 %	100 %
1.3	Proportion of purchases from small and medium enterprises,%, including: - based on the results of purchases only among small and medium-sized enterprises,%	≥18 % ≥10 %	≥18 % ≥10 %	Completed Completed	5 %	≥18 % ≥10 %	85 % 38 %	Completed Completed	10 %	100 %
1.4	Prevention of the number of accidents from exceeding the maximum value - number of accidents at work, pcs. - number of major accidents, pcs.	Not installed	Not estimated	-	-	0 ≤ average for 5 years ¹³ 0	0 14 0	Completed	20 %	-
1.5	Implementation of capacity schedules and a plan for financing and development, %	100 %	57 %	Not Completed	20 %	85 %	92.8 %	Completed	20 %	-
1.6	Labour productivity, thousand rubles / person-hours	Not installed	Not estimated	-	-	4.74	5.20	Completed	10 %	-
1.7	Reducing operating costs (costs)	Not installed	Not estimated	-	-	2 %	-2.26 %	Completed (taking into account factors beyond the control of management) **	10 %	-
1.8	Profitability of investments of shareholders (TSR), %	100 %	100 %	Completed	10 %	Not installed*	Not estimated	-	-	-
1.9	The coefficient of financial leverage (Kfl)	≤ 1.5	0.5	Completed	5 %	Not installed	Not estimated	-	-	-
1.10	Integral KPI of innovative activity, %	85%	91%	Completed	20%	Not installed*	Not estimated	-	-	-
1.11	The reliability criterion is the same:	-	-	Completed	20%	Not installed	Not estimated	-	-	-
	- prevention of the number of accidents from exceeding the maximum value	0	0	Completed						
	- fulfilment of the planned readiness factor	> 1	> 1	Completed						

* Since 2017, they have been approved as part of the key performance indicators of the Long-Term Motivation Program of PJSC RusHydro.

** Decision of the Board of Directors of PJSC "RusHydro" of 24.04.2018 (Minutes No. 269).

¹³ The value is 25.2.

KPI Long-Term Motivation Program of PJSC RusHydro for the first stage of 2017-2019.

The KPI of the Long-Term Motivation Program of PJSC RusHydro for the first stage of 2017-2019: three indicators are included: two financial and one economic ones (one of which is "Return on Investment of Shareholders (TSR)" is included in the list of mandatory ones in accordance with the requirements of the Federal Property Management Agency) and an integral innovative KPI approved by the decision of the Interagency Working Group on Implementing Innovation Development Priorities of the Presidium of the Council President of the Russian Federation for Economic Modernisation and Innovative Development of Russia (Minutes No. AD-P36-247pr of December 17, 2015). Integral KPI of innovation activity is included in the KPI list for 2017 in accordance with the directives of the Government of the Russian Federation dated 03.03.2016 No. 1472p-P13 and in accordance with the decision of the Board of Directors (Minutes No. 242 of 10.10.2016).

Targets of key performance indicators of the long-term motivation program of PJSC RusHydro for the first stage of 2017-2019.

KPI of the Program	Target Value
Total shareholder return (TSR),%	100 %
Integral innovative KPI, %	85 %
Free cash flow (FCF), mn rubles.	-22,350

Evaluation of the dynamics of key performance indicators of the long-term motivation program of PJSC RusHydro for the first stage of 2017-2019 will be conducted at the end of the period for which the indicators are set.

KPI DPR RusHydro

LTDP contains KPIs established for 2016-2020.

The calculation of KPI targets is in accordance with the parameters of the draft of RusHydro Group's consolidated business plan for 2017-2021, and taking into account the activities envisaged by the programmes of the Group.

The list of key performance indicators of LTDP RusHydro for 2016-2020 is similar to the KPI management system.

KPI DPR RusHydro ¹⁴

№	Key Performance Indicators	2017			2018	2019	2020
		Target Value	Actual value	Degree of target achievement	Target Value	Actual value	Degree of target achievement
1	Profitability of investments of shareholders *	100 %	<100 %	Not Completed	100 %	100 %	100 %
2	Return On Equity (ROE)	5.8 %	10.13 %	Completed	5.8 %	7.4 %	7.4 %
3	Income before interest, taxes and depreciation (EBITDA), million rubles.	95,993	110,033	Completed	93,878	115,248	116,626
4	Avoiding a higher number of accidents:	0	0	Completed	0	0	0
	- number of accidents at work, (pcs.)	≤ average for 5 years ¹⁵	14	Completed	0	0	0
	- number of accidents, pcs.	0	0	Completed	0	0	0
5	Implementation of capacity schedules and a plan for financing and development	85 %	99 %	Completed	85 %	85 %	85 %
6	Proportion of purchases from small and medium-sized enterprises, including the results of purchases only among SMEs	18 %	85 %	Completed	18 %	18 %	18 %
		10 %	38 %		15 %	15 %	15 %
7	Labour productivity (revenue, thousand rubles / person-hours)	4.72	5.20	Completed	4.82	5.02	5.17
8	Integral Innovative KPI	85 %	91%	Completed	90 %	95 %	95 %
9	Reducing operating costs (costs)	2 %	-	-	2 %	2 %	2 %
10	Free cash flow (FCF), million rubles.	- 39,875	- 29,722	Completed	-8,202	25,727	34,540

* According to the agreed method of calculation, the TSR value in 2017 was -11.7%, while the value of the Moscow Stock Exchange index was -3.6%. The negative dynamics of shares in PJSC RusHydro is due primarily to the general decline in the market, which was exerted by geopolitical risks, as well as a decrease in interest in Russian companies by global investors. For most of the year, the dynamics of shares of PJSC "RusHydro" corresponded to the average market. At the end of the year, the main factors in the decline in the value of the shares were: the decision of the Board of Directors of the Company on temporary conservation of the construction project of Zagorskaya PSHPP-2, confirmation of information on the additional issue of the company's shares for financing the Pevek-Bilibino power transmission line project,

** In accordance with the decision taken at the meeting of the Board of Directors of PJSC "RusHydro" dated 24.04.2018 (Minutes No. 269).

¹⁴ The target values of the KPI of the DDA for 2016-2020 were approved as part of the Long-term Development Programme of RusHydro Group for 2016-2020. (following the meeting of the Board of Directors of April 18, 2017 No. 251). The actual KPI values for 2017 are calculated in accordance with the Methodology for Calculating and Evaluating the Key Indicators of the Long-term Development Program of RusHydro Group approved by the Board of Directors (Minutes No. 251 of April 18, 2017).

¹⁵ The value is 25.2.

1.2.4 Sustainable development

The company is aware of its responsibility (economic, social and environmental) as a producer of electricity necessary for the society. The sustainable development (further contracted as SD) of a business is an important asset and is reflected in the mission and strategic objectives of RusHydro Group.

Ensuring reliable and safe functioning of the facilities for the society and the environment, taking into account the economic feasibility of the funds directed at minimising risks and reducing possible damages, is one of the strategic objectives of RusHydro Group.

The Company makes every effort to increase the share of renewable energy sources in the country's energy balance. The Group achieves this goal by introducing new generating capacities as well as increasing the generation of "clean" energy produced at the existing facilities of the Company while increasing energy efficiency.

A significant area of RusHydro Group's activities is also its contribution to the development of the regions of its presence. RusHydro Group contributes to the growth of well-being not only by creating jobs at its enterprises, but also by a number of positive indirect effects from the energy infrastructure (the connection of new consumers to networks, domestic and drinking water supply, etc.). Cities of the Group's presence witness the Company's support in areas such as the development of education, protection of the environment, and assistance to socially unprotected categories of the population.

A comprehensive approach to overcoming the challenges facing RusHydro in the field of sustainable development ensures the most effective transition to low-carbon development with minimal damage to the environment, as well as compliance with all health and safety standards of workers and the public.

Sustainable Development Management

Key issues of sustainable development are considered at meetings of the Board of Directors and the Management Board of the Company. An important role in the management of sustainable development issues of RusHydro Group is played by the Committee on Reliability, Energy Efficiency and Innovation under the Board of Directors PJSC RusHydro, which considers issues of long-term planning of hydropower and energy development based on other renewable energy sources (hereinafter referred to as RES), the development of functional policies, technical, environmental, and energy efficiency) and corporate standards in the field of technical regulation, etc.

The Company adopted a number of corporate documents that fix the approach and regulate activities in the field of SD and corporate social responsibility (hereinafter - CSR).

Corporate documents

CSR Aspect	Regulatory documents
Sustainable production	<ul style="list-style-type: none">– The development strategy of RusHydro Group for the period up to 2020 with the possibility to prolong it till 2025,– DPR RusHydro for the period of 2016-2020,– Technical policy of RusHydro Group,– Regulations on the Working Part on Technical Regulations of PJSC RusHydro,– Regulations on the process of investment management in the form of capital investments,– Regulations on the standardisation system of PJSC RusHydro,– Regulations on the management of the internal control system of PJSC RusHydro.
Procurement activities	<ul style="list-style-type: none">– Regulations on the procurement of products for the needs of PJSC RusHydro and other local regulations (hereinafter referred to as LNA) of PJSC RusHydro, designed to specify the provisions of this document, including the Methods for testing reliability (business reputation) and financial status of participants in procurement procedures.
Ethics of business and counteraction to corruption	<ul style="list-style-type: none">– Code of Corporate Ethics of PJSC RusHydro,– Anticorruption policy of PJSC RusHydro (in a new version),– Regulations on the procedure for preventing and resolving a conflict of interests in JSC RusHydro;– Regulations on the procedure for notification of gifts received by employees of PJSC RusHydro in connection with protocol events, official business trips and other official events,– Regulations on commissions on compliance with the norms of corporate ethics and conflict of interest regulation of PJSC RusHydro,– Rules of work for the "Line of Trust" of RusHydro Group;– RusHydro for 2016-2019.
Impact on the	<ul style="list-style-type: none">– Environmental policy of PJSC RusHydro,

environment	Environmental policy of JSC "RAO ES of the East" – Energy saving and energy efficiency improvement programme of PJSC RusHydro for the period until 2020, – Energy saving and energy efficiency policy of the Subgroup "RAO ES of the East"
Occupational Safety and Health	– Labour protection policy of PJSC RusHydro, – Occupational Health and Safety Policy of JSC "RAO ES of the East"
Charity	– The policy of charity and sponsorship of PJSC RusHydro, – Regulations on Charitable and Sponsorship Activities of JSC "RAO ES of the East"
Innovative development	– The programme of innovative development of RusHydro Group for 2016-2020, with the possibility to prolong it until 2025. – The program of innovative development of the Holding of JSC "RAO ES of the East" for 2016-2020 with the possibility to prolong it until 2025. – Regulations on the decree of development and implementation of the innovative development programme of PJSC "RusHydro" – Regulations on the process of R & D management in the production activities of PJSC RusHydro – Regulations for the preparation, adjustment and monitoring of the implementation of plans for the procurement of innovative and (or) high-tech products " – Methodology for assessing the technical and economic efficiency of innovation projects and the Temporary procedure for assessing the technical and economic efficiency of innovative projects implemented in the form of research and development
Personnel Management	– Social policy of PJSC RusHydro, – Regulations on the organisation of trainings for employees of PJSC RusHydro, – Regulations on performance appraisal of the personnel of the branches of PJSC RusHydro, – Regulations on the creation of a database of candidates for posts of branches of PJSC RusHydro, – Regulations on the work with the back-up staff of PJSC RusHydro, – The concept of advanced human resource development "From the new school to the workplace".

The relevance of the Group's activities to the UN's Sustainable Development Goals

The activities of RusHydro Group in the field of SD are aimed at achieving a number of sustainable development goals adopted by the UN in September 2015. In 2017, JSC RusHydro joined the UN Global Compact as the largest business initiative in the field of sustainable development. The company shares ten principles in the field of human rights, labour relations, anti-corruption and environmental protection, and seeks to ensure development that meets the needs of present generations without compromising the ability of future generations to meet their own needs.

The company adheres to the corporate social responsibility outlined in the ISO 26000 standard. According to it, social responsibility is the responsibility of the organisation for the impact of its decisions and activities on society and the environment, transparent, and ethical behaviour that:

- promotes sustainable development, including public health and well-being;
- takes into account the expectations of stakeholders;
- complies with the applicable legislation and is consistent with international standards of conduct;
- is integrated into the activities of the whole organisation and applied in its relations.

Implementation of activity in the field of sustainable development is carried out by profile blocks in the zone of their functional responsibility:

- Social responsibility - Personnel management block;
- interaction with authorities in the regions of presence and creation of a favorable social climate for effective development of the Company - Corporate Communications Department;
- Economic responsibility - Block of economic planning and investments, Block of production activity, Block of capital construction, Block of financial and corporate law management;
- electricity generation, energy efficiency and environmental responsibility - a block of

The objectives of sustainable development and the responsibility of RusHydro Group

Goal

RusHydro Group Responsibility



- Development and maintenance of a stable operation of the labour protection, industrial and fire safety systems
- Employee's insurance of workers for accidents at work and occupational diseases



- Development of employees' professional competences
- Promotion of the development of secondary and higher education through cooperation with the universities



- Creation and operation of treatment facilities
- Control and reduction of polluted water discharges



- Guarantee of energy security in the Russian Federation
- Increase in energy efficiency
- Growth of the renewable energy sources share in the energy balance
- Development of alternative renewable energy generation



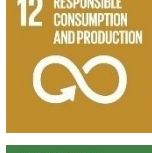
- Maximisation of the value/cost ratio for the state, shareholders, the society and employees
- Responsible human resource management
- Employment of the population and decent wages



- Implementation of the Facilities Modernisation Program
- Conducting R&D by the RusHydro Research and Development Division
- Construction of new power facilities for meeting the population's demand for energy
- Development of the Far East energy infrastructure



- Guarantee of reliable and safe operation of production facilities
- Emergency prevention and control
- Construction and funding of social infrastructure facilities
- Relief measures in the event of natural disasters or other calamities



- Development of a cautious approach to resource exploitation among consumers, including the younger generation
- Superior quality production, quality control of generating facilities during the construction and operation phases
- Efficient recycling of energy and water resources



- Compliance with environmental legislation
- Minimising the impact on the environment, including the climate
- Minimising the level of air emissions (for companies of RAO ES East Holding)



- Conservation and restoration of fishery resources of water bodies
- Water efficiency
- Clear waste from water bodies banks



- Compliance with environmental legislation
- Efficient use of environmental resources
- Protection of biological diversity



- Fighting corruption
- Compliance with legal requirements
- Transparency of business
- Timely settlement of taxes



- Meaningful cooperation with stakeholders
- Environmental cooperation
- Enhanced transparency and accountability

RusHydro Group shares the goals of sustainable development of the UN and makes a considerable contribution to their achievement. The company has identified six priority objectives of SD, especially significant for its activities.

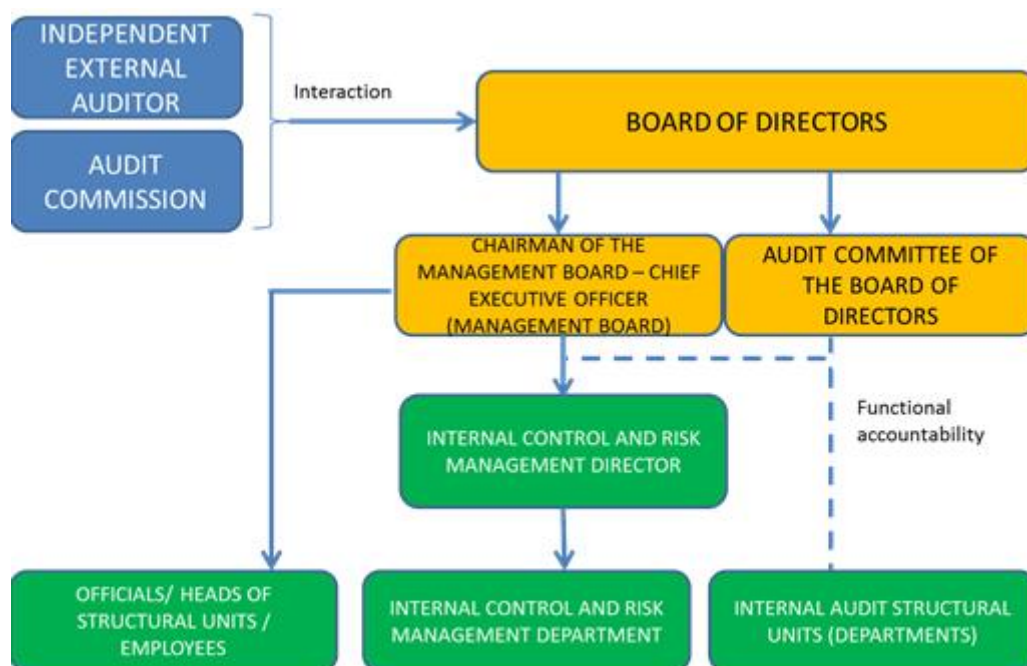


1.3 Risks and opportunities

1.3.1 Risk management system and risk registering

The activities of PJSC RusHydro are associated with a number of risks, which in certain circumstances may adversely affect the Company's production and financial results, social and natural environment. To reduce the negative impact of potential hazards and realise favourable opportunities, the Company has established a risk management system aimed at implementing the RusHydro Group Development Strategy for the period until 2020, with the possibility to prolong it till 2025.

Structure of business and risk management activity control over financial and economic activities of PJSC RusHydro



For the organization of risk management processes, the Risk Control and Risk Management Department (hereinafter - RCRND) was established as part of the internal control and risk management unit. As part of the Department of Humanity, including the Director of the Department.

RCRND solves the following tasks:

- organization of an effective corporate system of internal control and risk management in the RusHydro Group (hereinafter – CS ICRM),
- ensuring effective operational control in the RusHydro Group,
- interaction with external control bodies.

Independent assessment of the risk management system

The external evaluation of the effectiveness of CS ICRM is carried out regularly during the audit of the implementation of the Long-term development program of the RusHydro Group, external audit of financial statements, survey surveys of RusHydro's facilities, mandatory due diligence in M & A risk assessment, audit and the Audit Commission of the Company.

The quality of the risk management system of PJSC RusHydro is regularly confirmed by an independent jury of international competitions (RusHydro's victory in risk management in the "Best Risk Management" competition in the category "Production Organizations", wins in the nominations "Best Comprehensive Management Program risks ", " The best risk-manager of Russia ", conducted by the Russian Risk Management Society RusRisk - the Russian National Association of Risk Managers, member of the Federation of European Risk Management Associations FERMA and).

For more information on the risk management policy, see http://www.rushydro.ru/sustainable_development/riski/politika-upravleniya-riskami/

Risk Management Methods and Approaches

The list of methods and approaches to risk management is defined by the Internal Control and Risk Management Policy (approved by the Board of Directors decision, Minutes No. 227 of 16.11.2015). The Company uses the following set of methods and approaches to risk management:

- Risk management is an integral part of all organisational processes: risk management is not separate from the main activities and processes of the organisation;
- Risk management is part of the decision-making process. Risk management helps decision-makers to take informed choices, prioritise actions and identify optimal actions among alternative options;
- Risk management contributes to the continuous improvement of the organisation. In order to increase the level of maturity of risk management, the Company develops and improves the CS ICRM;
- The company seeks to create a risk-oriented corporate culture;
- The top management of the Company ensures the priority of risk management, the dissemination of knowledge and skills in the field of risk management in the Company and RusHydro Group, promotes training in the basics of risk management and the adoption of a corporate culture of "risk management";
- The Company's management ensures the possibility of effective information exchange and the introduction of communicative norms in the framework of corporate risk management.

According to the Regulations on the strategic management of PJSC "RusHydro", the Company annually draws up the Registry of strategic risks with the definition of risk owners, which is approved by the Management Board of the Company. For risks classified as critical and significant, the Management Board approves an action plan for managing strategic risks, in which the terms, the responsible individuals and the expected results are determined. The execution of measures for managing strategic risks and KPIs is taken into account when bonuses are paid to employees. Monitoring of the execution of the plan and monitoring of its implementation is carried out by the company's risk managers.

Stages of strategic risk management



Risk managers regularly interact with the Audit Committee under the Board of Directors of PJSC RusHydro in the framework of exercising control over the functioning of the risk management system of PJSC RusHydro, which corresponds to the Methodological Recommendations for the organisation of the work of the audit committees of the Boards of Directors of joint-stock companies with a stake in authorised capital of the Russian Federation (approved by decree of the Federal Property Management Agency No. 86 of March 20, 2014).

Evaluation of the system of risk management and internal control

In 2017, the Board of Directors of PJSC RusHydro (Audit Committee under the Board of Directors of PJSC RusHydro) assessed the risk management system and internal control. The valuation was carried out on the basis of a methodology previously agreed by the Audit Committee under the Board of Directors of PJSC RusHydro, which provides for determining the compliance of the current status of the elements of the internal control system and the risk management system with the criteria for the target state, as established by the methodology¹⁶.

Based on the results of the evaluation, a report was prepared on the functioning of the corporate internal control and risk management system approved by the Board of Directors on July 21, 2017. The Board of Directors noted the positive dynamics of the development of the internal control and risk management system relative to the level at the beginning of 2016 and also concluded that the internal control system and the risk management system are characterised by a "moderate" level of development - the state of the elements of both systems as a whole corresponds to the target state established by the methodology assessment of the effectiveness of the internal control and risk management system agreed by the Audit Committee of the Company.

For more information on the stages and methods of risk management, see the website http://www.rushydro.ru/sustainable_development/riski/politika-upravleniya-riskami/osnovnye-etapy-protssessa-i-metody-upravleniya-riskami/

Corporate documents

The main document that defines the goals, objectives and principles of the corporate risk management system of PJSC RusHydro is the Internal Control and Risk Management Policy.

Documents regulating the operational management of major risks

Production risks	Investment risks	Market (sales risks)	Risks of mergers and acquisitions
<ul style="list-style-type: none"> - Regulations on the process of creating production programmes - Recommendations of the Analytical Centre (as part of the annual report of the Analytical Centre) - Regulations on the project management system - Methodology for assessing the risk of production assets and the effect of options for upgrading the equipment based on the real option method and calculating VaR, taking into account the assessment of the reputational consequences of equipment failures - Set of standards of the organisation's production activities in terms of risk management of individual stages of the life cycle of the production assets 	<ul style="list-style-type: none"> - Regulations on the process of investment management in the form of capital investments - Methodology for risk assessment of projects in terms of risk-adjusted profitability (RORAC) - Quarterly reports to the Management Board of investment entities on risk management of projects - A typical list of risks for the implementation of investment projects as part of the Regulations on the process of investment management in the form of capital investments - Risk registries , risk management action plans and monthly reports on the implementation of the action plan for investment projects 	<ul style="list-style-type: none"> - Regulations on the policy of JSC "RusHydro" in the field of sales activities with respect to operating generation facilities in the price zones of the wholesale electricity and capacity market - The procedure for determining the minimum (maximum) indices for electric energy of OPEC - Methodology for evaluating the internal rating of counterparties , the ratings of the Company's counterparties on the Wholesale Electric Energy Market, calibrated on the Moody's scale, with a limit on the credit rating of the portfolio of contracts 	<ul style="list-style-type: none"> - Regulations on the planning, preliminary coordination, support and implementation of strategic and other material transactions - Registries and risk management plans for the strategic transactions under consideration as part of the strategic transaction passports approved by the Management Board

For more information on regulatory documents, see the website [\(http://www.rushydro.ru/sustainable_development/riski/politika-upravleniya-riskami/dokumenty-reglamentiruyushchie-sistemu-upravleniya-riskami/\)](http://www.rushydro.ru/sustainable_development/riski/politika-upravleniya-riskami/dokumenty-reglamentiruyushchie-sistemu-upravleniya-riskami/)

Improvement of internal control and risk management system

¹⁶ Recommendations of the Board of Directors of PJSC RusHydro on the improvement of the corporate system of internal control and risk management were not given.

Within the framework of improving the corporate system of internal control and risk management in 2017, the following activities are presented:

Corporate level

- The Board of Directors of PJSC RusHydro approved a report on the development of the internal control and risk management system and the effectiveness of strategic risk management for the previous reporting period.
- The Management Board of PJSC RusHydro approved the Strategic Risk Management Plan of RusHydro Group for 2017-2018. When approving the above-mentioned plan, the following are updated:
 - the registry of strategic risks of RusHydro Group,
 - a system of indicators for the implementation of strategic risks of RusHydro Group,
 - a list of measures to manage strategic risks of RusHydro Group.
- Following the results of 2017, the Management Board approved the Report on the implementation of the Action Plan for the management of strategic risks of RusHydro Group for 2017.
- RusHydro Group's risk management framework was significantly expanded: internal control and risk management policies were approved in 18 RusHydro Group companies, including 14 companies operating in the Far East.
- Risk management plans for 2017-2018 were approved in 30 key companies controlled by PJSC RusHydro, including 15 companies operating in the Far East.
- In order to synchronise the processes of strategic management and risk management, a new version of the LNA was developed and approved, which regulates the procedure for developing and approving the strategic risk management plan, as well as reporting on the implementation of this plan.

Business and operational level

- Affiliates and affiliated organisations of PJSC RusHydro were evaluated and prioritised in terms of risk level and status of implementation of risk management procedures with the aim of forming a risk-oriented internal audit plan for PJSC RusHydro for 2018.
- A survey of the internal control system of the business process "property management" and the business process of "interaction of JSC" RGS "with RusHydro Group companies within the framework of procurement activities".
- The project of a methodology for assessing the risks of information security of the Company was developed. Approbation of the methodology is planned for 2018.
- Regular monitoring of the implementation of measures to improve the internal control system of key business processes of PJSC RusHydro.

The list of strategic risks of RusHydro Group

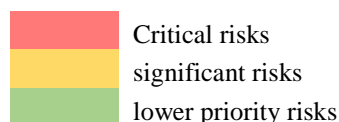
The Company annually composes the RusHydro Group's Strategic Risks Registry with the definition of risk owners. The registry is used both for the purposes of disclosure of information about risks to shareholders, rating agencies, the auditor and other interested parties, and for the purpose of further developing and monitoring the implementation of risk optimisation measures within the framework of RusHydro Group Strategy.

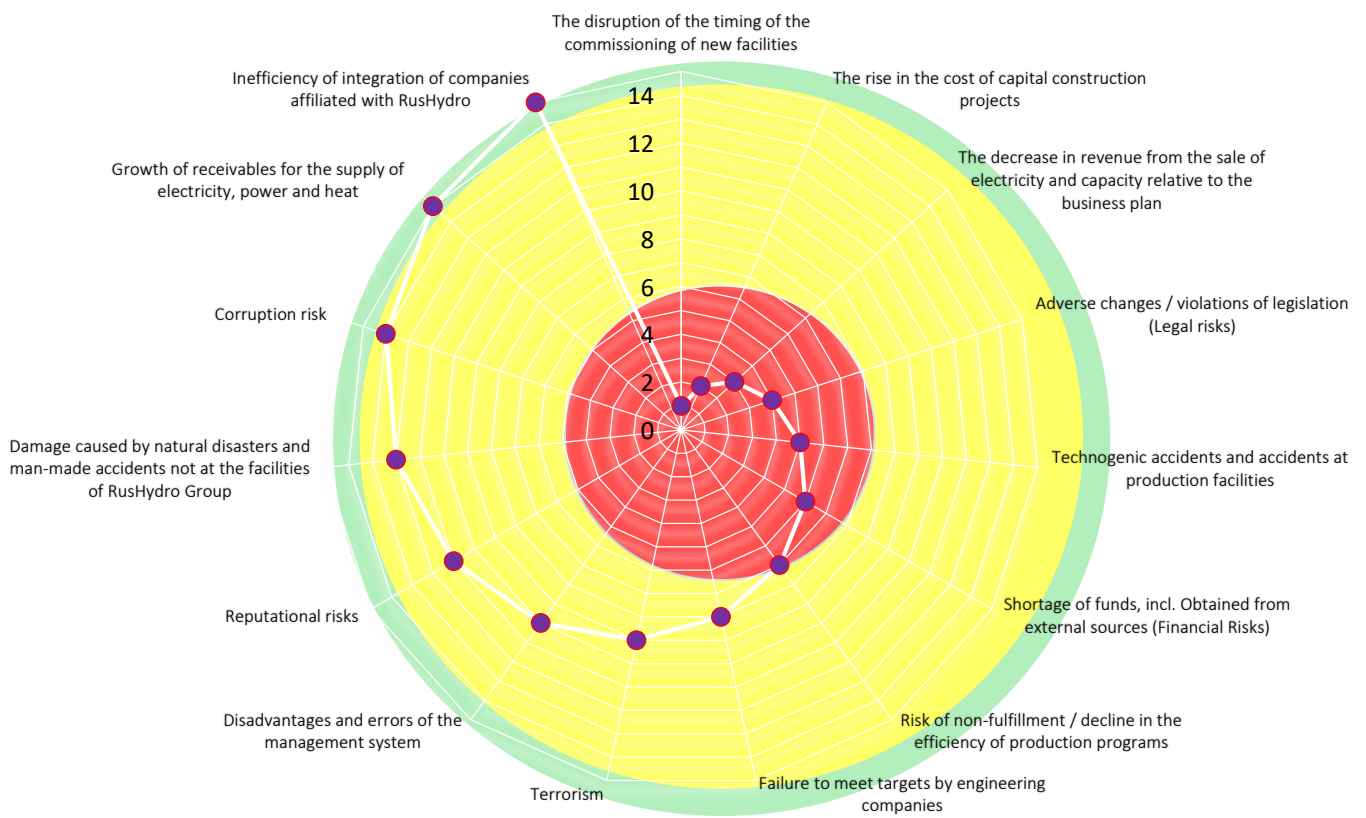
The priority of risks and opportunities is determined on the basis of their impact on key financial, environmental and social aspects of activities, taking into account the Company's strategic goals, development priorities and mission. **(103)**

The current list of strategic risks of RusHydro Group was drawn up by the Company's management and approved by the Company's Management Board in 2017.

The diagram presents RusHydro Group's strategic risks radar, taking into account their ranking by the likelihood of implementation and the impact on the business in accordance with the strategic risks registry of RusHydro Group.

Radar of strategic risks of RusHydro Group for 2017-2018.





Strategic risk management of RusHydro Group ¹⁷

Priority of risk (Risk number in the registry / on the strategic risk radar)	Risk	Influence on KPI DPR Group RusHydro	Parties concerned	Key risk management activities
	The economic aspect			
1	The disruption of the timing of the commissioning of new facilities (critical risk)	<u>Direct:</u> Implementation of capacity schedules and a plan for financing and development,% Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. <u>Indirect:</u> Total shareholder return (TSR),%	Shareholders and investors Employees Federal authorities Regional authorities and local authorities Suppliers and contractors	Systematisation of data on projected objects: <ul style="list-style-type: none"> • Development of a corporate project management system to systematise data on existing and projected facilities. • Development of internal assessment of design and working documentation: • Increasing the efficiency of the work of design institutes and procurement activities aimed at strengthening the role of its own design institutes in conducting internal assessment of project and working documentation; • Regulation of activities for conducting internal assessment of project documentation. • Control over the quality, timing and cost of work: • maintaining a list of unscrupulous designers, participating in the selection of subprojectors; • Keeping a registry of violations by contractors of deadlines for the performance of contractual obligations under contracts for the implementation of the new construction program and TP & R projects; • Optimisation of the insurance and procurement system in terms of construction and installation activities (reducing the risk of project cost increase due to damage / destruction of the facility as a result of design and construction deficiencies and environmental impacts); • Development of normative documents for the execution of certain types of work, the introduction of a system for the admission of personnel to perform such work with the possibility of personal suspension from the implementation of subsequent projects with the commitment of significant violations; • Development of a quality control system for the supplied equipment (including the process of its production and shipment / delivery); Monitoring the progress of work on the creation of a network infrastructure Use of a system for supervising monitoring the timing and costs of new construction projects on the basis of the SAP IS IPS. In the materials for consideration of the investment programme for 2018-2023, the estimation of the profitability of investment projects of capital construction, taking into account risks, was carried out.
2	The rise in the cost of capital construction projects (critical risk)	<u>Direct:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. <u>Indirect:</u> Total shareholder return (TSR),%	Shareholders and investors Employees Federal authorities Regional authorities and local authorities Suppliers and contractors	

¹⁷ In the context of economic, environmental and social aspects of sustainable development.

				<ul style="list-style-type: none"> • Tightening of requirements for contractors to comply with contract terms. • Complaints and lawsuits.
3	The decrease in revenue from the sale of electricity and capacity relative to the business plan (critical risk)	<u>Direct:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. <u>Indirect:</u> Free cash flow (FCF) Total shareholder return (TSR),%	Shareholders and investors Employees Suppliers and contractors	<ul style="list-style-type: none"> • Improvement of the methodology and automation of the outlining of water scenarios. Participation in the coordination of the IRPP in interdepartmental working groups to establish the operating modes of the hydrosystems. • Implementation of the Comprehensive Modernisation Programme. • Preparation of proposals on introducing amendments to normative legal acts in the electric power industry. Interaction with the Federal Social Insurance Fund and Association "NP Market Council". • Increase of the transparency of the business process of commercial dispatching.
6	Shortage of funds, incl. those received from external sources (financial risks) (significant risk)	<u>Direct:</u> Implementation of capacity schedules and a plan for financing and development,% <u>Indirect:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. Total shareholder return (TSR),%	Shareholders and investors Federal authorities Suppliers and contractors	<ul style="list-style-type: none"> • Maintaining sufficient level of cash and sustaining the availability of financial resources through the provision of credit lines. • Implementing a balanced model of working capital financing through the use of short-term and long-term sources. • Monitoring the compliance with credit agreements to prevent violations of the Company's financial covenants. • Placement of temporarily available funds in short-term financial instruments (bank deposits). • Conclusion of contracts with counterparties on "standard financial terms". • Introduction of a methodology for managing interest and currency risks, taking into account the credit policy of PJSC RusHydro. • Work to prepare flood zones for reservoirs of hydroelectric stations under construction at the expense of the federal budget and budgets of the constituent entities of the Russian Federation. • Interaction with regional and federal executive authorities, in the field of tariff regulation, aimed at reducing the tariff gap in the Far East. • Optimisation of costs (in accordance with the plan to increase the cost). • Implementation of measures to sell non-core assets. • In order to reduce the debt burden of RusHydro Holding, an additional issue of shares was carried out and a deal was concluded for the acquisition of 55 billion shares of the Company by VTB Bank (PJSC). • Within the framework of the approved methodology for managing the Company's currency and interest rate risks, currency risks and interest rate risk are calculated annually to assess and form a reserve for currency and interest risks in the Company's budget.

7	Risk of non- fulfilment / decline in the efficiency of production programmes (significant risk)	<u>Direct:</u> - Prevention of the number of accidents from exceeding the maximum value Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. Implementation of capacity schedules and a plan for financing and development,% <u>Indirect:</u> Total shareholder return (TSR),%	Shareholders and investors Employees and Suppliers and contractors	<ul style="list-style-type: none"> • Prompt execution of claims and lawsuits on the facts of poor quality of repairs, poor-quality equipment, and violation of delivery deadlines. • Use of recommendations of the Analytical Centre in the creation of production programmes • Monitoring data on the financial status of suppliers and contractors to prevent the risk of bankruptcy of the counterparty. • Optimisation of the process of contract approval, introduction of changes to the Company's local regulations on contractual activities. • Control of the implementation of technical re-equipment and reconstruction projects in accordance with the standards of the organisation.
8	Lack of achievement of targets by engineering companies (design, controlled companies institutes) (significant risk)	<u>Direct:</u> Integral Innovative KPI Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. <u>Indirect:</u> Total shareholder return (TSR),%	Shareholders and investors Suppliers and contractors	<ul style="list-style-type: none"> • Creation of a single project facility of PJSC RusHydro through reorganisation of controlled design companies. • Implementation of the programme for the development of controlled engineering companies. • Conducting the repair and project training programs of international experience exchange. • Staff development and training of scientific personnel. • Development of standard sheets of the scope of work for the repair of equipment and hydraulic structures. • Creation and maintenance of a database of advanced and innovative technologies. • Minimisation of risks of ineffective management of non-core activities through its consolidation in specialised controlled service companies.
9	Terrorism (significant risk)	<u>Direct:</u> Prevention of the number of accidents from exceeding the maximum value Implementation of capacity schedules and a plan for financing and development,% Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. <u>Indirect:</u>	Shareholders and investors Employees and Suppliers and contractors Federal authorities and Regional authorities and local authorities	<ul style="list-style-type: none"> • Provision of armed protection of facilities by forces of the private guards of Rosgvardia, FSUE "Okhrana" of Rosgvardia and FSUE "Departmental Security" of the Ministry of Energy of Russia. • Developing and maintaining up-to-date plans for interaction with law enforcement agencies to protect the Company's facilities when committed or threatened to commit a terrorist act. • Provision of on-site and in-site facilities on the territory of the Company's facilities. • Carrying out measures along with law enforcement agencies identify, prevent and suppress acts of unlawful interference in the activities of the Company's facilities. • Carry out an assessment of the most likely threats and develop plans for mitigation, together with the territorial bodies of EMERCOM of

		Reducing operating costs (costs) Total shareholder return (TSR),%		<p>Russia in the constituent entities of the Russian Federation at the location of the Company's facilities.</p> <ul style="list-style-type: none"> • Equipping facilities with engineering and technical means of protection. • Organisation and control of the access to information on the composition and status of engineering and technical means of protection. • Property insurance of the Company for the risk of "Terrorism and Sabotage". • Increase in the share of equipment certified by FSTEC of Russia, and increase locally produced equipment. • Conducting an audit of information and technical security. • Control of access to the firmware of control systems and information systems. • Protection of remote access to corporate information systems of the Company and implementation of work to ensure information security of virtual means, mobile and cloud services.
10	Disadvantages and errors of the management system (significant risk)	<p><u>Direct:</u> Implementation of capacity schedules and a plan for financing and development,% Proportion of purchases from small and medium-sized enterprises</p> <p><u>Indirect:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA),mn. rub. . Total shareholder return (TSR),%</p>	Shareholders and investors Employees Suppliers and contractors	<ul style="list-style-type: none"> • Control over the implementation of VFIV directives. • Monitoring, analysis, and control of document management procedures. • Civil liability insurance of members of management bodies and officials of the Company before third parties and the Company. • Using an automated procurement management system based on SAP. • Coordination and control of work on the regulation of the activities of structural units and officials. • Implementation of the Company's IT strategy. • Maintenance of information systems of the Company. • Improvement of the system of regulation of activities and management of business processes. • PJSC RusHydro implements corporate management standards in newly acquired or newly created DO, as well as the introduction of management systems for organisational projects, grading of employees (grading - building a system of job levels, taking into account the assessment of the positions, strategy and corporate culture of the company), attestation of management personnel and fulfilment of individual employee development plans.
14	Growth of receivables for the supply of electricity, power and heat (significant risk)	<p><u>Direct:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub.</p>	Shareholders and investors Federal authorities Suppliers and contractors	<ul style="list-style-type: none"> • Claims, execution of settlements outside the authorised credit institution at the Wholesale Electric Energy Market in accordance with the Agreement on accession to the wholesale market trading system.

		<u>Indirect:</u> Total shareholder return (TSR),%		
	Ecological aspect			
4	Adverse changes / violations of legislation (Legal risks) (critical risk)	<u>Direct:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. Reducing operating costs (costs) <u>Indirect:</u> Total shareholder return (TSR),%	Shareholders and investors Consumers Employees Unions Federal authorities Regional authorities and local authorities Local communities Ecological organisations Mass media Suppliers and contractors	<ul style="list-style-type: none"> • Constant monitoring of initiated and reviewed changes in legislation, which in the future may have an impact on activities. • Monitoring and revision of existing standards and regulations in the field of technical regulation. • Participation of representatives of JSC RusHydro in measures to change legislation conducted by legislative, executive and judicial bodies, public associations, professional legal associations and associations. • Regular conduct of environmental audits and implementation of the recommendations received. • Participation in the activities of working groups of the Ministry of Energy of Russia on technical regulation (Subcommittee PK-4 "Hydroelectric power stations" of the Technical Committee TC 016 "Electric Power"), conducting claims and lawsuits.
5	Technogenic accidents and accidents at production facilities (critical risk)	<u>Direct:</u> Prevention of the number of accidents from exceeding the maximum value <u>Indirect:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. <u>Reducing operating costs (costs)</u> Total shareholder return (TSR),%	Shareholders and investors Consumers Employees Unions Federal authorities Regional authorities and local authorities Local communities Ecological organisations Professional communities and universities Mass media Suppliers and contractors Non-profit organisations	<ul style="list-style-type: none"> • Carrying out in full the repair work and the Technical Upgrade and Reconstruction Program. • Development of a quality control system for the supplied equipment, including the process of its production and shipment / delivery, construction, installation and commissioning, as well as increasing the level of contractual responsibility of suppliers / contractors in the manufacturing and supply of equipment and materials. • Complaints and lawsuits against unfair contractors / suppliers. • Implementation of recommendations identified during the check-ups of the facilities of JSC RusHydro. • Tightening the control of contractors / subcontractors at production sites in terms of reducing injuries, fires, unethical behaviour, and theft. • Development of normative and technical documents aimed at improving the quality of design and construction management processes. • Introduction of modern methods for servicing equipment without stopping, modern technologies for managing production assets, including the necessary information technologies. • Implementation of technical inspection of technical devices of hazardous production facilities, examination of industrial safety of technical devices of hazardous production facilities, buildings and structures at which dangerous production facilities are operated. • Development of a life cycle management system for existing hydroelectric power plants.

				<ul style="list-style-type: none"> Control by officials of the implementation of regulations, instructions, etc. when performing work on operations, maintenance, etc. In order to minimise errors at the design stage of the facilities, an analysis of the design documentation by the customer's specialists is set up, and the staff of the general designer is trained.
12	Damage caused by natural disasters and man-made accidents not at the Company's facilities (significant risk)	<u>Direct:</u> Prevention of the number of accidents from exceeding the maximum value Implementation of capacity schedules and a plan for financing and development,% Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub. <u>Indirect:</u> Reducing operating costs (costs) Total shareholder return (TSR),%	Shareholders and investors Consumers Employees Federal authorities Regional authorities and local authorities Ecological organisations Non-profit Organisations	<ul style="list-style-type: none"> Modernisation in accordance with latest requirements of the centralised system emergency controlsystems. . Implementation of measures for civil defence and the prevention of emergency situations. Research and development of methods for remote monitoring of the state of facilities and operating modes of HPPs. Compliance with the legislation of the Russian Federation in the field of industrial safety and the use of a system of production control operating on its basis. Property insurance of the Company.
The social dimension				
11	Reputational risks (significant risk)	<u>Direct:</u> Profitability of investments of shareholders (TSR),% <u>Indirect:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. rub.	Shareholders and investors Consumers Employees Unions Federal authorities Regional authorities and local authorities Local communities Ecological organisations Professional communities and universities Mass media	<ul style="list-style-type: none"> Compliance with the regulations on the implementation of information activities, the regulations on participation in public events, the Regulation on Disclosure of Information. Interaction with stakeholders in the main areas of the Company's activities, incl. through joint public events. Preparation of press releases on a regular basis with the official position of the Company on activities. Holding press tours and special events for the media.

13	Corruption risk (significant risk)	<u>Indirect:</u> Profitability of the share capital (ROE),% Income before interest, taxes and depreciation (EBITDA), mn. Rub. Total shareholder return (TSR),%	Shareholders and investors Consumers Employees Unions mass media Suppliers and contractors Non-Profit Organizations	<ul style="list-style-type: none"> • Implementation of a comprehensive automated system for monitoring the dissemination of information containing commercial secrets. • Monitoring of employees' compliance with the Regulations on Insider Information. • Restriction of the right of access to insider information for the Company's employees. • Mandatory notification by insiders about transactions with securities of the Company performed by them.
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1.3.2 Information on possible circumstances objectively impeding the Group's activities

The risks associated with the geographical features of the regions include: the risk of loss (for example, the disruption of fixed assets) due to seismic activity, avalanches and mudflows, likely landslides and rain floods, as well as other unfavourable weather conditions (hurricanes, heavy snowfalls, frosts, etc.).

Most regions of the Group's operations are characterised by a developed transport infrastructure and are not subject to risks associated with the termination of transport links. At the same time, some generating assets are located in remote areas with harsh climate, including the Krasnoyarsk Region and parts of the Far Eastern Federal District. RusHydro Group is working to improve access to technologies and activities in severe climatic conditions in these territories. However, there can be no guarantee that additional costs will not be required to overcome the technical difficulties associated with the climate and the accessibility of these sites, which may have a negative impact on RusHydro Group's revenues, financial conditions, results of operations, and the subsequent prospects. In the foreseeable future, these risks are assessed as insignificant.

Terrorism

In the event of possible military conflicts, as well as threats of terrorist attacks on sites (including aggravation of international relations), there are risks of danger to the lives of personnel and the damaging of its fixed assets. The registration region and the main part of the Company's controlled companies business regions are characterised by a calm political environment. The probability of military conflicts, the introduction of a state of emergency in these regions is minimal, with the exception of the regions of the Russian Federation located near the border with Ukraine and in the North Caucasus Federal District. PJSC RusHydro is concerned about the possible risks associated with terrorist activity, including at facilities located in the North Caucasus. In connection with the possible exacerbation of the Georgian-Ossetian conflict, this risk may occur in the region of the Issuer's activities - in the Republic of North Ossetia-Alania. To mitigate these risks, a comprehensive programme to ensure the safety of the facilities of PJSC RusHydro is being implemented. Regular checks of the antiterrorist protection of the Company's controlled companies' facilities and training of personnel are carried out, inclusive of the conduct of antiterrorist exercises and training.

Armed protection of sites and facilities is carried out by units of extra-departmental protection of Rosgvardia, FSUE "Okhrana" of Rosgvardia and FSUE "Departmental security" of the Ministry of Energy of the Russian Federation. Plans for cooperation with law enforcement agencies on the protection of sites in the case of committing or the threat of committing a terrorist act have been developed. On the territory of the Group's facilities, access and intrabuilding access systems have been introduced. Together with law enforcement agencies, measures are taken to identify, prevent and suppress acts of unlawful interference in the activities of the Group's facilities. The most topical threats are assessed and the plans for mitigating the consequences are worked out jointly with the territorial bodies of the Ministry of Emergencies of Russia in the regions of the Russian Federation (at the location of generating assets). The main equipment of the Group is insured, including against terrorist acts.

According to the global risks report of the annual Global Economic Forum in Davos (Global Risks 2018), in 2018 there was a rise in the level of risk of terrorist attacks in the Russian Federation in comparison with 2017). Therefore, international experts do not currently place the risk of terrorist attacks in the group of key risks of the Russian business community - the risk of terrorist attacks ranks 7th in the ranking on the significance of risks to doing business in the Russian Federation¹⁸.

Seismic Hazardous Areas

Most of the Group's facilities are located in seismically quiet regions; however, such facilities as Pauzhetskaya GeoPP and Verkhne-Mutnovskaya GeoPP are located in an earthquake zone, with a possible earthquake magnitude of up to 9 on the Richter scale. In case of an earthquake, an emergency action plan has been developed, featuring constant monitoring of the situation, while seismic monitoring stations operate at the Company's facilities. Matters of transport links are worked out in advance considering the aforementioned risk, the scheme for the transportation of goods and people is optimised. All sites of the Group comply with the requirements of seismic standards.

Zone of seasonal flooding

¹⁸ <http://reports.weforum.org/global-risks-2018/global-risks-of-highest-concern-for-doing-business-2018/#country/RUS>

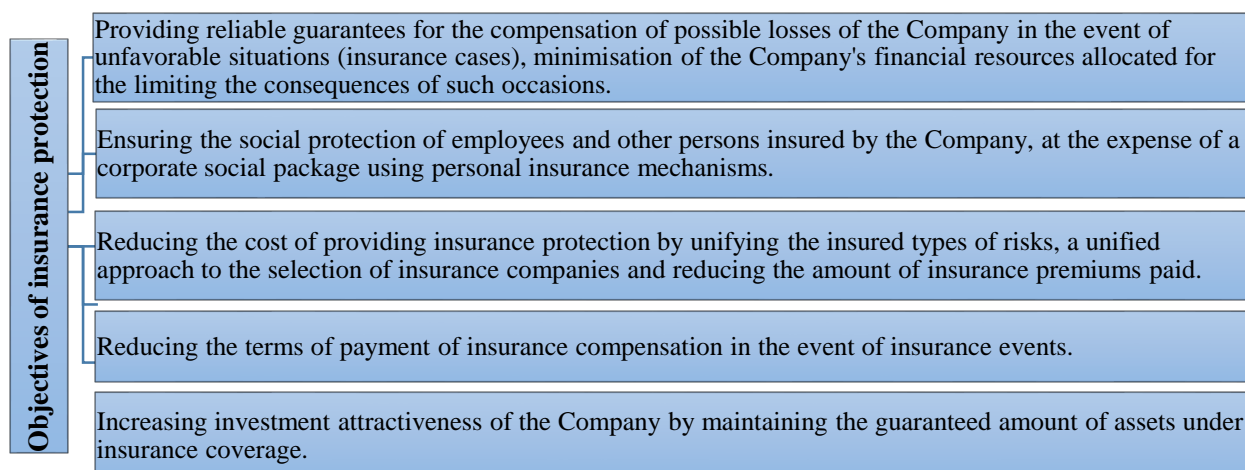
The risks of seasonal floods play an important role in the Group's operations and are included in the list of significant risks for the company. For their minimisation, water management is carried out, including forecasting and monitoring of hydrological regimes at the Company's facilities, regulation of reservoirs, construction and operation of spillways, and other measures.

To prepare for the spring-summer floods, flood commissions are created in the Company's branches. Their purpose is to ensure a trouble-free flood season.

The Group's facilities operate in accordance with the instructions of the interdepartmental working group under the Federal Agency for Water Resources.

1.3.3 Insurance coverage

Insurance coverage in RusHydro is based on the principles of rationing insurance protection system, optimisation of insurance coverage, unity of approaches to the organisation and continuity of insurance.



The choice of insurance companies and types of insurance cover

The choice of insurance companies is carried out on a competitive basis, taking into account the optimal ratio of the price and quality of insurance services. Requirements for the conditions of insurance coverage are laid out on the basis of an analysis of the current risk situation of the Company, analysis of offers in the insurance market, the corporate social policy, and legal requirements.

In 2017, the insurance protection of PJSC RusHydro and its subsidiaries was carried out in the main areas, including:

- property insurance;
- insurance of construction and installation risks;
- insurance of civil liability for causing damage due to shortcomings in construction work, preparation of project documentation and engineering check-ups;
- voluntary medical insurance;
- insurance against accidents and diseases;
- compulsory insurance of civil liability of the owner of a hazardous facility for causing damage as a result of an accident at a hazardous facility;
- transport insurance;
- cargo insurance;
- compulsory insurance of civil liability of the carrier for causing damage to life, health, property of passengers;
- civil liability insurance of officials and members of the Company's management bodies;
- general liability insurance of the Company.

RusHydro Group has strict requirements to the insurance of its assets (property insurance against all risks and insurance against construction and installation risks). As a result of limited resources of the insurance market in the Russian Federation, the Company puts forward additional requirements and controls the reinsurance of risks. The Group pursues a policy of openness towards representatives of the foreign insurance community: it

annually conducts engineering insurance inspections of the Company's facilities, negotiations, and execution of the reinsurers' recommendations.

Insurance of liability of members of management bodies

Within the framework of the requirements of Federal Law No. 223-FZ of 18.07.2011 "On Procurement of Goods, Works, Services by Individual Types of Legal Entities" and the Regulations on the Organisation of Insurance Coverage of PJSC RusHydro an open one-stage tender was conducted without preliminary qualifying selection for the right to conclude a liability insurance contract and financial risks of directors, officers, and the Company.

Based on the results of the competition, SOGAZ JSC was the top pick for the right to conclude an agreement on civil liability insurance of officials and members of the Company's management bodies in 2017, as an insurance organisation capable of providing the most reliable and fully-fledged insurance coverage for this type of insurance.

Insurance period is from 01/01/2017 to 31/12/2017. The insured amount is 2,011,536,000 rubles, which is equivalent to 30,000,000 US dollars at the rate of the Central Bank of the Russian Federation as of July 31, 2016, the total additional insurance for independent directors is 134,102,400 rubles, which is equivalent to 2,000,000 US dollars at the CBR rate as of 31.07.2016.

The insurance contract covers:

- property interest of insured persons related to the obligation to reimburse losses incurred by other persons;
- the property interest of the company and (or) any subsidiary company associated with the compensation of any losses by such a company;
- the property interest of the company and (or) any subsidiary associated with the obligation to reimburse the losses incurred by other persons.

1.4 Markets

RusHydro Group companies operate with electricity and capacity in the wholesale electricity and capacity market, as well as in retail markets - the electricity market and the heat energy market (102-6).

1.4.1 Position in the industry

The main factors affecting the state of the industry:

- GDP growth rates, which determine the demand for electricity and require the schedules of its consumption, the level of investment in the creation of new capacities;
- legislative framework that determines the payback of projects in the energy sector, the sources and structure of the investment portfolio of energy companies, the level of competition, etc. ;
- level of state stimulation of the development of separate types of generation;
- state of the basic production assets of the enterprises of the industry;
- socio-economic climate in the country;
- availability of capital markets, including credit resources;
- level of payment discipline of electricity consumers.

Competitive advantages

- Environmentally friendly. Hydraulic resources are a renewable and the most environmentally friendly source of energy, the use of which allows to reduce emissions of thermal power plants into the atmosphere and to preserve hydrocarbon fuel reserves.
- High maneuverability - it is the hydroelectric power plants that are most maneuverable and capable of significantly increasing production volumes in a matter of minutes, covering peak loads.
- Absence of a fuel component in the cost price of production - independence from changes in prices for energy carriers and as a result the possibility of long-term guarantees of the price for consumers.

RusHydro Group's share in the market

Year	Electricity			Power		
	RF production	Development of the Group*	Share	Installed capacity of Russian power plants	Total installed capacity of the Group's power plants	Share
	mn kWh	mn kWh		MW	MW	
2015	1,049,900	127,350.9	12.13 %	243,200	38,652.0	15.89 %

2016	1,071,800	138,810.0	12.95 %	244,100	38,868.1,,	15.92 %
2017	1,073,700	140,285.6	13.07 %	246,900	39,036.5	15.81 %

* Data are given taking into account the PJSC "Boguchanskaya HPP" (a joint venture of PJSC RusHydro and UC RUSAL), taking into account the HPP-2 of PJSC KamGEK, without taking into account the HPP-1 and HPP-3 of PJSC KamGEK located in trust management.

In the Russian electricity generation market, RusHydro holds leading positions: the main competitors are independent Russian energy companies established following the reform of JSC RAO UES of Russia.

The main competitors of RusHydro Group*

№	Company	Installed capacity according to Company data, GW
1.	OOO Gazprom Energoholding	39
2.	PJSC "Inter RAO"	33
3.	State Corporation Rosatom	28
4.	JSC EuroSibEnergo	20
5.	PJSC "T Plus" (IES)	16
6.	PJSC "Unipro" (formerly E.ON Russia)	11
7.	PJSC "Enel Russia"	9
8.	Siberian Generating Company LLC	8
9.	JSC "Tatenergo"	5
10.	OJSC Fortum	5
11.	PJSC "LUKOIL"	4
12.	PJSC "Quadra-Power Generation"	4
13.	HBC "SIBEKO", HBC "Biyskenergo"	3
14.	OJSC "TGC-2"	3
15.	OJSC «TGC-16	2
16.	PJSC "TGC-14"	1

* without taking into account the capacities used by the companies - consumers of electricity for their own production needs

Analogical companies abroad

№	Company	Installed capacity, GW
1	China Three Gorges Corporation (China)	69
2	Eletrobras (Brazil)	47
3	Hydro-Québec (Canada)	37
4	U.S. Army Corps of Engineers (USA)	20
5	Statkraft (Norway)	19
6	Edelca (Venezuela)	15
7	US Department of Reclamation	15
8	BC Hydro (Canada)	12

In 2011, PJSC RusHydro acquired a 90% stake in the Sevan-Hrazdan HPP cascade with a total capacity of 562 MW of installed capacity in the Republic of Armenia. Thus, entering the electricity market of Armenia, PJSC RusHydro gained a significant share of this market.

Generating companies in Armenia

Generation facility	type	Installed capacity, MW	Generating companies
Hrazdan CHP	CHP	800.0	OOO RazTES
Hrazdan Block-5	CHP	460.0	CJSC Gazprom Armenia Hrazdan-5
Armenian Nuclear Power Plant	NPP	440.0	"Armenian NPP" CJSC
Vorotan cascade of hydroelectric power stations	HPP	404.2	ContourGlobal (CGHC)
Yerevan Thermal Power Plant	TPP	237.5	"Yerevan CHP" CJSC

Dzoraget hydroelectric power station	HPP	26.5	CJSC Dzor hydroelectric power station
Small hydropower plants	HPP	413.3	Disparate owners

1.4.2 Market Overview

Electricity and capacity market

The electricity and capacity market in the Russian Federation is divided into wholesale (WECM) and retail (REM) markets. According to the requirements of the law, all owners of power generation (capacity) facilities with an installed capacity of over 25 MW, sell electricity (power) only on the Wholesale Electric Capacity Market. Stations with a capacity below 5 MW operate only on REM, stations from 5 to 25 MW can sell electricity (capacity) on both markets.

Participants in the wholesale electricity and capacity market are: generation companies, electricity export / import operators, energy sales organisations, electric grid companies (in terms of acquiring electricity to cover transmission losses), large-scale consumers. The wholesale electricity and capacity market operates in price and non-price zones. The first price zone includes the territories of the European part of Russia and the Urals, the second - Siberia. In non-price zones (Arkhangelsk and Kaliningrad regions, the Komi Republic, regions of the Far East) wholesale trade in electricity (capacity) is carried out according to special rules (4-sided contracts). The rules of the retail electricity market are enforced on the territories of the country which are not categorised in price and non-price zones,

For some zones of the Far East, there is a special allowance, which is collected in the first and second price zones of the WECM. This premium is aimed at reducing tariffs in the Far East to the average Russian level. PJSC RusHydro is appointed by the Government of the Russian Federation to collect and transfer such allowance to the Far East.

Price and non-price zones of WECM



1 - First price zone; 2 - Second price zone; 3,4,5 - Non-price zones and isolated energy systems.

WECM including the Far East Region

There are several sectors that differ in terms of transaction and delivery terms in the WECM:

- regulated contracts (RC),
- quadrilateral agreements,
- day-ahead markets (DAM),
- balancing markets (BM),
- free electricity and / or capacity purchase and sale agreements (FCEM, FCE),
- free bilateral contracts for the sale of electricity (FBC),

- competitive capacity auctions (CCA),
- purchase and sale agreements for the capacity of new nuclear and hydroelectric power stations (including pumped storage power plants) (DPMs) put into operation,
- bilateral agreements in non-price zones (BA in NPZ).

In the United Energy Systems of the East (UES of the East), a wholesale market model with a single purchaser is implemented. Electricity and capacity suppliers sell electricity and capacity at the tariffs set for them to a single purchaser. Buyers of the wholesale market purchase electricity and capacity from a single buyer at prices calculated by the Commercial Market Operator (CMO), on the basis of indicative prices set for the buyers of FAS Russia.

In accordance with clause 170 of the RF Government Decree No. 1172 of 27.12.2010, the functions of a single purchaser are assigned to an energy sales organisation created as a result of the reorganisation of joint-stock companies of power and electrification functioning in the indicated territory and supplying to the retail market more than half of the volume of electric energy consumed in the territory of the Far East. This organisation is PJSC "FEEC" - a guaranteed supplier in the territories of the Amur Region, the Jewish Autonomous Region, the Khabarovsk and Primorye Territories. The total supply volume of PJSC "FEEC" in the retail market is more than 85% of the power consumption of the UES of the East.

Retail electricity markets including the Far Eastern Federal District

Work on REM in price zones is carried out under free bilateral contracts with consumers provided for by the rules of the retail market. Tariff regulation in this sector of the market is absent. Electricity is sold at a contract-based market price.

Within the retail electricity markets, electricity is sold in the wholesale electricity and capacity market, as well as electricity generated by generating companies that are not participants in the wholesale market. In the territories of the constituent entities of the Russian Federation, united in non-price zones of the wholesale market, when determining the prices for electricity supplied to retail markets to end-users, the principles of wholesale-to-retail market prices mark-up are applied. The wholesale-to-retail market prices mark-up is carried out with respect to all final consumers, with the exception of the population and equivalent categories of consumers.

Electricity supply to the population and to equivalent categories of consumers is carried out at regulated prices (tariffs) established by the executive authority of the region (the territorial entity) of the Russian Federation in the field of state regulation of tariffs. In addition, there are regions in the territories of which only the retail market operates - isolated power systems of the Kamchatka Region, the Magadan Region, the Chukotka Autonomous Region, the Western and Central regions of the Republic of Sakha (Yakutia) and the Sakhalin Region that do not have technological links with the unified energy system of the country. Because of absence of a free market in the territories of isolated power systems, the sale of electricity to all categories of consumers is carried out at 100% regulated prices approved by the executive authorities of the regions of the Russian Federation in the field of state regulation of tariffs in the territory of which these power systems are located. Tariffs for stations of isolated RRE zones are established by regional authorities in the field of tariff regulation (hereinafter referred to as the Regulator), in accordance with the developed methods of the Federal Tariff Service of Russia:

- Decree of the Federal Tariff Service of Russia No. 20-e / 2 of 06.08.2004 (method of economically justified costs);
- Decree of the Federal Tariff Service of Russia No. 275-e / 4 of 05.07.2005 (indexing method).

The choice of the method of regulation is proposed to the regulated organisation, but always remains at the discretion of the Regulator.

Performance on WCEM 2017

Dynamics of average tariffs and required gross revenue (RGR) for electricity generation

	2016		2017		Growth 2017-2016		Growth rate	
	Average Selling Tariff	RGR	Average selling price	RGR	Average selling price	RGR	Average selling price	RGR

	rubles / thousand kWh	thousand rubles.	rubles / thousand kWh	thousand rubles.	rubles / thousand kWh	thousand rubles.	%	%
Wholesale market, including:	385.07	27,599,273	385.82	29,742,086	0.75	2,142,812	100.20	107.76
RD	342.91	21,499,283	340.67	23,049,819	-2.24	1,550,536	99.35	107.21
Centre	443.61	17,813,595	444.96	18,784,145	1.36	970,550	100.31	105.45
Siberia	148.40	3,275,236	151.51	3,780,045	3.11	504,809	102.10	115.41
Caucasus	873.01	410,452	978.26	485,630	105.26	75,178	112.06	118.32
NZP ¹⁹	679.49	6,099,990	709.88	6,692,266	30.39	592,276	104.47	109.71
Far East	679.49	6,099,990	709.88	6,692,266	30.39	592,276	104.47	109.71

Reasons for tariff increase on the Wholesale Electric Capacity Market:

- indexation of tariffs;
- increase in tax rates for the use of water bodies without water usage for the purposes of hydropower (in accordance with the Tax Code of the Russian Federation for 2017, tax rates are applied taking into account the coefficient of 1.52);
- increase in the prices of DPM in 2017 for previously introduced hydroelectric power plants - the facilities of the PDM. The main reason for the increase is the higher average yield of long-term government liabilities.

Sales volumes of electrical energy and capacity at the WECM by generating companies (price and non-price zones) for 2017

	Type of goods	2016	2017	Change, %
PJSC RusHydro	Electricity, million kWh	95,960.9	96,324.8	0.38
	Power, MW	21,663.6	21,644.8	-0.09
JSC "FEGC"	Electricity, million kWh	20,065.82	21,245.22	5.88
	Power, MW	5,591.06	5,629.64	0.69
PJSC "Mobile Energy"	Electricity, million kWh	143.07	98.97	-30.82
	Power, MW	121.09	121.97	0.73
Total	Electricity, million kWh	116,169.79	117,668.99	1.29
	Power, MW	27,375.75	27,396.41	0.08

PJSC RusHydro, PJSC "DGC", PJSC "Mobile Energy" are represented in the wholesale market as generating companies. The total volume of electricity sales on the Wholesale Electric Energy Market in 2017 amounted to 117,669 million kWh; compared with 2016, sales grew by 1.29%. The total volume of capacity sales on the Wholesale Electric Capacity Market in 2017 was 27,396 MW; compared to 2016, sales grew by 0.08%.

**Structure of sales of electricity and capacity in the markets of power plants
RusHydro Group***

Index	2016	2017	Change, %
Sales volume, million kWh,	116,449.4	117,940.3	1.3 %
<i>Including:</i>	41,348.9	43,244.6	4.6 %
under regulated contracts	65,871.4	66,880.3	1.5 %
on the day ahead market	5,687.7	5,061.3	-11.0 %

¹⁹ The indicators are reflected only in the part of the Bureyskaya and Zeyskaya HPP.

Index	2016	2017	Change, %
on the balancing market	3,261.7	2,482.8	-23.9 %
under free bilateral agreements	279.6	271.3	-3.0 %
on the retail market	27,375.7	27,396.4	0.1 %
Power, MW	13,383.4	13,796.3	3.1 %
under regulated contracts (capacity)	11,380.7	5,110.9	-55.1 %
as a result of competitive selection	2,487.2	8,210.9	230.1 %
under free bilateral agreements	124.4	278.3	123.6 %

* The data are given taking into account the retail market

Electricity

The increase of 1.3% in the volume of electricity sales by power plants for the reporting period in comparison to the indicators of 2016 is due to the following factors:

- 4.6% increase in the sales under regulated contracts is due to a change in the binding of volume and value indicators between counterparties for the RC for 2017 in comparison to 2016 and the growth in sales volumes under 4 third-party contracts at NPZ WECM;
- 1.5% increase in the volume of electricity sales on the day-ahead market is due to a corresponding increase in the generation of electricity at HPPs in price zones;
- 11.0% decrease in electricity sales in the balancing market is due to the regulatory instructions of the System Operator to ensure reliable operation of the UES;
- 23.9% decrease in the volume of electricity sales under free bilateral contracts was due to a decrease in sales volumes under bilateral agreements in the non-price zone of the Wholesale Electric Capacity Market because of a decrease in the production of non-price zones compared to 2016;
- 3.0% decrease in the volume of electricity sales in the retail market was due to a 4.5% decrease in the sales of Nikolaevskaya CHPP in comparison to the values of 2016 and partially offset by an increase in the inflow and, accordingly, the electricity generation by small HPPs in the North Caucasus region.

Capacity

The 3.1% increase in the sales of capacity by RC is due to the change in the binding of volume and cost indicators between counterparties for the RC for 2017 in comparison to 2016.

The conclusion of free bilateral contracts for the purchase and sale of capacity (an increase of 230.1%) is due to the need to improve payment discipline in the Wholesale Electric Energy Market. As a result of the conclusion of the SDM, the share of non-payers for the capacity sold through the competitive power take-off mechanism has been reduced, thereby increasing the overall level of payment for the delivered capacity.

The increase in sales of capacity by SD FCEM led to a 55.1% decrease in sales volumes in the CCA due to the actual redistribution of capacity between FCEM and CCA.

The 123.6% increase in the volume of capacity sales within the framework of capacity contracts was primarily due to the lifting of restrictions on the delivery of capacity at the Gotsatlinskaya HPP as part of the Dagestan branch, as well as the commissioning of the Zelenchukskaya HPP-PSPP in the Karachaevo-Cherkessk branch.

The prices for the sale of electricity and capacity on the Wholesale Electric Power Market (price and non-price zones) by generating companies of RusHydro Group

	Type of goods	2016	2017	Change, %
PJSC RusHydro	Electricity, rubles / MWh	805.7	818.8	1.6 %
	Power, rubles / MW per month.	141,684.4	251,766.6	77.7 %
JSC "FEGC"	Electricity, rubles / MWh	1,307.1	1,367.9	4.6 %
	Power, rubles / MW per month.	247,272.4	258,105.2	4.4 %
PJSC "Mobile Energy"	Electricity, rubles / MWh	1,880.9	1,938.6	3.1 %
	Power, rubles / MW per month.	235,379.8	235,593.4	0.1 %
Total	Electricity, rubles / MWh	893.6	918.9	2.8 %
	Power, rubles / MW per month.	163,663.5	252,997.1	54.6 %

The average selling price of electrical energy on the Wholesale Electric Energy Market in 2017 was 918.9 rubles / MWh; compared to 2016, the price growth was 2.8%. The average selling price of power on the Wholesale Electric Energy Market in 2017 was 252,997.1 rubles / MW per month; compared with 2016, the price increase was 54.6%. The sharp increase is due to a surcharge on the price of capacity²⁰ in the price of CAA.

**The prices for the sale of electricity and capacity on the energy markets of power plants
by the group of companies of RusHydro**

Index	2016	2017	Change, %
Prices (tariffs)			
Average output price for electricity (capacity), rubles / MWh	1,369.2	1,638.8	19.7 %
Electricity, RUB / MWh,	907.5	933.5	2.9 %
including:	566.7	623.9	10.1 %
under regulated contracts (e / e)	1,081.7	1,096.6	1.4 %
on the day ahead market	1,088.4	1,066.3	-2.0 %
on the balancing market	898.9	967.4	7.6 %
by free two-party-ed contracts	6,664.7	7,296.8	9.5 %
to the retail market	163,664.1	252,997.1	54.6 %
Power, RUB / MW per month,	174,299.3	181,225.4	4.0 %
including	140,498.0	574,900.3	309.2 %
under regulated contracts (capacity)	115,348.8	118,185.7	2.5 %
as a result of competitive selection (KOM)	2,104,833.0	1,876,756.7	-10.8 %

The 10.1% increase in the price (tariff) of the sale on RC, taking into account the sale of 4-party contracts in NPZ WECM, is due to the indexation of regulated tariffs and the magnitude of the positive cost imbalance in NRP in the reporting period.

The 2.0% decrease in selling prices on the BR is due to the redistribution of the volumes of electricity sold by the hour of the day due to the regulatory instructions of SO UES, which, when the indicator was averaged, led to its rejection.

In 2016, the sale of the FBA was carried out only in the NPZ WECM. In 2017, in addition to the supply of BAs to the NCP, sales were made in the first price zone of the Wholesale Electricity Market at a price close to the DAM, which far exceeded the maximum possible selling price of hydroelectric power in the NPZ (no higher than the double tariff for electricity in accordance with the OPEC Rules). Accordingly, the average selling price for the SDA in 2017 increased by 7.6% in comparison to 2016.

The 9.5% increase in the price of electricity sold to the REM is due to the actual redistribution of the volumes of electricity sold between HPPs of the REM relative to the planned indicators, incl. during the reporting period, as well as by the hour of the day, and a corresponding increase in the transmission prices of the guaranteed suppliers, as well as an increase in the tariff for the electricity supplied by the Mykolayiv TPP.

The rate for energy at the stations of MPP Kazym and MPP Urengoy PJSC "Mobile Energy", approved by a decree of FAS Russia dated 16.11.2016 No. 1692/16, supplying to the WECM in a forced mode, for the second half of 2017 saw an increase of 4.8% and 3.7% to the first half of 2017 for MPP, respectively. No significant tariff growth in power has been detected.

**Proceeds from the sale of electricity and capacity at WECM (price and non-price zone) by RusHydro Group of companies,
RUB mn.**

Company	Type of goods	2016	2017	Change, %
PJSC RusHydro	Electricity	77,313.5	78,867.1	2.0 %
	Power	36,832.7	65,393.2	77.5 %
	Total power + power.	114,146.2	144,260.4	26.4 %

²⁰ Federal Law No. 508-FZ of December 28, 2016 "On Amendments to the Federal Law" On Electric Power Industry "introduced an addition to the price for capacity in the I and II price zones, due to which tariffs in the Far East will be reduced to a basic level determined by the Government of the Russian Federation.

JSC "FEGC"	Electricity	26,228.9	29,061.4	10.8 %
	Power	16,590.2	17,436.5	5.1 %
	Total power + power.	42,819.1	46,497.9	8.6 %
PJSC "Mobile Energy"	Electricity	269.1	191.9	-28.7 %
	Power	342.0	344.8	0.8 %
	Total power + power.	611.1	536.7	-12.2 %
Total	Electricity	103,811.5	108,120.4	4.2 %
	Power	53,764.9	83,174.5*	54.7 %
	Total power + power.	157,576.4	191,295.0	21.4 %

* The revenue from the sale of capacity in the amount of the premium is reflected in the consolidated financial statements of RusHydro Group under IFRS deducted with the amount of free-of-charge targeted contributions to the budgets of the constituent entities (regions) of the Russian Federation.

The total sales of electricity and capacity on the Wholesale Electric Energy Market in 2017 amounted to 191,295.0 million rubles; compared to 2016, revenue growth was 21.4%.

**Revenues from sales of electricity and capacity on energy markets
by generating companies of RusHydro Group, mn rubles.**

Index	2016	2017	Change, %
Cost indicators			
Revenues for electricity and capacity, total	159,519.9	193,357.0	21.2 %
Wholesale market, including	157,576.4	191,295.0	21.4 %
Electricity, including	103,811.5	108,120.4	4.2 %
under regulated contracts (e / e)	23,432.9	26,981.6	15.1 %
on the day ahead market	71,256.1	73,340.0	2.9 %
on the balancing market	6,190.5	5,397.1	-12.8 %
by free two-party-ed contracts	2,932.1	2,401.8	-18.1 %
Power, including	53,764.9	83,174.5	54.7 %
under regulated contracts (capacity)	27,992.5	30,002.9	7.2 %
as a result of competitive selection (KOM)	19,187.6	35,259.1	83.8 %
under free bilateral agreements	3,442.7	11,644.9	238.2 %
other kinds of power purchase and sale	3,142.1	6,267.6	99.5 %
Electricity supplied to the retail market	1,863.5	1,979.8	6.2 %
Reactive power control services (JI services)	79.9	82.2	2.8 %
Net revenue for electricity (capacity)	152,340.2	186,186.4	22.2 %
Purchase Costs			
purchased power	7,161.7	7,159.7	0.0 %
purchased capacity	18.0	10.9	-39.6 %
total costs	7,179.7	7,170.6	-0.1 %

Net revenue from the sale of electricity (capacity) increased by 22.2% compared to the level of 2016 due to the following factors:

- receiving a premium to the price of capacity,
- growth in sales volume by FBC
- 3.8% growth in the price of DAM in the second price zone,
- 1% increase of output 1
- indexation of tariffs in markets with regulated pricing.

Electricity supply in the retail market and sale to consumers

Name	2016, mn kWh	2017, mn kWh	Deviation % (net supply)	Reasons
PJSC "Krasnoyarskenergosbyt"	13,580	12,540	-9 %	The main impact on the decline in output in 2017 relative to the previous year was the output of large consumers in the WECM, in accordance with the corporate strategy. The following factors influenced the growth of volumes in the "Population" group: - high rates of newly introduced housing; - temperature factor.
PJSC RESC	2,711	2,661	-2 %	Reasons for the decline: - withdrawal in 2017 to the wholesale market of an energy-intensive enterprise - LLC Guardian Steklo Ryazan, a decrease of 49.6 million kWh; - a significant reduction in electricity consumption by JSC Mezhtregionenergosbyt, a decrease of 22.8 million kWh; - reduction of losses for grid companies acquiring electricity to compensate for losses in their networks, a decrease of 18.6 million kWh.
JSC Chuvash Energy Sales Company	3,274	3,320	1 %	The increase is due to the increase in the consumption of the population and the growth of average weighted unregulated prices transmitted from the wholesale electricity (capacity) market for consumers in the retail electricity market.
JSC ESC RusHydro	2,360	2,186	-8 %	The decrease is due to the cancellation of contracts with consumers in the Republic of Bashkortostan in the 4th quarter of 2017. At the same time JSC ESC RusHydro concluded contracts with new customers in other constituent entities of the Russian Federation
Total PJSC RusHydro (without controlled companies and Subgroup RAO ES of the East	21,925	20,707	-6 %	

Tariffs for electricity and electricity concessions in the Far Eastern Federal District

Activities in the non-price and isolated zones of the Far Eastern Federal District are carried out at tariffs set by the state federal executive bodies (FTS of Russia - until July 21, 2015, after July 21, 2015 - FAS Russia) and executive authorities of the regions of the Russian Federation in the field of state regulation of tariffs hereinafter - regional regulating bodies), in accordance with the pricing principles and the rules of state regulation of tariffs for electrical and thermal energy in the Russian Federation. Prices in the Far Eastern Federal District are not market-based.

Federal Law No. 190-FL of July 27, 2010 "On Heat Supply" sets out the main principles for regulating prices (tariffs) in the sphere of heat supply and the authority of regulators in the field of regulating prices (tariffs) in the sphere of heat supply. The basic principles, methods of regulation, as well as the procedure for calculating and approving tariffs for thermal energy are defined in Resolution of the Government of the Russian Federation No. 1075 of October 22, 2012 "On Pricing in the Sphere of Heat Supply."

When approving tariffs, regulators adhere to the following methods of tariff regulation

- tariffs for electrical energy (power) to JSC "FEGC", supplied in non-price zones WECM, are approved by Decree of FAS Russia of 08.12.2016 No 1736/16, calculated by indexing;
- tariffs for electricity transmission services for FEDC JSC (except for the South Yakutsk Electric Networks branch), are approved by using the RAB method;
- Sales increase for the PJSC "FEED" - in accordance with the Guidelines for calculation of sales mark-ups for guaranteed suppliers, approved by Decree of the Federal Tariff Service of Russia of 30.10.2012 No 703-e;
- Electricity tariffs for the end user in an isolated area - using the method of economically justified costs;

Dynamics of average tariffs for electricity supplied to consumers, kopecks / kWh

	2016	2017	Change, %
Isolated zone	605.27	658.17	8.7
PJSC "Yakutskenergo"	614.73	680.85	10.8
PJSC "Kamchatskenergo"	572.28	641.73	12.1
PJSC "Magadanenergo"	457.70	523.65	14.4
PJSC "Sakhalinenergo"	520.08	526.35	1.2
Chukotenergo JSC	980.47	1,091.99	11.4
JSC "SENK"	2,438.58	2,419.34	-0.8
Non-price zone (tariffs for the zone of PJSC DEK)	296.89	318.97	7.4
Primorsky Krai	312.13	333.05	6.7
Khabarovsk Region	329.90	343.33	4.1
Amur Region	258.14	278.21	7.8
Jewish Autonomous Region	232.13	319.02	37.4

The average increase in tariffs for electricity delivered to end users by RAO ES of the East JSC in an isolated zone in 2017 grew by 8.7% to the level of 2016. The minimum increase in tariffs was 1.2% for PJSC "Sakhalinenergo", the maximum - 14.4% for PJSC "Magadanenergo". With a decrease of 0.8%, the average tariff rate for JSC "SENK" is set, which is due to the adjustment of expenditures - "falling income", "excess income", and the increase in output is 1.7% compared to 2016.

The decrease in electricity sales volumes under free bilateral contracts by 29.1% was due to a decrease in sales volumes for Bilateral Contracts in the non-price zone of the Wholesale Electric Energy Market because of a decrease in the production of non-price zones by 2016.

In the territory of the non-price zone of the WECM, from 01.07.2016 onwards, no numerical values of tariffs for other consumers are established. The growth of tariffs in the non-price zone of the Wholesale Electric Energy Market was 4.1% to 37.4%.

Dynamics of average tariffs for electricity production in isolated areas

Isolated areas of the Retail Market ²¹	2016	2017	growth rate
	RUB/thousand kWh	RUB/ thousand kWh	%
Geotherm JSC	2,695	2,715	100.71
JSC "Pauzhetskaya GeoPP"	6,395	6423	100.44
Frishter Yu.I. Kolyma HPP	1,032	1,203	116.60
Kolyma Electric Networks	2,040	2,372	116.25
PJSC "KamGEK"	3,355	4,027	120.01

In 2017, according to the objects of the REM, which produces electricity (power) at HPPs, GeoPPs and regulated by the method of economically justified costs, growth was achieved above the deflator index.

Electricity supply in the retail market and sales to consumers

	2016, mn kWh	2016, mn RUB*	2017, mn kWh	2017, mn RUB*	Deviation% (net supply)	Deviation% (revenue)
Total for the Subgroup of RAO ES of the East	32,309.1	127,027.0	31,495.2	116,046.6	-2.5	-8.6

* including VAT 18%

In comparison to 2016 there was a decrease in the supply of electrical energy. This was influenced by the change in electricity consumption by the companies of PJSC "FECC" and PJSC "Yakutskenergo".

Main reasons:

- decrease in the output for grid companies acquiring electricity in order to compensate for losses,
- the transition of a part of consumers from the retail electricity market to the wholesale market.

²¹ Indicators for JSC Geotherm, JSC Pauzhetskaya GeoPP, PJSC KamGEK, PJSC Kolymaenergo.

Structure of the net supply of electricity in the Far East*

Consumer group	Electric Energy	
	Revenues, mn RUB	share%
Network organisations that purchase electricity to compensate for losses	8,463.3	7.3
Industry	21,943.9	18.9
Transport and communications	5,176.7	4.5
Agriculture	1,398.0	1.2
Enterprises financed by the federal budget	6,424.9	5.5
Enterprises financed by the local (regional) budget	5,112.2	4.4
OPP	7,758.1	6.7
Housing and utilities	11,136.9	9.6
Population, on direct calculations	23,124.1	19.9
UK, HOA, HBC	4,986.8	4.3
Other	20,521.7	17.7
Total	116,046.6	100.0

* including VAT 18%

Reflection of the premium to the price of capacity. Changes in legislation in 2017

Federal Law No. 508-FL of December 28, 2016 and No. 129-FL of June 30, 2017 "On Amendments to the Federal Law" On Electric Power Industry "introduced a surcharge to the price for capacity in the I and II price zones, due to which tariffs in the Far East were reduced to the national average.

This change provides for the application of a surcharge to the price of capacity sold by the Company in the price zones of the wholesale electricity and capacity market, with the subsequent transfer of funds received as a result of the application of this allowance to the budgets of constituent entities of the Russian Federation such as a part of the Far Eastern Federal District in the form of targeted contributions.

As part of the introduction of a mechanism for bringing prices (tariffs) for electricity (power) to consumers of the Far Eastern Federal District, with the exception of the population, a number of by-laws have been adopted to the basic levels (Decree of the Government of the Russian Federation No. 895 of July 28, 2017; Decree No. 1614 of the Government of the Russian Federation of July 28, - r, Decree of the Government of the Russian Federation of July 28, 2017 No. 1615-p), after the enforcement of which, consumers (industrial consumers) of the five regions of the Far East (isolated systems: the Republic of Sakha (Yakutia), Magadan Region, Chukotka Autonomous District, Kamchatka Territory, Sakhalin area) already in 2017 received tariffs for electricity aligned to the average Russian level (the base level). The base level of prices (tariffs) for electricity (power) by the decree of the Government of the Russian Federation for 2017 is set at 4.00 rubles / kWh. The current average tariff for industrial consumers in the above-mentioned territories in the current year is from 4.7 rubles / kWh. up to 11.3 rubles / kWh.

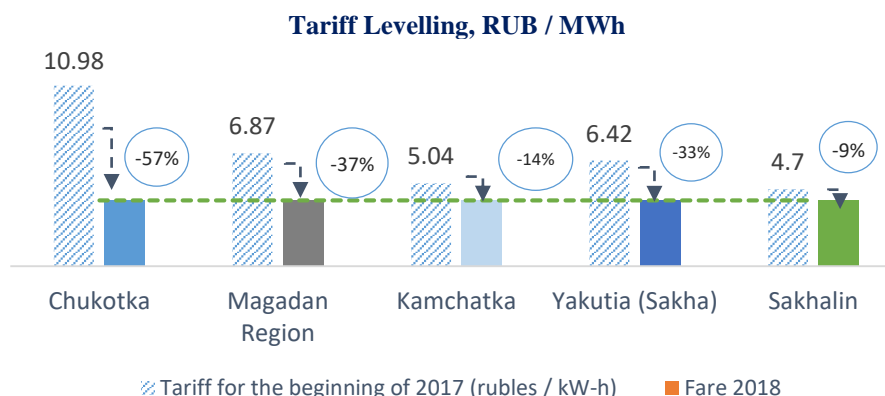
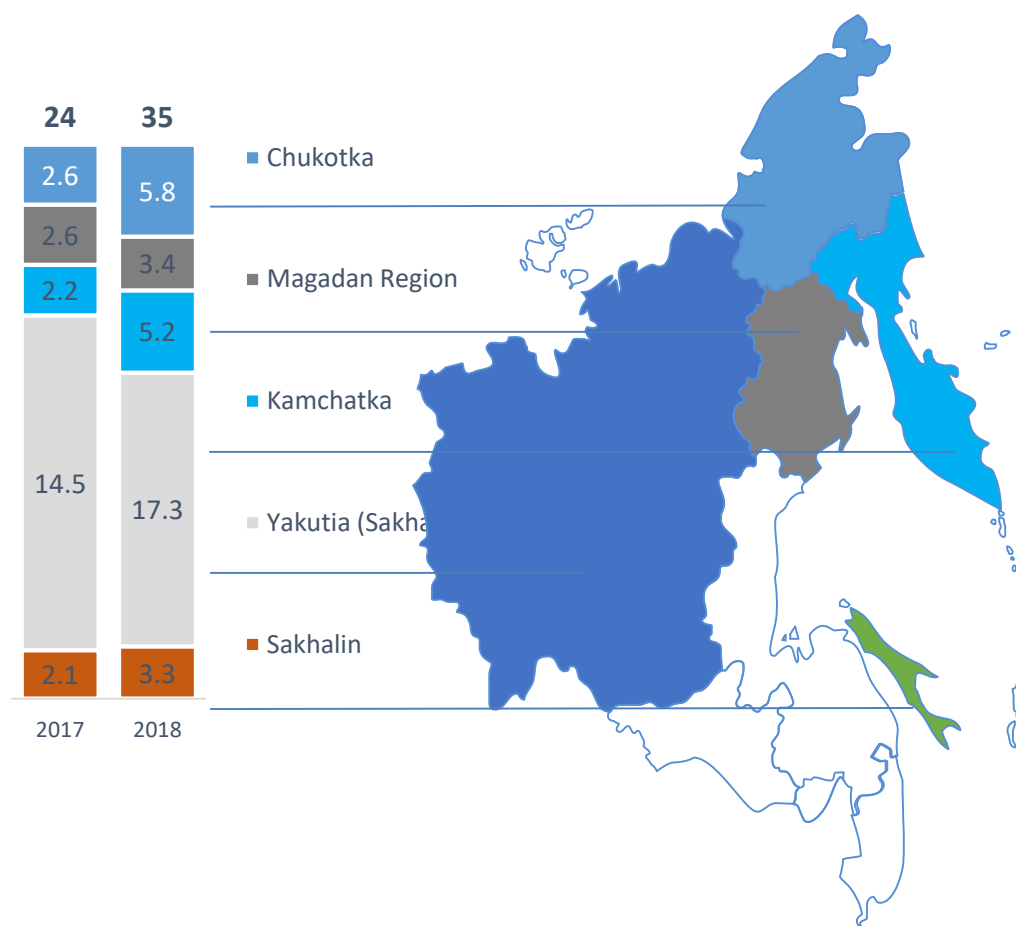
As part of the implementation of the mechanism to bring prices to the basic level in the Far East, in accordance with the decision of the Government for 2017, the surcharge for 2017 is determined at the amount of 23,995.28 million rubles.

Work is underway to formulate proposals for changing the tariff regulation in respect of tariffs for electricity (capacity), which are currently established by the method of economically justified expenditures. This work is carried out with the aim of introducing long-term methods of regulation that ensure the preservation of the effect obtained by optimising costs and improving the efficiency of energy companies and getting a return on capital (profitability) when implementing new investment projects.

Levelling tariffs in the Far Eastern Federal District. Impact on regions and RusHydro Group

In 2017, the mechanism was introduced in five of the nine regions of the Far Eastern Federal District, in which the average tariff for electricity for consumers was above 4 rubles / kWh.

Amount of extra charge, bn rubles.



The reduction of tariffs does not lead to a decrease in revenues, as it is completely compensated by subsidies allocated from budgets, which are paid at the expense of the surcharge to the price of CCA. The total amount of subsidies received by guaranteed suppliers - enterprises included in the Group (within the Decree of the Government of the Russian Federation of 07/28/2017 No. 895), amounted to 17,254 million rubles. In addition, other subsidies received by the RusHydro Group amounted to 15,491 million rubles. **(201-4)**. The situation with accounts receivable will improve as a result of replacing a part of the proceeds from consumers with direct subsidies from regional budgets.

Heat energy market

In the heat generation market, RusHydro Group is represented through the activities of the Subgroup RAO ES of the East, as well as through the activities of the Bureyskaya and Zeyskaya HPPs.

The supply of heat energy is carried out centrally from thermal power plants and boiler houses operated by power systems. At the same time, a number of power systems are engaged to supply thermal energy, carrying out activities for the production and distribution of thermal energy, others - only carry out activities for the production of thermal energy.

The implementation of thermal energy, in accordance with the legislation of the Russian Federation, is a fully regulated type of activity.

Federal Law No. 190-FL of July 27, 2010 "On Heat Supply" sets out the main principles for regulating prices (tariffs) in the sphere of heat supply and the authority of regulators in the field of price (tariff) regulation in the heat supply sphere. The basic principles, methods of regulation, as well as the procedure for calculating and approving tariffs for thermal energy are defined by Russian Government Decree No. 1075 of 22.10.2012 "On Pricing in the Sphere of Heat Supply".

The prices (tariffs) for thermal energy sold by energy companies for all consumer groups are approved by the executive authorities of the regions of the Russian Federation in the field of state regulation of prices (tariffs) within the limits of tariff levels approved by the FAS.

Dynamics of tariffs for thermal energy in The Far East

Name	2016	2017	2017/2016
	RUB / GCal	RUB / GCal	
Branch of PJSC "RusHydro" - "Bureyskaya HPP" **	701.29	708.63	1.0 %
Branch of JSC "RusHydro" - "Zeyskaya HPP" **	797.68	821.41	3.0 %
JSC "FEGC"	1,397.31	1,450.80	103.8 %
Amur Region	806.86	856.79	106.2 %
Primorsky Krai (Primorskaya Generation, PTS)	1,689.95	1,767.85	104.6 %
Primorsky Territory (LuTEK)	1,268.54	1,328.28	104.7 %
Khabarovsk Territory (Khabarovsk Generation, HTSK)	1,287.44	1,339.78	104.1 %
Volochaevskaya Boiler-house	1,503.88	1,909.15	126.9 %
The Jewish Autonomous Region (Birobidzhan TPP)	1,896.37	1,929.28	101.7 %
Republic of Sakha (Yakutia) Neryungrinskaya State District Power Station	1,867.96	1,980.23	106.0 %
Isolated zones:	3,200.64	3,312.29	103.5 %
PJSC "Yakutskenergo"	1,452.32	1,620.14	111.6 %
PJSC "Kamchatskenergo"	5,029.23	5,459.45	108.6 %
PJSC "Magadanenergo"	4,029.84	4,203.02	104.3 %
PJSC "Sakhalinenergo" *	848.26	826.66	97.5 %
JSC Chukotenergo *	3,339.38	3,546.96	106.2 %
JSC "YUESK"	13,042.15	13,599.96	104.1 %
Sakhaenergo JSC	9,323.52	10,384.74	111.4 %
JSC "Teploenergосervis"	5,444.32	5,359.91	98.4 %

* PJSC "Sakhalinenergo", JSC "Chukotenergo" carry out the release of heat energy from collectors to wholesale consumers-resellers.

** It supplies thermal energy produced by electric boiler houses.

The growth of tariffs for thermal energy produced in the mode of combined generation of electrical and thermal energy by heat energy sources with an installed generating capacity of electrical power production of 25 MW or more is limited to the minimum and maximum tariff levels approved by the FAS Decree No. 1646/16 of November 21, 2016.

Starting from 2016, tariffs for heat energy supplied by heat supply organisations to other consumers are not limited to the maximum level of tariff growth, and the growth of tariffs for heat energy for the population is limited by the index of changes in the amount of utility payments paid by citizens for the constituent entities of the Russian Federation, 11/19/2016 No. 2464-r.

According to the zone of activity of JSC "DGK" as a whole, the increase in the average tariff was 3.8%, including a minimum growth of 1.7% for the Jewish Autonomous Region, and a maximum of 26.9% for the Volochaevskaya Boiler House in the Khabarovsk Territory.

In the isolated zone as a whole, the increase of average tariffs for thermal energy supplied to end-users amounted to 3.5%. The minimum increase in tariffs was 4.1% for JSC "YUESK", the maximum - 11.6% for PJSC "Yakutskenergo". According to PJSC "Sakhalinenergo", the average delivery rate was set at 2.5% lower than the approved one for 2016, which is due to the adjustment of costs for individual aspects of expenditure, incl. dropping incomes, without taking into account that the increase in tariff for 2017 as compared to 2016 is 1.0%.

Sale of thermal energy in the Far East*

	2017* thousand GCal	2017** mn rubles.	2016* thousand GCal	2016** mn rubles.	Deviation % (useful leave)	Deviation% (revenue)
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Total for DFO	22,717.2	46,228.5	23,661.1	46,447.1	-4 %	-0,3 %
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* A useful vacation for consumers of thermal energy

** Revenues including VAT 18%

The following factors influenced the decrease in the useful supply of heat energy in comparison with 2016:

- higher average monthly temperatures of outdoor air during the heating season of 2017,
- application of energy saving technologies, installation of metering devices.

Structure of the supply of thermal energy in the Far East

Consumer group	Thermal energy	
	Revenues*, mn rubles	Share
Industry	1,615.5	3.5 %
Agriculture	228.3	0.5 %
Federal budget	2,243.9	4.8 %
Regional, local budget	5,175.2	11.2 %
Heat supply, housing construction cooperative, Management Companies	5,905.5	12.8 %
Population	21,723.3	46.9 %
Heat supply organisations	4,865.1	10.1 %
Other	4,531.7	9.8 %
Total	46,288.5	100.0 %

*including VAT 18%

1.5 Company on the securities market

1.5.1 Authorised capital

The authorised capital of PJSC RusHydro (as of December 31, 2017)

Authorised capital, RUB	Number of ordinary shares, pcs.	Nominal 1 share	Declared ordinary shares in accordance with the Charter, pcs.	State registration number of the issue	Date of state registration of the issue
426,288,813,551	426,288,813,551	1 ruble	14,013,888,828	1-01-55038-E	22.02.2005

Information on the Company's shares

- The existence of a special right to participate in the management of society ("golden share") - this right is not provided for
- At the request of the executive bodies, there is no information on the existence of ownership interests in shares exceeding five percent, in addition to those already disclosed by the Company²²,
- The number of the Company's voting shares, broken down by categories (types) of shares: 426,288,813,551 ordinary registered shares.
- There are no own shares at the Company's disposal.
- The Company did not place preferred shares or ordinary shares with different par value
- There are 3,852,267,925 shares under the control of the Company, which is 0.9% of the Company's authorised capital²³.

Number of shares in the possession of controlled companies by the Company

Controlled company	Number of shares, pcs.	Share in authorized capital
Zaramagskiye HPP JSC	271,302,097	0.063642
LLC Index of Energy - HydroOGK	1,571,912,023	0.368743
LLC EZOP	1,858,179,291	0.435897
ChirkeyGESstroy JSC	29,205,310	0.006851
JSC "RAO ES of the East"	48,520,232	0.011382
PJSC "FEEC"	73,093,031	0.017146
PJSC "Yakutskenergo"	55,941	0.000013

Information on changes in the authorised capital in 2017

In November 2016, the Board of Directors of the Company decided to increase the authorised capital by 40,429 million rubles by placing additional shares through open subscription. The decision on the additional issue of shares was registered by the Bank of Russia on 07.12.2016, the additional issue was assigned the registration number 1-01-55038-E-042D.

In January-March 2017, 40,033,348,661 additional shares were placed, including 40 billion shares in the interest of VTB Bank (PJSC)²⁴. The report on the results of the additional issue was registered by the Bank of Russia on 05.06.2017. The individual number (code) of this issue was cancelled on September 7, 2017. Changes in the Charter of the Company in terms of increasing the authorised capital and reducing the number of announced shares were registered by the tax authorities on 04.08.2017.

Nature of ownership: JSC RusHydro is an amalgamated Russian property with a share of federal ownership. **(102-5)**

1.5.2 Shareholders

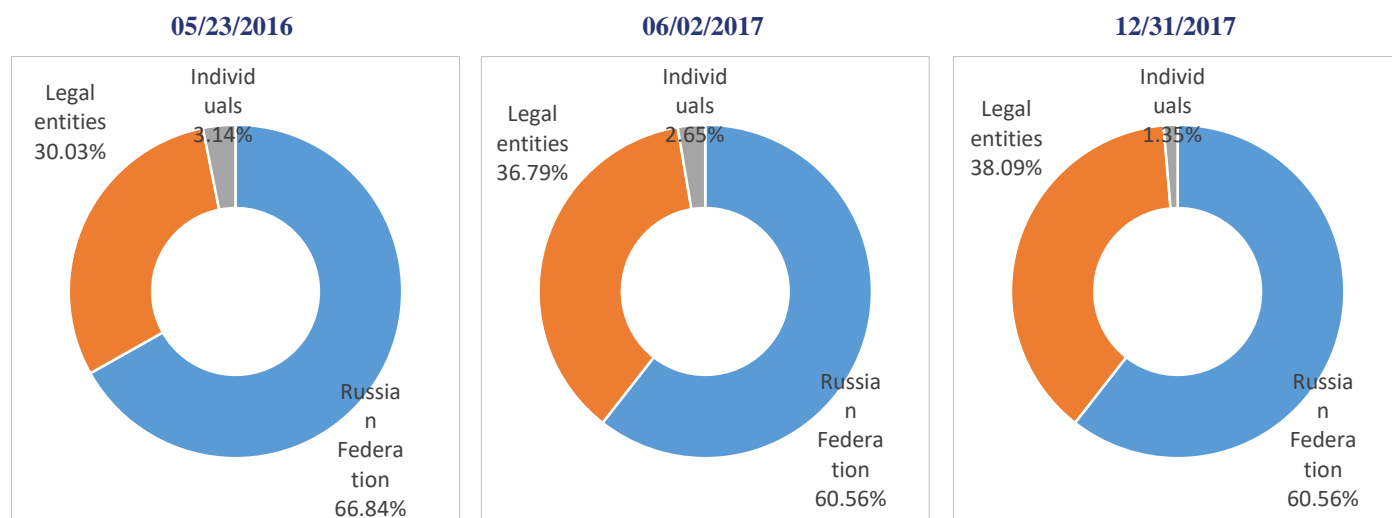
²² See request here <http://www.rushydro.ru/investors/stockmarket/capital/>

²³ The shares of the Company belonging to the controlled entities of JSC RusHydro did not participate in voting at the annual General Meeting of Shareholders held on June 26, 2017.

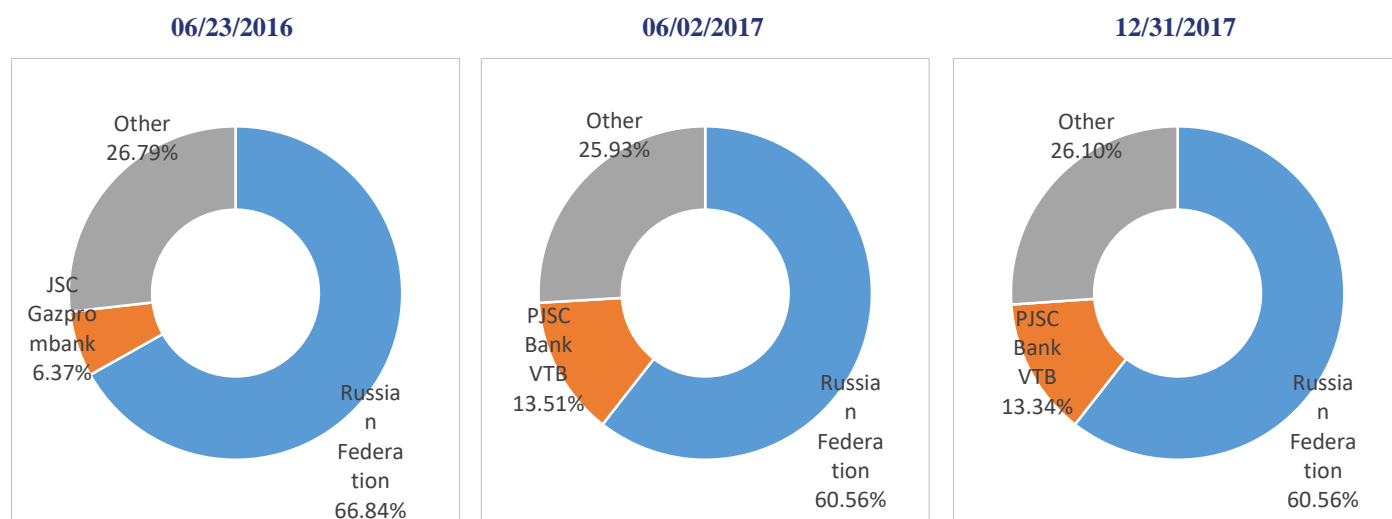
²⁴ For more details, see subsection "Refinancing of the Debt of the Subgroup RAO ES of the East"

The Company's shareholders constitute about 35²⁵0 thousand Russian and foreign investors. The Russian Federation owns a controlling stake of 60.6%.

Change in the structure of share capital by category of shareholders

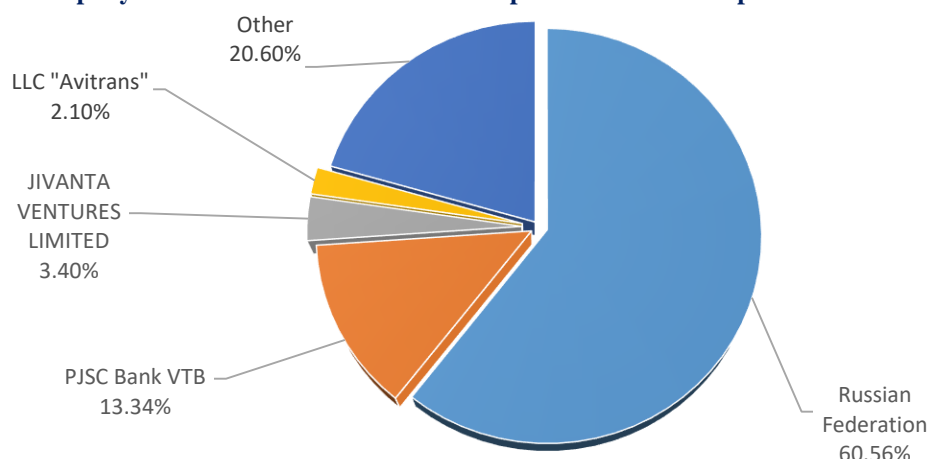


Changes in the range of shareholders who have the right, directly or indirectly, to dispose of not less than 5% of the votes attributable to the voting shares of the Company (% of the authorised capital)



²⁵ The Russian Federation (federal property) owns the Company's shares through the Federal Agency for State Property Management (258,161,535,606) and through the Federal State Unitary Enterprise "Information Telegraph Agency of Russia (ITAR-TASS)" (248,527).

Shareholders of the Company whose share in the authorised capital is more than 2 percent as of December 31, 2017



Shares free-float *

date	The coefficient of free-float (the share of securities in free float)
The last trading day of 2015	0.34
The last trading day of 2016	0.23
The last trading day of 2017	0.25

* In accordance with the methodology for calculating the coefficient of free-float, approved by the PJSC Moscow Stock Exchange ²⁶.

1.5.2 Circulation of shares

Shareholders of PJSC RusHydro may enter into shareholder agreements, including those providing for the receipt by any shareholder of the degree of control disproportionate to their participation in the share capital ²⁷.

Information on received notifications about concluded share agreements by PJSC RusHydro

Parties to the shareholder agreement	Date
- The Russian Federation represented by the Federal Agency for State Property Management - VTB Bank (PJSC)	03/07/2017
- The Russian Federation represented by the Federal Agency for State Property Management - The controlled companies of PJSC RusHydro: JSC Hydroinvest ²⁸ , LLC "EZOP", LLC "Index of Energy - HydroOGK"	06/23/2016

The circulation of PJSC RusHydro shares on the Russian market

Shares of PJSC RusHydro are included in the first-level quotation list and have been traded on the Moscow Stock Exchange (formerly the MICEX Stock Exchange) under the ticker HYDR since 2008, and since March 2013 the Company's shares have been admitted among the first on the Russian stock market to trading in the T system +2 with partial collateral and deferred execution of transactions.

The company's shares are components of the most important indices of the stock market, such as the Moscow Stock Exchange, RTS, MICEX, Power, RTS - Power, MICEX BMI, the index of shares of companies with state co-ownership (SCI), MICEX, and international: MSCI Russia, FTSE All World Emerging Europe.

Results of trading in stocks on the stock market

	2015	2016	2017
Trading mode	T + Shares and DRs	T + Shares and DRs	T + Shares and DRs
Currency of trades	RUB		
Maximum transaction price	0.679	0.994	1.100
Minimum transaction price	0.496	0.575	0.717

²⁶ <http://www.moex.com/ru/index/MICEXINDEXCF/constituents/>

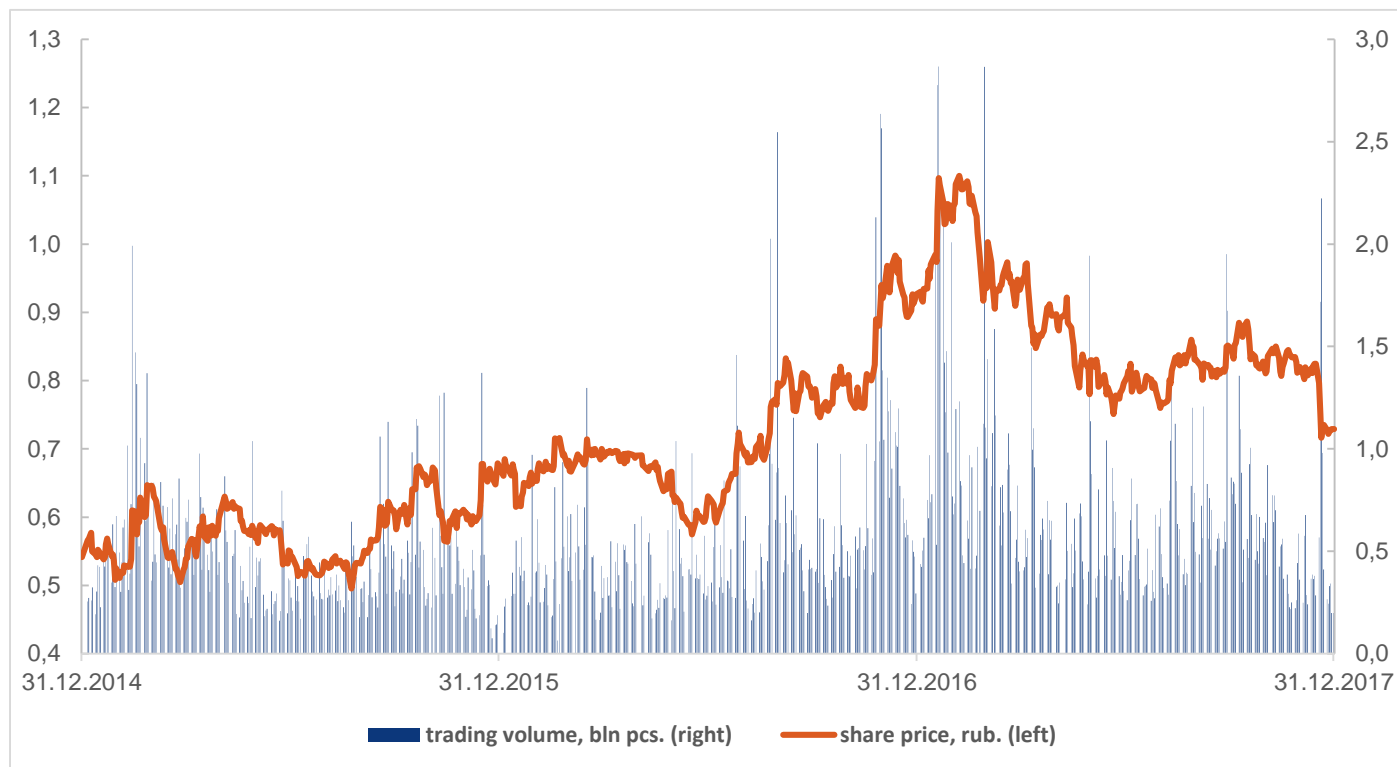
²⁷ Information on the possibility of acquisition or acquisition by a certain shareholder of the degree of control disproportionate to their participation in the authorised capital of the Company, including on the basis of shareholder agreements or due to the availability of ordinary and preference shares with different nominal value, see <http://www.rushydro.ru/upload/iblock/65a/Svedeniya-o-vozmozhnosti-priobreteniya-stepeni-kontrolya.pdf>

²⁸ As of 07.03.2017, JSC Hydroinvest ceased to be a shareholder of the Company, and the aggregate share of OOO EZOP LLC and LLC Index of Energy - HydroOGK in the Company's authorised capital decreased to 0.8% due to the alienation of shares in the interest of VTB Bank (PJSC).

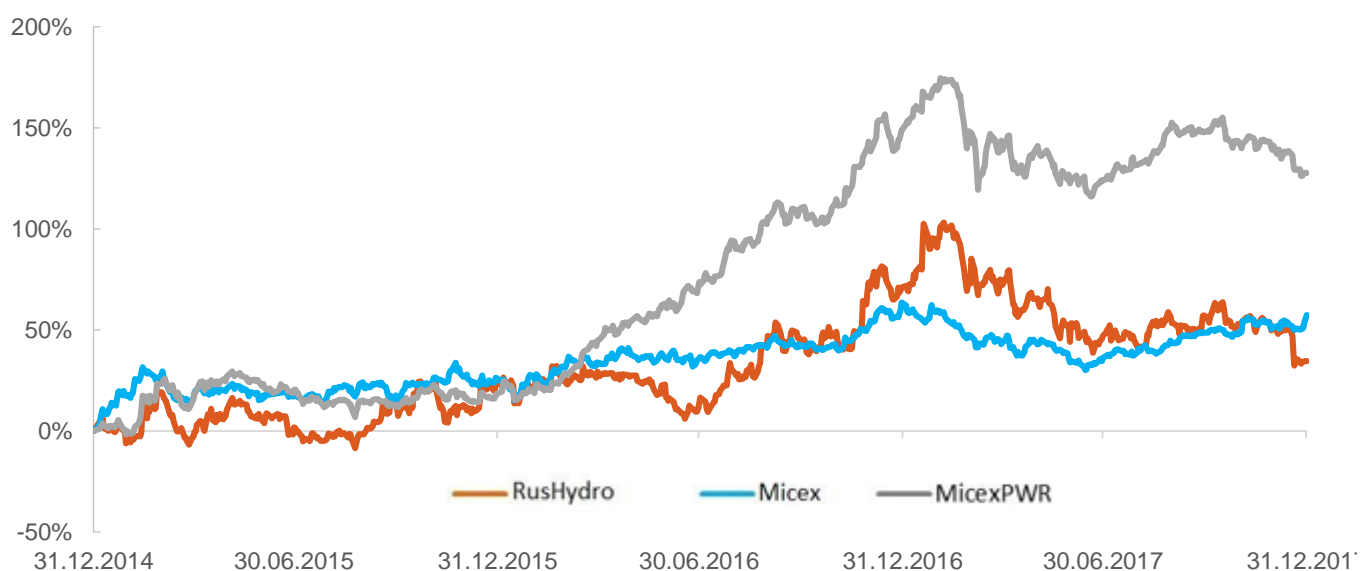
Transaction price at the end of the year	0.679	0.926	0.729
Trading volume, pcs.	116 bn	134 bn	173 bn

A source: <http://moex.com/>

Dynamics of the value of Company's shares and the volume of trading



Dynamics of Company's share price compared to key indices for 2015-2017



A source: <http://moex.com/>

During the period from 2015 to 2017, the value of RusHydro's shares increased by 34%, the Moscow Stock Exchange index (formerly the MICEX index) increased by 47%, the branch indicator of the Power Industry of the Moscow Stock Exchange grew by 127%.

2015

In 2015, the MICEX index added 26%, the MICEX index Electric power industry - 18%, RusHydro shares increased by 25%. Support for the Russian market as a whole was provided by the improvement of the attitude of global investors to the assets of emerging markets amid the persistence of a soft monetary policy of the world's leading central banks and the expectation of a recovery of the Russian economy in the medium term. An additional positive factor for RusHydro's shares was the continuation of the liberalisation of the sale of the capacity of Siberian hydroelectric power stations, the results of KOM, the increase in electricity prices in the second price zone, the introduction of new capacities by the Company, and the Company's efforts to improve the financial profile of RAO ES of the East.

2016

In 2016, the MICEX index added 27%, the MICEX index Electric power industry - 110%, RusHydro shares increased by 36%. Support for the Russian market as a whole was provided by the expectations of the recovery of the Russian economy and the strengthening of the ruble exchange rate in the second half of the year. The growth of RusHydro's shares was promoted by high dividend payments, the completion of the liberalisation of the sale of the capacity of the Siberian hydroelectric power stations, as well as the strong operating results of the hydrogenerating segment against the background of rising water availability. In addition, a positive factor for the shares were measures to optimise operating and investment costs, making decisions on refinancing the debt of the RAO ES East Subgroup by raising equity financing in the amount of 55 billion rubles from VTB Bank (PJSC) with the conclusion of a forward contract; consolidation of the stake in RAO ES of the East in order to bring the ownership to 100%. An additional factor of growth was the Company's implementation of large assets for a total of more than 15 billion rubles.

2017

In 2017, the MOEX index decreased by 6%, MICEX Index Electric power industry by 8%, RusHydro's shares fell by 21%. Pressure on the Russian market as a whole was a result of geopolitical risks, including discussion of the introduction of new sanctions by the US, as well as general decrease of interest in Russian companies by global investors amid tightening of monetary policy in the US and volatility in oil prices. For most of the year, the dynamics of RusHydro's shares corresponded to the general market. At the end of the year, an additional negative pressure on shares came following the information on the decision of the Board of Directors of RusHydro to temporarily suspend construction of the Zagorskaya PSHPP-2.

Company's market capitalisation *, mn rubles.

Reporting period	Value	Trader on the securities market
2015	257,787	CJSC "MICEX Stock Exchange" **
2016	356,166,	PJSC Moscow Stock Exchange
2017	309,656,	PJSC Moscow Stock Exchange

Source of information - the official website of PJSC Moscow Stock Exchange: <http://moex.com/s26>

* Market capitalisation is calculated as the product of the number of shares of the corresponding category (type) by the market price of one share, disclosed by the trader .

** 12/19/2016 CJSC "MICEX Stock Exchange" ceased its activities by reorganization in the form of a merger with PJSC Moscow Stock Exchange.

Circulation of shares on the international market

The number of shares traded outside the Russian Federation in the form of ADR and GDR as of December 31, 2017 is 18,650,555,600 shares, which is 4.38% of the Company's charter capital.

Holders of GDRs and ADRs as of 31.12.2017

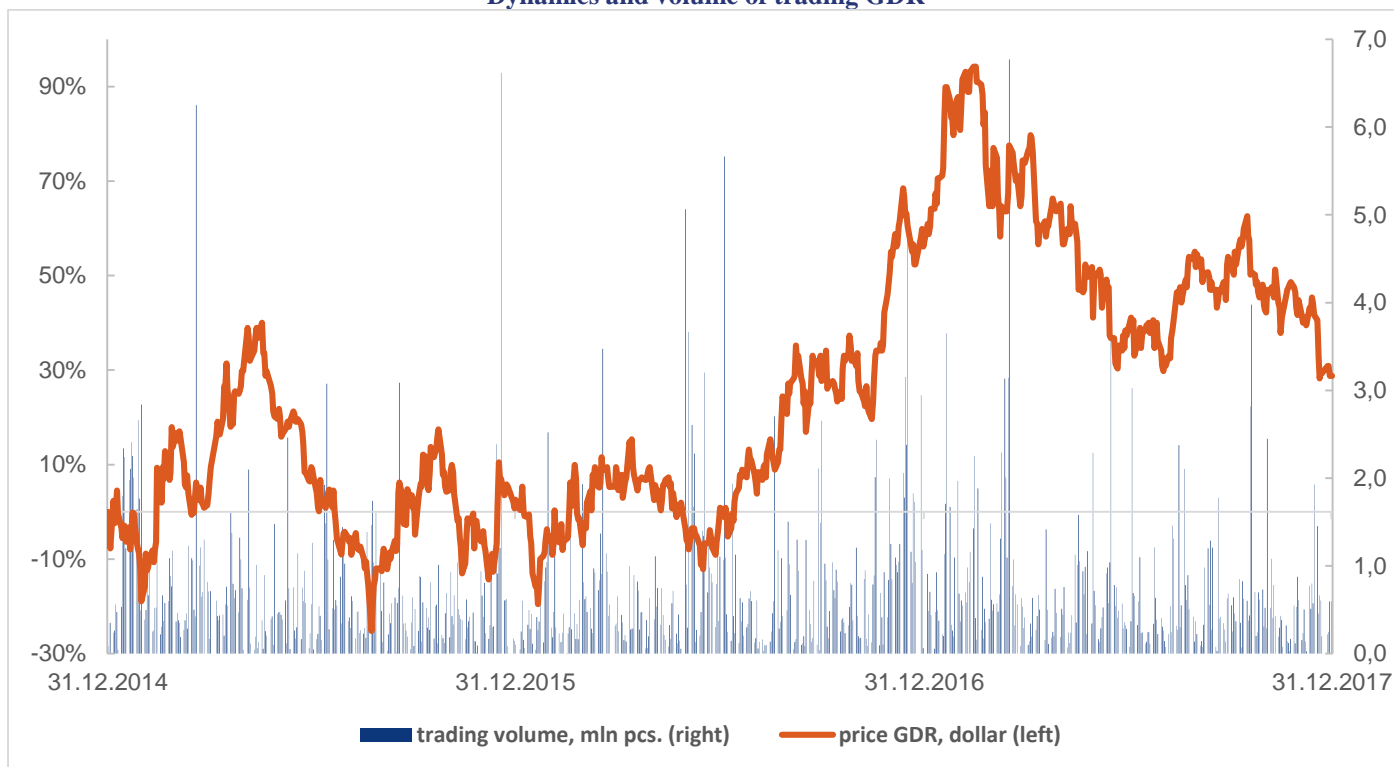
Type of program	Program start date	Depository Bank	Ratio	Ticker symbol	Number on December 31, 2017, pcs.	Trading platforms
GDR by Rule 144A	17.06.2008	The Bank of New York Mellon	1 GDR = 100 ordinary shares	HYDR	78,273	London Stock Exchange (Main Market – IOB)
ADR Level 1	07.08.2009	The Bank of New York Mellon	1 ADR = 100 ordinary shares	HYDR	186,427,283	OTCQX

Results of the sale of depositary receipts on the LSE

	2015	2016	2017
Ticker	HYDR		

Currency of trades	USD		
Maximum transaction price	1.305	1.57	1.81
Minimum transaction price	0.697	0.75	1.20
Transaction price at the end of the year	0.956	1.455	1.20
Trading volume, pcs.	182 million	188 million	175 million

Dynamics and volume of trading GDR



1.5.3 PJSC RusHydro Dividend Policy

The main objective of the Company's dividend policy is to ensure the strategic development of PJSC RusHydro and the growth of the well-being of its shareholders through the establishment of an optimal balance between dividend payments to shareholders and capitalisation of profits.

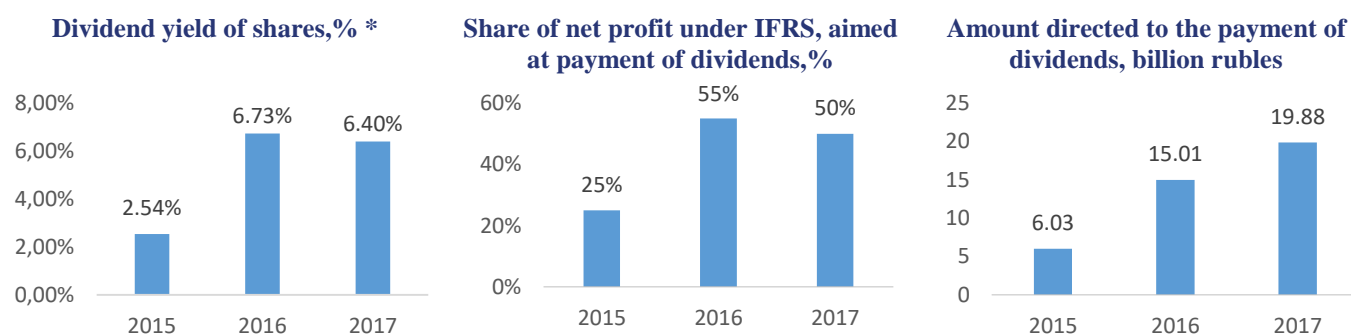
To ensure transparency in determining the amount of dividends and their payments to PJSC RusHydro there is a Regulation on dividend policy approved by the decision of the Board of Directors of PJSC "RusHydro" (Minutes No. 195 of March 28, 2014). The Board of Directors provides its recommendations on the amount of the dividend for approval by the General Meeting of Shareholders, based on the net profit figure determined in accordance with the consolidated financial statements of RusHydro Group for International Financial Reporting Standards and Russian Accounting Standards, and the Company's need for financing the investment program., No less than 5% of the profit for the period determined in the consolidated financial statements of RusHydro Group under IFRS can be channelled for the payment of dividends for the fiscal year (<http://www.rushydro.ru/investors/dividends/>).

In accordance with the Development Strategy of RusHydro Group for the period until 2020, with possibility to prolong it until 2025, the share of net profit allocated for dividend payment is at least 50%. In this regard, the Company will strive to ensure a high level of dividend yield to its shareholders.

Report on the payment of declared (accrued) dividends on the Company's shares for 2016

According to the decision of the annual General Meeting of Shareholders dated June 26, 2017, 19,875,502,787.41 rubles (47.5% of net profit under RAS or 50% of RusHydro's net profit under IFRS) were allocated to pay dividends for 2016. As of December 31, 2017, payments were made in full to all shareholders, with the exception of 61,722,074.31 rubles, which were not paid for reasons beyond the control of the Company (the Company or registrar (or nominee holder) did not have exact address data or bank details required for dividend payments).

The company fulfilled its obligations to transfer dividends to the federal budget in full - for the amount of 12,036,652,516.86 rubles. There is no debt on the payment of dividends to the federal budget. .



* The dividend yield of shares is calculated on the date of making a decision on the amount of annual dividends as the ratio of annual dividends paid per share and the median value of market prices of this share for the reporting year. (dividends - PJSC Moscow stock exchange, <http://moex.com>).

Dividend history for 5 years preceding the reporting year

The reporting period for which dividends were paid on shares	Total amount of declared (accrued) dividends, thousand rubles	The amount of declared dividends per share, rubles
2012	3,675,573	0.00955606
2013	5,248,250	0.01358751
2014	6,032,750	0.01561855
2015	15,011,046	0.038863
2016	19,875,503	0.0466245

1.5.4 Bonds

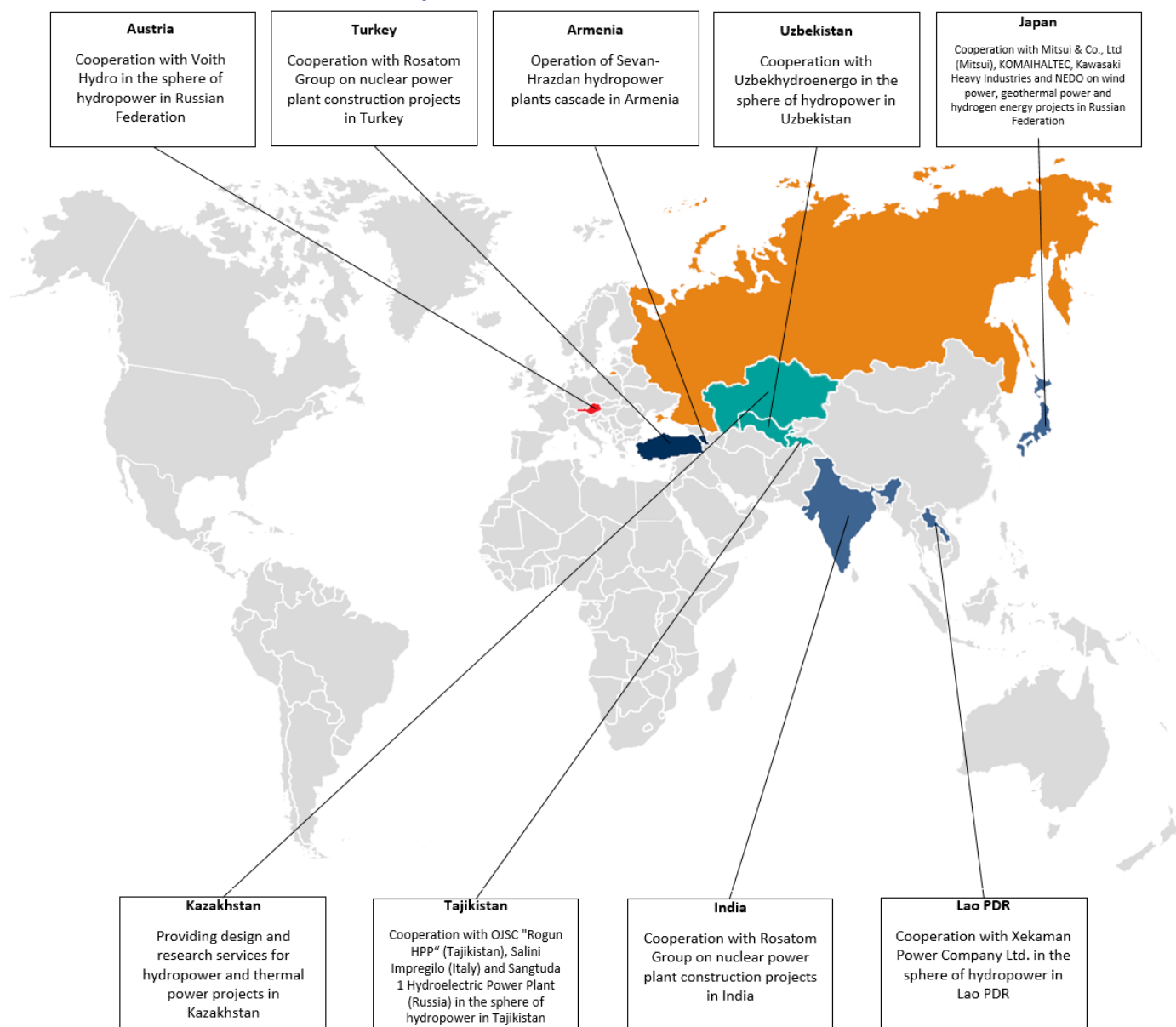
As of December 31, 2017 ten issues of bonds of PJSC RusHydro with a total nominal value of 85.0 bn rubles are in circulation. (volume in circulation is 61.02 bn rubles).

Main parameters of bond issues

General parameters of releases			Bonds of series 01 and 02	Bonds of series 07 and 08	Bonds of series 09	Exchange-traded bonds of series BO-P01, BO-P02, BO-P03	Exchange-traded bonds of the series BO-P04	Exchange-traded bonds of the series BO-P05
Type of bonds	Documentary interest-bearing non-convertible to bearer with mandatory centralised custody	National registration number	4-01-55038-E 4-02-55038-E	4-07-55038-E 4-08-55038-E	4-09-55038-E	4B02-01-55038-E-001P 4B02-02-55038-E-001P 4B02-03-55038-E-001P	4B02-04-55038-E-001P	4B02-05-55038-E-001P
Nominal	1,000 rubles	Date of registration	23.09.2010	27.12.2012	27.12.2012	03.07.2015	01.04.2016	09.06.2017
Nominal volume of each issue	Series 01 - 10 bn rubles. Series 02 - 5 bn rubles. Series 07, 08, 09 to 10 bn rubles. each Series BO-P01, BO-P02, BO-P03 - 5 bn rubles each. Series BO-P04 - 15 bn rubles. Series BO-P05 - 10 bn rubles.	Date of placement /	25.04.2011	14.02.2013	28.04.2015	08.07.2015	07.04.2016	16.06.2017
		Date of offer /	22.04.2016	13.02.2018	27.10.2017 21.04.2023	-	-	-
		Maturity date	12.04.2021	02.02.2023	15.04.2025	04.07.2018	04.04.2019	12.06.2020
Placement price	100 %	Coupon rate	1-10 coupons - 8.0% per annum,	1-10 coupons - 8.5% per annum,	1-5 coupons - 12.75% per annum,	1-6 coupons - 11.85% per annum	1-6 coupons - 10.35% per annum	1-6 coupons - 8.2% per annum

			11-20 coupons - 9.5%	11-20 coupons - the rate is determined by the issuer	6-16 coupons - 7.5% 17-20 coupons - the rate is determined by the issuer			
Placement type	Open subscription, bookbuilding	Yield of primary placement	8.16 %	8.68 %	13.16 %	12.20 %	10.62 %	8.37 %
Frequency of coupon payment	2 times per year	Yield at the price of the last transaction as of December 29, 2017, % pa	Series 01 - 8.07% Series 02 - 7.71%	Series 07 - 7.14% Series 08 - 8.53%	Series 09 - 7.88%	Series BO-P01 - 6.51% Series BO-P02 - 12.2% Series BO-P03 - 12.2%	Series BO-P04 7.37%	Series BO-P05 7.71%

1.6 International activity



1.6.1 Tasks of international activity

The main objectives of RusHydro Group in international operations are to attract RusHydro's investment projects, innovative technologies and equipment to the projects of RusHydro Group, as well as to expand the Company's presence in foreign markets, taking into account the many years of experience in the design, construction, and operation of energy facilities.

RusHydro Group strives to ensure that cooperation with foreign partners is long-term, mutually beneficial, at the same time it corresponds to the geo-strategic interests of the Russian Federation.

Main directions of international activity:

- representation of RusHydro Group and Russian energy interests on the political, industrial, and business stage;
- Cooperation with foreign electricity companies and producers of power equipment in the field of joint production of hydroelectric equipment, modernisation of existing HPPs, service maintenance;
- cooperation with intergovernmental and international organisations, industry and business associations;
- attracting foreign investment in RusHydro Group projects;
- promotion of RusHydro's engineering services in the field of hydropower and renewable energy on foreign markets;
- exchange of experience, innovations and new technologies in hydro and heat power engineering, renewable energy sources, heat supply;
- monitoring of processes occurring in the world energy sector.

In the conduct of international activities, the Company is guided by the following principles:

- Mutual benefit and transparency of joint activities;
- Long-term cooperation;
- Providing affordable after-sales service when acquiring modern foreign technologies and foreign equipment;
- Preparation of integrated solutions taking into account the peculiarities of the Russian electricity market;
- Increasing economic efficiency.

1.6.2 International partnership

RusHydro Group's partners are the world's largest generating and engineering companies, as well as manufacturers of power equipment.

Together with the Japanese companies Mitsui & Co, Ltd, KOMAIHALTEC Inc, Kawasaki Heavy Industries, NEDO, we are exploring opportunities for the joint implementation of projects in the field of development of wind, geothermal, and hydrogen energy. As part of the comprehensive modernisation of RusHydro's generation assets in the Russian Far East, we cooperate with international producers of power equipment.

The cooperation with Voith Hydro on the project of localisation of production and modernisation of equipment of hydroelectric power plants of RusHydro is continuing.

In 2017, RusHydro's project organisations carried out work on the execution of contracts for the provision of engineering services for the construction of nuclear power facilities in Turkey and India. In 2017, a number of new contracts for the provision of engineering services were concluded within the framework of hydroelectric projects in Uzbekistan and Laos.

Since 2011, RusHydro has owned a 90% stake in CJSC IEC, which owns seven hydroelectric power stations in the Sevan-Hrazdan cascade with an installed capacity of 561 MW on the Hrazdan River (one of the main electricity producers in the Republic of Armenia). Within the framework of the policy of reconstruction and technical re-equipment of the Cascade stations conducted by RusHydro, the reconstruction of Yerevan HPP-1 was completed with upgrading the maximum capacity of the station to 50 MW.

1.6.3 Interaction with international organisations

In the reporting year the Company concluded a number of agreements with the largest foreign energy corporations on cooperation and implementation of joint projects.

The agreements signed by JSC RusHydro in 2017

Agreement	Direction of cooperation	Benefits
Memorandum of Understanding between Mitsui & Co, Ltd, KOMAIHALTEC Inc, PJSC RusHydro and the Government of the Chukotka AO for a wind power project in the village of Lawrence in the Chukotka Autonomous Okrug - 09/07/2017	Cooperation in the field of joint development of strategic cooperation for the implementation of a wind power project using technologies of the Japanese counterparty in the village of Laurentia.	Opportunities to attract investments and advanced foreign technologies. .
Memorandum of Understanding between Mitsui & Co, Ltd, KOMAIHALTEC Inc, PJSC RusHydro and the Government of the Kamchatka Krai for the construction of additional capacity of a wind farm in the village of Ust-Kamchatsk in the Kamchatka Territory - 09/07/2017	Cooperation in the field of joint development of cooperation on the construction of additional capacity of a wind power plant in the village of Ust-Kamchatsk.	Opportunities to attract investments and advanced foreign technologies. .
Agreement on cooperation between Kawasaki Heavy Industries, Ltd, PJSC RusHydro and the Government of the Magadan Region in the field of hydrogen energy - 06.09.2017	Cooperation and joint implementation of the project in the field of liquefied hydrogen production.	Opportunities to attract advanced foreign technologies. .
Declaration of Intent between the New Energy and Industrial Technology Development Organization of Japan (NEDO), the Government of the Republic of SAKHA (Yakutia) and PJSC RusHydro for the implementation of a demonstration project for the construction of a wind farm in the village of Tiksi 06/09/2017	Implementation of energy infrastructure and testing of Japanese equipment, including wind power plants, in the Arctic climatic conditions in the village of Tiksi in the Republic of Sakha (Yakutia).	Opportunities to attract investments and advanced foreign technologies. .
Memorandum of Understanding and Cooperation between JSC RusHydro and JSC "Uzbekhydroenergo" (Uzbekistan) in the field of hydropower - 11/16/2017	Establishment of cooperation in the field of hydropower on the basis of RES and the development of a generation facility based on the energy of water flows, the exchange of data, experience, discussions on the production of equipment for hydroelectric generators for small and micro HPPs.	Promotion of RusHydro's engineering services in the field of hydropower and renewable energy on foreign markets.

RusHydro takes part in the work of intergovernmental commissions on trade, economic, scientific, and technical cooperation between Russia and other countries with the subsequent establishment of working contacts with foreign business partners.

The company develops cooperation within the framework of the work of international governmental and public organisations and integration associations, including the Eurasian Economic Union in the work with the Eurasian Economic Commission, the CIS Electric Power Council, the Asia-Pacific Economic Cooperation Organization, the Shanghai Cooperation Organization, the BRICS, and others.

PJSC RusHydro is an active participant in major international forums, exhibitions and conferences on the topics of hydro and heat power engineering, renewable energy sources, and heat supply.

In 2017, RusHydro acted as a partner of the Eastern Economic Forum, which is a reputable platform for establishing and strengthening relations with foreign partners, especially from the APR countries, and attracting investors to projects for the development of the energy infrastructure of the Far East. Equally crucially, another traditional platform for RusHydro's presence is the St. Petersburg International Economic Forum.

Representatives of RusHydro Group work in committees and working groups of a number of non-profit partnerships and international organisations, of which the Company is a member, including:

- The Global Partnership for Sustainable Energy (Global Sustainable Electricity Partnership),
- International Hydropower Association,
- The International Commission on Large Dams (International Commission on Large Dams),
- The World Energy Council,
- Russian-Chinese Business Council.

CHAPTER 2. RESULTS OF ACTIVITIES

2.1 Financial Results²⁹

RusHydro Group demonstrated high financial results in 2017. They reflected the consistent management efforts aimed at optimizing all controllable operating expenses of the Group, the process of integration of the Subgroup RAO ES of the East and the sales of large assets, which did not affect the GRES RusHydro's Group core business.

Created and distributed direct economic value, million rubles. (201-1)

	RusHydro Group	
	2017	2016
Created economic value	383,191	413,076
Income from operating activities, less any impairment loss on receivables	342,162	366,939
Government grants	32,745	17,250
Income from interest on loans and dividends received	9,550	16,625
(Costs)/ Income from the sale of assets	(1,266)	12,262
Distributed economic value	300,391	333,590
Operating costs	190,681	208,550
Salary and other benefits to employees	74,390	71,768
Payments to Capital Providers *	10,430	28,917
Payments to States	23,666	23,491
Investing in Communities	1,764	864
Undistributed economic value	82,260	79,486

* Data for 2016 take into account the dividends declared for 2016 in June 2017. Dividends for 2017 were not declared by the date of issue of this report.

2.1.1 Key financial indicators

Profit indicators

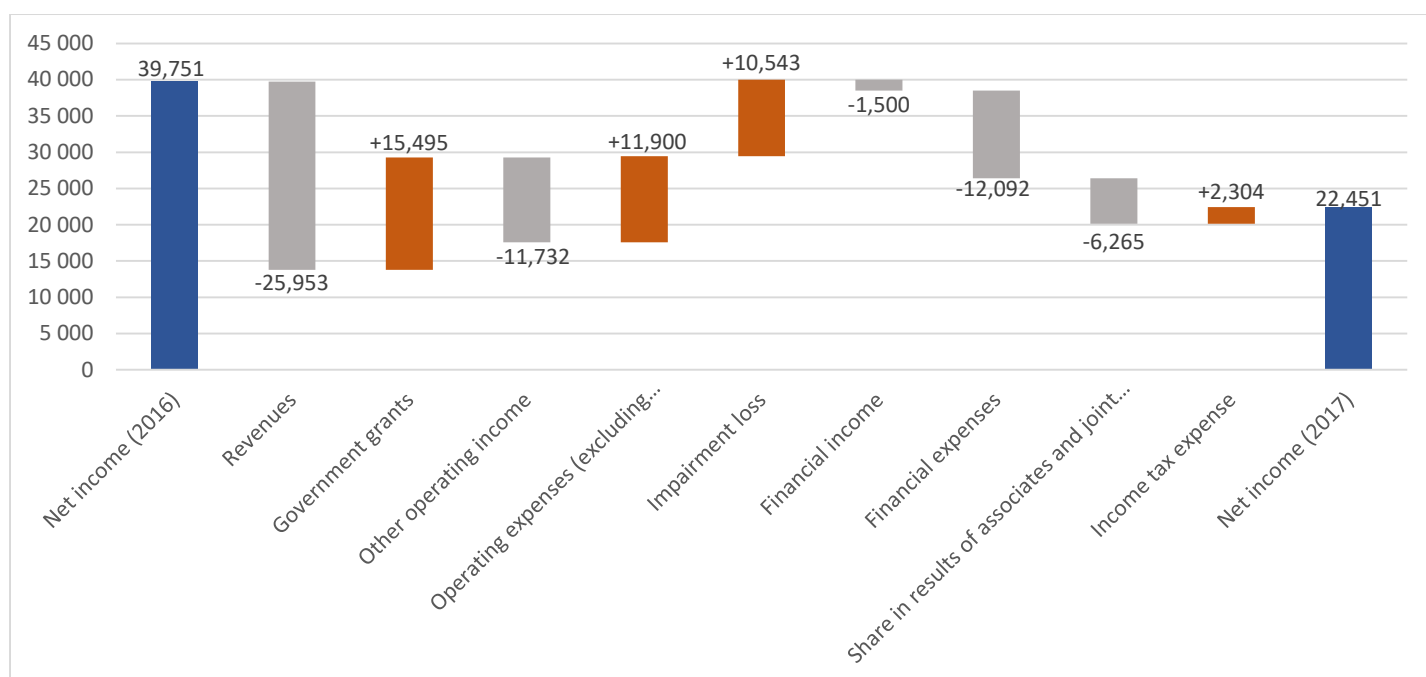
	2015	2016	2017	Change 2017/2016	Plan 2018
EBITDA, mn rubles	73,383	100,341	104,038	+ 3 697	-
EBITDA margin *, %	19.8	24.9	27.3	+ 2.4 p.p.	25.3 %
Net profit, mn rubles	27,159	39,751	22,451	-17,300	-
Net profit margin, %	7.3	9.8	5.9	-3.9 p.p.	-
Net profit for one share, rubles	0.0865	0.1095	0.0596	-0.0499	-
Profitability of assets (ROA), %	2.9	4.0	2.2	-1.8 p.p.	4.1 %
Return on equity (ROE), % ³⁰	4.5	6.3	3.3	-3.0 p.p.	6.4 %

* Calculation of indicators was made taking into account other incomes.

Change in net profit, million rubles

²⁹ In this section IFRS data is represented

³⁰ The indicator was calculated in accordance with the methodology for calculating and evaluating key indicators of PJSC RusHydro, approved by the decision of Board of Directors (Minutes No. 229 of December 25, 2015).



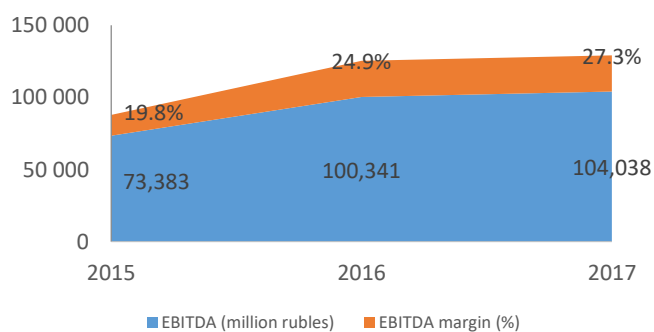
, Net profit of RusHydro Group in 2017 has fallen by 43.5% and amounted to 22,451 million rubles. The adjusted net profit in the reporting period amounted to 62,702 million rubles, or 2.6% lower than the same indicator in 2016. Excluding LLC ESCB, the comparable indicator of adjusted net profit for 2017 remained at the level of 2016.

The following substantial non-cash items (excluding the income tax effect) primarily explain the difference between reported and adjusted net profit for 201&:

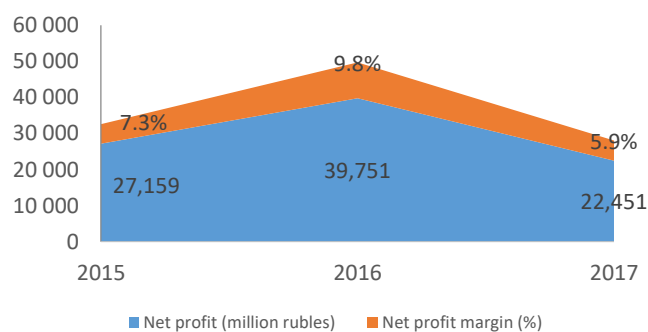
- Recognition of a loss from economic impairment of fixed assets in the amount of 24,000 million rubles, mainly in relation to JSC Yakutskaya GRES-2 and PJSC Yakutskenergo due to the insufficiency of tariff revenue in the framework of the tariff decisions that do not provide a full return on invested capital;
- Recognition of a financial expense in the amount of 13,946 million as a result of a change in the fair value of a non-deliverable forward for shares due to decline in the market price of shares of PJSC RusHydro in the reporting period;
- Recognition of an impairment loss of accounts receivable of 5,957 million as a result of an analysis of overdue accounts receivable and an estimation of the probability of its repayment.

In addition, the change in net profit and the adjusted net profit for 2017 compared to 2016 was due to the fact that by the end of 2016 RusHydro Group recognized a one-time revenue from the sale of dams of Bratskaya, Ust-Ilimskaya and Irkutskaya HPPs for the amount of 7,202 million rubles, as well as income from the sale of LLC ESCB for the amount of 3,048 million rubles, and insurance compensation for Zagorskaya PSHPP-2 for the amount of 1,737 million rubles.

Dynamics of EBITDA (million rubles) and EBITDA margin, %

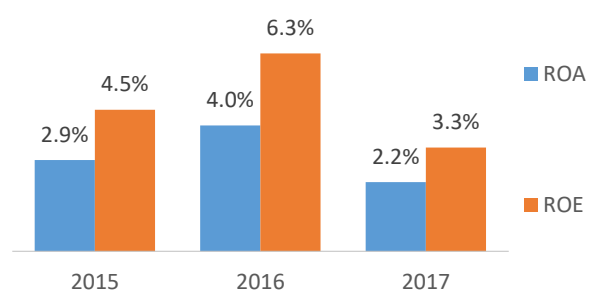


Dynamics of net profit (million rubles) and net profit margin %

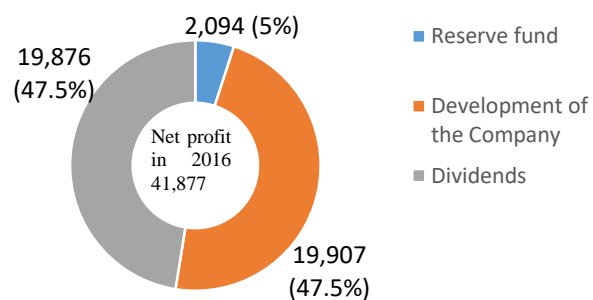


The net profit margin target for 2018 is 11.7%

Return on assets and return on equity, %



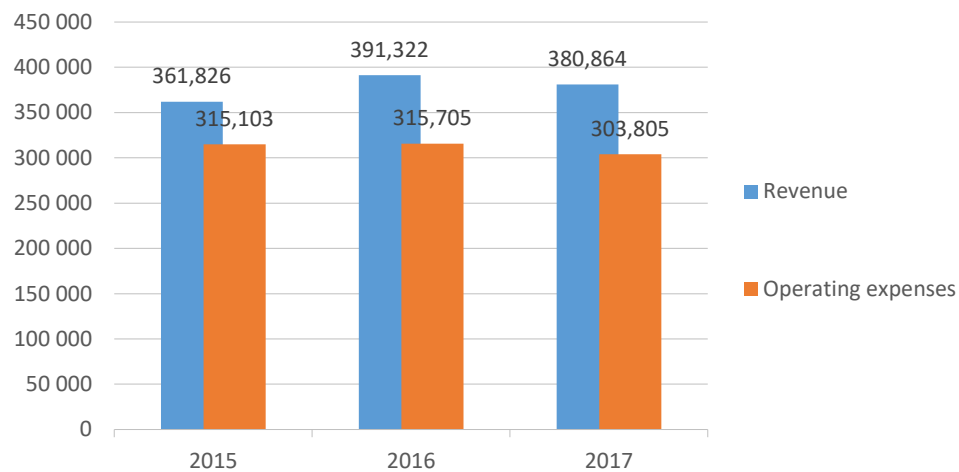
Distribution of the profit, million rubles (% from net profit) *



** Net profit is indicated in accordance with RAS. Net profit was not allocated to funds, other than the reserve fund. The entire amount allocated to the "Development of the Company" is related to the implementation of investment programs of RusHydro Group.*

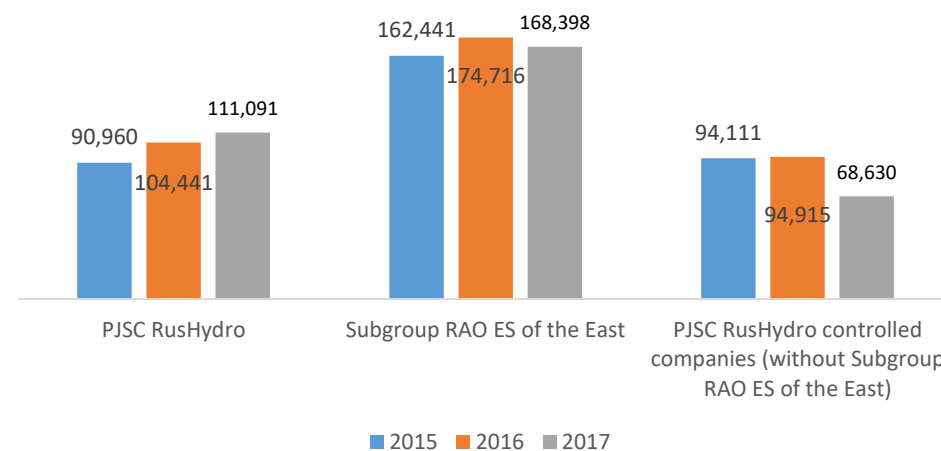
Revenue and expenses ³¹

Dynamics of total revenue * and expenses, million rubles



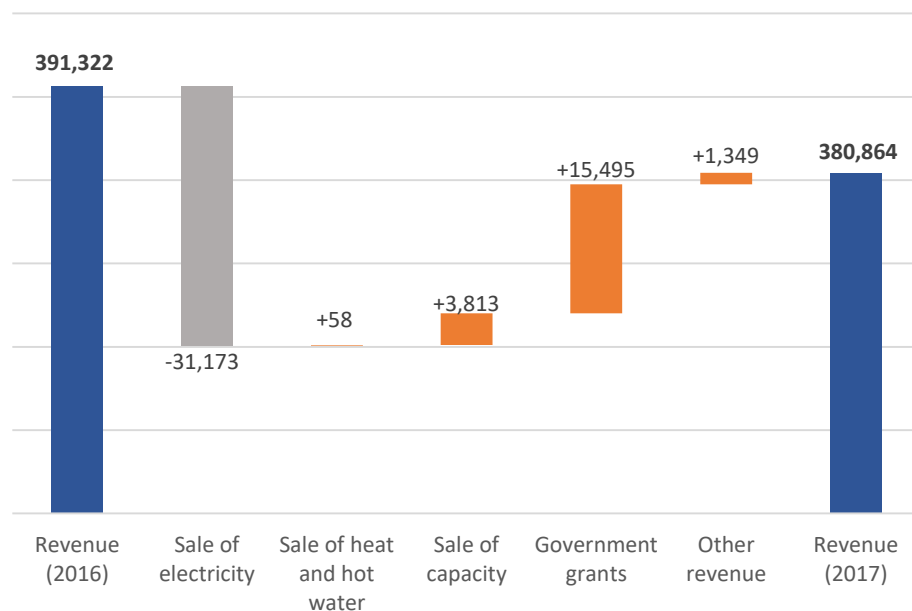
* Revenue taking into account government subsidies.

Structure of revenue by segments of the Group (excluding intragroup transactions transactions), million rubles



³¹ In this subsection of the Report, total revenue is shown taking into account state subsidies, operating expenses are presented without taking into account impairment losses.

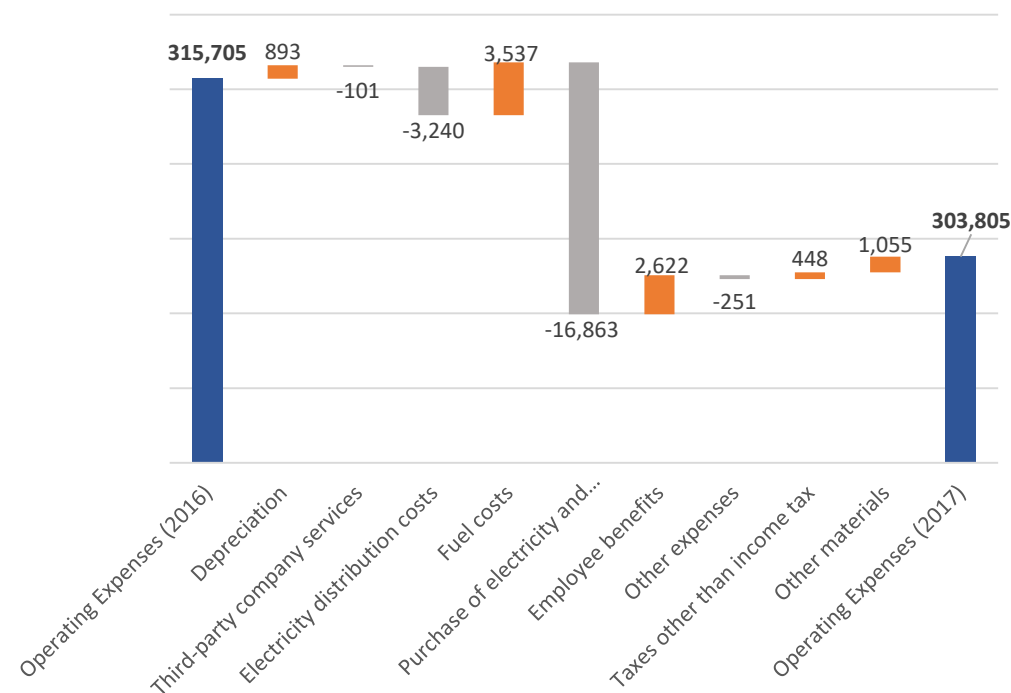
Change in revenue, RUR mn



In 2017, the total revenue of the Group decreased by 2.7%, which was mainly due to the sale of LLC ESCB in December 2016, its total revenue for 2016 was 29,922 million rubles. Excluding LLC ESCB, the total revenue decreased by 5.4%. This change was due to the following key factors:

- Increase in the revenue from the sale of capacity as a result of the commissioning of the Zelenchukskaya HPP-PSHPP in Karachaevo-Cherkessia, the capacity of which is sold under a capacity delivery agreement;
- Increase in the revenue from the sale of capacity of PJSC RusHydro due to the increase in the price of CCA in the 1st and 2nd price zones, the indexation of regulated capacity tariffs and 100% of the "liberalization" of the capacity market for HPPs from May 1, 2016;
- An increase in the day-ahead price in the second price zone due to a decrease in the generation of HPPs and an increase in output of thermal power plants;

Change in operating expenses, mn rubles



The total operating expenses for current activities in the reporting period decreased by 3.8% and amounted to 303,805 million rubles compared to the same period of 2016, which is mainly due to the sale of LLC ESCB. In December 2016, the total operating expenses LLC ESCB for 2016 amounted to 27,972 million rubles. Excluding LLC ESCB, the total operating expenses increased by 5.6% as a result of the following factors:

- The increase in electricity distribution costs due to tariff increases and electricity transportation as well as due to the increased supply of electricity to ESC Group and for a number of companies of the Subgroup RAO ES of the East;
- The increase in fuel costs mainly due to the increase in fuel prices for JSC DGK and the increase in the electricity supply of stations of JSC DGK for 2017 compared to the same period in 2016;

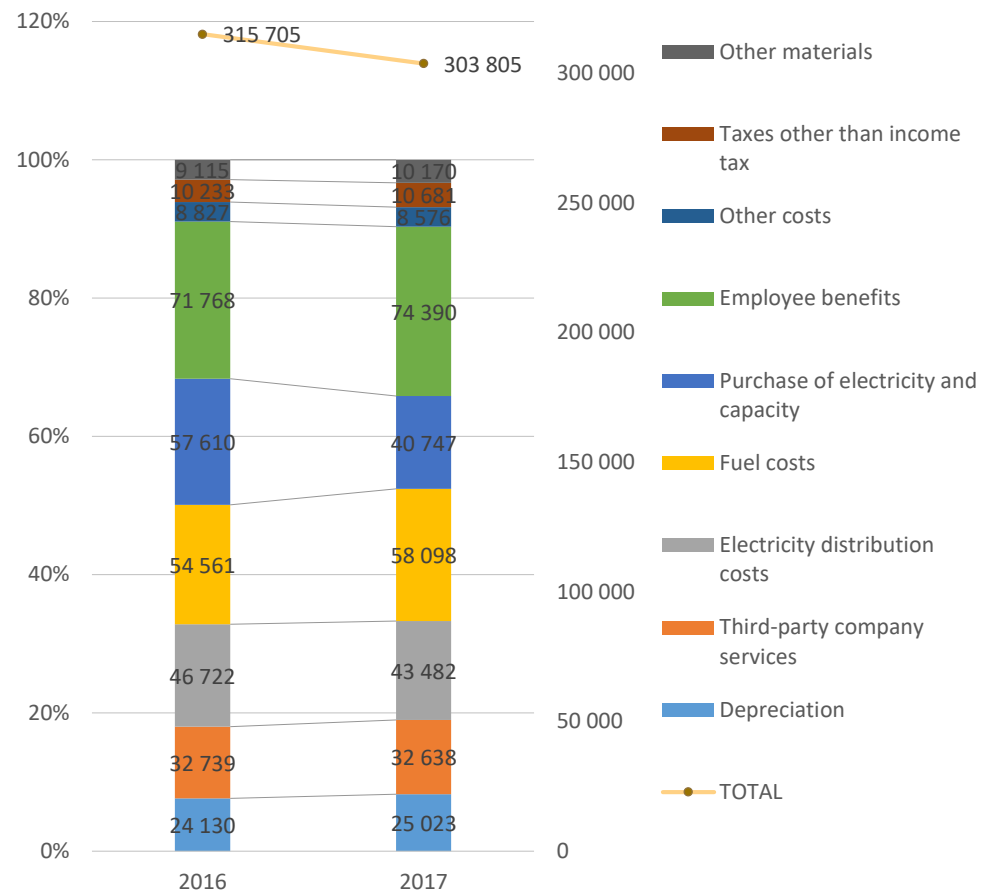
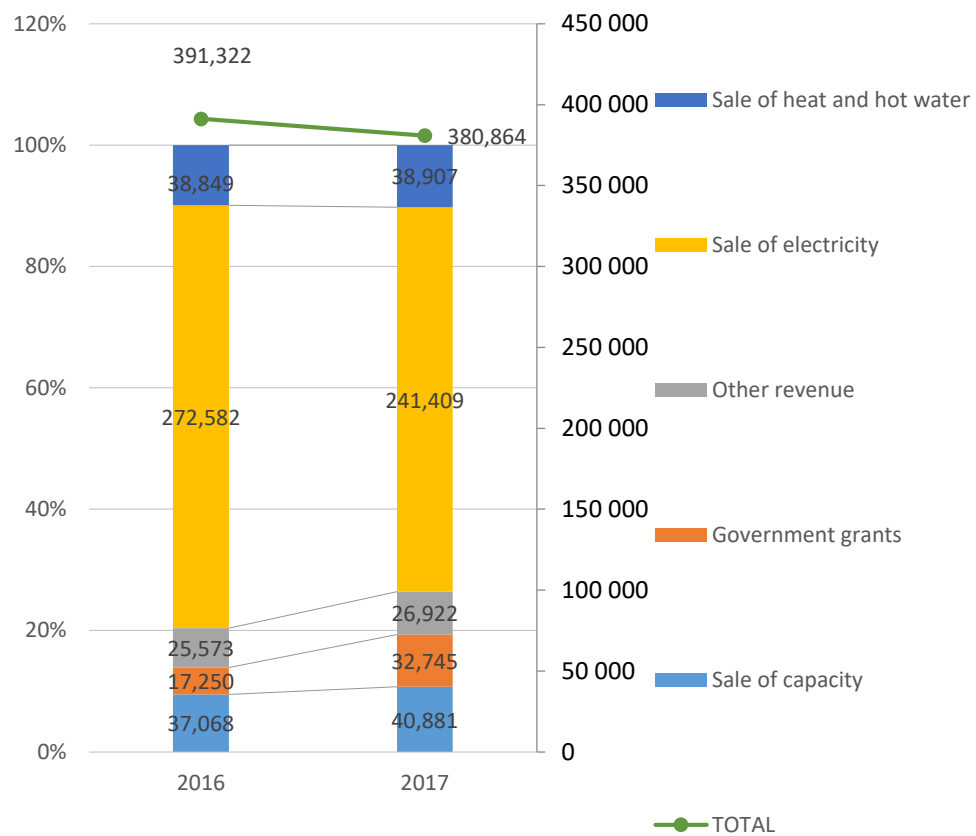
- Increase in the revenue for JSC DGK due to an increase in the volume of rendered services for the transmission of electric power due to an increase in the average tariff to the level of the previous year in the area of Khabarovsk, Primorsky Region, the Jewish Autonomous District and South Yakutia;
- Increase in the revenue of PJSC Yakutskenergo, which is mainly due to an increase in the revenue from the delivery of electricity produced by third parties as part of the contract with JSC Vilyuiskaya HPP-3, which is the guaranteeing Supplier for Alrosa's facilities.
- The decrease in revenue from the sale of electricity in the Far Eastern Federal District is associated with the completion of the tariff for electricity to the basic levels of prices (tariffs), which is compensated by the growth of subsidies for tariff equalization.

Planned revenue (including government subsidies) in 2018 is 394,162 million rubles.

Structure of revenue by type of activity, million rubles

- Increase in labor costs as a result of indexation of tariff rates and salaries of operating personnel in accordance with collective agreements;
- Increase in depreciation of fixed assets and intangible assets.

Structure of operating expenses, million rubles



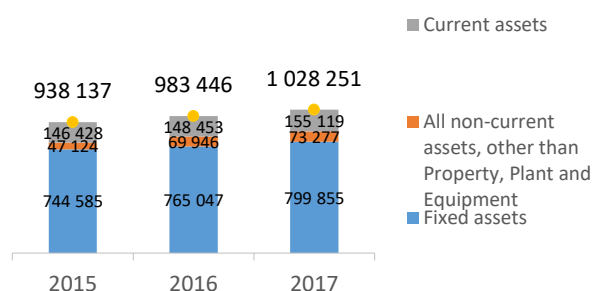
Assets, equity, and liabilities

Assets, equity, and liabilities, million rubles

	2015	2016	2017	Change 2017/2016, %
Fixed assets	744,585	765,047	799,855	4.55
Other non-current assets	47,124	69,946	73,277	4.76
Current assets	146,428	148,453	155,119	4.49
Total assets	938,137	983,446	1,028,251	4.56
Equity	613,919	650,932	695,564	6.86
Debt	324,218	332,514	332,687	0.05
Leverage*	52,8	51,1	47,8	-3,3 p.p.
Total liabilities	938,137	983,446	1,028,251	4.56

* Planned ratio of own and borrowed funds in 2018 - 49.8%

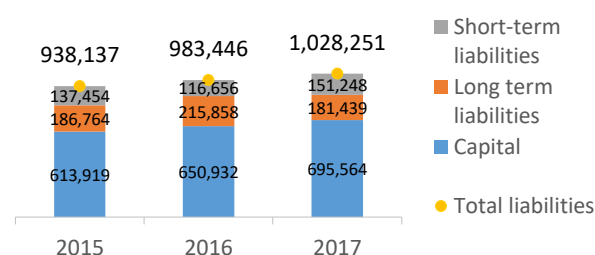
Structure and dynamics of assets, million rubles



As of 31.12.2017, the group's assets increased by 44,805 million rubles or 4.6% to 1,028,251 million rubles compared to the same indicator for 31.12.2016. The change of assets is mainly related to the following factors:

- Growth of the group's fixed assets,
- Growth of receivables and inventory,
- Increase in the amount of funds and their equivalents.

Structure and dynamics of liabilities, mn rubles



The group's liabilities remained at the previous year's level and amounted to 332,687 million rubles. According to the structure of liabilities, the liabilities of the group were changed as follows: long-term liabilities decreased by 34,419 million rubles, short-term liabilities increased by 34,592 million rubles, mainly due to reclassification of long-term borrowed funds into short-term borrowed funds due to approaching maturity date.

The structure of the group's liabilities has undergone significant changes:

- Funds received from placement of additional share issue and sale of treasury shares, in full volume are directed to the repayment of credits and loans of Subgroup RAO ES of the East;
- Partial redemption of Russian bonds issued in April 2015 within the scope of the tender offer;
- Ruble Eurobonds worth 20 billion rubles are placed, the issuer of which was a special-purpose company RusHydro Capital Markets DAC. Eurobonds issued with maturity in 2022 and coupons of 8.125 % per annum paid twice a year. Placement and listing of Eurobonds is carried out on the Irish Stock Exchange under the rules of Reg S.

In accordance with the terms of the non-deliverable forward transaction for its own issued shares with VTB Bank (PJSC), the Group recognized liability under the forward contract, which is recorded as a long-term derivative financial instrument measured at fair value through profit and loss using the Monte Carlo model. The main reason for the change of the fair value of the forward instrument was the local dynamics of the market value of PJSC RusHydro shares during 2017. Thus, in the event of an increase in the value of shares in subsequent reporting periods, the liability under the forward contract will be reviewed towards its reduction.

Refinancing Debt of the Subgroup RAO ES of the East

In March 2017, within the framework of fulfilment of decrees of the Russian President and the Russian government RusHydro Group successfully implemented measures to refinance the loan debt of the enterprises of Subgroup RAO ES of the East. The mechanism of the realized transaction is unique for the Russian market

in its structure and volume of capital raised.

In accordance with the decisions of the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244, of 27.12.2016 № 246, of 27.02.2017 № 248) due to the placement in the interest of VTB Bank (PJSC) of 40 billion shares of an additional issue and sale, and 15 billion of treasury shares of PJSC RusHydro, the company raised joint-stock financing worth 55 billion rubles. VTB Bank (PJSC) acquired 55 billion roubles worth of shares of the company, which is 12.9% of the share capital.

In addition, PJSC RusHydro and VTB Bank (PJSC) signed an estimated non-deliverable contract, the final settlement of which is expected after the end of the 5-year period. The forward rate is formed as a key rate of the Bank of Russia plus a margin of 1.5% annually. The forward payments are reduced by the amount of dividends paid to the bank during the period of the forward contract.

At the end of the forward contract, one of the parties to the transaction pays the other party the difference between the value of the sale of PJSC RusHydro's shares and the forward value. At the same time, PJSC RusHydro has no obligations to VTB Bank (PJSC) for buy back of its shares ("put" option). In the case of non-sale of the company's shares during the period of the forward contract (5 years) the liabilities of the Parties shall be determined based on an independent valuation of the shares.

An important aspect of the transaction is the condition that the additional income received from the sale of shares of RusHydro at a price higher than the value of the forward in full is the income of the company.

In terms of the efficiency of the transaction for the company, the proposed scheme of attracting financing is more effective than existing credit mechanisms. Forward rate value (excluding the value of the sale of shares) is preferred due to its reduction on the paid and planned dividends, as well as because of lowering the key rate of the central Bank of the Russian Federation, which is 5.42 % as of March 23, 2018 (following the reduction of the Bank of Russia key rate to 7.25%). Cash worth 55 billion rubles was attracted from VTB Bank (PJSC) in full transferred to the operating companies of Subgroup RAO ES of the East in accordance with the loan agreements and

sent in March 2017 to repay the debt on bank loans. The interest rate on intragroup loans is floating and is equal to the forward rate, reduced by the amount of dividends in the interest of VTB Bank (PJSC) on the shares acquired in the framework of the transaction with RusHydro's shares. There is also a grace period for interest payments during the first two years from the date of entering into intra-group loans schemes. Savings from lowering the interest rate and due to existence of the two-year grace period are directed for financing repair programs and measures on technical rehabilitation and modernization of core companies of Subgroup RAO ES of the East.

Key parameters and advantages of the forward contract with VTB Bank (PJSC):

- a significant amount of potential liabilities of RusHydro will be covered by outside investors following the sale of RusHydro's shares, as well as through dividends received by the bank;
- the transaction focuses the management on the long-term result, encourages reaching the maximum value of the company in the interests of all shareholders;
- funds attracted in the framework of a forward transaction are aimed at the repayment of external loan debts of the companies of the RAO ES Subgroup of the East, which significantly reduced the consolidated debt burden of RusHydro Group;
- repayments mainly concerned short-term bank loans, which improved the duration of the loan portfolio.

Analysis of the structure and the change of financial debt

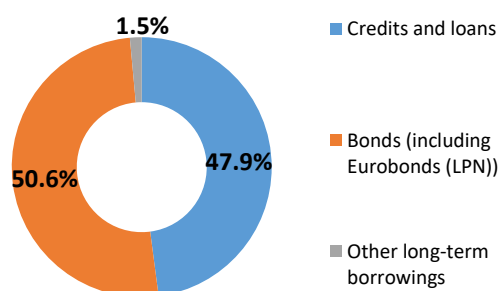
According to the results of 2017, the level of financial indebtedness and the debt burden of RusHydro group decreased. The total and net financial debt of RusHydro Group at the end of 2017 amounted to 213.2 and 143.0 billion rubles respectively, decreasing for the year by 10.3 and 13.1 billion rubles (or by 4.6% and 8.4%). Considering the growth of consolidated operating profit for 2017, the value of the indicator "net financial debt/EBITDA" dropped to 1.4 on 31.12.2017 in comparison with 1.6 on 31.12.2016, which confirms the strengthening of the group's sustainable financial position.

Total debt for long-term and short-term borrowings (excluding accrued interest on the reporting date) decreased by 30.2 billion rubles (or 15.4%) for the year 2017. The largest decrease in debt liabilities was due to the repayment of bank loans of companies of the Subgroup of RAO ES of the East in the 1st quarter of 2017 worth 55 billion rubles due to a transaction with Bank VTB (PJSC). The structure of the financial debt of RusHydro group takes into account the fair value of the company's liabilities under the forward contract with

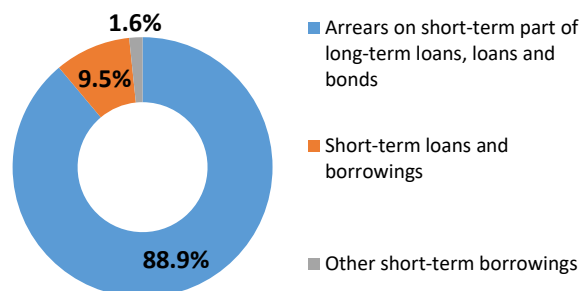
VTB Bank (PJSC) (worth 20.7 billion rubles at the end of 2017), as well as the guarantee³² for PJSC Boguchanskaja HPP under the credit of GC Vnesheconombank (the sum of which decreased to 25.9 bn rubles at the end of 2017).

The shares of the consolidated financial debt (excluding the forward transaction) of RusHydro Group on 31.12.2017, calculated in Russian rubles and with a fixed interest rate, constitute about 95% and 99% respectively, which causes the insignificance of interest rate risks for the group in terms of financial indebtedness.

Structure of the long-term part of the debt (with maturity after 12 months from the reporting date),%



Structure of short-term part of debt (with maturity within 12 months from the reporting date),%



The long-term part of the group's borrowing arrears for 2017 decreased by 67.1 billion rubles (a drop of 42.5%) to 90.9 billion rubles, mainly due to the maturity of the debt in 2018 and the transfer of this part of the debt to the short-term part. At the same time, in the structure of the debt there were 5-year Eurobonds worth 20 billion rubles, placed in September 2017.

The short-term part of the group's borrowing arrears for 2017 increased by 36.9 billion rubles (a rise of 88.3 %) up to 78.6 billion rubles, mainly due to the maturity of long-term loans and bonds (including bonds of PJSC RusHydro worth 35 billion rubles). Bearing in mind that the available remainder of the sample under the current credit agreements of the group companies at the end of 2017 amounted to more than 110 billion rubles, which by far exceeds the requirements for short-term refinancing of debt, financial risks are estimated as insignificant.

Credit ratings

Regarding strengthening the financial performance of RusHydro Group, the credit ratings (outlooks) of the company, assigned by international rating agencies (S&P, Moody's, Fitch), improved. In October 2017 PJSC RusHydro became one of the first among state-owned Russian companies and the first company of the electrical utilities sector, which received the rating of creditworthiness from the Analytical Credit Rating Agency (ACRE), which was assigned on a national scale at the highest level of reliability.

Credit ratings as of 31.03.2017

Rating Agency ►	S&P	Moody's	Fitch	AKPA
Level of long-term credit rating *	Bbb-	Ba1	BB +	AAA (RU)
Credit rating forecast	Stable	Positive	Stable	Stable
Date of change (confirmation) of rating	27.02.2018	29.01.18	09.06.2017	03.10.2017

* International rating agencies S&P, Moody's, Fitch indicated the level of long-term credit rating on an international scale in foreign currency.

2.1.2 Cash flows

Cash flows, mn rubles

	2015	2016	2017	Change 2017-2016
Cash flows from operating activities	69 800	71 373	78 125	6 752
Use of funds for investment activities	(48 381)	(24 918)	(60 013)	35 095
Receipt/(use) of funds from financial activities	(8 584)	(26 837)	(15 064)	11 773

³² On February 7, 2013, the Agreement on the termination of the guarantee agreement between PJSC RusHydro and GC Vnesheconombank was signed.

Positive/(negative) Exchange differences on cash balances	796	(289)	(246)	43
Total (decrease)/increase of funds	13 631	19 329	2 802	(16 527)
Funds for the end of the period	48 025	67 354	70 156	2 802

Net cash flow from the group's operations in 2017 increased by 6,752 million rubles (9.5 %) up to 78,125 million rubles.

Net outflow of funds to finance investment activities increased by 35,095 million rubles (141%), amounting to 60,013 million rubles.

The financial activity of the group in the reporting period registered a net outflow of funds worth 15,064 million rubles.

Negative exchange differences on the group's cash balances in 2017 amounted to 246 million rubles, against negative exchange rate differences of last year worth 289 million rubles.

At this backdrop, the group increased cash position to 70,156 million rubles by the end of the year, which is 2,802 million rubles (4.2 %) higher than at the beginning of the year.

2.2 Production Results

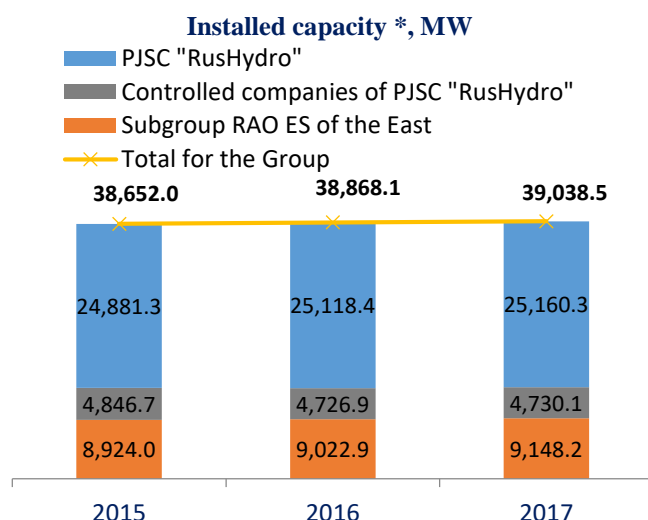
Installed capacity

As of 01.01.2017, the installed capacity of RusHydro Group was 38,868.1 MW. During 2017, the total installed capacity increased by 170.37 MW and on 31.12.2017 it was 39,038.47 MW.

The growth of installed capacity at the facilities of RusHydro group occurred due to:

-Launch of the 1st stage of the Yakutsk GRESSGRES-2 193 MW electrical capacity;
-Rerating of equipment at Zhigulevskaya HPP (+ 21.0 MW), Volzhskaya HPP (+ 10.5 MW), Saratovskaya HPP (+ 6.0 MW), and Novosibirskaya HPP (+ 5.0 MW);

The decrease in capacity in the reporting year is due to shrunk capacity at the stations of Subgroup RAO ES of the East: JSC Chukotenergo (-20.9 MW) and PJSC Kamchatskenergo (-25 MW).



Power generation

The development of RusHydro Group, taking into account the results of 2017 at the Boguchanskaya HPP, reached a historical record – 140,285.6 million kwh, which is 1.06% higher than the production in 2016.

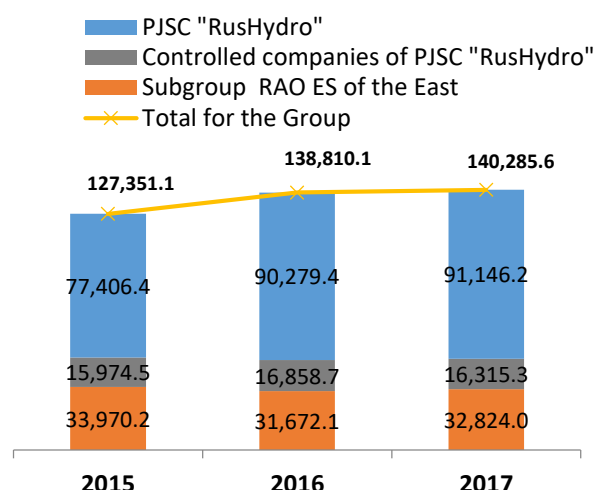
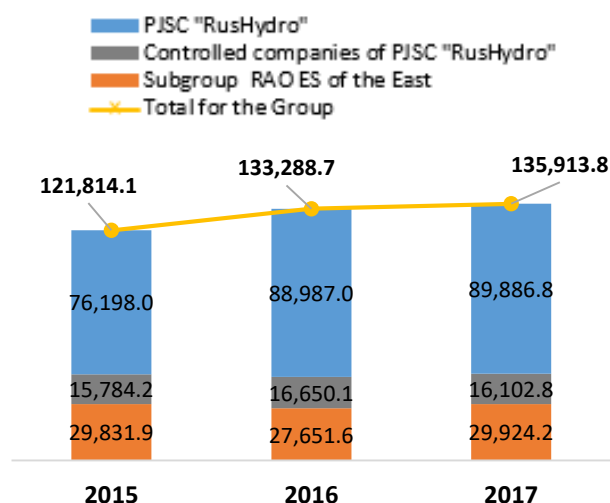
The main factors affecting RusHydro Group's production in 2017 were:

- Influx of water into the main reservoir of HPP -Kama Cascade was significantly higher than the values for many years;
- The autumn of 2017 saw the Commissioning of Yakutskaya GRESGRES-2 in Autumn 2017 and gradual increase in capacity of the 2nd stage of Blagoveschenskaya TPP and Zelenchukskaya HPP-PSHPP, commissioned in 2016;
- Reduction of influx to HPPs in the south of Russia, Siberia and the Far East regarding high water inflows of 2016 to the levels corresponding to long-run average.

Energy sales of companies of RusHydro Group - JSC ESC, PJSC Krasnoyarskenergosbyt, JSC Chuvash Power Sales Company and PJSC RESC - for 2017 amounted to 20,707 million kWh, which was 6 % less than the value for the same period in 2016. The decrease is due to the emergence of a number of large consumers at the Wholesale Electrical Energy Market, primarily in the service area of PJSC Krasnoyarskenergosbyt, higher outdoor temperatures, and a number of other factors.

Dynamics of net supply of RusHydro Group*,
mn kW · H

Dynamics of power generation of RusHydro Group*, mn
kW · H



* The data are given for PJSC "Boguchanskaja HPP" (owned by PJSC RusHydro and "Rusal"), taking into account the HPP-2 PJSC "Kamgjek" and without including HPP-1 and HPP-3 PJSC "Kamgjek" are managed by a trust.

2.2.1 Reliability and Safety of Generation Facilities

Management approach to issues of safety, reliability and safety of hydraulic structures

Providing reliable power supply for the population and operations of equipment hydraulic facilities safe for the environment is one of the company's strategic goals. The technical policy of the company defines the requirements for the integrated system of safety management of the production processes, which includes the subsystem of industrial safety management.

In 2017, in order to update the system of safety management and the reliability of hydraulic structures and equipment of the company, the decree of PJSC RusHydro of 08.08.2017 № 515 approved "Regulations on the system of safety and reliability management of hydro- technical structures and equipment of hydroelectric power plants of PJSC RusHydro.

The company's tasks in the field of industrial safety:

- Continuous improvement of industrial safety of hazardous production facilities to the level corresponding to the best indicators in the world's electricity generating companies thanks to timely technical rehabilitation and enhanced reliability of technological equipment, in order to ensure their safe and accident-free operations;
- Creation and maintenance of efficient and effective system of industrial safety control, ensuring the planning and solution of the most important problems of industrial security.

The result of the achievement in the field of industrial safety is a stable reduction of industrial risks from the operation of hazardous industrial facilities by improving the production control, the quality of repairs, and inspections of industrial safety systems.

Mechanisms for ensuring the reliability of operations and the safety of facility operations:

- Quality control at the design and construction stages;
- External regulatory oversight;
- Internal production control;
- Standards and operating regulations (industry and corporation);
- Technical policy and system of technical system management.

Effective control of safety and reliability of functioning assets is achieved by a double control system: an internal system of production control of compliance with industrial safety requirements at hazardous industrial and external facilities by state inspection authorities.

Distribution of responsibility on industrial safety issues

<p>-General management of compliance with industrial safety requirements at hazardous industrial facilities (hereafter - HIF) PJSC RusHydro and supervised controlled companies</p> <p>-Methodological support and organization of activities in the field of industrial safety at hydro-energetic facilities of the company, including accounting of violations and performance of emergency measures.</p>	<p>Member of the board-First Deputy General Director-Chief Engineer Bogush B.B.</p>
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<ul style="list-style-type: none"> - Organization of the process of implementation of industrial control over compliance with industrial safety requirements at hazardous production facilities and hydropower facilities of JSC RusHydro and supervised production facilities; - Coordination and control of the activities of the subdivisions of the executive apparatus, branches and production units (including the Far Eastern Federal District) in terms of production control, compliance with industrial safety requirements; - Methodological support of the Company's branches and software (including the Far-Eastern Federal District production facilities) with regard to the implementation of industrial control over compliance with industrial safety requirements, the operation of industrial safety management systems; - control over the development and implementation by the Company's branches and production facilities (including the Far Eastern Federal District production facilities): action plans for the elimination of remarks in the field of ensuring industrial safety identified by the supervisory authorities; annual plans of measures to ensure industrial safety. 	Office of Industrial and Fire Safety Department of Production Occupational Safety and Health
<p>RusHydro ensures the operation of HIF in accordance with the requirements of the legislation of the Russian Federation and local normative documents. .</p> <p>Organization and implementation of production control, development and execution of measures on industrial safety issues.</p>	Occupational safety and health services of branches and controlled companies.

The company has a "Standard regulation on the production control of compliance with industrial safety requirements at hazardous production facilities of the branches of PJSC RusHydro, which is going to be updated in 2018.

All generating companies of RusHydro Group have developed and are applying "regulations on the industrial control of compliance with industrial safety requirements at hazardous industrial facilities".

In 2017, the Siberian Department of the Federal Service for Environmental, Technological and Nuclear Oversight was assigned four events at the Novosibirskaya HPP. All events were carried out. No other violations were recorded in respect of industrial safety requirements during the reporting period.

495 HIF of RusHydro Group are registered in the state register of hazardous industrial facilities: 176 PJSC RusHydro and 319 HIF of controlled companies.

HIF sites and HS complexes of branches of JSC "RusHydro" are insured under the contract of compulsory insurance of civil liability of the owner of a hazardous facility for causing damage as a result of an accident at a hazardous facility dated 20.12.2016 No. 16DL0687.

Key projects to improve the safety of hydraulic structures

Projects completed in 2017	Current projects in 2017	Plans for 2018
<p>Reconstruction of the spillway dam of Novosibirskaya HPP.</p> <p><u>Description:</u> Replacement of the destructive concrete of a water-hole plate, weirs, and steers of a spillway dam.</p>	<p>Reconstruction of the pressure node of the Baksaskaya HPP.</p> <p>Dismantling of the old building and structures of the water intake and erection of a new water intake in its place. In 2017 the project documentation for the reconstruction and the examination of the project documentation were carried out. The preparatory work was finished. Works on dismantling the old constructions are in progress. Completion of works is planned for 2018.</p>	<p>Reconstruction of elements of the deep operational water discharge of Gunibskaya HPP.</p>
<p>Automation (control and measuring equipment (hereinafter - CME) of the HS of Novosibirskaya HPP.</p> <p><u>Description:</u> The piezometers of the spillway dam, the piezometers of the earth dam are automated.</p>	<p>Reconstruction of the upper downstream in the zone of the alternating level of Nizhny Novgorod HPP.</p>	<p>Reconstruction and automation of CME Chirkeysaya HPP.</p>
<p>Reconstruction of the CME with the introduction of IDs (information and diagnostic system) at Gunibskaya HPP.</p> <p><u>Description:</u> New piezometers are arranged in the arched dam of Gunibskoj HPP. The information-</p>	<p>Reconstruction of grooves, slab-shells, thresholds, and spillway covers of the spillway dam of the Zhigulevskaya HPP.</p>	<p>Reconstruction of controlling and measuring equipment of Nizhegorodskaya HPP (the device of additional CME was completed in 2017, while in</p>

diagnostic system for safety control of HS was developed. The geodetic network of the CME was reconstructed.		2018 it is planned to complete the work by performing its automation).
Construction of the canal bypassing the head structures with the help of an additional sump on the Yezminskaya HPP. <u>Description:</u> A bypass (winter) channel was built to circumvent the existing head node of the Jezminskoj HPP in order to facilitate its drainage (head unit) and repair work in low (winter) period. Reconstruction (extension) existing sump of the head complex, for better operation.	Reconstruction of the control and measuring equipment at the Nizhegorodskaya HPP.	Arrangement of systems of seismological and seismometric control at the Cheboksarskaya HPP.
Construction of the bypass channel of the Head Unit of the Gizeldonskaya HPP with the restoration of the reservoir to the original sizes. <u>Description:</u> Reconstruction of a water intake and spillway structure of the head unit was carried out by installing an additional bottom spillway. Reconstructed the plot of a new concrete structure instead of the old metal. Mechanical cleaning of the reservoir, silted during the operation by 75% of the value from the design capacity, to the design parameters is carried out mechanically.		Reconstruction of grooves, plates-shells, thresholds and weirs of the spillway dam of the Zhigulevskaya HPP.
Reconstruction of the CME with the introduction of an information and diagnostic system at the Gergebilskoj HPP. <u>Description:</u> New piezometers in the arch dam are arranged. The information- diagnostic system for safety control of GTS was developed. The geodetic network of the CME was reconstructed.		Reconstruction of the walls of the upper downstream in the zone of the alternating level of the Nizhegorodskaya HPP (completion of works).

Accident Rate

Accidents at the facilities of RusHydro Group

Accident rate	2016	2017	2017-2016
Number of accidents in the group	5,547	6,218	671
<i>including PJSC RusHydro</i>	97	135	38
<i>including accidents at controlled companies (including Subgroup Rao ES East):</i>	5,450	6,083	633
Number of accidents at GCO	0	1	1
Number of fires	0	0	0

Compared to the previous year, the increase in accidents in the branches of PJSC RusHydro is primarily caused by a significant number of accidents in the Karachayevo-Cherkesiya branch (21 accidents, in 2016 there were no accidents recorded) due to the failure of newly introduced equipment Zelenchukskaya HPP – PSPP due to its constructive defects, poor installation, errors of controlled companies, and fault of own personnel in the maintenance of the newly introduced equipment.

In addition, the general increase in accidents in the branches of PJSC RusHydro in 2017 was affected by the increase in accidents at:

- Zhigulevskaya HPP (growth of 8 accidents), Z
- HPP of Dagestan branch (growth of 7 accidents), H
- V

olzhskaya HPP (growth of 3 accidents),

•

ovosibirskaya HPP (growth of 3 accidents),

•

ureyskaya HPP (growth of 3 accidents).

N

B

The increase of accident rate at the facilities of the Far Eastern Energy production sites of RusHydro Group for 2017 in comparison with 2016 is caused primarily by the increase in the number of accidents in the following facilities:

- JSC DRSK- accidents with the equipment and power lines 6-35 kV (from 3,638 to 4,111), equipment and transmission lines 110 kv (from 387 to 492) and with the devices of relay protection, emergency, and mode automation (from 51 to 94).

-PJSC "Sahalinenergo" - accidents with the equipment and power lines 6-35 kV (from 262 to 319), on equipment and transmission lines 110 kv (from 12 to 27) and with devices of relay protection, emergency and mode automatics (with 1 to 17).

- JSC DRSK - accidents with boiler equipment (from 40 to 64), auxiliary heat-mechanical equipment (from 45 to 54), with generators and synchronous compensators (from 9 to 14) and with devices of relay protection, emergency, and mode automatics (from 10 to 21).

-PJSC Mobile Energy – accidents with turbine equipment (from 2 to 23).

In total, on the basis of investigation acts of causes of accidents in RusHydro Group in 2017, 8,905 emergency measures were developed, most of which (8,045) were applied and employed. 860 emergency measures have not been completed yet.

Accidents at hazardous industrial facilities

On 10.07.2017 at the Yakutskaya GRESGRES (PJSC Yakutskenergo) an accident occurred at HIF. In accordance with the report on the accident, damage amounted to 363 million rubles. The cause of the accident was the holding of preparatory start-up operations at GTE-45-3 st. no. 1 of the Yakutskaya GRES with incomplete repair work and uncovered outfits, which led to erroneous actions of operational personnel during switching operations in the circuits. PJSC Yakutskenergo provided a report on the actions taken to prevent similar accidents in the future, including adjustments to the technical elements of the plant and changes in instructions, as well as checking and ensuring the work of all safety automatic devices at gas turbine plants. PJSC Yakutskenergo conducted a detailed assessment of the actual state of the equipment of Yakutskaya GRES and is carrying out the appropriate repair and restoration work. In 2017 16.1 million rubles was spent on restoration works, the costs for 2018 are planned to reach 71.5 million rubles. The total cost of repair and restoration work are estimated at 87.6 million rubles (instead 363 million rubles previously announced according to the accident investigation report).

Elimination and prevention of emergency situations

Work on the prevention and liquidation of emergency situations is conducted in RusHydro in full compliance with the normative requirements of the legislation of the Russian Federation for Hydro-Technical structures and hazardous production facilities.

All facilities of RusHydro Group have:

- Action plans for the prevention and liquidation of emergency situations of natural and technogenic nature, as well as action plans for the prevention and liquidation of oil and petroleum spills, agreed with the territorial authorities of the Ministry of Emergencies of Russia;
- Declarations of safety of HS, updating (processing) of which is carried out not less than every five years with mandatory examination of HS by specially created commissions with the involvement of design and research organizations;
- Facility safety passports (specifications);
- Special equipment for the prompt elimination of possible damages and emergencies (at facilities where there are own (contractual) fire-fighting partners);
- Rescue equipment and tools.

At all facilities of RusHydro Group, operating HS of extremely high and high risk, hazardous production facilities of I and II hazard classes, dangerous production facilities of III hazard class, civil defense units or

professional out-house rescue teams are duly created and kept on alert In accordance with the decree of the Ministry of Energy of Russia of 09.06.2011 № 222, RusHydro Group created a functional subsystem of the unified state system of prevention and liquidation of emergency situations.

The coordinating body of the subsystem responsible for promptly assessing occasions of emergency and taking the decision to implement the activities aimed at the prevention of emergencies is the Commission for the Prevention and Liquidation of Emergencies and the Fire Safety of the company (CPLE and PFS). The annual work plans of the commission include providing for the safe flood water passage in the spring-summer period, preparing the facilities for the autumn-winter peak of maximum loads, as well as to ensuring sustainable functioning in fire and thunderstorm periods. The CPLE and the PFS directs and coordinates the work of the permanent and day-to-day bodies for the management of the functional subsystem.

Round-the-clock surveillance of the facilities, notification of detected violations in the equipment operation and execution of priority actions which contribute to the prevention of emergency situations, are performed by the bodies of daily management functional subsystem of the company: during operational duty shifts at the center for monitoring the state of protection and operation of facilities, as well as during duty shifts of operational supervision of generating branches and controlled companies.

At 31 facilities of the Group there are local warning systems.

For the prevention and liquidation of emergency situations, reserves of material resources in the branches operating hydrotechnical facilities and a target reserve of financial

resources in PJSC RusHydro were created in PJSC RusHydro amounting to 1% of the average monthly revenue from the sale of electricity and capacity. In all controlled companies in order to prevent and eliminate emergencies, financial reserves and reserves of material resources were created having the needed funds at their disposal.

In 2017, training in accordance with the decree of the Company of 11.05.2017 № 287 "On the conduct of distance learning in the field of civil defense and protection of employees at emergencies in 2017", using an automated system of training and control of learning acquired knowledge, 5,810 employees of RusHydro Group were trained. . The total number of people in RusHydro Group covered by the training was 22,399.

In 2017, RusHydro Group held:

- complex trainings - 23;
- trainings at facilities - 379;
- team trainings - 108;
- tactical special trainings - 58.

In the Group's consolidated budget for 2018, funds were planned under the item "Emergency Response Reserve" worth 88,845.1 thousand rubles for accrual and 104,837.3 thousand rubles for financing.

2.2.2 Construction of production facilities

Quality control at the stage of construction of RusHydro Group's facilities

Quality control at the stage of construction and installation works is carried out in order to:

- Verify the compliance of the works with the town-planning code, design documentation, the requirements of technical regulations, the engineering surveys;

- Provide reliable and trouble-free operation of power facilities and reduction of non-productive costs during the operation stage.

Quality control:

- Consists of technical requirements to the final result and assessment of conformity of the result to the technical requirements, internal normative documents and legislative acts;
- Is conducted by all construction participants, the contractor, the developer (customer) and the designer (within the framework of the author's supervision);
- Provides operational input, acceptance control, and also accounting of works performed, the final check of the executed works and preparation of the conclusion on conformity;
- In addition to internal oversight, includes an external oversight system implemented by the Federal Service for Environmental, Technological and Nuclear surveillance and other state technical oversight bodies

Documents regulating the issues of quality control during the construction phase:

- Technical policy of PJSCRusHydro
- Corporate standards of construction and installation works of RusHydro (level of construction customer):
 - 01.02.132-2015 "Hydroelectric power stations. Quality control of work in the construction process. Norms and requirements"
 - 70238424.27.140.046-2009 "Hydroelectric power stations. Manufacture of construction and installation works. Norms and requirements"
 - 04.01.71-2011 "Hydropower construction. The procedure for determining the cost of construction and installation works. Methodical instructions"
 - 01.02.85-2013 "Hydropower construction. Calendar-network planning of projects for the construction of hydro-generation facilities. Norms and requirements"

Regulation and supervision

Control of the conformity of the quality of construction and installation works, applied materials and structures, is governed by the requirements of the Russian Federation legislation, industry standards and requirements, corporate technical standards, regulatory requirements for project documentation.

In addition to the requirements of the Federal legislation and subordinate legislation³³, at all stages of construction work, industry standard and quality control standards developed by RusHydro are applied.

Development of the Unified Conformity Assessment System (UC AS) for the construction (reconstruction and overhaul of capital construction projects) and requirements for the controlling procedure of the UC AS is conducted by the Supervisory Board of the unified system of conformity assessment in the field of industrial, environmental safety, security in energy and construction. The oversight over their execution is carried out by the Federal Service for Ecological, Technological and Nuclear Supervision.

At the stage of construction at the stations, an automated system of diagnostic control is introduced, which performs automatic collection of devices indications and their computer processing, for the analysis of the condition of the hydro-site structures. At delivery of by the building organization to the customer. The measurement equipment and all data of observations of hydrotechnical constructions in operation are handed from the building companies to the customer.

In the reporting year, no people were economically displaced or compensated in connection with the construction of new facilities. . (EU22)

Indirect economic impact of key structures on the regions of presence (203-2)

Project	Indirect economic impact
Zaramagskiye HPPs	After the commissioning of the station, its tax revenues to budgets of all levels will amount to 0.9 billion rubles annually, which will enable the HPP to become a key budget contributor in the region. The uniqueness of Zaramagskaya HPP-1 consists primarily of a 14.5 km derivation tunnel, which is unparalleled in Russia. Its width is 4.5 m, its height is 5 m, water will pass through the tunnel in 80 minutes. The construction of the tunnel began in 1982, during the Soviet times, no more than 30% of its length was built.
Nizhne-Bureyskaya HPP	The socio-economic effects of the project for the Far East and Russia: <ul style="list-style-type: none"> • reduction of current generation costs for the Unified energy system of the East; • the possibility of switching nearby villages from expensive fuel oil and coal boiler heating to electric boiler heating with a reduction in the heat tariff for consumers; • creation of jobs for the laid-off builders of the Bureyskaya HPP (2,000 people)

³³ Urban Development Code and Resolution of the Government of the Russian Federation No. 468 of 21.06.2010 "On the Procedure for Conducting Construction Supervision during the Construction, Reconstruction and Overhaul of Facilities".

	<p>and a reduction in outflows from the Far East;</p> <ul style="list-style-type: none"> • subcontractor work for domestic producers and firms; • increase in tax revenues to budgets of all levels; • growth in the purchasing power of the population of the Amur Region.
A.F. Dyakov Ust-Srednekanskaya hydroelectric power station on the Kolyma River	The launch of the HPP is the source of power for the Matrosov mine (the Natalinskoe gold deposit) and contributes to the growth of the economy of the region due to the development of the mining sector.
1st stage of Sakhalinskaya GRES-2	<p>The commissioning of the first stage of Sakhalinskaya GRESGRES-2 will create the prerequisites for socio-economic development of the western coast of Fr. Sakhalin by creating new jobs, housing and social infrastructure.</p> <p>The necessary reserve of capacity will be provided for the prospective new consumers.</p>
CHP Plant in Sovetskaya Gavan	<p>The commissioning of a CHP plant in Sovetskaya Gavan allows to:</p> <ul style="list-style-type: none"> • ensure reliable, uninterrupted and cost-effective energy supply to consumers in the Soviet-Havana and Vanino regions; • increase the reliability of energy supply to the Soviet-Havana energy center; • ensure the region's growing electricity needs related to the expansion of the seaport, the construction of the largest coal terminal in the Far East and the development of a transport hub; • ensure the replacement of outgoing capacities and inefficient equipment of the Mayskaya GRESGRES; • centralise the heat supply to Sovetskaya Gavan; • ensure the growth of tax revenues to budgets of all levels.
Thermal power station Vostochnaya, Vladivostok on the site of Central steam-water boiler facility	<p>The Vostochnaya CHP will fully cover the heat load of the adjoining area of the Central steam-water boiler facility.</p> <p>Due to the redistribution of the load to VCHP -2, new consumers of the city will be provided with heat, including Patroclus and Green Corner.</p> <p>The thermal power reserve that is created with the thermal power station will create favourable conditions for the further development of the city.</p>

Program of construction of new heat generation facilities in the Far East

The development of the Far East is one of the highest priorities of the state. Thus, the Federal Target Program for the Development of the Region has been developed, and the Ministry for the Development of the Far East has been created.

RusHydro Group contributes to the development of the region. The Company's most important investment project is the construction of four facilities on the territory of the Far East within the framework of the execution of the Presidential Decree dated November 22, 2012 No. 1564 "On the Further Development of the Open Joint-Stock Company Federal Hydro-Generating Company-RusHydro".

Financing of projects for the construction of new facilities is carried out mainly from budget funds intended for the development of power in the Far East. For these purposes, the state, under Presidential Decree No. 1564 of November 22, 2012, allocated 50 billion rubles in the framework of the additional capitalization of PJSC RusHydro. **(201-4)**

The implementation of these projects is the first stage of the Far Eastern Energy Development Program aimed at replacing the outgoing power capacities and developing the infrastructure of the decentralised energy supply sector. The program will achieve the following effects for the regions of the IPS of the East by 2025:

- total increase in the gross regional product of the Far Eastern Federal District;
- additional tax revenues for energy companies of the Far Eastern Federal District and related industries (mechanical engineering);
- development of the construction industry: additional housing can be connected to heating service;
- employment growth through the creation of new jobs in industries such as construction, operation of energy facilities and mechanical engineering. **(203-2)**

2.2.3 Program of modernization, technical rehabilitation and repairs

Comprehensive modernization program

A significant number of powerful hydroelectric power plants were commissioned in the 1950s and 1960s, and by the early 2000s, there was a need to upgrade and replace existing equipment. Due to the economic difficulties of those years, it was not possible to replace obsolete and worn-down equipment; hence, PJSC RusHydro had to resort to periodic repairs and the replacement of separate units.

Since the middle of the 2000s, a number of stations of PJSC RusHydro had their equipment replaced, but the pace of asset renewal did not allow breaking the trend of aging HPP equipment as a whole.

The key requirement of the Comprehensive Modernization Program is the lack of units of basic generating equipment with an expiry safe operation period before 2025.

In December 2011, the Board of Directors of the Company approved the Program for the comprehensive modernization of generating facilities of PJSC RusHydro (PCM), designed for the period through 2025.

PCM is a unique project for the upgrade of generating facilities in the energy sector. As part of the RusHydro Program, it is planned to replace more than half of the main equipment at HPPs:

- 154 turbines (55% of the total number of turbines),
- 119 generators (42% of the total number of generators),
- 176 transformers (61% of the total number of transformers),
- 396 high voltage switches,
- ~ 8 thousand units of secondary switching equipment,
- more than 4,000 units of auxiliary equipment; in addition, it is planned to perform the reconstruction of hydraulic structures.

Main results of PCM PJSC RusHydro

Results, units			Increase of installed capacity, MW		
	2017	2018 forecast		2017	2018 forecast
Turbines	18	7	Zhigulevskaja HPP	21.0	10.5
Generators	10	5	Volzhskaya HPP	10.5	10.0
Transformers	2	11	Saratovskaya HPP	6.0	6.0
High voltage switches	23	21	Novosibirskaya HPP	5.0	5.0
Hydraulic structures	11	38	Votkinskaja HPP	0.0	15.0
Secondary switching equipment	608	481	Cascade of Verkhnevolzhskiy HPPs	0.0	10.0
Auxiliary equipment	578	265	Total	42.5	46.5

Index of the status of groups of main equipment, %

Turbine	76.50
Generators	77.25
Transformers	67.92

Technical upgrade and reconstruction program

The technical upgrading and reconstruction program (further - TURP) is based on a comprehensive modernization program. It aims to maintain the proper operating condition of the equipment and to introduce new capacities into production, but, unlike PCM, it implies a replacement of the equipment with analogues with improved performance at RusHydro's facilities. TURP also suggests the extension of the standard operating life of the main generating equipment, reduction of production costs, and the increase of the efficiency of stations.

Main types of work on technical re-equipment and reconstruction

Branch	Results of 2017 year
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Volzskaya HPP	Replacement of hydroturbines and hydrogenerators № 1, 2. Work was done on the construction of the building of the remote control room at 220 kW outdoor switchgear
Votkinskaya HPP	Replacement of the Hydroturbine and Hydrogenerator hydroelectric units № 4
Zhigulevskaya HPP	The project on the reconstruction of hydroelectric power units with the replacement of hydro-turbines and the modernization of hydrogenerators was completed. In 2017, the plant was put into operation. № 8, 11, 20
Kamskaya HPP	Construction of laboratory building of Kamskaya HPP was completed
Cascade Verhnevolzhskih HPP	Reconstruction of hydraulic unit № 1
Nizhegorodskaya HPP	Works on the manufacturing and the supply of hydro turbines, hydrogenerators and automatic control systems of hydroelectric unit № 1
Saratovskaya HPP	Replacement of hydroturbine № 13
Cheboksarskaya HPP	Modernization of hydroturbines № 5, 17 - transition from a propeller mode to a usual mode (rotary-vane).
Sayano-Shushenskaya HPP	Replacement of excitation systems of hydro generators N. 1-3. Reconstruction and replacement of lifting equipment, the replacement of cranes.
Bureyskaya HPP	Modernization of turbine № 5 by mounting the stabilizing device
Zejskaya HPP	Reconstruction of the outdoor switchgear -500/220 kW
Novosibirskaya HPP	Replacement of hydroturbine № 3 Reconstruction of the HPP Dam was completed
Cascade Kubanskiye HPPs	Development of working documentation for the modernization of HPP-2 of Sengileevskaya HPP
Dagestan Branch	Modernization of hydro turbine equipment hydroelectric unit № 1 Miatlinskaya HPP – it was replaced and its replacement led to an increase in rated power of 10 MW and a working wheel camera
Karachay-Circassian Branch	Creation of a duplicate communication channel with the main control Panel of Cascade of Kuban HPP. Server upgrade
Kabardino-Balkaria Branch	Modernization of the station system of the top level of automated control system for the technological process of electricity generation
North Ossetia Branch	The construction of the Yezminskaya HPP canal was completed, bypassing the main structures with the additional sump
Zagorskaya PSPP	Replacement of arching cameras gas-insulated switches FKG2S. Modernization of an automated measurement system of commercial electricity accounting

The program of technical re-equipping and reconstruction of Subgroup RAO ES East is part of the investment program of the Subgroup and is connected with the need to maintain the reliability of all technological facilities in the long term. Development and implementation of the program takes place within the framework set by the technical policy of RusHydro Group.

Main types of work on TURP Subgroup RAO ES of the East

Company Name	Events
JSC DGK	Transition of boiler № 8 to gas
PJSC Magadanenergo	Reconstruction of substations 220 kW "Orotukan", "Palatka", "Centralnaya"
PJSC Sahalinenergo	Development of Sports Complex "Mountain Air" (reconstruction)
JSC"Chukotenergo	Transition of Anadyr CHP to gas

As a result of TURP Subgroup Rao East:

- Introduced 1.3 MW of new capacity,
- Introduced 17.2 km of heat networks,
- Introduced 189.82 km of overhead power lines.

Implementation of the TURP program by Subgroup RAO ES of the East, thousand rubles, without VAT

	2016	2017
JSC DGK	4,636,070	2,638,059
PJSC Kamchatskenergo	759,780	394,644
JSC YuESK	372,300	59,746

PJSCMagadanenergo	1,050,410	763,558
JSC "Chukotenergo"	313,700	139,935
PJSCSahalinenergo	1,333,600	849,611
JSC DRSK	726,800	2,243,954
PJSC "Mobile Energy	56,050	56,430
PJSCJakutskenergo	1,746,300	439,378
JSC Sahaenergo	328,400	62,061
JSC Teplojenergoservis	129,900	82,273

Expenses for repair works, technical re-equipment and reconstruction, mn rubles.

PJSC RusHydro and PJSC RusHydro (except Subgroup Rao ES East)				
	2015	2016	2017	2018 Plan
Repair works	3,081	2,748	2,737	2,898
Technical rehabilitation and reconstruction	28,560	27,258	27,622	23,008
Subgroup RAO ES of the East				
	2015	2016	2017	2018 Plan
Repair works	11,227	11,568	12,693	12,993
Technical re-equipment and reconstruction	6,218	7,142	7,729	12,523

In 2018, Rushydro Group planned the increase of installed capacity of PJSC RusHydro by 46.5 MW with the help of technical re-equipment of hydropower facilities:

- Changing hydroturbines - 7 PCs,
- Changing hydrogenerators - 2 PCs,
- Constructing gas-insulated switchgear with the capacity of 500 kW.

2.2.4 Energy efficiency and energy saving

The main shareholder PJSCRusHydro, Russian Federation, challenges energy companies to increase energy security and reduce power consumption. In accordance with the state program "Energy efficiency and power development", approved by the Decree of the Government of the Russian Federation of 15.04.2014 № 321, there are three main directions for improving energy efficiency in the use of all types of energy resources:

- energy efficiency,
- development and modernization of electrical power,
- development of the use of renewable energy sources.

Energy efficiency of hydropower

Hydropower is one of the main branches of the electrical power industry, providing a significant contribution to energy production. At the same time, hydropower is the most economically efficient and environmentally safe industry. Hydropower plants have their own peculiar features that require a special approach to the assessment of energy efficiency and finding ways to increase energy efficiency. Hydropower plants, in addition to power generation, carry out a number of functions, which are critically necessary both for the energy industry and for the life of large groups of the population. These include the hydrotechnical problems of river flow regulation, flood prevention, irrigation of agricultural lands, automobile and railroad transportation across rivers as well as shipping.

In this connection, the hydroelectric power plants may be subject to requirements, sometimes diametrically opposed, which significantly complicates the analysis of their functioning. For example, a discharge of water reduces the overall energy efficiency of the HPP, but it provides a vital drainage of the river, and the operation of the hydrogenerator in the synchronous compensator mode reduces the overall efficiency of the HPP, but ensures the stability of the energy system as a whole.

Due to the lack of consumption of any fuel for the production of electricity, the analysis of energy efficiency of hydropower plants excluded this main cost item, inherent in other types of power plants, with the exception of renewable energy sources. Therefore, the main subject of analysis is its own consumption of power plants. The main directions of energy efficiency improvement in PJSC RusHydro:

- modernization of internal and external, working and emergency lighting systems (partially with automated control);
- modernization of ventilation and air conditioning systems of main and auxiliary buildings of HPP (including the introduction of weather regulation);
- reconstruction of heated buildings and structures, elimination of leaks of warm air, reduction of the degree of infiltration of premises;
- reconstruction of heating and hot water supply systems, electro-boiler houses, modernization of pumping stations, elevators (with the replacement of mechanisms, with the use of frequency-controlled drives);
- replacement of hydraulic units with higher output coefficient; modernization of automatic control systems of hydraulic units and excitation systems of generators;
- modernization and reconstruction of hydraulic structures, including working and emergency-repair shutters, phased reconstruction of knots and sections of water intakes, and industrial water disposal;
- replacement of power transformers with energy-saving analogues, replacement of air circuit breakers with transition to gas-insulated circuit breakers (considering the withdrawal from compressor operations).

Energy saving and efficiency program

In 2015 PJSC RusHydro approved the Program of energy saving and increased energy efficiency (hereinafter - ESEP) for the period of up to 2020, which contains a list of the main works on increasing the efficiency of energy and water resources use, as well as a number of priority energy-saving solutions. In 2017, the

The overall effect of the energy efficiency measures of PJSC RusHydro in 2017 was 114,601 thousand kWh, equivalent to 38,964 tonnes of reference fuel

program was updated on the results of the review in Ministry of Energy of Russia in connection with the changed requirements of legal acts. The updated program was compiled according to the results of an energy survey, held in the period of 2010-2016.

For the year of 2017 the implementation of ESEP contributed to energy savings on consumption for own needs of 40,816 kWh, additional output from the implementation of measures was 73,785 thousand kWh.

Due to the selection of the optimal equipment, the optimisation of the repair company, the operation of hydroelectric power plants at heads higher than average annual values and the reduction of idle water discharges by redistributing the reserves of automatic secondary regulation to other hydroelectric power stations of the cascade, additional generation of electric power of 750 million kWh is ensured.

According to the results of 2017, „RusHydro Group (without RAO ES East Subgroup) spent 503 million rubles on energy saving, and 7,520 million rubles on power efficiency.

As part of the implementation of the system of planning of regimes at HPP, tests and acceptance tests of all modules (medium and short-term planning) of the "Dispatch Center-2" were carried out. As a result, it was decided the system was fully ready for the procedure for acceptance of IS and its launch into commercial operation.

In accordance with the schedule of energy inspections of branches in PJSC RusHydro in 2017, energy audits of twenty sites of Dagestan, Kabardino-Balkaria, Karachaevo-Cherkessk branches and three facilities of PJSC Kolymaenergo were carried out. For all branches and controlled companies on which the energy audit was conducted, energy passports (specifications), energy saving and energy efficiency programs were developed, reports with recommendations were prepared.

Own consumption

Volume of own consumption by the types of energy resources of RusHydro Group (without RAO ES of the East Subgroup)

In order to increase the level of automation of energy saving activities and increase the power efficiency by the order of PJSC "RusHydro" from 13.12.2017 № 872 the chart and roadmap for the replication of typical software on the basis of information management system of energy administration was approved.

In 2017, the energy management system of JSC YuESK was implemented in accordance with the requirements of ISO 50001:2011 (USSR R ISO 50001-2012) "Energy management system. Application requirements and guidelines". By order of JSC YuESK from 26.04.2017 G. № 127 "A" approved 9 system local normative acts.

Type of energy resource	2015	2016	2017	
	Volume of consumption in physical terms	Volume of consumption in physical terms	Volume of consumption in physical terms	Volume of consumption, thousand rubles
Thermal energy, Gcal	429,026	426,100	419,260	71,659
Electrical energy, MWh	1,396,343	1,503,246	1,457,409	1,049,511
Gasoline for automobiles, l	424,143	389,018	447,458	16,027
Diesel fuel, l	1,762,854	1,249,619	1,559,797	57,702
Natural gas, m ³	58,716	40,241	39,700	186

Specific energy consumption by RusHydro Group (without RAO ES of the East Subgroup)

Period	Power generation, thousand kWh	Own consumption, thousand . kWh	Specific weight of own consumption in annual output, %
2015	93,100,233.74	1,396,343.8	1.5 %
PJSC RusHydro	77,406,430.00	1,207,480.83	1.6 %
JSC Geotherm	409,672.00	33,267.00	8.1 %
JSC Pauzhetskaja GeoPP	42,262.74	7,484.48	17.7 %
PJSC Kolymajenergo	1,672,764.00	53,916.00	3.2 %
PJSC Kamgjek	38,954.00	1,172.00	3.0 %
JSC IEC	453,375.00	10,108.85	2.2 %
PJSC "Boguchanskaja HPP"	13,076,766.00	82,913.92	0.6 %
2016	106,800,700.86	1,493,944.32	1.4 %
PJSC RusHydro	90,279,428.08	1,292,184.31	1.4 %
JSC Geotherm	400,199.00	33,748.00	8.4 %
JSC "Pauzhetskaja GeoPP"	43,109.31	7,506.21	17.4 %
PJSC Kolymajenerg	1,663,482.00	50,672.00	3.0 %
PJSC Kamgjek	39,405.00	1,531.00	3.9 %
JSC IEC	405,464.00	10,548.59	2.6 %
PJSC Boguchanskaja HPP	13,969,613.47	97,754.21	0.7 %
2017	107,121,497.65	1,449,155.15	1.35 %
PJSC RusHydro	91,146,260.29	1,258,712.39	1.4 %
JSC Geotherm	392,056.00	32,601.00	8.3 %
JSC Pauzhetskaja GeoPP	43,920.05	7,874.49	17.9 %
PJSC Kolymajenergo	1,747,610.00	50,344.00	2.9 %
PJSC Kamgjek	38,225.00	1,282.00	3.4 %
JSC IEC	466,021.00	10,284.47	2.2 %
PJSC Boguchanskaja HPP	13,287,405.31	88,056.81	0.7 %

Volume of own consumption by types of energy resources by RAO ES of the East Subgroup (302-1)

Fuel consumption from non-renewable sources	Volume of consumption in natural terms			Volume of specific consumption per unit of generated energy		
Subgroup Rao ES East	2015	2016	2017	2015	2016	2017

Power consumption, mn kW h	4,647.66	4,543.87	4,553.48	0.137	0.143	0.139
Consumption of thermal energy, thousand Gcal	646.55	627.56	623.43	0.021	0.020	0.021
Coal, thousand tons	17,341.65	16284.68	16,765.01	385,39 */ 160.748 * *	385,319 */ 161.216 * *	385,174 */ 159.867 * *
Fuel oil, thousand tons	102.01	101.86	107.95			
Other fuel, thousand tons, including diesel fuel, kerosene, firewood	126.60	128.74	126.74			
Natural gas, mn. m³	5,300.74	5,068.09	5,125.38			
Gasoline, l	Not used			Not used		
Fuel consumption from renewable sources	Volume of consumption in natural terms, thousand m³			Volume of specific consumption per unit of developed energy, m³/kwh		
Subgroup Rao ES East	2015	2016	2017	2015	2016	2017
Hydropower	15,448,155	16,153,632	16,204,595	6.89	7.03	7.12
Cascade of Viljujskiye HPPs named after E.N. Batenchuk	15,210,000	15,893,000	15,948,000	6.80	6.94	7.03
SHPP on r. Bistraya	238,155	260,632	256,595	45.71	45.09	44.82

Indicators of specific consumption of fuel per unit of produced energy include:

* Specific consumption of conventional fuel for the release of electrical energy, g/kwh;

* * Specific consumption of conditional fuel for the release of thermal energy, kg/Gcal.

Specific costs of conditional fuel by companies on Subgroup RAO ES of the East (302-3)

Indicator name			
	2015	2016	2017
Specific consumption of conventional fuel for the release of electrical energy, g/kwh.	385.390	385.319	385.174
Specific consumption of conditional fuel for the release of thermal energy, kg/gcal.	160.748	161.216	159.867

ESEP Activities

Main directions of ESEP activities on Subgroup RAO ES of the East

Main directions of energy conservation measures	Results (effects) in 2017	
	Million rubles	Tonnes of reference fuel
Improvement of technological processes	83.7	18,286.89
Optimization of energy consumption regimes	30.86	5,279.04
Improvement of power supply schemes	1.54	141.78
Reconstruction and modernizationmodernization of power plants	46.43	10,842.23
Introduction of new technologies and equipment	4.84	669.09
Improving energy accounting tools and systems	21.11	241.14
Other activities	248.37	6,089.63
Total	436.85	41,549.80

Total reduction of energy consumption as a result of the implementation of measures on approved programs of power saving and increase of energy efficiency of companies of Subgroup RAO ES of the East in 2017 year was 41,549.8 tonnes of reference fuel.

Energy savings by Subgroup RAO ES of the East (302-4)

Types of energy savings	2015	2016	2017
Gas saving, thou. m3	752.33	445.60	270.13
Economy of diesel fuel, ton of reference fuel	188.75	6.97	44.79
Economy of different fuels, ton of reference fuel	31,848.90	18,045.00	27,466.75
Economy of heat energy, Gcal	39,454.08	19,482.00	27,867.67
Energy saving, thou. KWh	65,307.19	70,610.00	87,150.56

Expenses on measures in accordance with the approved programs of energy saving and the increase of power efficiency of companies of Subgroup RAO ES East in 2017 were 1,433.6 million rubles, and the annual economic effect of their implementation was 436.85 million rubles.

Building a consumer behavior model

All the branches of the company joined the festival of Energy Saving #Togetherbrighter, the main purpose of which was to popularise the culture of careful attitude to nature and demonstrate modern energy-efficient technologies among citizens and different sectors of the Russian economy. Special attention was paid to activities for children and young people: in the framework of the festival, there were excursions to hydro power stations, lessons of ecology and economical attitude to energy resources, contests, and quizzes.

PJSC "RusHydro" together with the Government of the Republic of Sakha (Yakutia) held the V International Conference "Development of Renewable Energy (RES) in the Russian Far East". More than 350 delegates from 112 Russian and foreign organisations participated in the event.

Energy efficiency plans for 2018

In accordance with the decree of PJSC RusHydro of 13.12.2017 № 873 developed and approved ESEP for the period of 2018-2023, in the framework of which in 2018 it is planned to implement measures to increase efficiency worth 2,518.2 million rubles, the realization of which will allow to get an annual effect worth 386.85 million rubles.

2.2.5 Procurement activities

Procurement management

To support its activities, RusHydro Group buys a large number of works, services and products from third parties. RusHydro Group approved a number of local normative documents (acts) aimed at preventing non-targeted and inefficient use of funds.

The company's activities in the field of procurement are regulated by the requirements of the RF legislation, in particular, the requirements of the federal law of 18.07.2011 № 223-FZ "About procurement of goods, works, services by separate types of legal entities", as well as Regulations on the procurement of products for the needs of PJSC RusHydro (approved in a new version by the decision of the Board of Directors of PJSC RusHydro dated 23.06.2016 No. 239). The use of these regulatory instruments contributes to the regulation of procurement, and the timely and high-quality provision of goods, works, services, as well as economical expenditure of the Group's funds.

Regulation of the procurement activities involves the application of mandatory procedures, including careful planning of product requirements; market analysis; information openness of procurement; actions aimed at the achievement of equality, fairness, non-discrimination and unjustified restrictions of competition in relation to the participants of the procurement, the purposeful and cost-effective expenditure of funds for the acquisition of goods, works, services and other activities.

To increase the efficiency, transparency and fairness of procurement, RusHydro Group is guided by the following principles:

- openness (transparency)
- competitiveness
- validity
- efficiency

In 2017, PJSC RusHydro made 1,105 competitive purchases in electronic form for the sum of 63,471,887.40 thousand rubles, which is 99.6 % of the cost of competitive procurement.

Control and coordination of procurement activities in PJSC RusHydro is occupied by a permanent collegial body – the Central Purchasing Commission (CPC). For the immediate organization and conduct of procurement procedures, CPC appoints a standing procurement commission.

For the immediate organization and conduct of procurement procedures, CPC appoints a standing procurement commission. The procurement commissions are allocated to the commissions of the 1st and 2nd level, as well as to the specially created procurement commissions.

PJSC RusHydro publishes information about planned purchases of goods, works and services of the company, places actual official publications on purchases, containing the name procurement (subject of purchase), significant conditions in competitive procurement and other information on procurement on the official website of the Russian Federation www.zakupki.gov.ru, as well as on electronic trading platforms www.b2b-energo.ru and <http://rushydro.roseltorg.ru>. According to the results of purchases, the information

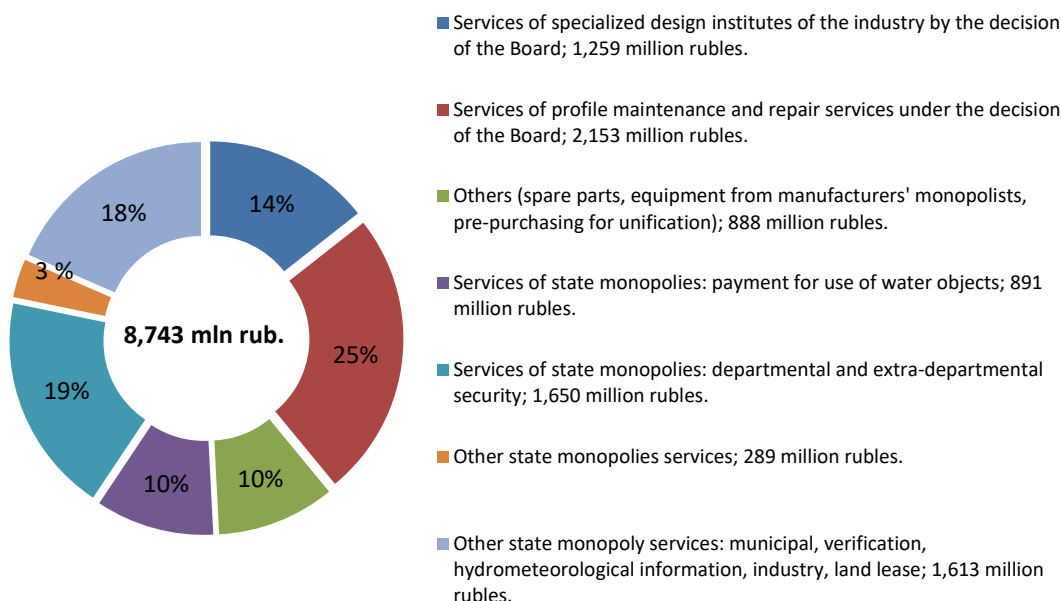
on the results of the purchase with the indication of the winner of the purchase and the bid of the winner of the competitive procedure is published.

Implementation of the annual comprehensive procurement program (102-9)

Implementation of the annual comprehensive program, types of procurement

	RusHydro Group (without Subgroup Rao ES East)	Subgroup Rao ES East
Number of procurement procedures, units	4,709	11,111
Volume of purchases in 2017 (by direction)	Current production activity – 84,911.7 million rubles including VAT Investment activities- - 28,475.9 million rubles including VAT	Operation activity – 166,152.1 million rubles including VAT Investment activity-30,987.4 million rubles including VAT
Share of purchases via the electronic trading platform (e-commerce),%	87.95	42.12
Share of purchases from open sources, %	67.79	42.37
Share of purchases from a single source, %	32.09	57.10
Share of purchases in closed form (from a limited number of sources), %	0.12	0.53

Purchases of PJSC RusHydro at a single source



Procurement efficiency at PJSC RusHydro

Type of activity	Planned value of purchases, thousand rubles including VAT With VAT	Average market the cost of participants' offers, thousand rubles including VAT	Total cost of purchases, thousand rubles including VAT	Simple economic efficiency		Efficiency regarding average price	
				Thousand rubles.\ (art. 2-St4)	% (art. 5/art.2) x 100	Thousand rubles.\ (art. 3 Art. 4)	% (Art. 7./Art.3 * 100)
1	2	3	4	5	6	7	8
Current production activity	75,772,279.64	67,485,763.76	62,623,189.32	13,149,090.32	17.4	4,862,574.44	7.2

Type of activity	Planned value of purchases, thousand rubles including VAT With VAT	Average market the cost of participants' offers, thousand rubles including VAT	Total cost of purchases, thousand rubles including VAT	Simple economic efficiency		Efficiency regarding average price	
				Thousand rubles.\ (art. 2-St4)	% (art. 5/art.2) x 100	Thousand rubles.\ (art. 3 Art. 4)	% (Art. 7./Art.3 * 100)
1	2	3	4	5	6	7	8
Investment activities	11,299,487.04	11,070,800.51	9,818,154.79	1,481,332.25	13.1	1,252,645.72	11.3
Total	87,071,766.68	78,556,564.27	72,441,344.12	14,630,422.56	16.8	6,115,220.15	7.8

Procurement from small and medium-sized businesses

To maintain competition and sustainable development of small and medium-sized businesses, RusHydro Group seeks to collaborate with these enterprises in procurement activities.

PJSC RusHydro has a partnership program between PJSC RusHydro and subjects of Small and Medium Businesses (hereinafter – the Partnership Programme), approved by the decree of PJSC RusHydro of 16.07.2014 № 568. The Partnership Program was set up in accordance with the methodological recommendations of the Ministry of the Russian Federation (01.11.2013 № 23941-EE/d28i)

The Partnership Program is published on the website of PJSC RusHydro (<http://zakupki.rushydro.ru/References/PartnerProgramMsp?sectionId=7>). The register of Small and Medium Business entities included in the Partnership Program is placed on the official website of PJSC RusHydro in the section "Procurement" and updated as new participants are included.

On the website of the Unified Information system in the field of procurement (<http://zakupki.gov.ru/epz/gws/quicksearch/search.html>) and the site of PJSC RusHydro contains a list of goods, works, services, purchases of which are carried out by the subjects of small and medium enterprises.

By the decision of the Government of the Russian Federation of 11.12.2014 № 1352 "About the peculiarities of participation of small and medium enterprises in the procurement of goods, works, services by certain types of legal entities" RusHydro's planned indicators for purchases of small and medium-sized businesses were approved for the year of 2017. At the end of the year, the group was able to achieve much more than the plan. The actual result considerably exceeded the plan and the respective indicator of 2016, for the following reasons:

- the procurements planned in the previous periods (2014-2017) were included in the calculation and the procurements required an advance (2018);
- at the end of the reporting period, a number of categories were included in the procurement profile of SMEs under the law, which were excluded earlier.

Proportion of purchases from small and medium-sized enterprises in 2017,%

		Plan	Fact
Share of purchases from SMEs of total annual value of purchases	PJSC RusHydro	18	85.2
	RusHydro Group		74.6
Share of purchases only among SMEs from the cumulative annual value of purchases	PJSC RusHydro	10	38.1
	RusHydro Group		33.6

In 2018, RusHydro Group plans to carry out purchases from small and medium-sized enterprises for the sum of at least 18% of the total volume of purchases, including at least 15% of purchases carried out with the participation of only small and medium-sized entities.

Import substitution in PJSC RusHydro

As part of the program for the comprehensive modernization of the generating facilities of PJSC RusHydro, the Company plans to increase the volumes of deliveries of domestic machine-building products, which will be ensured by localizing production of certain types of equipment and components in Russia.

To realise the growth of the volume of domestic production in 2017 year it was necessary to carry out:

- changes in the technical policy of PJSC RusHydro were made,
- amendments were made to the regulation on the procurement of products for the needs of PJSC RusHydro,
- amendments were introduced to the Company's local regulations on the preparation of technical requirements for the purchase of products in accordance with the requirements of the

Technical Policy of PJSC RusHydro and the Regulation on the procurement of products for the needs of PJSC RusHydro,

– roadmap for import substitution for the period until 2020 (as part of the long-term Development Program of PJSC RusHydro) was approved.

For the purpose of the measures of gradual substitution of purchases of foreign production (works, services), for purchases of equivalent technical characteristics and consumer properties to the Russian production (works, services), it is proposed to reduce the share of imported equipment in the framework of production activities.

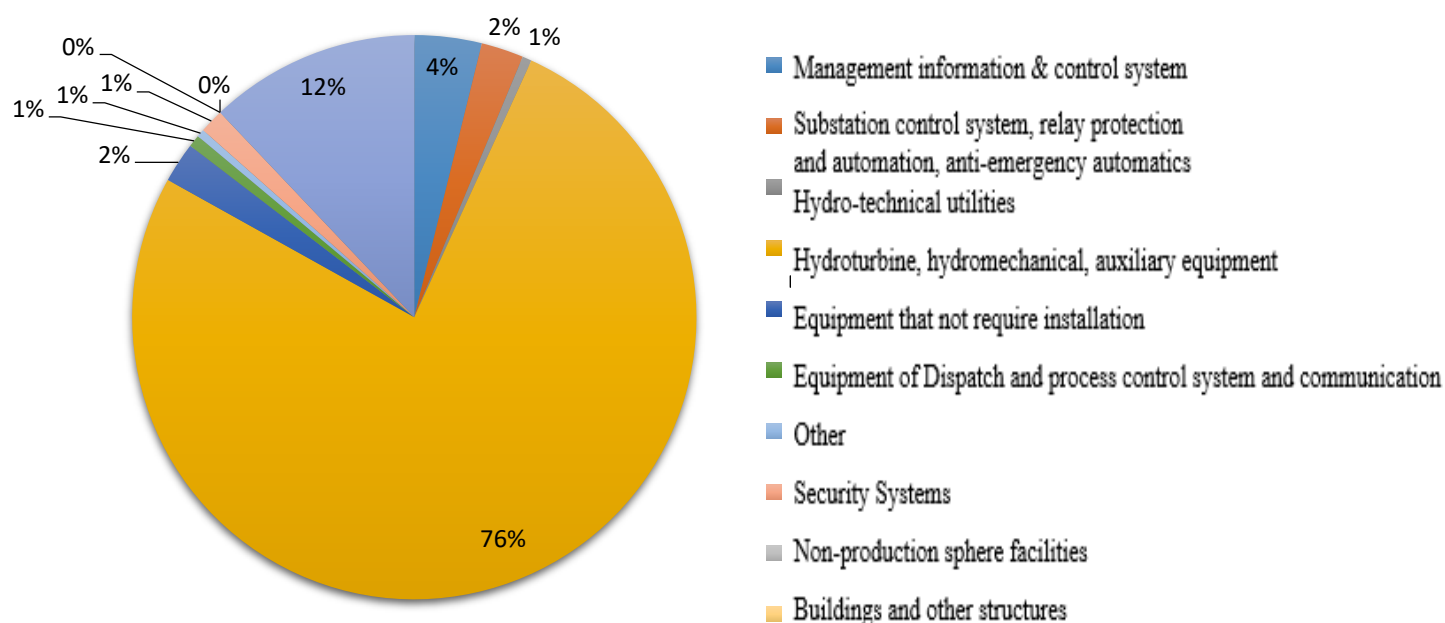
Share of imported equipment, %

	2015	2016	2017	2018	2019	2020
Plan	58	56	52	23	16	12
Fact	41	36	22	-	-	-

The import-substitution road map for the period until 2020 was approved as part of the Long-term Development Program of PJSC RusHydro, the Board of Directors' minutes No. 212 of April 3, 2015.

For the year of 2017, the indicator of the Roadmap "The share of imported equipment" is 22 %, which corresponds to the benchmark that provides for the non-exceeding of the indicator "Share of imported equipment" – 52 %.

Imported Equipment



Plans to improve procurement activities for 2018

- adjustments of procurement activities in accordance with the amendments of the Federal Law of 18.07.2011 № 223-FL "On the procurement of goods, works, services by certain types of legal entities";
- optimisation of procurement processes;
- automation of procurement activities, including the development of an automated analytical reporting system.

2.3 Investment and innovation activities

2.3.1 Investment activity

Events 2017

- Financing of the consolidated investment program amounted to 92,0 billion rubles (65.6 billion rubles was spent on investment projects of RusHydro Group (excluding Subgroup RAO ES of the East), 26.4 bln. rubles– Subgroup RAO ES of the East)

- Commissioning of new capacity: generation capacity – 242.28 MW, thermal energy – 475.34 Gcal/transmission lines– 1,470.68 km, transformer capacity – 455.78 MVA.

Principles of the investment policy of PJSC RusHydro

The compliance of investment decisions and projects with statutory requirements, building codes and regulations and environmental standards

Compliance with the sequence of stages of implementation of investment projects

The compliance of investment decisions and projects with the requirements to the levels of profitability and risk established by the Board of Directors

Analysis of the benefits and costs of implementing alternative investment decisions at the end of each stage of the investment project with a change in its main parameters

Provision of all investment projects with funding sources

The investment activity of the Company is regulated by the Regulation on the investment management process in the form of capital investments.

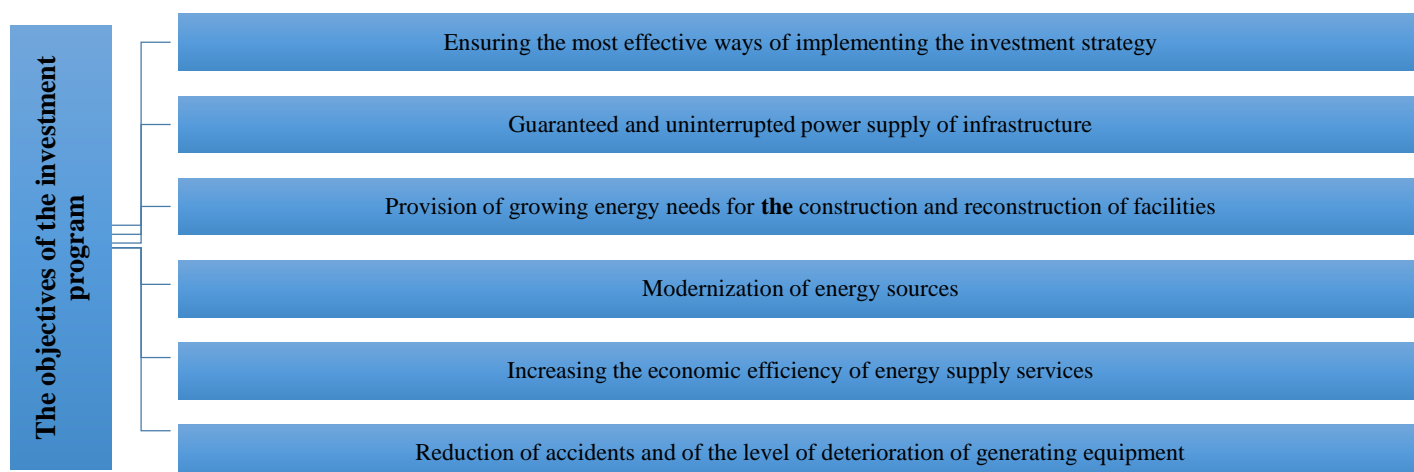
Approval of the investment programs is within the competence of the Boards of Directors of RusHydro Group companies. In addition, the investment programs of the electrical power entities within RusHydro Group are approved by the authorised executive bodies. The projects of the investment programs of RusHydro Group companies are formed on the basis of the parameters of RusHydro Group's consolidated investment program project approved by the Management Board of JSC RusHydro and considered by the Board of Directors of PJSC RusHydro. Before submitting investment programs to the authorized bodies of executive power for approval, the projects of investment programs of the electrical power industry subjects are preliminarily approved by the Boards of Directors of the respective companies.

Investment Program

Investment program of PJSC RusHydro for 2017-2027 was approved by the Decree of the Ministry of Energy of Russia of 30.12.2016 № 1458 and in accordance with the decree of the Ministry of Energy of Russia of 29.12.2017 № 34 "On approval of the investment program of PJSC" RusHydro "for period of 2018-2027 " and changes introduced in the investment program of PJSC RusHydro approved by the decree of the Ministry of Energy of Russia of 30.12.2016 № 1458 (date of publication: 29.12.2017), provides for the correction of the parameters of its implementation in 2017.

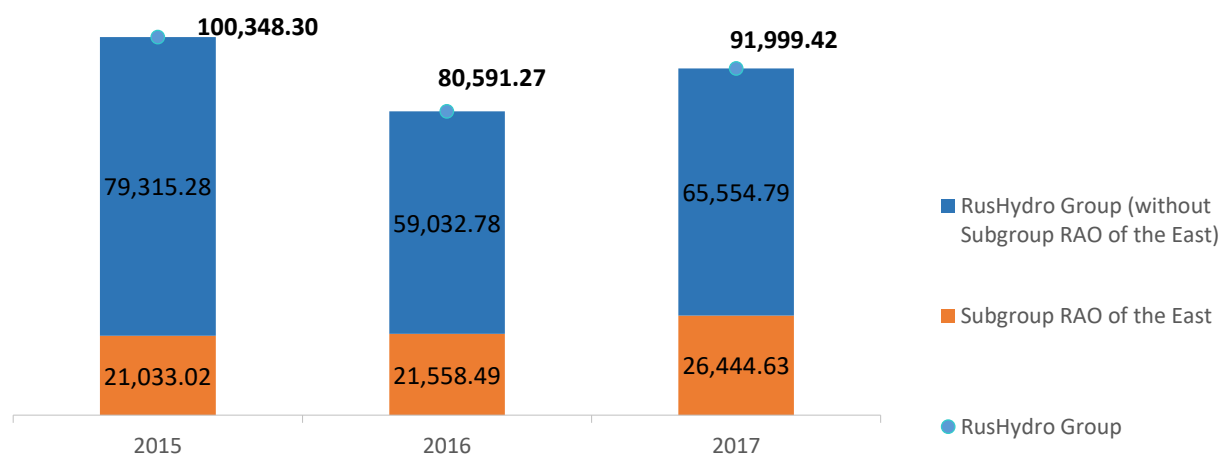
There are no investments with an expected return of more than 10 % per year.

The adjustment of the business plan for 2017, approved by the decision of the Board of Directors (Protocol 13.10.2017 № 258), verified the parameters of the adjusted investment program of PJSC RusHydro for 2017.

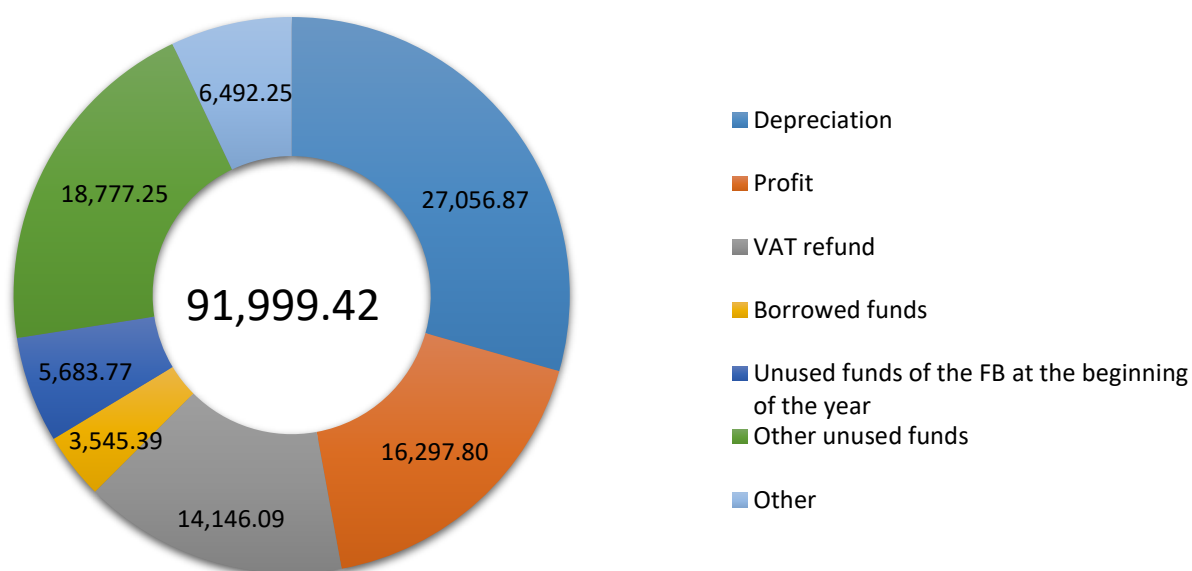


Implementation of RusHydro group's investment program in 2017

Investment dynamics, mn rubles.

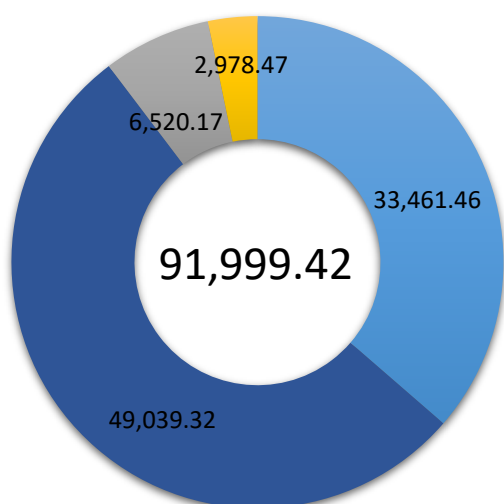


Funding sources structure in 2017, mn rubles.

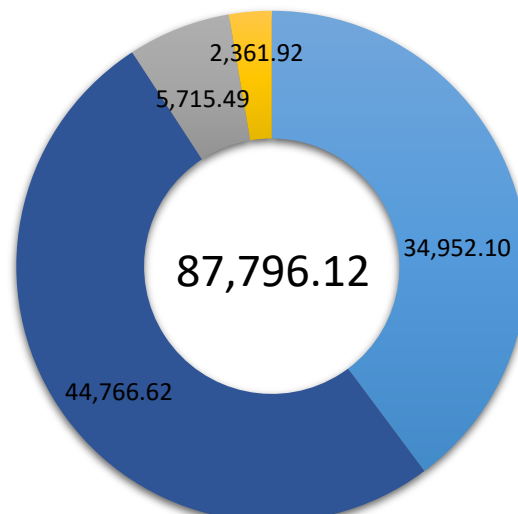


The main directions of investments within the framework of the consolidated Investment Program of RusHydro Group in 2017 (fact), mn rubles

Financing, mn rub.¹



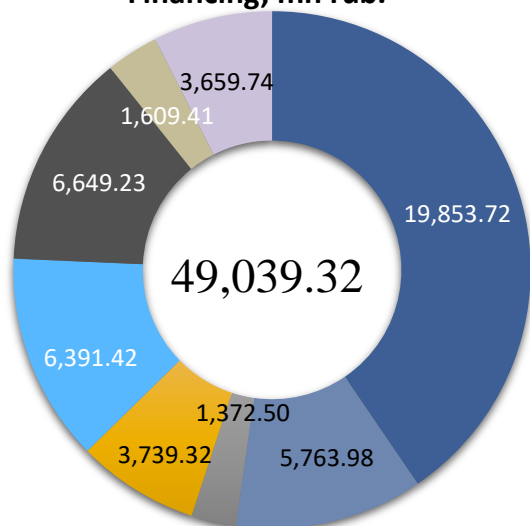
CAPEX execution, mn rub.²



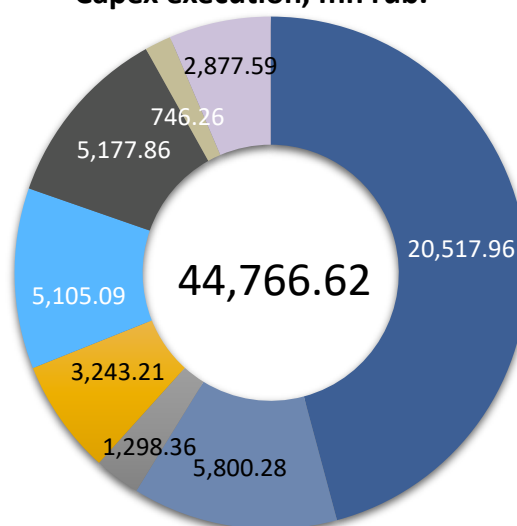
- Technical upgrade and reconstruction program
- New construction
- Technological connection
- Other

The structure of investments in "New Construction" in 2017 (fact), mn rubles.

Financing, mn rub.¹



Capex execution, mn rub.²



- Priority projects in the Far East
- Off-site infrastructure of Far East projects
- Construction of GTU-TPP
- Ust-Srednekanskaya HPP
- Zaramagskiye HPP
- Nizhne-Bureyskaya HPP
- SHPP of North Caucasus Federal District

■ Other

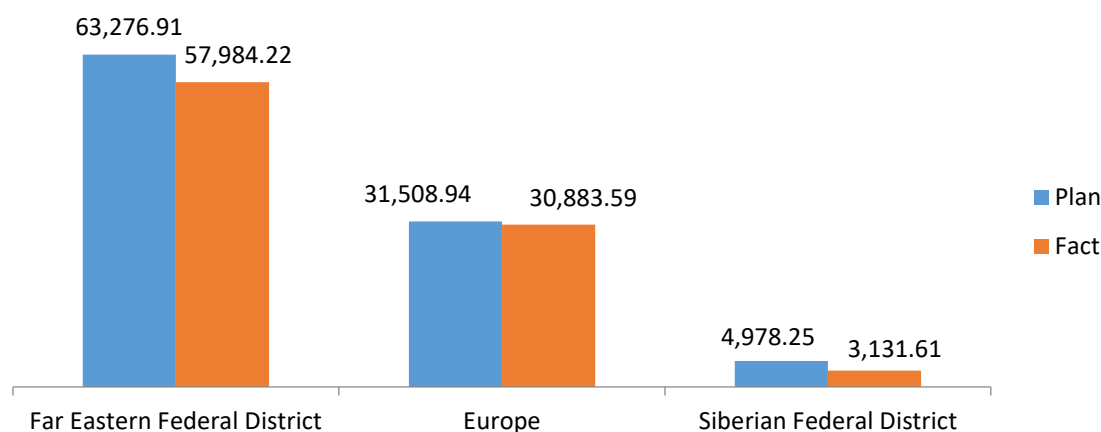
In accordance with the accepted management accounting standards:

¹ – The financing of the investment program means the amount of money spent by the companies of RusHydro Group on the implementation of investment projects, including transfers to suppliers and contractors, as well as expenses carried out by Customers;

² – Capital investments are understood to mean the volume of capital investments accepted for accounting on the basis of acted volumes, accepted from suppliers and contractors, and reflected in the accounting of customer's expenses.

The differences between the sum of the investment in accordance with the business plan (87,796 million rubles) and the sum of capital expenditures reflected in RusHydro Group's reporting on IFRS (87,267 million rubles) are explained with the help of capitalised interest accounting rules, accounting rules for capital expenditures at the initial recognition of facilities of fixed assets and unfinished construction in accordance with the International Financial Reporting Standards (IFRS), as well as the difference in the perimeter of consolidation of companies in the part of PJSC "Boguchanskaya HPP" (joint venture of RusHydro Group and UC Rusal).

Financing of the consolidated investment program, break-down by regions in accordance with the business plan in 2017, mn rubles.



Capacity commissioning

Power indicator	Far East		Europe and Siberia	
	Plan	Fact	Plan	Fact
Generation, MW	517.31	197.52	89.76	44.76
Heat energy, Gcal/h	474.98	475.34	-	-
Transmission lines, thousand km	1,068.86	1,470.68	-	-
Transformer capacity, MV * A	710.74	455.78	-	-

Main investment projects (under construction) of RusHydro Group

Projects	Design capacity	Start of construction	End of construction*	Power input 2017	Power input 2018 (PLAN)
Priority projects in the Far East:					
1st stage of Sakhalinskaya GRES-2 Due to a new power station the problem of the substitution of the ageing Sakhalin power plant will be solved, as well as the efficiency of Sakhalin power system functioning will be improved.	120 MW 18.2 Gcal/h	2011	2018	-	120 MW
CHP Plant in Sovetskaya Gavan The CHP plant is being built to replace the outgoing capacity of the Mayskaya GRES and to meet the growing electricity	120 MW 200 Gcal/h	2011	2019	-	-

demand for the scheduled power outages in Sovetskaya Gavan.					
The first stage of the Yakutsk GRES-2 The project envisages the substitution of capacities of the ageing Yakutskaya GRES, ensuring the growth of consumption and increasing the reliability of energy supply	193.48 MW 469.6 Gcal/h	2011	2017	193.48	-
Construction of gas turbine plant-CHP in Vladivostok on the central steam-water boiler facility platform The project is aimed at replacing the morally and physically obsolete equipment of the existing Artemovskaya CHP, as well as covering the growth of electrical demand in Vladivostok	139.5 MW/ 432 Gcal/h	2011	2018		139.5 MW/ 432 Gcal/h
Total				193.48 MW	259.5 MW
Zaramagskie HPP Construction is carried out in order to cover the electricity shortage in the Republic of North Ossetia-Alania from 80% to 30%.	342 MW	1976	2018	-	342 MW
Nizhne-Bureyskaya HPP The station will become a counter-regulator of the Bureyskaya HPP, which levels of daily fluctuations in the water level in the river, which are generated by the operation of the hydroelectric power station. This will remove the restrictions on the operation modes of the Bureyskaya HPP and eliminate the winter flooding of a number of settlements located in the downstream.	320 MW	2010	2019	-	-
The A.F. Dyakov Ust-Srednekanskaya HPP on the Kolyma River Increase of the reliability of the power system, the supply of electricity to mining enterprises of the region	310.5 MW	1991	2018	-	142.5 MW
Gasification of Anadyr CHP Provision of reliable heat and power supply to the Anadyr energy hub; improving the efficiency of the electricity generation of the Anadyr CHP by using a more economical type of fuel; creating conditions for curbing tariff growth; improving the ecology of electricity generation in Anadyr		2015	2018	-	
Construction of two single-circuit HVL 110 kV Pevek-Bilibino (construction stage № 1) Ensuring the flow of electric power in the Chaun-Bilibino energy center in connection with the construction of the floating NPP; Increasing the reliability of the functioning of the Chaun-Bilibino power district	490.59 km 12.6 MBA	2018	2020	-	-
Construction of a wind power station (VES) 900 kW in the village of Tiksi, Bulunsky ulus Substitution of the output of a local diesel power plant (DPP of Bulun Electric Power Grids of JSC Sakhaenergo) for generation from a renewable energy source. As a result, the expensive diesel fuel will be saved.	0.9 MW	2017	2019	-	-
Construction of a DEL-3000 kW with a storage tank as part of the wind farm in the village of Tiksi, Bulunsky ulus The construction of a diesel power plant based on equipment from Japanese manufacturers, which is an integral part of the normal and effective operation of the wind farm as part of a single wind farm complex and testing of modern technologies for the accumulation of electricity in order to provide reliable power supply in the village of Tiksi; reduction of fuel consumption for electricity generation	3000 kw	2018	2020	-	-
Technological connection of HVL 220 kV "Orotukan-Palatka-Tsentralnaya" Implementation of technological connection of HVL 220 kV "Orotukan-Palatka-Tsentralnaya" to the electrical networks	220 kv	2017	2018	-	

of PJSC Magadanenergo, in accordance with contract No. 797 / 20-2016 of July 29, 2016.

Expansion of the Maya 220 kV substation and construction of the Megino-Kangalas Region power transmission lines of the Republic of Sakha (Yakutia) for connection to the electricity grids of PJSC FGC UES of the electrical installations of PJSC Yakutskenergo (Phase 2 of construction - construction of calls)	25.86 km 92.04 MW	2017	2018	-	25.86 km 92.04 MW
Providing parallel operation of the South Yakutia and Central Power Regions of the Republic of Sakha (Yakutia) and improving the reliability of power supply for the Zarechny group of districts.					

** signing the act of acceptance for the completed construction of the facility and its launch*

Plans for investment activity

Investment plans for 2018

	RusHydro Group
Volume of investments, million rubles	122,791.71
<i>Including:</i>	
Technical re-equipment, reconstruction and modernization	34,302.63
New construction	71,242.71
Technological connection	12,302.61
Other	4,943.77
Input power	
Generation, MW	797.12
Thermal energy, HcaL/h	782.89
Transformer capacity, MV * A	992.37
Network economy, km	1,728.79

** Investment program of PJSC RusHydro for 2018 was approved as part of the business plan of PJSC RusHydro for 2018-2022. (Minutes of the Board of Directors from 26.12.2017 № 264).*

2.3.2 Innovative development

RusHydro Group innovative development program for 2016-2020, with the prospect of prolonging it till 2025

The main objectives of the Innovative Development Program of RusHydro Group for the medium term are to increase the economic and operational efficiency of the Company's operations through the introduction of innovative technical and management solutions aimed at:

- increasing the service life and productivity of equipment;
- developing technologies to increase reliability and economic efficiency of equipment operation;
- improving the quality of equipment diagnostics and proactive identification and elimination of production risks;
- reducing the dependence on imported equipment and focusing on import substitution;
- reducing the negative footprint on nature;
- increasing energy efficiency and reducing losses.

The main objectives of the Innovative Development Program of RusHydro for the long term are:

1. Ensuring the compliance of the Company's technological level with the level of advanced world and domestic energy companies, including:

- development of efficient technologies for the construction, repair and reconstruction of generating capacities;
- development of technologies in the field of monitoring the status of the main equipment in real time;
- development of automated equipment maintenance and repair processes;
- development of new innovative products based on the accumulated knowledge and

experience of PJSC RusHydro (for example, services in the field of energy efficiency, storage of electrical power, infrastructure for electric transport, materials with new properties).

2. Development of clean energy sources, including:

- development of hydropower potential in some regions of the Russian Federation;
- development of alternative energy on renewable energy sources (geothermal energy);
- analysis of the application and development of mini-HPP technologies.

Key performance indicators of the Innovation Development Program of RusHydro Group

KPI	Target KPI values			
	2017	2018	2019	2020
Share of R & D expenses in revenues, %	0,25	0.25	0.25	0.25
Growth in the number of intellectual property assets put on the balance sheet, %	5	5,5	6.5	7
Efficiency of hydropower capacity management, person/100 MW	21.26	20.52	20.36	20.13
Share of innovative products in total volume of purchases, %	1.1	1.21	1.33	1.46
Specific costs for repairing the HPP, thousand rubles / MW (in 2000 prices)	20.1	19.9	19.8	19.6

Integration of the innovation management system of PJSC RusHydro and the Subgroup RAO ES of the East

The innovative development programs of RusHydro Group and Subgroup Rao ES East are integrated as follows:

A. The programs are synchronized in terms of the performance of the indicators included in the integral KPI of the innovation activity of PJSC RusHydro:

- share of R & D expenses in revenues, %;
- an increase in the number of assets of intellectual property placed on the balance sheet for the reporting period, %;
- coefficient of fuel use, % (only for JSC "RAO ES of the East").

B. Consideration and approval by the Board of Directors of PJSC RusHydro of the Innovative Development Program of the RAO ES East Holding and annual reports on its implementation as part of the RusHydro Group Innovation Development Program.

Scope and sources of financing of the Innovation Development Program (IDP)

The volume of financing of the Program of innovative development of Group RusHydro Group (without considering the volume of financing of the Program of innovative development of RAO ES of the East Holding) on the results of 2017 was 586.7 million rubles, Subgroup RAO ES of the East – 1,602.8 million rubles. All activities of RusHydro Group's IDP were funded by their own resources

The indicator "The share of IDP in revenue" in the IDP reporting loop is not provided. Performance of the indicator "Share of R & D expenses in revenues, %" for RusHydro Group in 2017 was 0.18%.

The key innovative projects of JSC RusHydro, implemented during 2017:

- development of an Automated system of signaling ruptures and the measurement of turbine expenses on diversion and dam HPP of PJSC RusHydro.
- development of controlled companies-hardware complex of monitoring and forecasting the reliability of hydro-technical structures of HPP (PSHPP) in complex engineering-geological conditions.
- research of new technologies on the repair and restoration of HS elements with prolonging service life and reliability, development of a guide for implementation.
- a comprehensive assessment of the actual strength of hydroturbine elements operated by hydropower with the methods of numerical analysis of stress-strain state.
- development of recommendations on the accounting of the anthropogenic impact in the tailrace of HPP on the state of

Priority directions of innovative development of RusHydro Group in the field of "hydropower":

- ecology and environmental protection,
- hydropotential recycling schemes,
- technologies of design, construction, reconstruction and repair,
- energy efficiency and water resources management,
- monitoring and operating equipment and facilities,
- constructive solutions of HPPs, PSPs, RES.

hydropower facilities, equipment and energy efficiency of hydropower plants.

-expansion of the digital platform of the branch of PJSC RusHydro-Nizhegorodskaya HPP.

Key Innovation Project RAO ES of the East Subgroup, unveiled in 2017 - technological solutions to reduce erosion wear and improve reliability of working blades of the latest stages of modern steam turbines by forming multifunctional nanocomposite coatings.

Implementation of the Innovation Development Program in 2017

PJSC RusHydro	Subgroup Rao ES East
The total amount of funding for projects and activities included in the medium-term plan for implementing the activities of the Innovative Development Program amounted to 586.7 million rubles with a plan of spending 742.5 million rubles. (79 % of the plan). The main reasons for the underperformance of the plan are: contractors failed to fulfil contractual obligations, the company reduced the cost of activities as a result of procurement procedures, the company transferred financing for a number of projects in 2018 due to the need to clarify the technical requirements for the work, as well as the long duration of procurement procedures, established in the framework of pilot-industrial tests.	In 2017 it was planned to finance the implementation of activities of the Program of Innovative Development of Subgroup Rao ES East for the sum of 1,654.70 million rubles. The actual financing amounted to 1,602.7 million rub. (96.9 % of the plan). According to the results of 2017 the KPI of the program of innovative development of JSC RAO ES of the East Holding was fulfilled: "The growth of the number of intellectual property assets put on balance,%" and "reduction of production cost, % change to 2015". Underperformance of other indicators of the program of innovative development of Subgroup Rao ES of the east occurred for objective reasons. The main one is the position of the Department for the Development of the Electrical Power Industry of the Ministry of Energy of Russia on the need to reduce the costs of the companies of the RAO ES Subgroup of the East for R & D as an activity that is not of vital significance for the companies of the Subgroup. As a result, the R & D program of the Subgroup of RAO ES of the East for 2016-2018 was halved.

Research and development. The most significant projects on sustainable development

Projects of PJSC RusHydro

Project	Description	Results of 2017 year	Plans for 2018
Development of recommendations on the accounting of the anthropogenic impact in the downstream of the HPP on the state of hydraulic structures, equipment and energy efficiency of HPPs.	The novelty of the work lies in the mathematical modelling of hydrodynamics and channel processes in the lower reaches of the hydroelectric power station with the passage of floods and daily regulation of the power of the hydroelectric power station. Work in this setting is performed for the first time.	Information was collected on the dynamics of channel processes during the operation of hydraulic structures. A program of surveys of channels in the lower reaches of the HPP was prepared.	Carrying out field surveys. Mathematical modelling of hydrodynamics and channel processes in the downstream. Implementation of water and energy calculations.
Development of a water and energy management system based on the Dispatch Center.	Development of tools for forecasting runoffs and the optimisation of operation modes of hydro-energetic facilities for the thorough optimisation of energy production and water-economic activity of hydropower facilities.	Models of annual effluents for Cheboksary and Nizhny Novgorod hydropower plants were developed.	Verification of sewage models of Cheboksarskaya HPP and Nizhegorodskaya GES according to the flood data of 2018 Duplication of the flow model for all HPPs of the Volga-Kama cascade

The most significant projects in the field of development and implementation of innovations aimed at the realization of sustainable development of the companies of RAO ES East Subgroup, in 2017 were the following R & D activities

- Reconstruction of Khabarovsk CHPP-1 for use as a fuel of natural gas with the use of innovative technologies for the preparation and supply of fuel (power boilers).
- Development, implementation and investigation of the effectiveness of the prototype of a multifunctional facility to provide 100% Upper Amga Aldan Ulus with renewable energy sources.
- Development of an agent-free water treatment technology for the needs of the Primorskaya GRESGRES hot water.

Volume of R & D funding for RusHydro Group

	2017 Plan, mn rub.	2017 Fact, mn rub.	2017 Fact, %
Total RusHydro Group	477.5	402.4	84.2
Including Subgroup Rao ES East	204.3	166.9	81,7

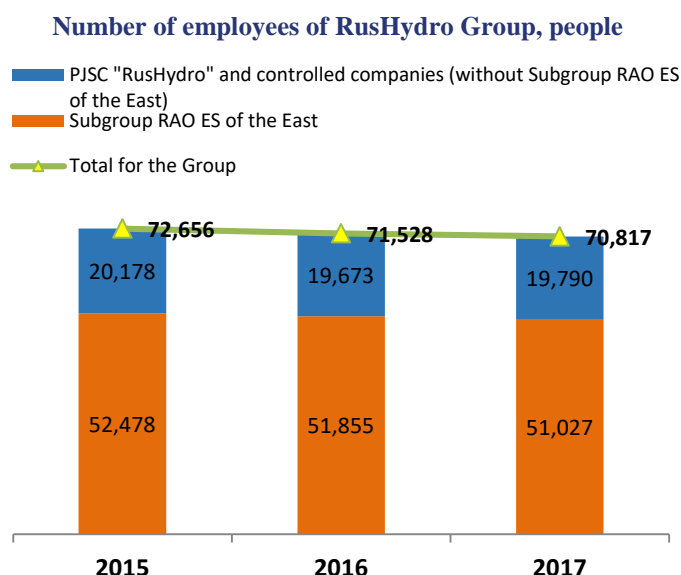
2.4 Social Responsibility

2.4.1 Personnel policy

The employees of RusHydro Group constitute the main value of the company. The group's energy facilities in Russia and abroad are staffed with professionals who have great production experience and extensive technical knowledge. RusHydro personnel policy is aimed at developing the potential of its employees and its use for the realization of the strategic goals of the company. RusHydro strives to maintain stability for its personnel by implementing a socially responsible attitude towards its employees. In particular, the group protects the social and economic rights of workers, ensures their material stability and social guarantees.

Personnel profile

The number of employees of the RusHydro Group, including workers of Subgroup RAO ES of the East (considered in the perimeter of the report), on 31.12.2017 was 70,817 people (including facilities on the territory of the Russian Federation and abroad)³⁴. The number of employees RAO ES of the East Subgroup on 31.12.2017 was 51,027 people.



Most of the staff of RusHydro are employed full-time (98.5% for PJSC RusHydro with its controlled companies and 99.7% for the of RAO ES of the East Subgroup) and on terms of a long-term contract (84.2% for PJSC RusHydro with its controlled companies and 97.2% for the of RAO ES of the East Subgroup).

Number of RusHydro Group employees by country and region as of December 31st, 2017, people (102-7, 102-8)

Country, Region		Staffing number of employees, people
Russia	Central Federal District	3,835
	Southern Federal District	673
	North-West Federal District	933
	Far Eastern Federal District	53,931
	Siberian Federal District	3,568
	Volga Federal District	3,621
	North Caucasian Federal District	3,496
	Ural federal district	314
Foreign countries	Republic of Armenia	420
	The Republic of Tajikistan	26

³⁴ Indicators of the social category are disclosed in this report in the context of IFR; therefore, comparison with the data of CSR reports for 2016 and 2015 may be incorrect.

RusHydro Group staff structure by gender, region, type of employment and kind of contract, Pers. (102-8)

№	Region	Gender	Full-time employment	Part-time employment	Long-term contract	Temporary contract
1	Central Federal District	m	1,930	37	1,879	88
		w	1,695	61	1,656	100
2	Southern Federal District	m	503	2	475	30
		w	167	1	161	7
3	North-West Federal District	m	364	42	396	10
		w	446	81	510	17
4	Far Eastern Federal District	m	2,226	3	1,489	740
		w	1,095	7	789	313
5	Siberian Federal District	m	1,960	5	1,800	165
		w	1,578	24	1,415	187
7	Volga Federal District	m	2,619	4	2,529	94
		w	987	11	949	49
8	North-Caucasian Federal District	m	2,962	6	1,869	1099
		w	515	13	446	82
9	Republic of Armenia	m	333	4	236	101
		w	78	5	59	24
10	The Republic of Tajikistan	m	23	0	1	22
		w	3	0	0	3
	Total PJSC RusHydro and controlled companies	m	1,2920	103	10,674	2,349
		w	6,564	203	5,985	782
		total	19,484	306	16,659	3,131
1	Central Federal District	m	47	1	48	0
		w	64	0	63	1
2	Far Eastern Federal District	m	34,309	48	33,703	654
		w	16,128	115	15,452	791
3	Siberian Federal District	m	0	0	0	0
		w	1	0	1	0
4	Ural Federal District	m	237	0	236	1
		w	77	0	76	1
	Total for the Subgroup of RAO ES of the East	m	34,593	49	33,987	655
		w	16,270	115	15,592	793
		total	50,863	164	49,579	1,448
	Total for the Group	m	47,513	152	44,661	3,004
		w	22,834	318	21,577	1,575
		total	70,347	470	66,238	4,579

The gender composition of RusHydro is heterogeneous, depending on the category of employees. Among leaders, there are three times as many men as women; among specialists and employees, 1.7 times more women than men, and four times as many men than women in terms of workers, which is related to the nature of RusHydro Group's activities.

The number of employees of the RusHydro Group by category as of December 31, 2017 (405-1)

	Managers	Specialists and employees	Workers	Total
PJSC RusHydro and controlled companies (except for the RAO ES of the East Subgroup)	3,677	7,548	8,565	19,790
RAO ES of the East Subgroup	7,356	13,699	29,972	51,027
Group RusHydro	11,033	21,247	38,537	70,817

27% of employees of RusHydro Group are aged 35 or less. One of the key tasks in the field of personnel management facing RusHydro is to attract young specialists.

Personnel structure of RusHydro Group by age, persons. (405-1)

	<35 years	35-44 years	45-54 years	>55 years	Total
PJSC RusHydro and PA (except for the of RAO ES of the East Subgroup)	5,670	5,855	4,807	3,458	19,790
Subgroup RAO ES of the East	13,612	13,917	12,571	10,927	51,027
RusHydro Group	19,282	19,772	17,378	14,385	70,817

Seasonal employment (102-8)

RusHydro's Group attracts additional labor. In particular, in 2017 there were 15 seasonal workers who were hired in connection with the heating season, the restoration of ice fields and the control over the water passes from Lake Sevan. According to the Subgroup RAO ES of the East, 76 employees were involved, 52 of them were attracted by DRSK JSC in connection with the work of the children's health camp "Energetik" during the summer school holidays.

Staff recruitment

The selection of personnel in RusHydro Group, including management positions, is carried out on a competitive basis. This approach allows recruiting motivated professionals who meet the qualification requirements and are potentially capable of professional development. Candidates without restrictions on gender, age and nationality are allowed to compete for vacant seats, the main selection criterion is the qualification of the candidate.

Total number of employees hired and dismissed in 2017, break-down down by age group, sex and region by RusHydro Group, persons. (401-1)

Region	<25 years		25-34 years		35-44 years		45-54 years		>55 years		Total
	m	w	m	w	m	w	m	w	m	w	
Hired											
Central Federal District	53	31	161	131	130	100	55	49	75	25	810
Southern Federal District	20	0	25	2	19	5	7	0	1	2	81
North-Western Federal District	13	8	12	16	5	8	5	5	6	7	85
Far Eastern Federal District	843	267	1,728	724	1,313	616	753	334	467	250	7,295
Siberian Federal District	22	27	94	72	69	112	40	33	66	44	579
Ural Federal District	4	1	6	1	0	0	4	0	1	0	17
Volga Federal District	63	8	206	42	172	41	105	41	45	12	735
North-Caucasian Federal District	107	1	193	28	242	31	199	19	66	19	905
Republic of Armenia	1	0	1	1	3	1	8	1	7	1	24
The Republic of Tajikistan	0	0	3	1	3	0	3	0	1	0	11
Total	1,126	343	2,429	1,018	1,956	914	1,179	482	735	360	10,542
Dismissed											
Central Federal District	26	12	159	105	147	74	78	46	130	79	856
Southern Federal District	13	0	21	4	10	9	10	3	16	3	89
North-Western Federal District	7	4	19	15	6	11	8	5	21	48	144
Far Eastern Federal District	407	126	1 385	597	1,083	587	822	446	1 453	764	7 670
Siberian Federal District	11	13	98	69	76	120	60	62	115	105	729

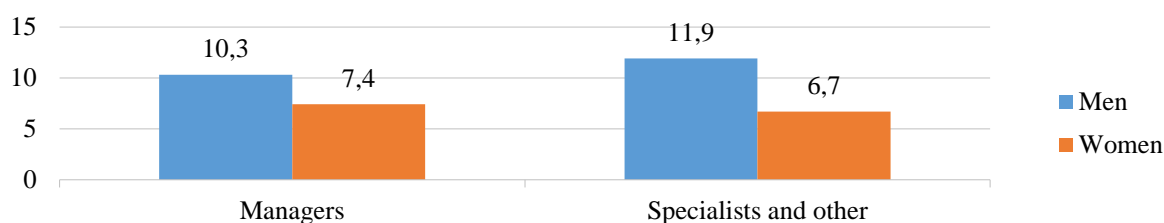
Ural Federal District	5	0	6	0	2	0	0	0	8	2	23
Volga Federal District	36	3	165	24	163	28	86	27	105	46	683
North-Caucasian Federal District	58	3	172	46	117	36	159	30	154	64	839
Republic of Armenia	0	0	3	0	4	0	7	0	3	2	19
The Republic of Tajikistan	0	0	1	0	1	0	0	0	0	0	2
Total	563	161	2,029	860	1,609	865	1,230	619	2,005	1,113	11,054

Personnel assessment

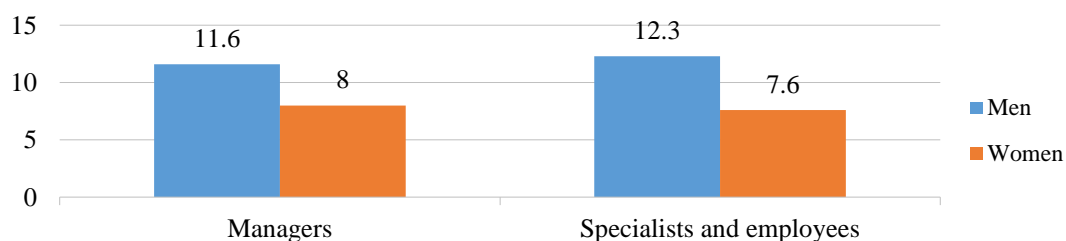
Assessment of the potential of employees to create a staff reserve for managerial positions is carried out by the branch of PJSC RusHydro - Corporate University of Hydropower Engineering, using various methods for assessing professional and managerial competencies, including using the Assessment Center.

Personnel of the Company undergo certification for compliance, during which the professional, business and personal qualities of the employees and their achievements are assessed. The managers, specialists and employees of the Company, regardless of gender, are assessed every three years. **(404-3)**

The share of employees of PJSC RusHydro and the controlled companies (except for the Sub-group of RAO ES of the East), for which in 2017, an evaluation of the performance and career development was carried out by gender and category, % of the total number of employees



Share of employees of the RAO ES Sub-group of the East, for which in 2017 an evaluation of the performance and career development was carried out by gender and category,% of the total number of employees



The change in the proportion of employees for whom performance was measured relative to 2016 is related to the frequency of the assessment of employees.

Staff development

To achieve its strategic goals, RusHydro Group participates in the development and implementation of professional standards, develops professional and managerial competencies of employees, implements professional orientation programs for talented pupils and students. For this purpose, the Company implements programs of advanced development of the personnel potential, creates a personnel reserve, trains employees.

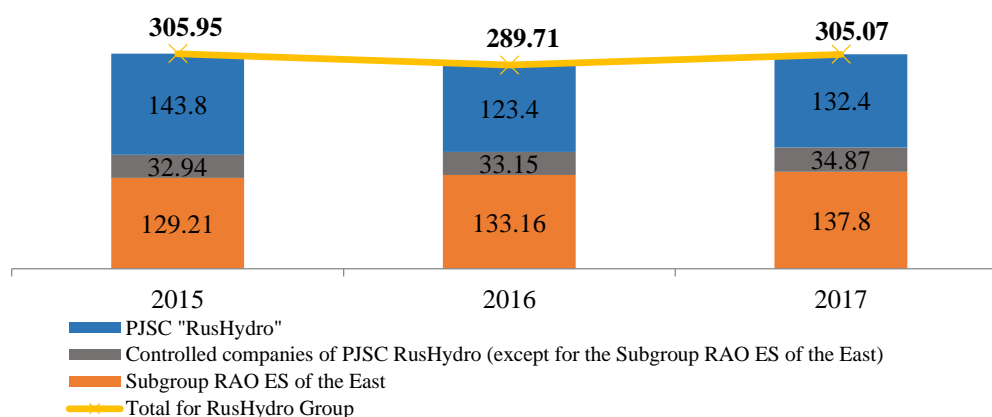
Training of personnel (404-2)

The system of continuous training of personnel allows to develop the competences of employees in accordance with the requirements for the positions held, as well as for the purpose of moving them within the framework of training the personnel reserve. In addition, the Company has the opportunity to conduct professional retraining, including in accordance with professional standards.

Expenses for the training and development of personnel of PJSC RusHydro in 2017 amounted to 132.4 million rubles. The increase in costs in 2017 is due to the need to implement professional retraining of employees who

do not meet the requirements of professional standards, as well as to conduct corporate training activities associated with supporting the integration processes of the executive apparatus of PJSC RusHydro and JSC RAO ES of the East.

Expenses for the development of the human resources of RusHydro Group*, RUR mn



*The boundaries of the disclosure of this indicator do not change with respect to the previous reporting period

Basic forms of training

Form	Frequency
Training	At least once every three years
Vocational training	In accordance with the requirements of the supervisory authorities if it is necessary to acquire a new profession
Professional retraining	It is conducted in connection with the production need to perform a new type of professional activity or to obtain additional qualifications for the training of the personnel reserve
Corporate training	It is carried out when it is necessary to solve specific tasks for the Company
Internal technical training	Annually
Short-term training programs (seminars, conferences, forums)	Annually, the content depends on the production need
Distance learning	Annually, the content depends on the production need

Corporate University of Hydropower Engineering

To implement educational projects in the Group in 2007, a branch was established - the Corporate University of Hydropower. At its base in 2017, 15,993 courses were held. Training was conducted by employees of PJSC RusHydro and controlled companies (except for the Subgroup RAO ES of the East).

Training in the Corporate University of Hydropower, number of courses

Categories	Full-time	Remotely
Managers	695	3,699
Specialists and employees	627	8,419
Workers	211	2,342
Total	1,533	14,460

Personnel Training Subgroups of RAO ES of the East

To attract young specialists to the company, the Sub-group of the RAO ES of the East annually finances targeted training of students in programs of higher and secondary vocational education, attracts students for industrial and pre-graduation internships; in addition, some employees participate in the work of examination commissions of universities and / or in the implementation of educational programs. According to the programs of higher professional education, 127 people were trained at the expense of the Subgroup's companies in 2017, the volume of funding for higher education amounted to 4,015 thousand rubles (an average of 31.6 thousand rubles per 1 worker).

The most popular educational programs:

- thermal power plants,

- electrical power and electrical engineering,
- electrical power systems and networks,
- electricity supply,
- relay protection and automation of electrical power systems.

In 2017, in the companies of the Subgroup RAO ES of the East, 567 employees were upgraded to professional retraining in higher education institutions, whose costs reached 6,265 thousand rubles.

New Learning Mechanisms

In December 2017, PJSC RusHydro obtained a license to conduct educational activities, which makes it possible to implement programs of professional retraining and advanced training on the basis of the Corporate University of Hydropower (**KorUnG**) from 2018 onwards.

At the Volzhskaya HPP in 2017, a new training ground for training workers serving relay protection devices was opened, which will improve the knowledge and skills of the employees of the Technology Management Systems services, both in the current work and in the process of the expected transition of the technological management systems to a modern element base - microprocessor protection and automation devices. In 2017, for the first time, professional skills competitions were held for operational CHP staff.

In the framework of the previously adopted professional standards, specialized training programs were developed in the reporting year. In total, according to professional standards, it is planned to develop 99 programs and training modules. In 2017, 27 programs and training modules were developed to conduct training for compliance with professional standards.

Staff reserve

One of the most important tasks of the Company is to provide branches and PJSC RusHydro controlled companies with qualified personnel, especially in engineering specialties. For this purpose, the Company has a staff reserve. It includes managers and specialists of RusHydro Group who have the ability to manage activities that meet the requirements for a job at a given level, passed selection and systematic targeted qualification training.

In the reserve, the following groups of candidates are being formed, preparing for a phased inclusion in management activities:

- staff reserve for the managerial position of the branch,
- staff reserve for the leading position in the controlled organization of RusHydro,
- staff reserve of young specialists of RusHydro Group.

In 2017, actual staff reserves for the positions of the Chief Engineer of the Company's branches were created, and competitive selection was additionally held for the post of Chief of the Personnel Service Development.

In 2017, work began on the set-up of an up-to-date personnel reserve for the positions of managers of controlled entities. A personnel reserve for the position of the General Director of the controlled organisation in the Far East was formed. –in 2018 it is planned to organize contests in the reserves of directors and chief engineers of the branches, as well as the continued formation of reserves of CEOs of the Far East (the level of Chief Engineers and their deputies).

For members of the personnel reserves, modular training programs are conducted, including professional and managerial training. In 2017, 54 members of the personnel reserves defended their thesis projects and completed training under the training program for the personnel reserve. Thesis projects were developed jointly with curators from the block of production activities and evaluated by the examination committee in terms of practical significance for the Company, elaboration and feasibility of the project. The proposed solutions can be applied to the implementation of internal projects and will improve the Company's operational efficiency.

The project "Internal source of energy" is aimed at identifying, developing and retaining talented young professionals. In addition to the professional training modules for young specialists in 2017, the company participated in industry innovation competitions, the International Forum "Fast and the Furious 2017", the Youth Day of the Russian Energy Week, as well as the World Festival of Youth and Students in Sochi as part

of the "Industry of the Future" program. In 2017, young specialists of PJSC RusHydro became winners of the contest "New Idea" for the best scientific and technical development among the youth in the sphere of fuel and energy in the Russian Federation.

RusHydro Group regularly conducts activities aimed at popularising the engineering and working professions necessary for the development of energy in the regions where it operates. Within the framework of the current Program for advanced development of human resources of PJSC RusHydro "From the New School to the Workplace", systematic work is carried out with schoolchildren and students in the regions where the Group operates. Priority direction of the school stage of training future personnel for the Company is the creation of specialized school classes (Energoclasses) and centers of technical creativity (Technoclasses) in 9 regions of the company's presence, where 908 schoolchildren of grades 7-11 received training in the past year. 2017 was marked by the opening of two more Energoclasses in the village of Novobureisk and Rybinsk.

Annually, the Industry School Competition "Energy of Education" is held, with more than 5,000 pupils participating in it. In 2017, the school competition was organised in an online testing format.

For the best students of vocational guidance projects that passed the competitive selection, a corporate scientific camp was organized - the Summer Energy School. In 2017 the school was held on the basis of the Cheboksary HPP, 34 schoolchildren from 15 Russian regions took part in it.

In 2017, the Ministry of Education and Science of the Russian Federation awarded PJSC RusHydro the status of a strategic partner of the Ministry of Education and Science of the Russian Federation "For Systemic Work on the Development of the Human Capital of the Country".

Plans for the development of the personnel management system for 2018

In 2018, work will continue on the introduction of professional standards in the development and implementation of supplementary education programs, professional accreditation of additional professional education programs based on the methodology of the Council for Professional Qualifications in the Electric Power Industry, and on the formation of the concept of creating a Qualification Assessment Center on the basis of one of the supervisory societies of RusHydro.

In 2018, the Eighth All-Russian competition of operational personnel of the hydroelectric station will be held. In addition to subsidiaries and controlled organizations of the Company, power companies that are not part of RusHydro Group - the Bashkir Generation Company, the Krasnoyarsk HPP, the Irkutskenergo branches - the Bratskaya HPP, the Irkutsk HPP, the Ust-Ilimskaya HPP will join the competition.

In 2018, in accordance with the partnership agreement with the "Professionals and Workforce Development Agency" (Worldskills Russia), the first open branch corporate championship will be organised in the competence "Operational and technological management of hydraulic units and auxiliary equipment" on the basis of the Volga educational center of the branch of PJSC RusHydro - "**KorUnG**" according to the standards of Worldskills Russia.

An important event of 2018 will be the "All-Russian competition of professional skills Best by profession", which is organised by the Ministry of Labor of the Russian Federation. The list of competitive professions includes the nomination "The Best Electrician on duty", and the employer responsible for organizing the competition is PJSC RusHydro.

In 2018, in accordance with the partnership agreement with the "Professionals and Workforce Development Agency" (Worldskills Russia), the first open branch corporate championship will be organised in the competence "Operational and technological management of hydraulic units and auxiliary equipment" on the

In 2017 approved in the new edition:

- Regulations on the development and approval of draft collective agreements (amendments to them) of the controlled organisations of PJSC RusHydro (Order No. 886 of December 18, 2017).
- Regulations on compensation of expenses for spa and health resort treatment and health-tourism holidays for employees of branches of JSC "RusHydro" (Order No. 234 of April 18, 2017)
- Rules of internal labour regulations (Decree of September 29, 2017 No. 653)
- Standard rules of the internal work schedule of the branches (Order of 11.09.2017 No. 612 "On Amendments to the Decree of JSC" RusHydro "dated December 26, 2007 No. 481.
- Model Regulations on remuneration and compensation to certain categories of executives of companies that are part of RusHydro Group (Minutes of the Board of March 31, 2017).

basis of the Volzhsky training center of the branch of PJSC RusHydro - "CopUnHP" according to the standards of Worldskills Russia.

The plan for 2018, which is declared the Year of Volunteer, is continuing to implement the key activities of the Young Energy Program aimed at the social and professional adaptation of children left without adult care, and to start developing a Mentoring Program as a key tool in the preparation of graduates of orphanages for independent life.

2.4.2 Occupational Safety and Health

Safety management system in the workplace

The fundamental document defining the principles of workplace safety in the workplace in JSC RusHydro is the Occupational Safety Policy.

The objectives of RusHydro Group in the field of labor protection and industrial safety:

- preservation of the life and health of the Company's employees in the process of labor activity,
- elimination of cases of occupational injuries and occupational diseases,
- formation of safe behaviour at work in the workplace and skills to prevent dangerous situations,
- continuous improvement of working conditions.

Distribution of responsibility for the management of issues of labor organisation, health protection, and industrial safety of PJSC RusHydro

Members of the Management Board, First Deputy General Director - Chief Engineer	Department of Occupational Safety and Labor Protection	Labor protection and production control of branches and controlled companies
<ul style="list-style-type: none"> • Management of activities to ensure labour protection at hydropower facilities • Organisation and control of the implementation of labour protection measures in the Company, incl. in the part of preventive work to minimise production risks and preserve the health of staff 	<ul style="list-style-type: none"> • Development, organization of implementation and monitoring of health, safety and industrial safety measures at the Company level 	<ul style="list-style-type: none"> • Development, organisation of execution and control of measures on labour protection, health protection and industrial safety directly in the branches and controlled companies

Occupational injuries, occupational diseases (403-2)

In 2017, there were 33 accidents in the RusHydro Group (there were 0 cases in PJSC RusHydro with its controlled companies, 0 in the case of PJSC RusHydro (except for the Subgroup RAO ES of the East), 12 cases, the Subgroup RAO ES of the East - 21 cases), the number of victims was 34 of the person (PJSC RusHydro - 0 people, PJSC RusHydro with its controlled companies (except for the Subgroup RAO ES of the East) - 13 people, Subgroup RAO ES of the East - 21 people), including 4 - with fatal outcome. Compared with 2016, the number of accidents decreased by seven.

Accidents at work

	Index	PJSC RusHydro	Subgroup RAO ES of the East
2016	Number of injured personnel	1	27
	including fatally injured	0	3
	Injury Rate Ratio	0.19	0.54
2017	Number of injured personnel	0	21
	including fatally injured	0	3
	Injury Rate Ratio	0.00	0.43

Occupational diseases

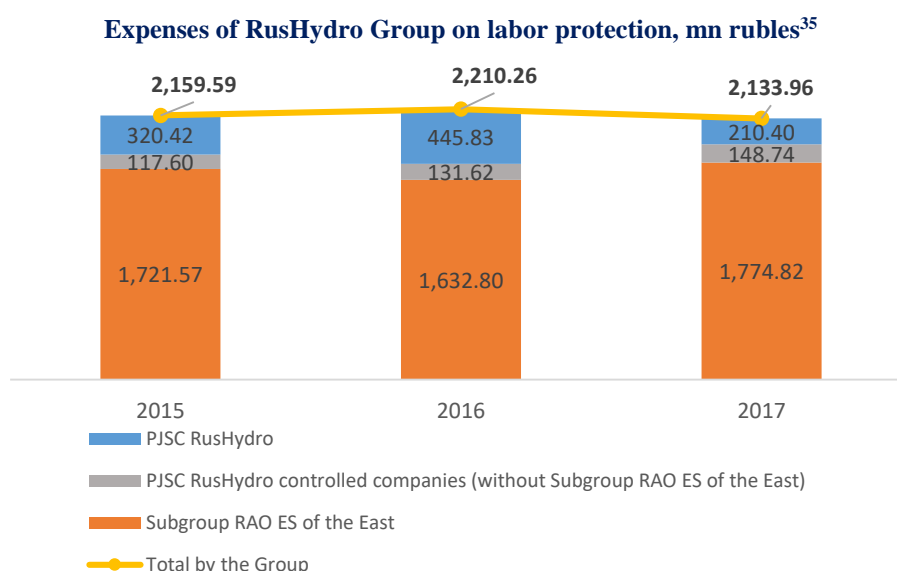
Health and safety issues are reflected in the Action Plans on the improvement of working conditions and recovery and the Collective Agreement of RusHydro Group's companies. **(403-4)**

In order to prevent cases of occupational disease, the following works were carried out:

- providing staff with effective means of personal hearing and breathing protection,
- reimbursement of expenses for additional medical examination,
- physiotherapy treatment and sports,
- purchase of first-aid kits and medicines to update the medicinal kits,
- conducting classes on the prevention of infectious diseases,
- preventive vaccination of personnel,
- provision of drinking and vitamin regimes to personnel,
- providing workers with washing and detoxifying substances,
- provision of milk or equivalent products to employees working in hazardous working conditions.

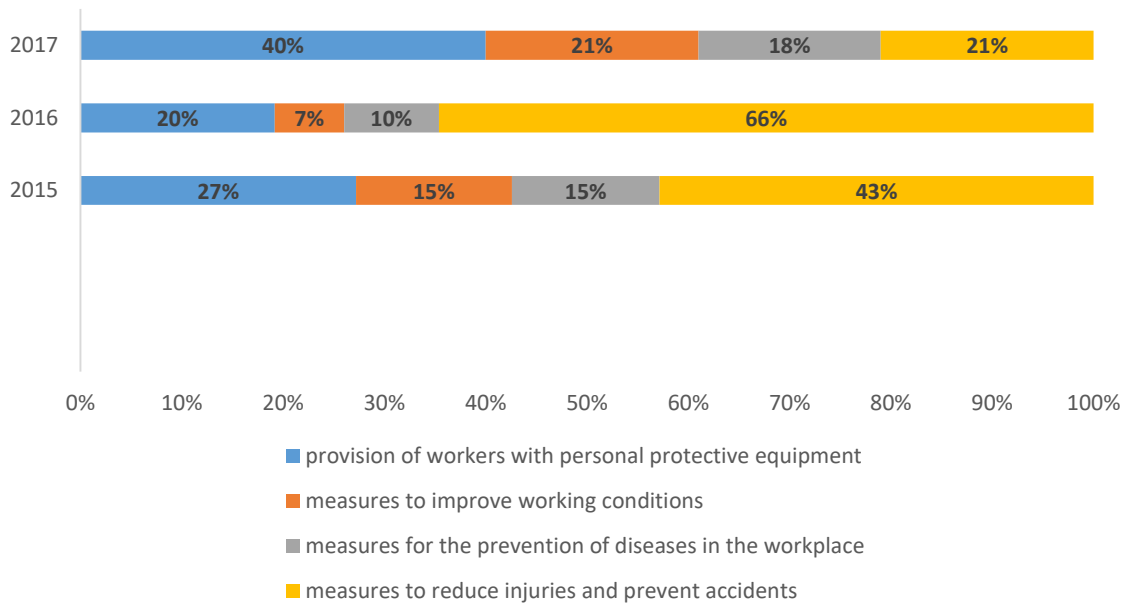
Labor protection costs

Labor protection is the most important condition for preserving the health and life of workers in the course of their labor activity. Expenses for the protection of workers of RusHydro Group in 2017 amounted to 2.1 billion rubles.



³⁵ This indicator is disclosed in this Report within the limits of the consolidated financial statements under IFRS, and therefore comparable data for 2016 and 2015 are recalculated similarly

Structure of expenses for labor protection measures of PJSC RusHydro, %



Activities in the field of labor protection

The requirements for work with personnel in the organisations of the electrical power industry are established in the Rules approved by Decree No. 49 of the Ministry of Energy of Russia of February 19, 2000.

In 2017, the following activities were carried out with workers in the field of labor protection:

- training of workers in giving first aid to victims;
- training of employees for a new post with internship and training at the workplace;
- verification of knowledge of workers' labor protection rules, rules of technical operation, fire safety rules, industrial safety rules;
- anti-damage and fire-fighting;
- all types of safety briefings for own personnel and contractor personnel;
- special training and professional development of employees;
- rounds and inspections of the personnel workplaces in order to identify violations and deviations from the requirements of existing rules, norms, instructions, standards;
- conducting competitions for professional skills among staff;
- organization of visual prompts;
- conducting days of labor protection.

Assessment of working conditions (403-3)

A special assessment of working conditions / attestation of working places on working conditions was carried out at all workplaces of the Group enterprises. Based on the results of the assessment, 49.7% of employees (28% in the branches, 39.2% in the controlled companies, 53.9% in the Subgroup RAO ES of the East controlled companies) are employed in workplaces that do not meet the labor protection requirements (class 3).

RusHydro Group does not have dangerous class 4 workplaces (employees engaged in professional activities involving high injuries or high risk of occupational diseases)..

In RusHydro Group, the number of employees of contractors and subcontractors that was trained in the field of labor protection is not taken into account, in addition to the coaching sessions conducted by contractors - introductory and primary in the workplace.

Plans for the improvement of labor protection in 2018

- Development of a draft Policy for RusHydro Group undertaking a risk-oriented approach;
- involvement of employees to participate in the improvement of labor protection;
- maintenance of the qualifications of employees at a high professional level, cooperation and information exchange between specialists in the field of labor protection and workers, development and implementation

of effective measures to identify, eliminate or limit hazards and risks that contribute to the preservation of life and health throughout the whole work period.

2.4.3 Social policy

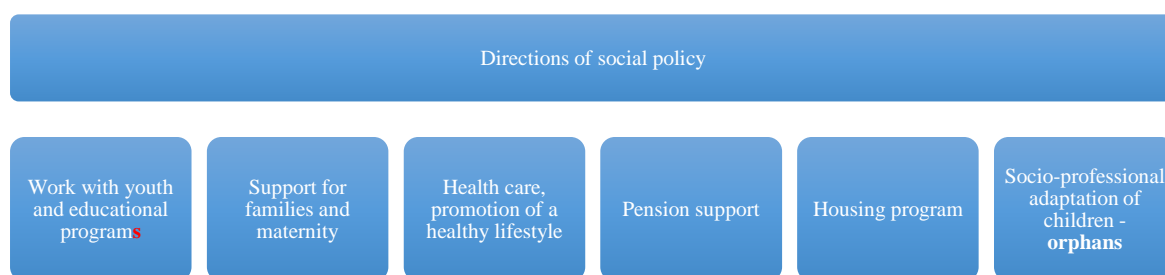
In order to implement the socially responsible position of PJSC RusHydro in 2013, the Company's Social Policy was approved. The document established the main principles, goals and objectives for the social development of PJSC RusHydro and its controlled companies in the regions of its presence.

Objectives of the Social Policy:

- development of national projects and the implementation of the Company's socially responsible attitude,
- development of the practice of mutual responsibility and social partnership,
- increasing the attractiveness of JSC RusHydro as an employer to attract and retain the best staff.

The objectives of Social Policy:

- creating an institutional environment for attracting and retaining young staff,
- formation of a high degree of commitment among employees to the goals and principles of PJSC RusHydro,
- improvement of labor relations taking into account the interests of the employer, employees, shareholders, and the state.



In social policy, JSC RusHydro follows international standards and the best practices in the field of human rights, labor relations, environmental protection, combating corruption and interaction with stakeholders. The company is directed by the Guide to Social Responsibility (ISO 26000) and the universal principles of the UNGC Corporate Sustainability in the field of human rights, labor relations, environmental protection and combating corruption. (102-12)

RusHydro Group grants benefits to full-time employees:

- voluntary medical insurance,
- insurance against accidents and diseases,
- disability compensation,
- maternity / paternity leave. (401-2)

Voluntary health insurance

Voluntary health insurance is part of the social package of employees and covers 100% of employees (excluding part-time workers and employees on probation). Within the framework of Voluntary medical insurance, services are provided for outpatient care, emergency and planned in-patient treatment, emergency medical care, and insurance for people travelling abroad. The list of polyclinics is updated annually. On a yearly basis, workers undergo vaccinations against a number of diseases, can undergo medical examinations and preventive examinations.

All employees of the Company are insured against accidents and illnesses. Insurance coverage is valid 24 hours a day.

Non-state pension provision

Non-state pension provision (hereinafter - NPP) of employees of branches of JSC RusHydro in 2017 included several pension plans designed to finance the pension savings of different target groups of employees.

The structure of the NPP includes:

The individual plan (financed by the employee) consists of:

- program "Individual" (the employee independently finances his pension savings);
- program "Close People" (the employee independently finances pension savings for the benefit of third parties).

The parity plan (financed on the basis of equal participation by an employee and the Company or an employee, the Company and the state) consists of:

- "5 + 5" program (the employee and the Company jointly fund the pension savings of the employee);
- program "Co-financing" (an employee, the Company and the state jointly finance the employee's pension savings)

The corporate plan (financed by the Company) consists of:

- "Supporting" program (the Company accumulates pension contributions on registered pension accounts of employees who, as a result of the reform of the state pension system, do not receive at all or have a limited opportunity to form a funded part of the labor pension (for employees born before 1966);
- "Veteranskaya" program (the Company forms pension savings on pension accounts of former employees of the Company for the purpose of additional pension provision for former employees of the Company).

Similar programs operate in some controlled organisations, for example, in JSC HydroRemont-VKK, JSC Transport Company RusHydro, PJSC Kolymaenergo, JSC DGK, JSC DRSK, PJSC DEK, PJSC Kamchatskenergo and etc.

Security of the Group's liabilities related to pension plans with established benefits* (201-3)

Net pension liabilities as of December 31, 2017, million rubles	8,634
The degree to which (according to estimates) the liabilities under the scheme are met by special assets allocated for this purpose (Fair value of plan assets / Present value of plan liabilities)	11.40 %

** Assessment of liabilities under IFRS, assessment conducted by LLC Actuarial and Financial Services.*

Improvement of housing conditions for workers

PJSC RusHydro continues implementing a program to improve housing conditions for employees. The priority right to participate in the program is provided to young professionals under the age of 30 who do not have a separate housing ownership, specialists invited to work in the branch and moved in this connection from other areas, key and highly qualified specialists, as well as employees who have many children, and single parents.

In 2017, on the basis of the Regulation on improving the housing conditions of employees of branches of PJSC RusHydro, 57 employees of the branches received interest-free loans for improving housing conditions and 227 employees of branches received interest payments on mortgage loans. Financing of the program in 2017 amounted to more than 100 million rubles.

PJSC Kolymaenergo is implementing the Housing Improvement Program with the aim of securing employees who arrived on call for work in the community, as well as highly qualified and young professionals employed and without housing in the village of Sinegorye. In 2017, the cost of implementing the program amounted to 570 thousand rubles. Three highly qualified employees who arrived on call were compensated for the cost of purchased apartments.

In PJSC Yakutskenergo there is a Regulation on corporate assistance and support in improving the housing conditions of employees of PJSC Yakutskenergo, approved by the Board of Directors of PJSC Yakutskenergo. In 2017 corporate support was provided to 293 employees of PJSC Yakutskenergo, including:

- granting of interest-free loan - 91 people. Yakutsk GRES-2 for the sum of 383,712 thousand rubles.
- compensation for expenses incurred in terms of interest paid on a mortgage - 200 people. in the amount of 10,710 thousand rubles;
- compensation for the costs incurred to pay the initial mortgage loan to young professionals - 2 people, for the sum of 746 thousand rubles.
- compensation for housing expenses - 88 people, for the sum of 7,769.7 thousand rubles, including 27 people invited to the Yakutsk GRES-2, for the sum of 2,693.4 thousand rubles.

Collective agreements (102-41)

The collective agreement regulates social and labor relations in the Company and takes into account the mutual interests of employees and the employer.

In all RusHydro Group's companies there are Collective agreements concluded for 2017-2019. Among the Group's employees; in 2017, 67,219 people (95 %) were covered by Collective agreements.

PJSC RusHydro and a number of controlled organisations are members of the All-Russian Industry Association of Electrical Power Industry Employers, which adopted the Industry Tariff Agreement, which forms a single industry standard for regulating social and labor relations in the industry and sets a minimum level of guarantees for employees. The existence of such a standard greatly facilitates the dialogue between the parties of social partnership at the level of the companies of the industry and the holding company, allows us to compare and assess the level of guarantees provided to employees.

To support young families, one-off payments are provided in connection with the registration of marriage, the birth of a child, childcare allowance for up to three years, compensation of expenses for the maintenance of children in pre-school educational institutions.

Granting maternity and paternity leave in RusHydro Group (401-3)

Incacator	2015		2016		2017	
	m	w	m	w	m	w
Number of employees eligible for leave	3,861	2,166	4,049	2,386	4,937	2,546
Number of employees taking leave	41	1,098	46	1,152	70	1,145
Number of employees who returned to work at the actual end of leave	19	562	19	578	30	586
The total number of employees who were supposed to return to work after the leave	35	842	51	913	47	735
Return to work ratio	37,2	77,35	60	69,25	54,5	62,35

The company creates conditions for the formation of professional dynasties and tries to increase the prestige of engineering professions. To attract young qualified specialists to the industry, there are stipulated payments to children of workers who receive As and Bs in profile specialties, as well as encouragement of employees for mentoring.

Privileges are also provided for employees wishing to adopt a child, become foster parents or guardians - this is compensation for expenses for medical services, visits to sports clubs, interest clubs, etc. Employees-adoptive parents also receive monthly incentive payments.

As part of the program to maintain health and promote healthy lifestyles, compensation is provided for season tickets to sports clubs and sports clubs at a rate of 50% for employees and their children, as well as compensation for physiotherapy treatment and recreation for workers and their children.

In 2017, the Regulation on the development and approval of draft collective agreements (amendments to them) of the controlled organizations of PJSC RusHydro was introduced. Within the framework, the main approaches to the structure and content of the standard collective agreement of the controlled companies and the procedure for the approval of collective agreements, including the procedure for obtaining the preliminary approval of the collective agreement by the management bodies, were presented to the heads of the personnel management services of the branches and controlled companies. In 2018, it is planned to transfer controlled entities to the standard form of a collective agreement.

Human rights

The main approach of RusHydro Group in the field of observance of human rights is the fulfilment of all legislative requirements of the Russian Federation. The Group does not operate or enter into investment agreements in regions where the risk of human rights violations is high. RusHydro guarantees employees the observance of their right to work, rest, and the right to material security in old age and in case of loss of efficiency - they are implemented in accordance with the requirements of the Labor Code of the Russian Federation. (412-3)

Employees of RusHydro Group companies have the opportunity to fully realize their right to freedom of association. Most enterprises of RusHydro Group have established and freely operate trade unions. (407-1)

2.4.4 Contributions to the development of regions of presence

RusHydro participates in solving problems of local employment, budget provision, construction and financing of social infrastructure facilities, urban improvement, education and healthcare support, development of culture and sports, care for veterans and disabled people, technical measures to reduce the impact on the environment, and assistance to victims of natural disasters or other disasters.

The salary of the employees of RusHydro Group is higher than the average for the regions of presence, which speaks of RusHydro's competitiveness and reliability as an employer.

Number of jobs created and Statutory Minimum Wage Index (202-1)

Number of jobs created, units	Salary of starting-position employees, rubles.	Starting--position minimum wage in the region, rubles.	The ratio of the minimum wage to the Statutory Minimum Wage Index
1,311	45,037	12,607	4

Tax payments

RusHydro Group is one of the main taxpayers in the regions in which it operates.

Taxes paid to the budget at different levels, mn rubles*

	PJSC RusHydro and subsidiaries (except for the Sub-group of RAO ES of the East)			Subgroup of RAO ES of the East			RusHydro Group		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Federal	12,579.5	19,338.1 6	24,160.8 4	16,464.2 1	18,922.4 6	18,678.3 4	29,043.7 1	38,260.6 2	42,839.1 8
Including Insurance premiums	4,251.89	4,637.45	4,857.7	9,904.74	11,685.4 9	11,569.1 1	14,156.6 3	16,322.9 4	16,426.8 1
Regional	18,275.0 8	24,004.8 9	26,353.9 1	7,197.97	9,453.36	10,359.2 8	25,473.0 5	33,458.2 5	36,713.1 9
Local	465.66	457.56	454.01	298.28	379.61	370.71	763.94	837.17	821.72
Total	31,320.2 4	43,800.6 1	50,965.7 6	23,960.4 6	28,755.4 3	29,408.3 3	55,280.7 0	72,566.0 4	80,374.0 9

* When generating data in the table for 2017, the distribution between the federal and regional budgets is based on the fact that taxes are formed depending on the type of the budget (personal income tax, water tax, mineral extraction tax, payment for the use of water facilities, payment for negative impact on the environment).

Charity programs

PJSC RusHydro carries out charitable activities guided by the Charity and Sponsorship Policy of the Company (approved by the resolution of the Board of Directors, minutes of 01.06.2016 № 237).

The main goal of the charitable activity of PJSC RusHydro is to create conditions and opportunities for the sustainable development of the regions where the Group operates, to create favorable social environment and to promote the growth of Russia's spiritual, scientific, technical and intellectual potential. Among the priorities are:

- rendering assistance to categories of citizens in need - disabled people, veterans;
- supporting children's organizations and institutions;
- assisting medical institutions, healthcare organizations;
- supporting projects in the field of culture, education, science, sports;
- assisting the preservation and restoration of historical and architectural monuments of Russia;
- supporting the conduct of environmental activities;
- assisting the socio-economic development of the regions where the Group operates.

JSC RusHydro annually sets up an annual Charity and Sponsorship Program, which is approved by the Board of Directors. In 2017, the total amount of funds for the implementation of the charitable program amounted to 1,644.1 million rubles. (The charity and sponsorship program was approved by the Board of Directors (minutes of 02/21/2017 No. 248, 04/04/2017 No. 249, 06/22/2017 No. 254, 08/11/2017 № 255, 10/30/2017 № 259, 02/06/2018 № 265). The funds were used to finance and implement charitable and socially significant projects and programs in the regions of RusHydro's presence.

With the support of PJSC RusHydro, within the framework of the state program for the development of territories for promoting social and economic development in the Far East in 2017, more than ten large-scale infrastructure projects were completed: the construction of bridges, housing, agriculture facilities and industrial sites.

In the reporting year, PJSC RusHydro continued to implement the long-term comprehensive charitable program Clean Energy, whose main task is to create conditions for social adaptation, training and early career guidance for children and adolescents in the regions where RusHydro is present. The program also implements social, humanitarian, educational programs, actions and projects in the field of ecology. Together with the reserves, RusHydro organizes ecological tourist routes, equips ecological trails, landscapes, supports the biological diversity and the natural habitat of animals and plants.

Main charity projects in 2017

Support areas	Projects
Assistance to children's institutions and organizations	28 children homes and boarding schools, 6 rehabilitation social and medical centers, dozens of general education and music schools, and creative collectives received material assistance. The funds are directed to the development of the amenities of the children organizations, assistance in arranging holidays, holding educational events.
Development of children sports	RusHydro provides financial assistance to sports clubs and schools in such sports as football, hockey, swimming, rowing, tennis, sailing, martial arts. The program "Clean Energy" includes projects related to fitting sports halls with the necessary equipment, repair and improvement of sports grounds, organization of competitions for children and youth.
Support for the development of Russian sports	In 2017, RusHydro continued to provide financial support to the Russian Rowing Slalom Federation, the Russian Martial Arts Union, the Russian Judo Federation and other sports organizations.
# It is Brighter Together (#Вместе Ярче)	All branches of the Company participated in the All-Russian Festival of Energy Saving # Together Brighter, the main goal of which is popularisation among citizens of culture of careful attitude to nature and demonstration of modern energy-efficient technologies. Special attention is paid to activities for children and youth: excursions to hydroelectric power stations, lessons of ecology and economical attitude to energy resources, contests and quizzes are held within the framework of the festival.
Ecological paths	"Ecological paths" is a project to organize new tourist routes together with the reserves and to improve the recreation areas. The project helps preserve the biological diversity and natural environment of various species of animals and plants, forms the ecological culture of adults and children. In 22 regions of the Company's presence, 22 ecological routes have been created, including 6 new routes in 2017: in the mountains of Karachaevo-Cherkessia and on the Strizhament mountain of the Stavropol Region, in the Khvalynsky National Parks of the Saratov Region and the Samara Lake, in the Zeya Natural Park reserve.
Cleaning the banks of reservoirs and rivers	The traditional action on clearing the shores of reservoirs and rivers from debris "Oberegai" expanded its geography: volunteers from the Far East joined it. In total, in 2017, more than 2,800 volunteers and RusHydro employees took part in 36 activities.
Ecological education	During the school holidays in the reserves and nature reserves there are ecological shifts and field schools which RusHydro provides financial support to.
Preservation and enhancement of biodiversity	In 2017, 5 charitable environmental campaigns were conducted to stock rivers and reservoirs with valuable fish species. For more details, see "Restoring fish resources activities". RusHydro provided financial support to projects to preserve the Amur tiger population, implemented by the Amur Tiger Center.
Publishing of children books	The cooperation with the Foundation for Promotion of Children Literature and Reading Culture "HOUSE OF CHILDREN BOOK" continued in the implementation of the project to create an updated version of the scientific and artistic almanac for children and adolescents "I want to know everything". The first updated collection was published in 2015, the second - in 2017. More than 800 Russian libraries have received copies of this unique edition for free. A vibrant application that talks about science and technology "I want to know everything - 2015" now is available in the App Store and Google Play.
Assistance to medical institutions	Assistance was provided to medical institutions within the framework of the activity "Born with Energy", the main goal of which is to equip maternity hospitals, perinatal centers and maternity hospitals in the cities where the Company is present with expensive diagnostic and rehabilitation equipment.
Assistance to specialised HEIs	Provided financial support to:

	<ul style="list-style-type: none"> • Moscow State University of Civil Engineering, • Moscow Power Engineering Institute and its branch in Volzhsky, • Peter the Great Polytechnic University of St. Petersburg , • Sayano-Shushensky branch of the Siberian Federal University, <p>M.I. Platov South-Russian State Polytechnic University The assistance helps ensure the work of the "RES" research and educational center in St. Petersburg Polytechnic University, the provision of students of the Moscow State University of Civil Engineering with a visit to the Volga Hydroelectric Power Station. Furthermore, this program is used for the reconstruction and renovation of the amenities , including laboratory equipment. Other universities were also included in the program.</p>
Competition "Energy of Development"	For the students and post-graduate students of technical universities, the "Energy of Development" competition was held for the eighth time, the main goal of which is to create conditions for identifying and developing the abilities of young people in the field of hydropower and assisting them in obtaining specialised education. A number of winners of the contest are already working in the Company.
Participation in the projects of the Russian Geographical Society	RusHydro took part in the establishment of the grant fund of the Russian Geographical Society, in financing the publishing activities and the organization of ecological and geographical expeditions.
Cooperation with charitable foundations	Financial support was provided to the "Vera" Hospice Care Foundation, the Fund for Assistance to Children with cerebral palsy "Step together", "Center for Humanitarian Programs" NGO for disabled people. Charitable assistance was provided to the Bargary Renaissance Foundation of the Republic of Sakha (Yakutia) for the implementation of events dedicated to the 385th anniversary of Yakutia's entry into the Russian state and the foundation of the city of Yakutsk.

Controlled companies of JSC RusHydro also take an active part in the economic and social life of their regions. PJSC Boguchanskaya HPP³⁶ annually implements significant charitable projects. They participate in the implementation of charity projects of PJSC Kolymenergo, JSC RIPS, JSC Montazhenergo and LLC IEC.

On the territory of the Far Eastern Federal District, social projects important for the region and residents are supported by PJSC "FEEC", JSC DRSK JSC "FEDC", PJSC Yakutskenergo, PJSCMagadanenergo, OA Sakhaenergo, JSC Energotranssnab, JSC Teploenergoservice, JSCYakutsk Energy Repair Company ", JSC YuESKJSC Geoterm. In 2017, controlled companies of JSC RusHydro donated approximately 130 million rubles for charitable purposes in addition to the funds of the Charitable and Sponsorship Program of PJSC RusHydro.

Volunteer Movement

PJSC RusHydro develops corporate volunteering, supporting individual participation of employees in various social projects. In 2017, the Company conducted blood donor days, charity fairs, and "Oberegai" actions to clean up the banks of reservoirs and rivers.

In December, the Moscow office of the company held a traditional charity fair with the participation of 11 charitable organizations that presented hand-made souvenirs and original handicrafts made by the trustees of these funds or made according to their drawings, as well as souvenirs made by artists and other interested people. Within the framework of the fair, about 350 thousand rubles was raised, which was allocated for the treatment, rehabilitation, training, and development of trusts of charitable foundations.

2.5 Environmental responsibility

A careful and responsible attitude to the environment is a mandatory part of the socially responsible business policy. The implementation of programs for the modernization of production, energy saving and increasing energy efficiency, the development of renewable energy, innovative development – all of this contributes to reducing negative impact on economic development.

³⁶ PJSC Boguchanskaya HPP in joint ownership with UC RUSAL

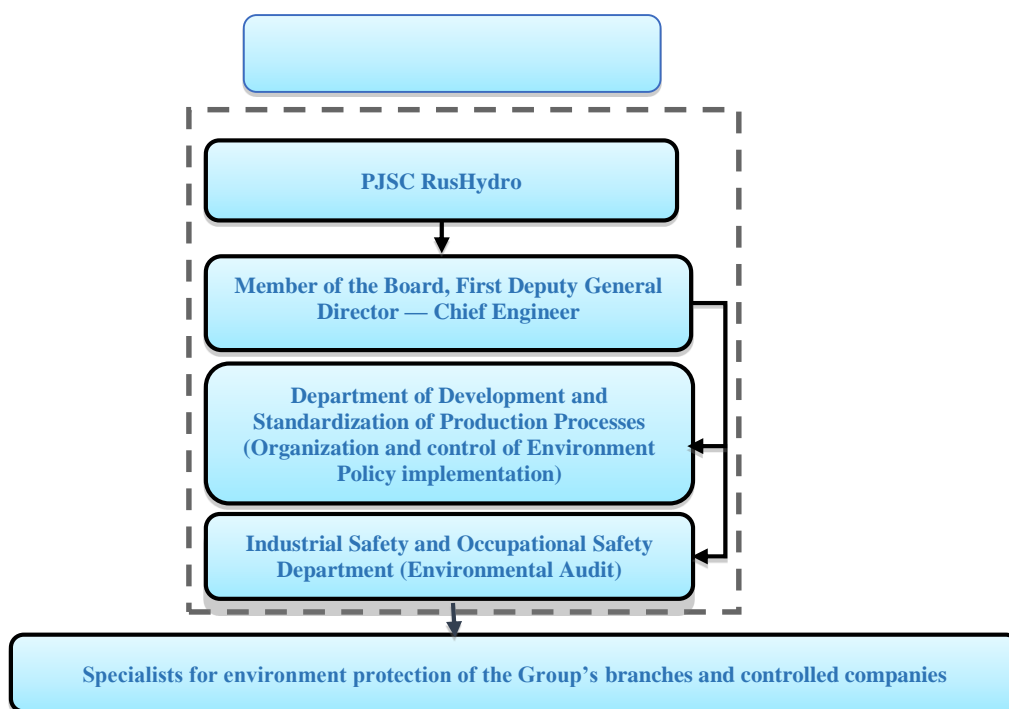
RusHydro Group is the largest Russian energy holding company, the leader in the production of electricity based on renewable sources. The Group is a main water user in the water management system of Russia and the largest supplier of electricity and heat in the Far East.

2.5.1 Environmental policy

Environmental impact management

The activities of RusHydro Group in the field of environmental protection and environmental management are carried out in accordance with the approved Environmental Policies, which are based on the provisions of the state policy in the field of environmentally sustainable development and environmental safety, the Constitution of the Russian Federation, federal laws and other regulatory legal acts, international treaties of the Russian Federation in the field of environmental protection and the rational use of natural resources. **(103)** RusHydro Group also takes into account the requirements of international standards in the field of environmental management and international best practices in the implementation of energy projects in its activities. During planning and implementing its activities, the Group follows the precautionary principle approved at the United Nations Conference on Environment and Development in 1992.³⁷ **(102-11)**

Environmental Impact Management



RusHydro Group's activities are aimed at minimising the negative impact on the environment and maintaining it in a favourable condition for present and future generations. This principle is enshrined in the Environmental Policies of PJSC RusHydro and PJSC RAO ES of the East, which are the basis for planning and implementing activities within the majority of RusHydro Group business processes.

The environmental policy of PJSC RusHydro was updated in 2016.

The main purpose of this policy is to identify the challenges, goals, objectives and mechanisms for implementing measures aimed at increasing the level of environmental safety of existing and prospective hydro generation facilities. The Policy applies to all structural divisions and controlled companies of PJSC RusHydro (with the exception of the Subgroup RAO ES of the East), and its provisions are included in the system of business relations between JSC RusHydro and its partners.

In the RusHydro Group, the regulation on the environmental management system is being developed, and the document approval period is in the first quarter of 2019.

³⁷ "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation" (Rio Declaration on Environment and Development, 1992).

Following the integration of PJSC RusHydro and PJSC RAO ES of the East, RusHydro Group's production activities have changed. This has led to the development of a new version of the Environmental Policy, which takes into account not only the current challenges and trends in the field of environmental protection, but also the peculiarities of the Group's hydropower and thermal assets.

Public hearing of the new version of the Group's Environmental Policy took place in October 2017. The hearings were attended by representatives of environmental community, expert and scientific organizations, business community, including WWF Russia, Russian Union of Industrialists and Entrepreneurs, UC RUSAL, EuroSibEnergo, JSC Rosseti, Moscow State University, and others. The updated version of the Environmental Policy is submitted for consideration to a wide range of experts in order to obtain feedback and opinions on the Company's priorities in the field of ecology and environmental protection. Participants of the hearing highly appreciated the open nature of the Company's public dialogue and the involvement of stakeholders in the process of discussing significant strategic documents in the field of environmental protection. The participants also submitted proposals for improving both the document itself and the Company's activities to implement the provisions of the Environmental Policy. The approval of RusHydro Group's Environmental Policy is scheduled for Q3 2018.

The environmental policy of PJSC RAO ES of the East was approved in 2014, with its objectives being:

- technical re-equipment and replacement of equipment with low technical, economic and environmental indicators with more cost-effective and environmentally friendly one;
- involvement of personnel in activities to reduce environmental risks, improve the environmental management system and the production indicators in the field of environmental protection;
- increasing the efficiency of non-renewable natural resources;
- minimization of the negative man-made impact on the environment.

The environmental policy of PJSC RAO ES of the East can be found on the [website](#).

Mechanisms for the implementation of the Environmental Policy of JSC “RusHydro”

JSC RusHydro has approved a program of measures to ensure the implementation of the Environmental Policy. Within the framework of the Rehabilitation and Modernization Program, measures are being taken to modernize and replace hydroelectric power stations of HPPs and repair hydro turbine equipment, including those aimed at eliminating environmental pollution during the operation of hydroturbine equipment. Coastal protection measures are regularly carried out to maintain the proper condition of the water protection zones. RusHydro Group replaces oil-filled electrical equipment with vacuum or SF6 gas, which does not contain oils, or replaces this equipment with one with lower oil content.

The Company conducts other activities aimed at reducing the negative impact on the environment, among which are:

- construction of sites for the accumulation of scrap metal,
 - reconstruction of stormwater drainage system of HPP buildings,
 - collection of floating rubbish from the water area and transfer to waste disposal facilities,
- landscaping and planting of greenery.

The key environmental measures implemented in 2017 by the branches and PO of JSC RusHydro, within the framework of the Rehabilitation and Modernization Program

Branch /controlled companies	Events
Votkinskaya HPP	<ul style="list-style-type: none"> • Replacing hydraulic unit № 4 • Current repair of concrete slopes of earthen and spillway dams
Zeyskaya HPP	<ul style="list-style-type: none"> • Replacement of oil-filled current transformers with transformers with lower oil content • Replacement of rotor blades of turbine impeller
Saratovskaya HPP	<ul style="list-style-type: none"> • Modernization of hydraulic turbines № 1-21, 24 • Current repair of concrete and earthen slopes of the left bank dam and channel dam
Zhigulevskaya HPP	<ul style="list-style-type: none"> • Replacement of hydraulic turbines № 8, 11, 20 • Comprehensive reconstruction with the replacement of power and measuring equipment of outdoor switchgear-500 kV in accordance with project documentation
Volzhskaya HPP	<ul style="list-style-type: none"> • Repair of oil-filled impellers of hydraulic turbines • Replacement of hydraulic turbines №№ 2, 1

	<ul style="list-style-type: none"> • Repair of perennial green plantations of groundfill dams № 40,41,42
Kamskaya HPP	<ul style="list-style-type: none"> • Repair of industrial and storm water drain • Repair of HEPS' drainage systems
Nizhegorodskaya HPP	<ul style="list-style-type: none"> • Reconstruction of outdoor switchgear-110/220 kV with the replacement of the equipment with gas-insulated one • Reconstruction of the water supply and sewerage system with replacement of pipelines and stop valves
Karachaevo-Cherkessia Branch	<ul style="list-style-type: none"> • Replacement of oil circuit breakers with vacuum ones
Verkhnevolzhskiy HPPs Cascade	<ul style="list-style-type: none"> • Reconstruction of fastening of slopes of Rybinskaya HPP's ground dam No. 5 • Reconstruction of the drainage system of dam 40 with the installation of treatment facilities at the Uglichskaya HPP
Zagorskaya PSPP	<ul style="list-style-type: none"> • Comprehensive reconstruction of outdoor switchgear -35 kV with the replacement of TCH-1,2,3,4 to dry ones with cast insulation
Novosibirskaya HPP	<ul style="list-style-type: none"> • Replacement of hydraulic turbines № 3 • Replacement of 5 oil-filled switches of 220 kV outdoor switchgear with gas-insulated modules
Cheboksarskaya HPP	<ul style="list-style-type: none"> • Works on purification facilities
PJSC Kolymaenergo	<ul style="list-style-type: none"> • Reconstruction of set switchgear-10 kV with the replacement of the switches with vacuum and microprocessor ones

Normative and technical regulation in the field of environmental safety

There are a number of standards in the field of environmental safety within the framework of technical regulation in JSC RusHydro.

To assess the impact on the environment and the organization of production control, PJSC RusHydro has introduced corporate standards «Hydroelectric Power Plants. Protection of the environment. Environmental impact assessment. Methodical instructions» and « Hydroelectric power stations. Industrial environmental control. Norms and requirements».

The National Standard of the ENS 15-2014 "Environmental protection. Norms of losses of oil products of the hydroturbine equipment during operation. Method for calculating losses of turbine oil in the process of operation of hydroturbine equipment." has been developed to apply both within its own management activities and within the framework of state control.

Environmental Impact Assessment

PJSC RusHydro provides environmental safety of production activities at all stages of the life cycle of industrial facilities. Before a new project's implementation or before the modification of existing facilities, measures are taken to assess the impact of such projects on the environment (EIA).

Assessment and mechanisms for managing the environmental impact at all stages of the project life cycle

Stage	Mechanisms for managing the environmental impact
Planning (pre-project stage)	<ul style="list-style-type: none"> Research and development work of ecological orientation Preliminary Environmental Impact Assessment for New Construction and Reconstruction Planning
Engineering	<ul style="list-style-type: none"> Conduct of the EIA: Assessment of the impact of the facility on the environment for making decisions on the possibility of construction and reconstruction of production facilities Design of measures to ensure the required level of environmental safety
Construction	<ul style="list-style-type: none"> Implementation and control of the implementation of activities, envisaged projects and projects aimed at ensuring the environmental safety of the facilities Compliance with the requirements of environmental legislation in the performance of construction and installation works
Exploitation	<ul style="list-style-type: none"> Implementation of industrial environmental control: implementation of measures to prevent disconnection from a given level of the facility's environmental safety Voluntary initiatives to conserve biodiversity and improve the environmental awareness of the public and employees

In 2017, there was no need to hold public hearings on the EIA of the projected facilities and facilities under construction.

Provision of activities in accordance with legislative requirements in the field of environmental protection

Projects of all required environmental standards are in mandatory manner developed during construction and operation of facilities, including standards of allowed emissions and discharges of pollutants into the environment, draft standards waste disposal limits, sections of project documentation related to environmental protection, including biodiversity conservation measures.

, all necessary projects of standards are compulsorily developed, ,

The documents are approved by the executive authorities that carry out state regulation in the field of environmental protection, among which:

- Ministry of Natural Resources and Ecology of the Russian Federation
- Federal Service for Supervision of Nature Management
- Federal Agency for Water Resources
- Federal Agency for Fisheries
- Federal Service for Supervision of Consumer Rights Protection and Human Welfare

On the basis of agreed projects, permits for environmental protection, which are necessary for the performance of production activities, are obtained.

Mechanisms for implementing the environmental policy of PJSC RAO ES of the East

Within the framework of the Environmental Policy of PJSC "RAO ES of the East", Subgroup companies implement initiatives aimed at:

- reconstructing gas cleaning equipment,
- switching combined heat and power plants to gas fuel;
- constructing of wastewater treatment plants.

The implementation of these initiatives allows not only to increase the basic production performance indicators, but also to reduce the negative impact on the environment.

Scientific and Technical Council

The Company has a permanent expert collegial body - the Scientific and Technical Council (STC). It ensures the creation and functioning of a unified system of technical expertise of scientific and technical solutions, projects and programs in compliance with the requirements of the Technical Policy and the current regulatory and technical documents.

To ensure environmental safety in the formation of new technical solutions, a profile section of the NTS "Reservoirs and environmental protection" was created. The section includes representatives of scientific research and design institutes: the Institute of Water Problems of the Russian Academy of Sciences, the Department of Land Hydrology of the Moscow State University and Federal Agency for Water Resources.

Key environmental measures implemented in 2017 by the Subgroup RAO ES of the East

Branch / controlled companies	Actions
JSC DGK	<ul style="list-style-type: none">• Repair, commissioning, testing of ash collecting and aspirating plants• Construction of a wastewater treatment plant at Khabarovskaya CHPP-2• Repair of circulating hydraulic ash sluice at Birobidzhan TPP• Construction of ash dump dykes• Transition to the use of gas fuel at Khabarovskaya CHPP-1
JSC GRSK	<ul style="list-style-type: none">• Repair, reconstruction, organization of oil receiving devices under power transformers• Replacement of oil circuit breakers with vacuum ones
PJSC Magadanenergo	<ul style="list-style-type: none">• Current repair of ash collecting facilities of MCHPP, ArGRES• Repair of the aeration tank of the SBG ArgGRES• Replacement of oil circuit breakers with SF₆ circuit breakers
PJSC Kamchatskenergo	<ul style="list-style-type: none">• Major overhaul of boiler equipment
PJSC Sakhalinenergo	<ul style="list-style-type: none">• Repair of metal pipes Venturi, repair of scrubbers hydroelectric units № 1 - 5• Major overhaul of boiler equipment• Repair works of industrial sewerage, fecal pumping

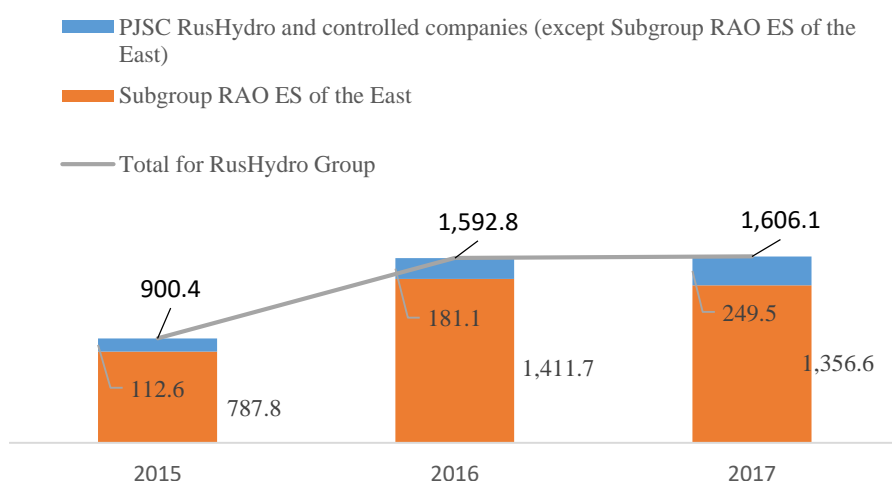
JSC “Chukotenergo”	<ul style="list-style-type: none"> • Repair, adjustment, testing of ash collecting facilities • Cleaning oil traps • Replacement of cyclonic elements of the BC in the period of overhaul of boiler equipment • Maintenance, repair and operation of ash-and-slag disposal sites
JSC YuESK	<ul style="list-style-type: none"> • Flue gas cleaning from soot and dust with special equipment (cyclones) • Reconstruction of DPP-23 in Ust-Kamchatsk with replacement of the diesel generator
PJSC Yakutskenergo	<ul style="list-style-type: none"> • Replacement and repair of boiler burners • Repair of the cooling tower section • Replacement of the oil circuit breakers with vacuum ones
JSC Sakhaenergo	<ul style="list-style-type: none"> • Current repair, removal of air suction cups from the ramjet and battery cyclone (4, 5 boiler) CHPP, Deputatskiy settlement • Commissioning of hazardous waste class from I to IV (Tiksi, Olekminsk, Batagay settlement) • Replacement of oil circuit breakers with vacuum ones • Reconstruction of ash and slag recycled water supply, CHPP, Deputatskiy settlement • Construction of solar power plants: <ul style="list-style-type: none"> - Zhigansky power distribution zone (Kystatyam settlement SPP 40 kV) - Kobyayskiy grids (Batamai settlement, increase in the autonomous inverter system of the accumulation system of Autonomous power supply systems) - Kobyayskiy grids (Sebyan-Kuel settlement SPP -50 kV) - Oymyakonsky power distribution zone (Orto-Balagan settlement SPP -50 kV)
JSC LUR	<ul style="list-style-type: none"> • Water spraying (dust suppression) of roads, downhole platforms, construction opencast mines • Repair of oil traps for the treatment of transport vessels in mountain areas

There were no accidents and incidents that caused damage to the environment in the reporting year in companies of the Subgroup RAO ES of the East.

Investments in environmental protection

Expenses for the implementation of RusHydro Group’s environmental activities in 2017 amounted to 1.6 billion rubles.

Total expenditures and investments for environmental protection, million rub (103)



Cooperation in the field of environmental protection

RusHydro Group actively cooperates with international organizations on issues of environmental protection and conservation of biological diversity. The company supports industry and international initiatives to reduce the anthropogenic load on the environment and strives to adopt the best practices for the successful implementation of its environmental projects.

PJSC RusHydro is a partner of the project of the United Nations Development Program, Global Environmental Facility and the Ministry of Natural Resources and Ecology of the Russian Federation "The Tasks of Biodiversity Conservation in Russia's Energy Sector Policies and Programs" (hereinafter - UNDP Project).

(102-44) Since 2012 the project has been implemented on the territory of Russia. The Project Objectives are as follows:

- demonstration and introduction of the best world practices in the field of biodiversity conservation in the energy sector of Russia;
- improving the status of biodiversity in the industrialized regions of Russia;
- assistance in the set-up of a monitoring system for the status of biodiversity and the testing of environmental technologies in oil producing, coal mining, and hydropower production;
- promoting the adoption of normative and methodological documents on the conservation of biodiversity in the energy sector.

Within the UNDP project in RusHydro, the work is carried out in the following directions:

- biodiversity conservation,
- sustainable development of hydropower,
- development of methodological documents on biodiversity conservation in the hydropower sector.

In 2017, PJSC RusHydro continued its membership in international industry associations, such as the Centre for Energy Advancement through Technological Innovation (CEATI), the International Hydropower Association (IHA) and the International Commission of Large Dams (ICOLD). Participation in these organisations allows the Company to interact with the world community on the safe, innovative and sustainable development of hydropower.

To promote the principles of sustainable development in Russia, the Company promotes the implementation of the Hydropower Sustainability Assessment Protocol (HSAP) as an official regulatory and legal act.

In 2013-2014, PJSC RusHydro carried out approbation of the Methodology on projected hydropower projects and HPPs underconstruction. As a result of the audit, a number of inconsistencies, which require the improvement of internal processes of development and decision-making in PJSC RusHydro, were identified. Primarily, the changes should concern the processes of interaction with stakeholders, ensuring the preservation of cultural heritage sites and conservation of biodiversity.

To fulfill these tasks, the Working Group on the Development of Methodological Approaches to Ensuring and Evaluation of the Compliance of Hydropower Projects with the Criteria for Sustainable Development was formed. It is planned to prepare a local regulatory document for ensuring the compliance of hydropower projects with the criteria for sustainable development, and to begin work on giving the Methodology the status of an official normative legal act on the territory of the Russian Federation.

Cooperation to fight climate change

At the end of 2015, PJSC RusHydro supported the initiative to unite the efforts of Russian business to reduce the impact on the environment and prevent climate change. RusHydro signed a Statement of Russian Business on the Negotiation Process and Adoption of a New Climate Agreement at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change.

This initiative is intended to be an additional step, aimed at ensuring the adoption of a new climate agreement at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change.

Since 2015, PJSC RusHydro has been a member of the Climate Partnership of Russia . The main purpose of the partnership is to unite the efforts of business in the interests of transition to environmentally friendly technologies.

In 2017, the Company continued to report on greenhouse gas emissions to CDP (Carbon Disclosure Project), in which it participates since 2015.

In addition, in 2017, PJSC RusHydro in cooperation with EuroSibEnergo and the Association of Hydropower of Russia continued its work within the Working Group on the development of methodological approaches to study global climate change processes in terms of greenhouse gas emissions from the surface of freshwater reservoirs of HPP and the evaluation of their absorbing capacity.

Russian climatic week -2017

Within the framework of the Russian Climate Week-2017 in Moscow, the roundtable "Hydropower in the Context of Global Climate Change" organized by PJSC "RusHydro" was held. Scientists of leading Russian scientific centers discussed the actual problem of the influence of reservoirs on the balance of greenhouse gases in the atmosphere.

2.5.2 Results of 2017 in the field of environmental protection

Water use

RusHydro Group is a large water user in the water management system of Russia, most of the Company's activities are carried out at water bodies. The Group uses water bodies in strict compliance with legal requirements. The company receives permits in a timely manner, for the implementation of water use and protection of water bodies in the relevant executive authorities. The diversion of water from the RusHydro Group's water bodies does not have a significant impact on water sources (303-2).

In 2017, the amount of water withdrawn by the RusHydro Group decreased by 0.99% and amounted to 753,352 thousand m³.

Since 2013, the Company has published data on changes in the levels of the reservoirs of the Hydro Power Plant of RusHydro Group on a special Internet portal: <http://www.rushydro.ru/hydrology/informer/>

Total amount of water withdrawn by source, thousand m³ (303-1)

Sources of water supply	PJSC RusHydro and controlled companies (without Subgroup RAO ES of the East)			Subgroup RAO ES of the East			RusHydro Group		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Total amount of water withdrawn from sources, including:									
surface water bodies, including swamps, rivers, lakes	57,651.9	58,554.6	64,252	685,637.7	697,706.3	699,394	743,289.6	756,260.9	763,646
underground water bodies, municipal and other water supply systems	1,192.3	1,216.4	1,484	94,483.0	108,138.2	132,514	95,675.3	109,354.6	13,3998

Impacts on water bodies

Total volume of wastewater discharges with indication of the receiving facility, thousand m³ (306-1)

Receiving object	PJSC RusHydro and controlled companies (without Subgroup RAO ES of the East)			Subgroup RAO ES of the East			RusHydro Group		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
waterbody	68,321.37	63,949.8	74,766	512,510.73	514,188.4	512,453	580,832.10	578,138.2	587,219
terrain	14.52	14.1	116	4,447.56	4,523.2	4,238	4,462.08	4,537.3	4,354
underground	2.6	0	0	140.5	17.9	22	143.1	17.9	22
water accumulator	2.6	7.4	8	19.6	0	0	22.22	7.4	0
Total discharges	68,338.49	63,971.3	74,890	516,977.9	518,729.5	516,713	585,316.4	582,700.8	591,595

The total volume of wastewater discharges by the purification method, thousand m³ (306-1)

	PJSC RusHydro and Subsidiary Companies (without Subgroup of RAO ES of the East)		Subgroup of RAO ES of the East		RusHydro Group	
	2017	2016	2017	2016	2017	2016
Without purification	3,429.36	3,474.69	216,611.23	213,330.69	220,040.59	216,805.38
Insufficiently purified	923.46	1,075.99	21,825.33	21,385.28	22,748.67	22,461.27
Normally purified	59,873.43	57,913.61	273,792.85	279,245.88	333,666.28	337,159.49
Normally cleaned on structures (biological, chemical, mechanical cleaning)	4,111.3	1,351.14	281.31	226.55	4,392.61	1,577.69

Water protection works of RusHydro Group

Name	Activities
Branches of PJSC RusHydro	<ul style="list-style-type: none"> – Coastal water works and repairs – Repair of anti-erosion hydraulic structures – Repairs of regulatory structures – Regulation of clearing and dredging of water bodies – Clearing sections of river channels and canals; – Bank-reinforcement hydro-engineering works (repair) – Other water protection works
The controlled companies of PJSC RusHydro, except for Subgroup RAO ES of the East	<ul style="list-style-type: none"> – Clearing the water area of the reservoir – Other water protection works
Subgroup RAO ES of the East	<ul style="list-style-type: none"> – Regulation of clearing dredging of water bodies – Bank-reinforcement hydroengineering works – Construction and repair of regulatory structures (reservoirs, ponds, spur-guiding dams, etc.) – Other water protection works

Emissions

RusHydro Group controls emissions of pollutants into the air at all production facilities.

In 2017, the emissions exceeded the established maximum permissible values for Raichihinskaya SDPP by 1,907.55 tons. The increase in emission allowances is due to growth of electricity.

Emissions into the atmosphere NO_x, SO_x, CO, solids, tons (305-7)

	PJSC RusHydro and Subsidiary Companies (without Subgroup of RAO ES of the East)			Subgroup of RAO ES of the East			RusHydro Group		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Solids	162.24	161.3	162	92,182.30	93,689.8	97,243	92,344.5 4	93,851	97,405
Gaseous and liquid	980.60	976.72	975.5 4	177,784.40	176,692.3	180,561.7	178,765. 00	177,669. 02	181,537.2 4
<i>including gaseous and liquid:</i>									
Sulfur oxides (SO _x)	3.35	2.6	3.4	73,780.53	73,334.1	73,547.6	73,783.8 7	73,336.7	73,551.0
Carbon monoxide (CO)	34.34	21.4	18.0	41,498.53	42,207.8	42,343.2	41,532.8 7	42,229.2	42,361.2
Oxides of nitrogen (NO _x)	26.26	16.9	13.4	59,973.43	61,150.4	64,670.9	59,999.6 9	61,167.3	64,684.3
Total pollutants, released into the atmosphere	1,142.84	1,138.02	1,137.54	269,966.70	270,382.1	277,804.7	271,109.54	271,520.02	278,942.24

In the process of implementing its activities, PJSC RusHydro uses renewable energy sources. In the operation of HPPs, there is no significant greenhouse gases.

Calculation of greenhouse gas emissions is carried out for Subgroup RAO ES of the East facilities in accordance with the decree of the Ministry of Natural Resources and Ecology of the Russian Federation of June 30, 2015 No. 300 and using RD 153-34.0-02.318-2001 "Methodological guidelines for calculating the gross release of carbon dioxide into the atmosphere from boilers of thermal power plants and boiler houses" and inventory data of the Carbon Fund. Emissions of greenhouse gases are determined on the basis of data for a specific facility, based on the fuel balance of the facility.

In 2017, greenhouse gas emissions increased by 1.05%. That increase is due to the growth in electricity generation by the facilities of the RAO ES Subgroup of the East and the expenses of the tons of equivalent fuel of the East for electricity generation.

Greenhouse gases direct emissions of Subgroup RAO ES of the East (scope 1) (305-1)

Indicator	2015	2016	2017	2017/2016, %
Emissions CO ₂ , т	36,182,305.5	34,096,453.13	34,457,073.26	+1.06
Emissions N ₂ O in CO ₂ eq. т	125,283.1	119,085.53	117,141.00	-1.63
Emissions CH ₄ in CO ₂ eq. т	14,433.5	14,369.49	13,895.43	-3.30
Total emissions	36,322,022.2	34,229,908.06*	34,588,190.37	+1.05
<i>including:</i>				
from burning natural gas	10,453,851.7	9,935,983.03	10,101,464.31	+1.67
from burning oil	670,338.1	693,485.50	712,034.12	+2.67
from solid fuel combustion	25,197,832.3	23,600,439.52	23,774,612.10	+0.74

Intensity of greenhouse gas emissions of the Subgroup RAO ES of the East, tons CO₂- eq.³⁸ (305-4)

Indicator**	2016*	2017	2017/2016, %
Specific CO ₂ emissions, associated with electricity generation, in tonnes CO ₂ -eq.	785.10	78580	+0.10
Specific CO ₂ emissions associated with heat release, in tonnes of CO ₂ -eq.	375.60	373.90	-0.45

* The change in CO₂ emissions for 2016, in direct and specific terms, is due to the clarification of data on the costs of tonnes of equivalent fuel, for electricity generation and heat release.

** Specific emissions of CO₂ equivalent are determined by the ratio of emissions of tonnes of CO₂-eq. to the generation of electricity in million kWh and heat production in thousand Gcal.

In 2017 in the controlled companies in the Far East, measures were taken to reduce emissions of harmful substances into the atmosphere: **(305-5)**

- repair of ash removers, scrubbers, cyclones, electrostatic precipitators in order to maintain the degree of flue gas cleaning at the normative level. Such measures were carried out at the Arkagalinskaya GRES, Magadanskaya CHPP, Primorskaya GRES, Birobidzhanskaya CHPP, Urgalskaya boiler plant, Raichikhinskaya GRES, Blagoveshchenskaya CHPP, Amurskaya CHPP, Vladivostokskaya CHPP-2, Partizanskaya SDPS, Kamchatka, Nikolskoye, Central and School coal boiler houses, and also in Tigil coal-fired boiler No. 4 and in Manily, Central Coal Boiler House.
- transition to gas fuel for Khabarovskaya CHPP-1.

Waste

As a result of the operation of RusHydro Group's energy facilities, the main share is generated by waste products of the 4th and 5th hazard classes, which are formed as a result of the reconstruction of facilities, as well as during the repair and maintenance of equipment and structures. RusHydro Group companies do not transport their own products. The generated wastes are transferred under contracts to specialised organisations that have licenses for activities related to the transportation, collection and further management of wastes **(306-4)**.

The total mass of waste generated in 2017, broken down by hazard class, tons (306-2)

PJSC RusHydro and Subsidiary Companies (without Subgroup of RAO ES of the East)				
	2015	2016	2017	2017/2016, %
Wastes of the 1 and 2 classes of danger	14.22	20.66	31.2	51.0
Wastes of the 3, 4 and 5 classes of danger	30,964.61	29,179.35	29,191.0	0.04
Total	30,978.83	29 200.01	29,222.2	0.08
Subgroup of RAO ES of the East				
	2015	2016	2017	2017/2016, %
Wastes of the 1 and 2 classes of danger	39.9	32.83	39.0	19.7
Wastes of the 3, 4 and 5 classes of danger	27,694,388.90	24,743,428.87	26,570,307.4	7.37
Total	27,694,428.8	24,743,461.71	26,570,346.4	7.37
RusHydro Group				
	2015	2016	2017	2017/2016, %
Wastes of the 1 and 2 classes of danger	54.12	53.49	70.2	31.27
Wastes of the 3, 4 and 5 classes of danger	27,725,353.51	24,772,608.22	26,599,498.4	7.37
Total	27,725,407.63	24,772,661.72	26,599,568.6	7.37

³⁸ This is the development excluding the Cascade of Vilyuisky HPPs and solar power plants, whose activities do not produce greenhouse gas emissions.

The increase in the volume of waste generation in 2017 compared to 2016 for the Group RusHydro was because of the increase in the volume of generation of waste of hazard class 5:

- in JSC DRSK JSC Kamchatskenergo, PJSC Sakhalinenergo were observed increased ash and slag wastes due to the increase in the volume of coal combustion in the main production;
- in JSC LUR - the formation of wastes of overburden increased in connection with the increase in work on the development of overburden.

Biodiversity conservation

Impacts on biodiversity

Generating production facilities of PJSC RusHydro are not located within the boundaries of specially protected natural areas. The network infrastructure facilities included in the Subgroup RAO ES of the East are located on the territories of specially protected natural areas, where rare species of plants and animals **(304-1)**.

The Subgroup RAO ES of the East seeks not to have a significant impact on biodiversity and protected natural areas. As a result of the activities of the Subgroup, there is no reduction in the number of species of species, the change of habitats, the spread of invasive species, pests and pathogens. **(304-2)**

Protected species the habitats of which are affected by the activities of RusHydro Group (304-4).

The habitat of the mandarin duck (*Aix galericulata*) in the Amur Region fell into the flood zone of the reservoir of the Nizhne-Bureyskaya HPP. The bird is listed in the Red Book of the Russian Federation as a rare species, as well as in the IUCN-96 Red List, Appendix 2 of the Bonn Convention, annexes of bilateral agreements concluded by Russia with Japan and the Republic of Korea and the DPRK on the protection of migratory birds.

Also in the flood zone of the reservoir, the main habitat of the fern species, *Aleuritopteris kuna* (*Aleuritopteris kuhni*), was found. The plant is listed in the Red Book of the Russian Federation as a threatened species.

The process of filling the reservoir of the Nizhne-Bureyskaya HPP affected also the habitats of ungulates living in the flood zone of the reservoir.

Construction of the Nizhne-Bureyskaya HPP, as well as the activities of JSC DRSK of RAO ES of the East Subgroup, has an impact on endangered species, Far Eastern storks (*Ciconia boyciana*) in particular. This species is listed in the Red Book of the Russian Federation and in the Red List of IUCN-96, Appendix 1 of CITES, annexes of bilateral agreements concluded between Russia and Japan, the Republic of Korea and the DPRK on the protection of migratory birds.

Belonging, volume and value from the point of view of biodiversity of water bodies impacted by activities Subgroup RAO ES of the East (306-5)

Subsidiaries of the Subgroup RAO ES of the East	Waterbody*	The volume of the water body or the average source of the river, million cubic m.	Value in terms of biodiversity **
PJSC Kamchatskenergo	Avachinskaya Bay	3,800	h/k
	The river of Halaktyrka	-	h/k
	Lake Halaktyrskoye	11	h/k
	Lake Sypuchka	-	h/k
JSC YuESK	R. Bystraya	43.2	f/k
PJSC Magadanenergo	R. Magadanka	127.5	h/k
	R. Kamenushka	37.9	f/k
	R. Myungja	37.9	h/k
PJSC Sakhalinenergo	Terpeniya Bay of the Sea of Okhotsk	211,250	h/k
PJSC Yakutskenergo	R. Lena	515,610	h/k
	R. Vilyuy	21,290	h/k
JSC Chukotenergo	The Kazachka River	22	s/k
	Lake Hunting	0.25	s/k
	Chaun Bay	-	f/k
JSC DRSK	Kivdinskoe Reservoir	9.6	f/k
	River Control	-	h/k

	A creek without a name, flowing into the river Knevichinka	-	h/k
	Bay Intermediate	-	h/k
	River Explanations	-	f/k
	Creek False Key	-	f/k
	River Partizanskaya	-	f/k
	Brook Rudka	-	s/k
	Reservoir on the Olongoro river	43.2	f/k
	Semenovskiy brook	-	s/k
	The Nameless Creek	-	s/k
	Amnunakt River	-	f/k
	Amur Channel	-	h/k
	Amur River	-	h/k
	Lake Horpe	-	h/k
	duct Galbon (Old Amur)	-	h/k
	West Bay	-	h/k
	Nantes Creek	-	h/k
	Right Birch River	-	s/k
	The Black River	-	s/k
	Brook Polezhaevka	-	s/k
	Brook Rotten Fall	-	s/k
	Small Sita River	-	f/k
JSC Teploenergoservis	Vilyuy river	72,400	h/k
	Yana River	29,297	h/k
	Aldan River	154,683	h/k
	the river Indigirka	14,002	h/k
	Allah-Yun river	5,550	h/k
	Nera River	3,658	h/k
JSC LUR	River Controvod	-	h/k

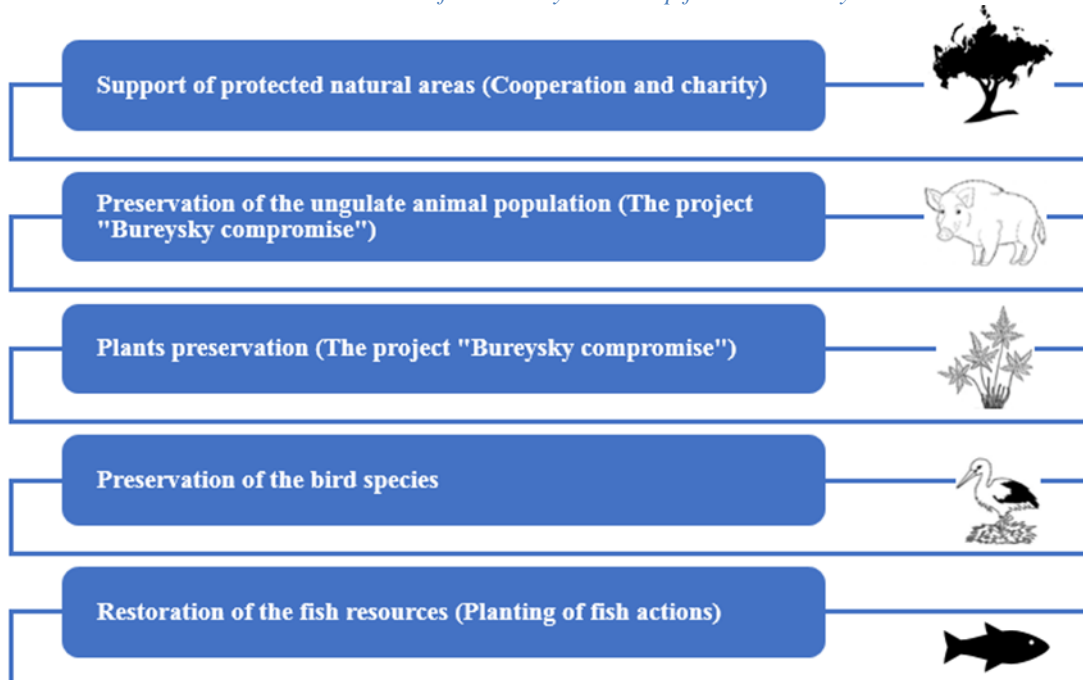
* All facilities are not protected natural areas.

** h / k - the highest category, f / k - the first category, s / k - the second category.

Activities on biodiversity conservation

RusHydro Group is implementing biodiversity conservation activities in five areas.

Activities of the RusHydro Group for Biodiversity Conservation



PJSC RusHydro develops international cooperation in the field of environmental protection, in particular, in matters of biological diversity's conservation. Within the framework of the UNDP project in 2017, the practical part of the implementation of the environmental project "Bureysky Compromise" was completed. It was implemented by the Amur Region Governorate "Directorate for the Protection and Use of Wildlife and Specially Protected Natural Areas", JSC Nizhne-Bureyskaya HPP, scientific and environmental organisations of the region, and the media.

In 2015, the Bureysky Nature Park was established in the area of the reservoir of the Nizhne-Bureyskaya HPP.. Since 2014, JSC Nizhne-Bureyskaya HPP has been implementing a program of socio-ecological monitoring on the territory of the natural park and on adjacent territories. With the support of the UNDP Project in the program of socio-ecological monitoring for 2015-2017, an assessment of the impact of economic activities on biodiversity was included. In 2017, the monitoring coverage area was 567 thousand hectares.

In 2017, PJSC RusHydro supported the program to restore the Persian leopard in the Caucasus. Within the framework of the Agreement on Cooperation between the North Ossetian Branch of PJSC RusHydro and the Institute of Ecology and Evolution of RAS, a unique project has been launched to prepare the zone for the release of individuals of the Persian leopard in Ossetia. The project of the IPEE RAS and PJSC RusHydro for the implementation of the program for the restoration of the Persian leopard (Caucasian leopard) on the territory of Ossetia includes a set of scientific, environmental and eco-education activities aimed at ensuring the preparation of the territory as a zone for the production of Asian leopards that are prepared in the framework of the international program implemented Ministry of Natural Resources of Russia.

Measure on the preservation of the ungulate animal population

To minimise the risks of injuries and the death of ungulates during the filling of the reservoir of the Nizhne-Bureyskaya Hydroelectric Power Station, more than 25 feeding complexes equipped with mineral and vitamin additives were placed in advance on the territory of the Bureysky Nature Park adjacent to the reservoir. The event is intended to concentrate the animals in the center of the Bureysky nature park and to displace them from the reservoir storage areas.

The complexes are equipped with automatic cameras for photo and video recording, which allows receiving information about their attendance by animals. In 2017, the feeding grounds were repaired and equipped with additional fodders for the winter period and the period of filling the reservoir.

Measures on the preservation of plants

In the flood zone of the reservoir of the Nizhne-Bureyskaya HPP, five species of rare and endemic plant species were found. For the conservation of rare plant species in 2017, an additional transfer of endemics to new growth sites was implemented. An additional measure of plant support was the "ex-situ" event in relation to the fern Alevritopters Kuna, listed in the Red Book, the main habitats of which were in the flood zone of the Lower Bureya Reservoir. In the Botanical Garden of Blagoveshchensk, with the support of the UNDP Project, the creation of specialized climate chambers began where, from the spores of a rare fern, plants are grown to be introduced into places suitable for growth. The first planting of plants grown in the Botanical Garden of Blagoveshchensk took place in June 2017. Planting of plant populations grown in a climatic chamber will be carried out until 2019.

Preservation of the bird species

Measures to minimize the impact on the bird fauna were directed at the two most vulnerable species: the mandarin duck and the Far Eastern stork. In 2017, measures were continued to install additional artificial nests during the filling of the reservoir and monitor the effectiveness of this solution to maintain the mandarin population in the process of creating a water body.

Artificial supports for nests of Far Eastern storks are established in Muravievsky reserve.

The subsidiary company of JSC " RAO ES of the East " - PJSC Yakutskenergo equips high-voltage power lines with special bird protection devices passing through a specially protected natural area in Ust-Maysky ulus in Yakutia, where 24 species of birds are under protection.

PJSC Yakutskenergo provides isolation of the power lines with a special self-supporting insulated cable in the territory of the natural park "Living diamonds of Yakutia", through which the high-voltage line 6-10 kV passes. In addition, the company equips with fences and shrouds transformer substations on transmission lines to prevent animals from entering the substation.

Restoring fish resources activities

Due to the specifics of its activities, the Company pays special attention to the conservation and restoration of fish stocks of rivers, for which, since 2003, annual voluntary stocks for stocking rivers and reservoirs of hydroelectric power stations have been held.

In early 2017, the Dagestan branch released 20,000 fry of rainbow and stream trout to the Chirkey reservoir. In June, the Cheboksary HPP released 11,000 fry of sterlet into the Cheboksary water reservoir, a fish of a particularly valuable species listed in the Red Book. In June 2017 in the Amur Region there was an action on stocking the Zeya River - Krasnoyarsk, with the participation of PJSC RusHydro, released 5,000 fry of Amur sturgeon into the river, a rare and particularly valuable representative of sturgeons. The project was implemented to maintain the abundance of species in the Upper and Middle Amur basin. In July 2017, RusHydro's funds to the Volga near Saratov produced 14,000 sterlet fry and in October, 77,000 carp and white carp. Nizhne-Bureyskaya HPP in July 2017 in Bureya released 6,000 fry of valuable species of fish species.

Restoration of disturbed lands

The preserved and restored habitats by the Subgroup RAO ES of the East (304-3)

Controlled companies	PJSC «FEGC»	PJSC "Magadanenergo"	PJSC "Sakhalinenergo"	JSC "Chukotenergo"	JSC "LCS"	Total
01.01.2017						
Total disturbed land, ha	2 267,92	272,0	257,64	175,48	3 932,39	6 905,43
including:						
Processed disturbed land, ha	59,00	51,00	3,22	0,00	24,39	137,61
Stored topsoil, thousand m ³	287,48	0,00	0,00	0,00	578,78	866,26
For 2017						
Total disturbed land, ha	32,60	0,00	0,08	0,00	94,80	127,98
Total processed disturbed land, ha	0,00	0,00	0,08	0,00	0,00	0,08
Total re-soiled land, ha	0,00	0,00	0,08	0,00	0,00	0,08
31.12.2017						
Total disturbed land, ha	2 300,52	272,00	257,64	175,48	4027,19	7 033,33
Total processed land, ha	75,10	51,00	3,22	0,00	24,39	153,71
Stored topsoil, thousand m ³	287,48	0,00	0,00	0,00	578,78	866,26
Location	Far Eastern Federal District					

2.5.3 Renewable energy sources³⁹

The Group considers the use of traditional and alternative renewable energy sources (RES) as its priority and steadily increases the installed generation capacity through the construction of new hydroelectric power stations and the commissioning of new power generating capacities.

RusHydro was one of the first companies in Russia to develop projects based on renewable energy sources. One of the tasks of the Innovative Development Program of RusHydro Group for 2016-2020, with the prospect of prolonging it through 2025, is to increase energy efficiency through the use of alternative renewable energy sources. RusHydro Group is engaged in wind, solar, and geothermal energy. Most of these projects are located in isolated areas that are not part of the unified energy system.

Over the past five years, in Yakutia, the Group has launched 19 solar stations with a capacity of 1.6 MW and three wind power plants with a capacity of 2.2 MW. The total volume of investments in the projects amounted to 895.63 million rubles, the annual planned savings of diesel fuel - 1,580 tons per year.

Due to the peculiarities of each settlement, all projects under implementation are individual, including the northernmost solar power plant in the village of Batagay with a capacity of 1 MW. As part of the research and development activities, RusHydro Group developed its own models of wind-diesel and solar-diesel complexes, tested various equipment options, including power storage, for use in isolated power districts.

RusHydro is actively engaged in the development of small hydropower, which is important for remote, hard-to-reach and energy-deficient regions and local water supply for small towns and settlements. Small HPPs are environmentally friendly, as well as a number of additional effects, such as the possibility of the accumulation and the subsequent use of drinking water.

Projects of low-power RES in the Republic of Sakha (Yakutia)

³⁹ Here, RES is all renewable energy sources, except hydropower.

Project	Type of RES	Power, kW	Results of 2017	Plans for 2018
SPP-50 kV in Sebyan-Kuel village Kobyaysky ES	Sun	50	Facilities put into operation	-
SPP-50 kV in Orto-Balagan village, Oymyakonsky ES		50		-
SPP-40 kV in Kystatyam village Zhigansky DEN		40		-
WPP-900 kW in Tiksi village, Bulun region	wind	900	The design and construction of the wind farm foundations is completed	Delivery and installation of wind turbines, commissioning of the WPP facility

In 2017, within the framework of the Eastern Economic Forum, the Japanese Agency for the Development of New Energy and Industrial Technologies, the Government of the Republic of Sakha (Yakutia) and PJSC RusHydro signed a declaration of intent to build a demonstration project in the village of Tiksi, for the development of energy infrastructure, including 900 kW wind generation systems, which will work together with a new 3 MW diesel power plant and an energy storage system under the control of the Automated Control System to optimize the operation of the wind-diesel complex.

Expenses for projects in the field of renewable energy sources, RUB

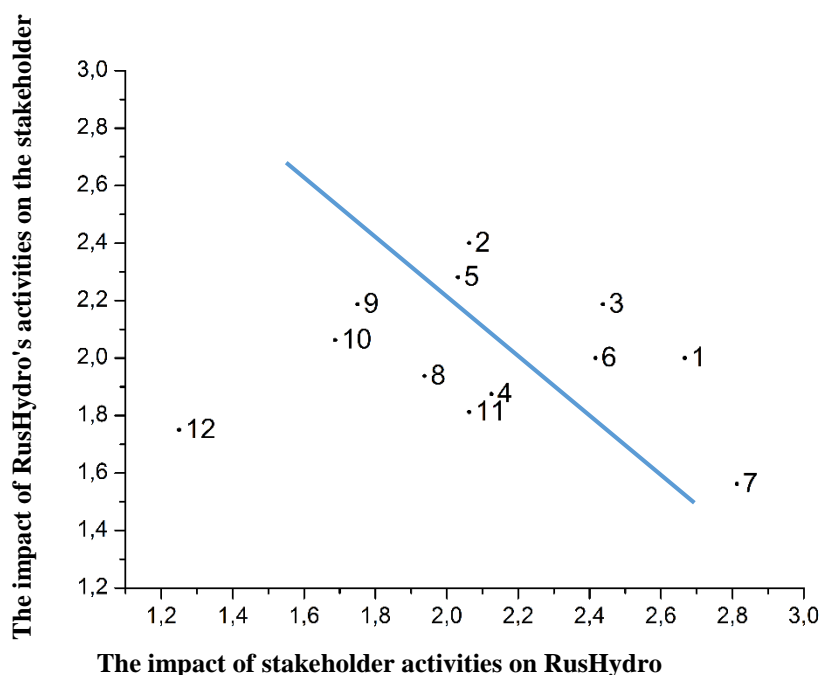
	2015	2016	2017	2018 plan
RusHydro Group	261,859,849	26,414,589	49,930,940	204,135,434
including PJSC RusHydro	1,200.21	611.17	1,609.41	5,045.83

2.6 Interaction with stakeholders

2.6.1 Approach and mechanisms of interaction with stakeholders

The stakeholder map of RusHydro Group is updated every two years by a survey of the Company's management. In preparing the Report for the year of 2017, the Map of the main stakeholder groups of the RusHydro Group was updated. Regarding the list and map presented in the social report of RusHydro Group for 2016, the names of a number of groups were adjusted and merged into new groups. Accordingly, the average values of the new groups were calculated and their position on the map was changed. Stakeholders located above the cut-off line are recognized as key stakeholders. (102-42)

Stakeholder map (102-40)



RusHydro Group builds mechanisms for interaction with each of the stakeholder groups to ensure ongoing cooperation and empowering the representatives of the parties to participate in the Group's activities. In the course of its activities RusHydro seeks to identify and maintain a balance of interests of all stakeholders, ensuring the most complete and timely disclosure of relevant information for them.

Mechanisms of interaction with key stakeholders of RusHydro Group (102-43)

№	Stakeholder	Stakeholder Interests	Basic mechanisms of interaction
1	Shareholders and investors	Economic efficiency Sustainability of business Transparency of business processes	Meetings of shareholders and other corporate events IR-presentations and IR-events Publication of accounts Ensuring equal and timely access to essential information on tariff regulation, disclosure of information on official websites of controlled companies of JSC RusHydro in accordance with the rules for disclosure of information defined by the Government of the Russian Federation
2	Customers and consumers	Reliable power supply Improving the quality of products and services High standards of service	Online consultations on the sites of marketing companies “Line Trust” Mobile Service Centers, virtual reception Contact center Personal rooms of consumers guaranteeing suppliers Development of client offices
3	Business partners, suppliers and contractors	Fair competition and responsible market behavior Transparency, including transparency of procurement activities	Forums, exhibitions, conferences, dialogues Open and competitive procurement procedures Joint projects
4	Public environmental organizations	Protection of the environment	Running environmental impact assessment Environmental projects in the regions of presence
5	Employees and labor union organizations	Professional and career growth Safe working conditions Worthy conditions of remuneration	Staff development Social support of employees Information and communication through internal channels Interaction with trade union organizations

6	Professional associations and industry organizations	Development of branch science Innovative technologies development Prospects for cooperation	Forums / conferences / exhibitions Joint programs Public reporting Work in the Organization / Association Programs
7	The authorities at federal, regional and municipal levels	Development and modernization of electric and thermal power facilities Development of regions of presence RES development Improvement of the regulatory and legal support of the Company Ensuring reliable and uninterrupted power supply	Agreement on socio-economic cooperation with the subjects of the Russian Federation Carrying out public hearings on plant construction projects Work in joint committees, commissions, expert groups on the development of the fuel and energy facilities
8	Regulatory and controlling authorities	Compliance with the requirements of Russian and international law	Reporting Development of proposals for improving legislation
9	Educational institutions	Targeted training Development of branch science Development of innovative technologies, including reducing the negative impact on the environment	Cooperation in the field of scientific and research activities Training, retraining and advanced training of workers R&D Contracts
10	Local communities and regions of presence population	Support for the development of regions of presence Ensuring reliable and uninterrupted power supply Workplaces creation at the Group's facilities	Holding public hearings on energy facilities construction projects Providing decent working conditions and pay
11	Media	Preparation of press releases, statements, comments and messages for the media Timely response to media requests Preparation of reference, information-analytical and presentation materials Organization and holding of briefings, press conferences, interviews, approaches to the press, press tours and other events for the media	Distribution of press releases, statements, comments and messages Placement of information on the corporate website and in social media Press conferences, briefings, interviews, press approaches, press tours
12	Public social and charitable organizations	Support of public activities Care for the environment	Social and charitable programs Public reporting Carrying out of actions and actions of a social orientation

RusHydro held public hearings on this Report on April 20, 2018, where various groups of stakeholders participated. Representatives expressed their views on the completeness and materiality of the information presented in the Report and made recommendations to the prospective plans of the RusHydro Group

2.6.2 Interaction with stakeholders in 2017

Federal and regional authorities

As part of the strategy of PJSC RusHydro, management and specialists of the Company interact with state authorities at federal and regional levels.

One of the priorities of the activities of PJSC RusHydro in this area is the partnership to improve the competitiveness of the national and regional economy, the social development of the regions on the basis of compliance with legislation and transparency of the Company's activities.

With regard to interaction with federal authorities, the heads of PJSC RusHydro actively participate in the work of the commissions and working groups under the President and the Government of the Russian Federation on the development of the fuel and energy facilities and socio-economic development of the regions of the Russian Federation.

Apart from that, work is being carried out with specialized and other committees of the Federal Assembly of the Russian Federation on issues affecting the activities of PJSC RusHydro.

In 2017, specialists of PJSC RusHydro participated in parliamentary hearings, round tables and a number of extended meetings of committees of the Federal Assembly of the Russian Federation with the participation of representatives of federal authorities of the Russian Federation and authorities of the subjects of the Russian Federation, as well as representatives of energy companies on topics directly related to activities and prospects of the Company's development.

With the active participation of representatives of PJSC RusHydro:

- Federal Law of June 30, 2017 No. 129-FL "On Amendments to the Federal Law of March 26, 2003 No. 35-FL "On Electricity", regarding the resolution of the issue of achieving in the territories of the Far Eastern Federal District planned for the next period regulation of basic price levels (tariffs) for electric energy (capacity), when applying a surcharge to the price for capacity of the wholesale market entities - energy producers of the price zone;
- Resolution of the Government of the Russian Federation of 07/28/2017 No. 895 "On the achievement of basic levels of prices (tariffs) for electricity (capacity) in the Far Eastern Federal District";
- Decree of the Government of the Russian Federation of July 28, 2017 No. 1614-r on determining the subject of the wholesale market - the producer of electric energy (capacity), to the price of the capacity of which the surcharge to the price for capacity is applied;
- Decree of the Government of the Russian Federation of July 28, 2017 No. 1615-r on prices (tariffs) for electricity (capacity) for the constituent entities of the Russian Federation that are part of the Far Eastern Federal District.

In accordance with the above-mentioned regulatory acts of PJSC RusHydro, the following work has been done:

- interaction with regional authorities to ensure compliance of regional regulatory legal acts with regulatory acts;
- interaction between FAS Russia and the Far East Regions in terms of agreeing and matching the estimated allowance to the adopted tariff decisions.

PJSC RusHydro makes efforts to develop strategic interaction with authorities in the regions of its presence and create a favorable social climate for the effective development of the Group's companies, including through the development of social partnership in these regions. One of the forms of development of social partnership is the conclusion of agreements on mutually beneficial cooperation in the field of social and economic development of the region of presence.

In addition, with the state authorities of the constituent entities of the Russian Federation, on the territory of which the reservoirs of the hydroelectric power stations included in PJSC RusHydro are located, close interaction was conducted on the preparation and safe passage of floods.

Guided by the decision of the country's leadership on the need for the priority development of the territories of the Far Eastern Federal District, the Company's executives interacted with state authorities at the federal and regional levels on such key issues for PJSC RusHydro, such as:

- formation of mechanisms for attracting investments in the modernization of thermal and electric power generation facilities in the Far East;
- development of approaches to improve the mechanisms for tariff regulation of the activities of electric power facilities in the non-price zone of the wholesale market and in isolated power systems of the Far East.

Shareholders and investors

On December 31, 2017, agreements and memoranda signed with the authorities of the following regions:

- Republic of Dagestan
- Republic of Sakha (Yakutia)
- Republic of Tatarstan
- Republic of Khakassia
- Kamchatka Territory
- Chukotka Autonomous District
- Amur Region
- Volgograd Region
- Irkutsk Oblast
- Magadan Region
- Moscow Region
- Sverdlovsk Oblast

The Company signed agreements on the transfer of donated special-purpose contributions to the budgets of the regions.

During the reporting year, the Company conducted active work on interaction with the participants of the stock market and improving the disclosure of information. Within the framework of interaction with the investment community, the following activities were carried out during 2017:

- more than 200 individual and group meetings with the managers of the largest international and Russian investment funds;
- four quarterly conference calls of the management with analysts, investors, and rating agencies;
- Capital markets day with participation of analysts, portfolio managers, and business media.

During the meetings, the focus was on communicating the Group's strategic priorities and plans. In particular, the company clarified the transaction on raising 55 billion rubles from VTB Bank (PJSC) to the share capital of the Company and the conclusion of a five-year forward contract with the aim of solving the debt burden problem of the companies of the RAO ES Subgroup of the East, as well as the RusHydro Group Expansion Plan, developed and adopted in the reporting year period until 2021.

Analytical agencies

RusHydro actively cooperated with analytical agencies specialising in the assessment of companies from the point of view of sustainable development in 2017, which enabled the Company to significantly improve its results in the relevant international ratings and indices (*see section Awards and ratings*).

Business partners (see section 1.6.3)

Customers and consumers

PJSC RusHydro has successful experience of cooperation with prospective energy-intensive industrial consumers within the energy-industrial complexes, the purpose of which is to contract new generation and consumption facilities to hedge the risks of serious fluctuations in electricity prices necessary for the operation of new enterprises for a long-term period, as well as an integrated implementation of joint investment projects. Free contracts for the purchase and sale of electricity and capacity between new generators and consumers can serve as an effective tool for raising borrowed funds on the terms of project financing. This practice is mutually beneficial both for producers and consumers of electric energy, since it allows us to determine in advance the price (price formula) of electric energy and fix it on a long period of time sufficient for the return of investments and ensuring the accepted parameters of economic efficiency of investment projects.

Basic agreements with potential energy-intensive industrial consumers, signed in 2017

Agreement	Direction of cooperation	Benefits
Agreement on cooperation dated 01.06.2017 No. 1010-240-19-2017, signed between PJSC RusHydro and PJSC SIBUR Holding within the framework of SPIEF-2017	The agreement creates conditions for reliable energy supply of one of the largest possible petrochemical projects - the Amur Gas Chemical Complex (AGCC), whose construction project SIBUR is currently working on, and to optimize the performance of the company's energy equipment	Increasing the load of existing and future generating facilities of RusHydro in the Amur Region and IES of the East due to the organisation of energy supply to AGCC from the generating facilities of RusHydro Group and the failure of SIBUR from the option of power supply to AGCC from its own generating source
The contract of purchase and sale of electric energy (capacity) of 16.09.2017 No. 1817 between PJSC "Polyus" in the person of JSC "Rudnik im. Matrosov "(JSC" RiM ") and PJSC RusHydro "represented by PJSC Kolymaenergo	Provision of power supply for Natalka Mining and Processing Plant (RM) in the Magadan Region.	Ensuring the loading of the Ust-Srednekanskaya HPP under construction in the Magadan Region.
Power Supply Agreement No. 1 dated 01.03.2017 between PJSC "Polyus" represented by JSC Vitimenergostroy and PJSC RusHydro represented by PJSC Yakutskenergo	Provision of power supply for the Polyus Verninskoye facilities located in the Irkutsk Region	Ensuring the loading of the cascade of the Vilyuiskiy HPPs in the Republic of Sakha (Yakutia)

As part of ongoing work on contracting the generating facilities of RusHydro Group in the regions where new construction of generating facilities is planned, in particular in the regions of the Far East, a database on potential consumers of electricity and capacity generated by RusHydro Group's power plants for a long-term period has been signed, in cooperation with prospective energy-intensive consumers.

On the corporate website of PJSC RusHydro there is a special section for potential consumers: <http://www.rushydro.ru/activity/elektrosnabzhenie-krupnykh-potrebiteley/>.

Programs, including those with the participation of the Government of the Russian Federation, on improving or maintaining access to electricity and serving consumers (103)

Name, region	Description
Chuvash Republic: target model "Technological connection to electric grids" (Order of the Government of the Russian Federation No. 147-r of 31.01.17)	Simplification of procedures for technological connection to electric grids and conclusion of an energy supply contract (on the principle of "one-stop shopping")
The state program of the Ryazan Region "Development of communal infrastructure, energy saving and energy efficiency improvement for 2015-2020", approved by the Resolution of the Government of the Ryazan Region No. 314 of October 29, 2014	Objectives of the Program: - improving the quality and reliability of providing housing and communal services to the people; - realisation of the state policy of energy saving and increase of energy efficiency on the territory of the Ryazan Region, - Increasing the efficiency of the use of fuel and energy resources through the implementation of energy-saving measures.
The interaction of the applicant with the energy sales company on the conclusion of contracts (Ministry of Industry, Energy and Housing and Communal Services of the Krasnoyarsk Territory, in accordance with the order of the Government of the Russian Federation of January 31, 2017 No. 147-p)	Regulation of interaction between grid and energy sales organizations when concluding an energy supply contract in parallel with the procedure of technological connection.
Long-term program for replacement of ageing capacities and development of power systems of the Far East, the region - Far Eastern Federal District	The program is a fundamental document for the development of the electrical power industry of the Far East. The objectives of the Program are to ensure high-quality and reliable energy supply to DFO consumers by developing timely and consolidated solutions, including on the improvement of energy facilities, the formation of sound management and investment decisions for the medium and long term, the formation of proposals for funding sources of activities and the necessary changes in the regulatory framework. The implementation of the Program will solve the problem of providing reliable energy supply to existing and prospective consumers and will contribute to the development of the DFO economy as a whole. Based on the results of the development of the Program, proposals for the new construction and modernization of generating sources in the territory of the Far Eastern Federal District.

Professional associations and industry organizations

RusHydro Group is a member of Russian industry associations and non-profit partnerships. Among them are the organisations presented below RusHydro Group considers its participation strategic. (102-13)

Membership in russian and international industrial organizations

№	Organizations	Field of activities
1	International Hydropower Association	Maintenance and dissemination of knowledge on hydropower under the auspices of the International Hydrological Program of UNESCO
2	Global Sustainable Energy Partnership	The development of joint political platforms and the implementation of relevant initiatives in both domestic markets and internationally
3	NP "Market Council"	Organisation of electricity purchase and sale in the wholesale electricity market The group views participation as strategic.
4	NP "Association of Land and Real Estate Owners and Investors"	The partnership is a platform on which the promotion of JSC RusHydro's interests is carried out and a dialogue is being built with the state authorities on the issues of improving land and property legislation.
5	NP "Hydropower of Russia"	Increase of the efficiency of hydropower facilities and the use of hydropower resources of Russia The group views participation as strategic.
6	All-Russian Association of Employers "The Russian Union of Industrialists and Entrepreneurs"	Protection of common economic and social interests and legal rights that are necessary for the sustainable development of companies and the market economy as a whole. The group views participation as strategic.
7	NP "Council of Energy Veterans"	Assistance to the members of the Partnership in carrying out activities aimed at providing comprehensive assistance to energy veterans The group views participation as a strategic one.

8	NP "Russian-Chinese Business Council"	The RCBC was created to promote joint economic projects between Russia and China, to protect mutual investments and settle corporate disputes, and to promote cooperation between Russian and Chinese business communities.
9	NP "Club of Directors for Science and Innovation"	The Club is a communicative platform for a community of professionals in research, development and innovation
10	NP "Energostroyalians"	Assistance in creating favorable conditions for the activities of enterprises engaged in construction, reconstruction, capital repairs of capital construction facilities, protection of the energy sector from unscrupulous foreign and domestic organisations and enterprises
11	NP "Scientific and Technical Council of UES"	Assistance to the members of the Partnership in the formation of scientific, technical and economic policy in the Unified Energy System of Russia
12	Association "ENERGOPROEKT"	Association of companies engaged in designing in the field of energy construction in order to ensure a high level of safety and reliability of capital construction projects. The scope of activities of the "ENERGOPROEKT" Association covers all types of design works that affect the safety of capital construction facilities, including highly dangerous and technically complex facilities, nuclear power facilities.
13	All-Russian branch of the Association of Electrical Power Industry (Association EEPI)	Representation of interests of employers of electric power industry, protection of their rights in public authorities, local self-government bodies, in relations with trade unions, their associations; representation of the interests of the industry's employers when concluding sectoral tariff agreements and other agreements regulating social and labor and related relations.
14	Self-regulating organizations (SROs)	Representing the interests of organizations that specialize in the construction, reconstruction and overhaul of capital construction projects. Such organizations include: - Association "EnergoStroyAlyans" - Association "Self-Regulating Corporation " Union of Builders of the Amur Region " - Association "Self-Regulating Corporation of Builders of the Krasnoyarsk Territory" - And other SROs at the location of PJSC RusHydro

Within the framework of the Year of the Environment, the Board of Directors of PJSC RusHydro recognised the expediency of the Company joining the largest United Nations initiative for business in sustainable development - the UN Global Compact. In 2017, RusHydro signed and sent a letter of commitment to the UN Secretary-General expressing support for the Treaty and its ten principles in the field of human rights, labor relations, environmental protection and combating corruption. In 2018, it is planned to join the Association "National Network of the Global Compact".

This integrated report is the first progressreport on sustainable development in accordance with the principles of the UN Global Compact. **(102-12)**

Charter, principles and initiatives that the Company supports

Name	Year of accession	Scope of the document
Declaration of "Reservoirs for Sustainable Development" (ICOLD)	2012	International instrument
The Social Charter of Russian Business (RUIE)	2013	RF
The Anti-Corruption Charter (RUIE)	2013	RF
The concept of long-term socio-economic development of the Russian Federation for the period until 2020	2008	RF
Methodology for assessing the compliance of hydropower projects with the criteria of sustainable development (International Hydropower Association (IHA))	2011	International instrument
Industry tariff agreement in the electric power industry of the Russian Federation for 2016-2018	2016	RF
The UN Global Compact	2017	International instrument

Media

Interaction with the media in 2017 was aimed at ensuring the operational access of stakeholders to reliable information about the Company's activities. The key tasks of information and PR support of RusHydro's activities in 2017 were:

- a demonstration of the leading role of RusHydro in the development of the energy infrastructure of the Far East on the example of informing about the progress in the implementation of projects for the construction of new power capacities in the Far Eastern regions;
- informing about the unique technical parameters and the progress of the implementation of the Comprehensive Modernization Program aimed at updating the Company's main production assets - HPPs;
- information on the implementation of construction projects for new hydro-generation facilities;
- emphasis on the key role of hydropower plants in regulating water regimes and protecting territories and populations from floods and floods;
- promotion of the topic of social responsibility of the Company and implementation of charitable initiatives;
- informing shareholders and investors on the results of the activities and development strategy of RusHydro;
- Spreading knowledge of the industry in the media and the general public.

To interact with the media and provide objective information about the activities of RusHydro, such tools as sending out press releases, posting information on the corporate website and in social networks, interviews with managers, press conferences, press tours to RusHydro's sites in the regions, media publications, are employed.

During the reporting period, the media published 58,705 publications with a reference to PJSC RusHydro and its controlled companies. More than 96 % of these reports were neutral and positive.

Negative publications about the RusHydro Group were related to two events: criticism of the President of Kyrgyzstan Almazbek Atambayev of the situation with the construction of the Upper Naryn cascade of hydropower plants and damage to the gate of the spillway of the Nizhne-Bureyskaya HPP in August 2017.

Work with the media in the reporting period

Event	Company's action
On July 24, Kyrgyz President Almazbek Atambayev made a number of criticising remarks regarding PJSC RusHydro and the situation with the construction of the Verkhne-Narynsky cascade of HPPs	July 25 PJSC RusHydro prepared a statement on the inadmissibility of information speculation and statements by Kyrgyz partners. The company recalled that the intergovernmental agreement on the construction and operation of the Verkhne-Narynsky cascade of hydropower plants was unilaterally broken by the Kyrgyz side. At the same time, RusHydro said that it reserves the right to initiate an international arbitration with a claim for compensation by the Kyrgyz side of all costs incurred by the Company in connection with the participation in the project.
On August 24, with normal maneuvering in span No. 1 of the spillway dam of the Nizhne-Bureyskaya HPP, the shutter was damaged	The company quickly prepared, published on the site and sent out a press release to all mass media with a detailed description of the incident, an indication of the absence of victims and injuries. Also, a video was published reflecting the state of the machine room of the Nizhne-Bureyskaya HPP at 23:30 on August 24, 2017. On August 25, the Company published a report on the stable situation at the Nizhne-Bureyskaya HPP, the progress of construction of the plant, and the results of testing the technological systems. It was stated that there was no threat to the population, for the equipment and main facilities of the HPP. Photos confirming the stable position around the station are published. Subsequently, there were published reports on the progress of restoration work, their completion, investigation of the reasons for the damage to the shutter. Nikolay Shulginov, Chairman of the Management Board of JSC RusHydro, reported to the President of the Russian Federation on the progress of the investigation into the causes of the incident. The report on the work of the Commission for Technical Investigation of the incident was published on RusHydro's corporate website, the press release was sent to the media.

CHAPTER 3 CORPORATE GOVERNANCE

3.1 Corporate Governance System

The corporate governance of RusHydro Group is aimed at creating and maintaining the Company's trustworthy relations with investors, protecting the rights and interests of shareholders, and increasing the value of shares.

The corporate governance system was created in accordance with the requirements of the legislation, taking into account the current trends and practices, as well as the requirements arising from the listing of shares and depositary receipts on the Moscow Stock Exchange, the London Stock Exchange and the OTCQX OTC market in the USA.

The model of corporate management in JSC RusHydro is characterised by the presence of a controlling shareholder - the state⁴⁰, which, due to the prevailing participation in the authorised capital, has a significant impact on corporate governance. However, such influence is exercised not in the administrative, but in the corporate order. Separate procedures for the implementation of the rights of the state as an owner are enshrined in legislation and reflect the procedure for the state to take its decisions with respect to the Company, exercised through corporate rights.

Key principles of the corporate governance:

- equal and fair treatment of all shareholders;
- professionalism, responsibility, and accountability of the Board of Directors to the Company's shareholders;
- ensuring the transparency and openness of information about the Company;
- effective system of risk management and internal control;
- fair exercise by all shareholders, the Company, its management bodies, officials and other interested persons of their rights, prevention of cases of abuse of rights;
- inadmissibility of actions of shareholders which are aimed at causing harm to other shareholders or the Company;
- continuous improvement of the corporate governance practices.

The principles and procedures for corporate governance of the Group are enshrined in the Charter and in the internal regulatory documents of the Company. The Corporate Governance Code of PJSC RusHydro⁴¹ (hereinafter – the Code)⁴² is a document that systematises corporate practices.

The approval of the Code demonstrates the Company's commitment to comply with the best practices of corporate governance, including the recommendations of the Bank of Russia's Corporate Governance Code (approved by the Bank of Russia Board of Directors on March 21, 2014). **(102-16)**

Evaluation of the quality of corporate governance

External evaluation of both individual aspects and corporate governance in 2017 was carried out by the Working Group on the Establishment of an International Financial Centre in the Russian Federation and the Expert Council under the Government of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs and the Russian Institute of Directors.

In November 2017, the Working Group on the Establishment of the International Financial Center in Russia in conjunction with the Expert Council under the Government of the Russian Federation published the results of a study of the practice of introducing companies' priority recommendations of the Code and the quality of corporate governance. PJSC RusHydro took the 4th place in this study alongside PJSC NK Rosneft.

Following the results of 2017, the Company became one of the leaders in the The Russian Union of Industrialists and Entrepreneurs (RSPP) index of sustainable development - 'Responsibility and Openness'. The Responsibility and Openness index reflects the quality and breadth of disclosure of corporate information on sustainable development and corporate responsibility.

In May 2017, the Russian Institute of Directors, engaged by which the Company on an ongoing basis, conducted an annual assessment of the corporate management practices of PJSC RusHydro in accordance with the updated methodology of the National Corporate Governance Rating (NCGR). As a result of the assessment, PJSC RusHydro was assigned a corporate governance rating of 7 ++ "Advanced Corporate Governance Practices" on the NCGR scale.

This assessment confirms that the Company complies with the requirements of the Russian legislation in the field of corporate governance and follows a significant number of recommendations of the Russian Corporate Governance Code.

Corporate Governance Structure

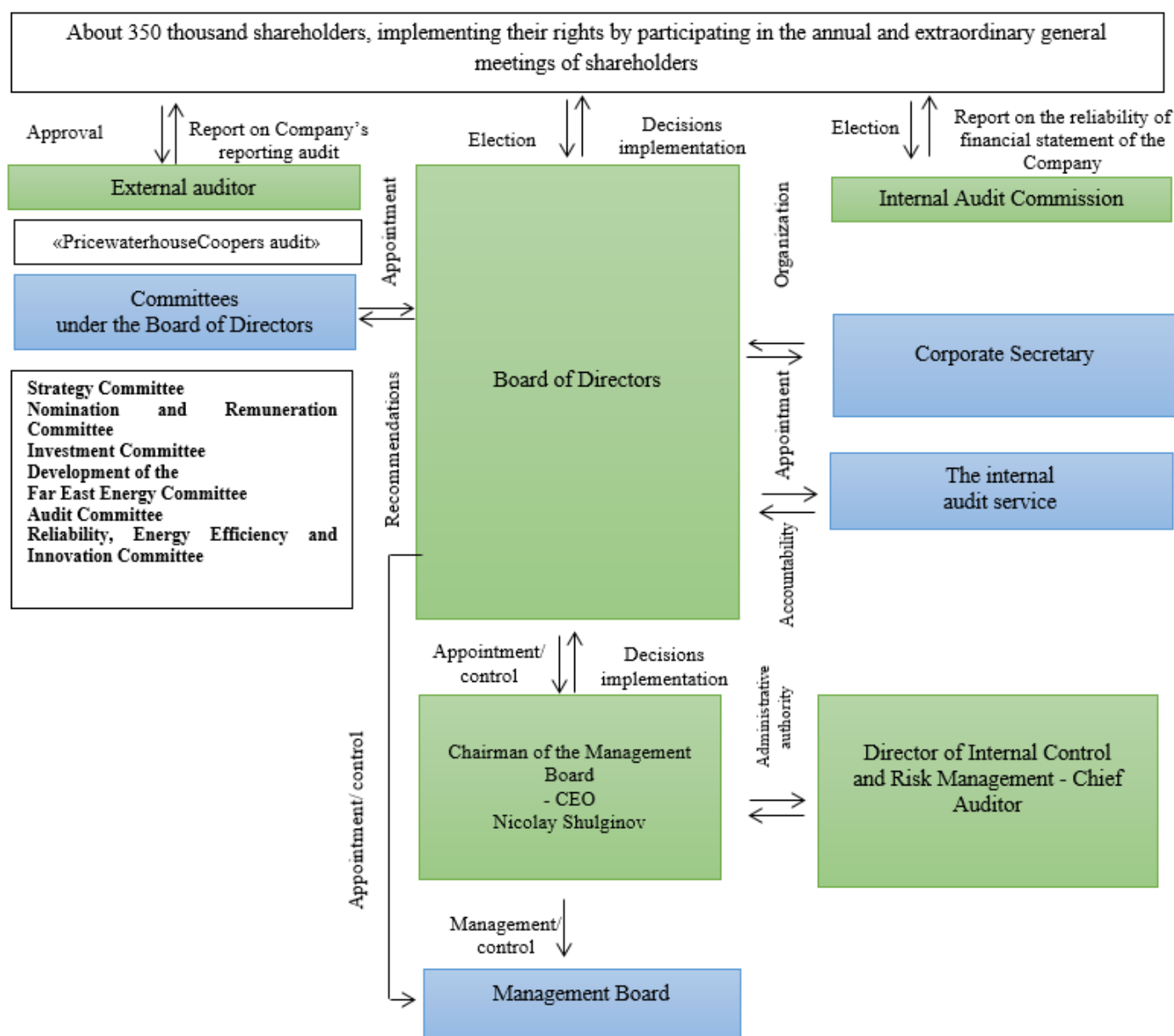
PJSC RusHydro Corporate Governance Scheme **(102-18)**

⁴⁰ Information on the existence of a memorandum on the plans of the Russian Federation in relation to the Company <http://www.rushydro.ru/investors/stockmarket/capital/svedeniya-o-nalichii-memoranduma-o-planakh-kontroliruyushchego-obshchestvo-litsa-v-otnoshenie-obshch>

⁴¹ Approved by the Board of Directors on June 19, 2015 (with amendments approved by the decisions of the Board of Directors of PJSC RusHydro (Minutes No. 239 of 23.06.2016, No. 263 of December 28, 2017).

⁴² The Corporate Governance Code of PJSC RusHydro is not available in English.

The responsibility for implementing this code is vested in the Board Member who oversees the Financial and Corporate Governance Unit. Familiarisation of all interested persons with this Code takes place through the disclosure of the Code on the official website of the Company on the Internet. Thus, their familiarisation them, as well as the signing by all (as well as new) members of the Board of Directors, employees and business partners is not required. Regular training of all (and also new) members of the Board of Directors, employees, and business partners is not required.



3.1.1 Corporate governance development

In 2017, the Company continued to implement Code standards aimed at improving the level of corporate governance by bringing internal documents in line with it, as well as the application of standards in everyday practice.

Compliance with the principles of the Corporate Governance Code *

The status of the implementation of the norms and principles of the Code	Year	Shareholder rights and equality of conditions for shareholders in exercising their rights	Board of Directors of the Company	Corporate Secretary of the Company	The remuneration system for members of the Board of Directors, executive bodies, and other key management personnel of the company	Risk management and internal control system	Disclosure of information about the Company, information policy of the Company	Significant corporate actions
Implemented	2015	9	12	-	3	5	1	-
	2016	10	20	2	10	5	3	-
	2017	11	23	2	10	6	6	-
	2015	3	17	2	6	1	6	4

Partially implemented	2016	2	12	-	-	1	4	4
	2017	2	6	-	-	1	1	4
Not performed	2015	1	7	-	1	-	-	1
	2016	1	4	-	-	-	-	1
	2017	-	7	-	-	-	-	1
Not applicable	2015	-	-	-	-	-	-	-
	2016	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-
Total 2017		13	36	2	10	6	7	5

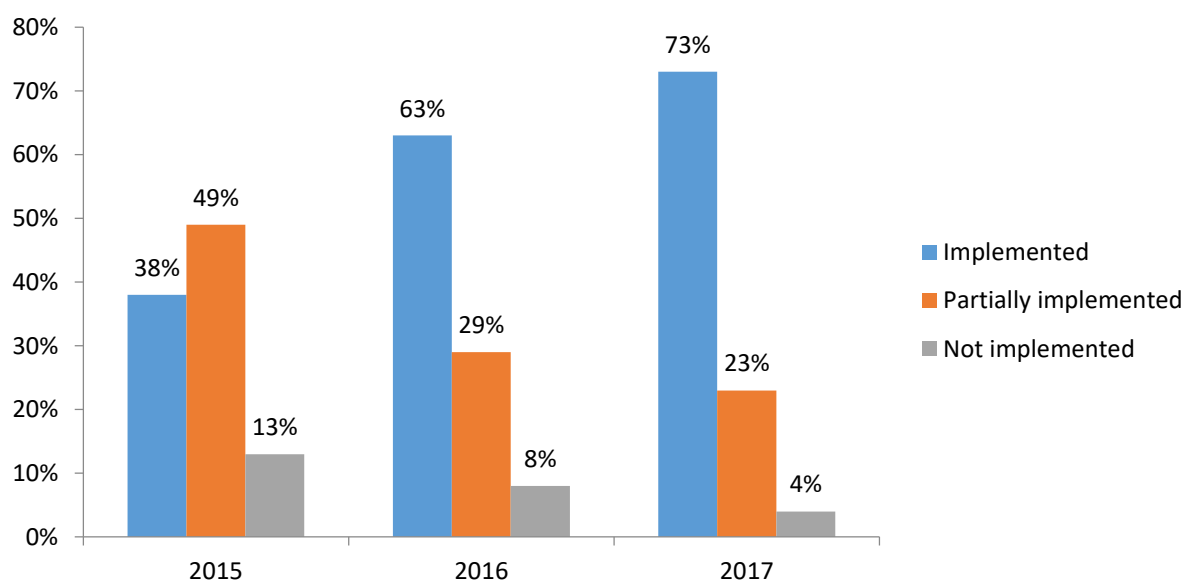
* The assessment of compliance with the principles of corporate governance enshrined in the Code of Corporate Governance was carried out according to the methodology developed by the Bank of Russia, taking into account recommendations on compiling a report on compliance with the principles and recommendations of the Corporate Governance Code (annex to Bank of Russia Letter No. IN-06-52 / 8 of February 17, 2016). For a full report on the Company's compliance with the principles and recommendations of the Corporate Governance Code and the explanation of deviations from the criteria for assessing compliance with corporate governance principles, see Appendix No. 1 to the annual report.

In 2017, the following key events were conducted:

- PJSC RusHydro shares held by controlled entities did not participate in voting during the reporting period. In 2017, a significant portion of quasi-treasury shares were sold to VTB Bank (PJSC). At the moment, the companies of RusHydro Group held 0.9% of the Company's voting shares;
- The PJSC RusHydro Board of Directors assessed the effectiveness of the Company's risk management and internal control system, and also discussed the corporate governance practice in the Company;
- Senior Independent Director was elected;
- The Board of Directors approved the Regulation on the Information Policy of the Company in a new version, and at the end of 2017 reviewed the report on its implementation;
- The Nominations and Remuneration Committee made an assessment of the independence of nominees to the Board of Directors for the purpose of providing information to the Company's shareholders before the annual General Meeting of shareholders;
- the list of materials provided to the shareholders of the Company for the annual General Meeting of Shareholders has been expanded.

As a result of the gradual introduction of the Code, the share of principles fully observed in PJSC RusHydro increased: 38% in 2015, 63% in 2016 and 73% in 2017

Implementation of the Code of Corporate Governance, %



The main directions of improving the Company's corporate governance system for 2018:

- update and inclusion in the internal documents of the Company of norms aimed at:
 - forming an introductory course programme for the members of the Board of Directors elected for the first time,
 - preventing and resolving conflicts of interest of members of the Board of Directors,
 - creating an opportunity for the Board of Directors to attract external independent experts (consultants) to study issues that are the subject of its consideration,
 - creating an opportunity to increase the efficiency of the work of the members of the Board of Directors through training and improving their skills,
 - providing members of the Board of Directors with access to documents of entities controlled by the Company;
- depending on the actual circumstances and requirements – increase in the number of meetings of the Board of Directors of the Company;
- improving the quality and detail of information disclosure in the Annual Report and on the Company's website.

3.1.2 Management of controlled companies

PJSC RusHydro (including indirectly through controlled companies) participates in the authorised capital of companies that are engaged in production and sales of electricity and heat, design, construction, maintenance, technical re-equipment and reconstruction of power facilities, as well as other activities.

The Company's interaction with the controlled companies is aimed at implementing the strategy, ensuring stable economic development and investment attractiveness, as well as protecting the rights and interests of shareholders of both the Company itself and its controlled companies.

The Company manages controlled companies through its representatives at general meetings of shareholders / participants, on boards of directors and in controlled companies control bodies in accordance with the Charter and the Regulations on the formation of instructions to representatives of JSC RusHydro on issues on the agenda of meetings of management bodies of PJSC RusHydro controlled companies.

Determination of the position of the Company (its representatives in the management bodies of subsidiaries) on the most significant issues related to the activities of its subsidiaries (reorganisation, liquidation, change of the authorised capital, approval of major transactions, participation of subsidiaries in other organisations) falls within the competence of the Board of Directors. Determination of the position on other significant issues related to the activities of subsidiaries (on the approval (adjustment) of KPIs, on transactions with shares (shares), etc.), and decisions on the competence of the supreme management bodies of subsidiaries, 100% of the authorised capital of which belongs to the Company to the competence of the Board.

3.2 PJSC RusHydro Governing Bodies

3.2.1 General Meeting of Shareholders

The supreme management body in the Company is the General Meeting of shareholders, which operates in accordance with the laws of the Russian Federation, the Company's Charter and the Regulations on the procedure for convening and holding the General Meeting of shareholders of PJSC RusHydro approved by the annual General Meeting of shareholders on June 26, 2017 (Minutes dated 27.06.2017 No. 16).

The annual General Meeting of Shareholders following the results of 2016 was held on June 26, 2017 in Moscow (Minutes No. 16 dated June 27, 2017), at which the following decisions were made:

- the Annual Report of PJSC RusHydro for 2016 was approved;
- the annual accounting (financial) statements for 2016 was approved;
- approved the distribution of profits by the end of 2016;
- dividend payment for 2016 was approved;
- new members of the Board of Directors and the Audit Commission were elected;
- the Company's auditor was approved;
- remuneration to the members of the Board of Directors and members of the Audit Commission was

approved;

- the Charter, the Regulations on the Procedure for Convening and Holding the General Meeting of shareholders of the Company, the Regulations on the Procedure for Convening and Holding Meetings of the Board of Directors of the Company, the Regulations on the Management Board of the Company, the Regulations on Remuneration and Compensation to the members of the Audit Commission, the Regulations on the Payment of Remuneration and Compensation to Members of the Board of Directors;
- termination of participation of PJSC RusHydro in NP "Konts EES" approved
- approved a loan agreement between PJSC RusHydro and JSC "RAO ES of the East", which is an interested party transaction.

For materials of the meeting, including the Protocol, see <http://www.eng.rushydro.ru/governance/general-meeting/passed/2017/2017/>

3.2.2 Board of Directors

The Board of Directors PJSC RusHydro (hereinafter - the Board of Directors) is annually elected by the General Meeting of Shareholders and carries out the strategic management of the Company.

The Board of Directors acts on the basis of the Charter and the Regulations on the Procedure for Convening and Holding Meetings of the Board of Directors of PJSC RusHydro approved by the Annual General Meeting of Shareholders on June 26, 2017.

The Board of Directors implements the following key functions in the management of the Company: it determines the main principles and approaches to the organisation of the risk management and internal control system in the Company, makes decisions on improving corporate governance practices, determines the directions of investment and business planning, efficiency management, innovative development, and it also addresses issues related to sustainable development. The Board of Directors is also involved in some of the most important or regular operational issues, such as ensuring the reliability and safety of the operation of the Company's facilities, the status of implementing the largest projects, the approval of individual transactions, the management of controlled companies.

The number of members of the Board of Directors is 13, which is determined by the Company's Charter.

The Board of Directors consists of 4 independent directors: Maxim Bystrov, Pavel Grachev, Vyacheslav Pivovarov and Sergey Ivanov (for details on the criteria and grounds for independence see the table with information on the membership of the Board of Directors of December 31, 2017).

In 2017, there were two new members of the Board of Directors – the members were elected at the Annual General Meetings of Shareholders on June 27, 2016 and June 26, 2017. Of the 13 members of the Board of Directors, the powers of all 13 members of the Board of Directors were prolonged.

The Board of Directors members' civil responsibility for losses that may arise from the Company and from third parties as a result of the adoption of certain decisions of the Board of Directors is insured annually (*for more details, see section 1.3.3 of the Insurance cover*).

Conflict of interests

In accordance with the Code of Corporate Ethics of PJSC RusHydro approved by the Board of Directors on May 21, 2012 (Minutes No. 152) and the Code of Corporate Ethics of PJSC RusHydro approved by the Board of Directors on April 7, 2016 (Minutes No. 235), the members of the Board of Directors should refrain from actions that will lead or potentially lead to a conflict of interest, and in the event of a conflict of interest, a member of the Board of Directors must notify the Company of a conflict of interest. The obligation to notify of the existence of a conflict of interest also (from June 27, 2016) is contained in the Regulations on the procedure for convening and holding meetings of the Board of Directors of PJSC RusHydro.

In 2017, no notifications from members of the Board of Directors of PJSC RusHydro that they had a conflict of interest in 2017 were received.

Board of directors membership as of 31.12.17**

	Yury Trutnev (Chairman of the Board of Directors)	Artem Avetisyan	Maxim Bystrov	Pavel Grachev
Status	Representative of the Russian Federation, voting on directives	Representative of the Russian Federation, voting on directives	Recognised by the Board of Directors as an independent director since the director on the date of recognition has formal criteria of connection with the Company's significant counterparties - ATS, JSC SO UES, JSC CFR and ANO UTS Market Council. This connection is formal and does not affect the ability of Bystrov M.S. to act on the Board of Directors in the interests of the Company and all its shareholders ⁴³	Independent Director
b.y.	1956	1976	1964	1973
Education	Perm Polytechnic Institute (Mining Engineering)	Finance Academy of The Government of the Russian Federation (Finance and Credit)	VV Kuibyshev Moscow Civil Engineering Institute (Hydraulic Engineering Structures and River Hydro Power Plants) All-Russian Academy of Foreign Trade (World Economy)	St. Petersburg State University, Law; University of Trieste, a PhD in Law

⁴³ Detailed information on the recognition by the Board of Directors of Bystrov M.S. as an independent director is disclosed on the Company's website at: <http://www.rushydro.ru/upload/iblock/881/Vipiska-iz-protokola--263.pdf>

Experience over the past 5 years and participation in the management bodies of other organisations as of 31.12.17	<p>Work experience for the last 5 years:</p> <p>2013 – present: Deputy Prime Minister of the Russian Federation - Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District</p> <p>2013-2012: Aide to the President of the Russian Federation</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Supervisory Board of Rosatom State Corporation - Member of the Supervisory Board of the Federal State Autonomous Educational Institution of Higher Education "Far Eastern Federal University" - Co-chairman of the All-Russian Union of Public Associations "Russian Union of Martial Arts" 	<p>Work experience for the last 5 years:</p> <p>2011 – present: Director of New Business, ANO Agency of Strategic Initiatives for Promotion of New Projects</p> <p>2017-2015: President of LLC Commercial Bank Uniastrum</p> <p>2016-2014: Vice-President of OOO NEO Center</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of PJSC CB "Vostochny" (Chairman) 	<p>Work experience for the last 5 years:</p> <p>2013 – present: Chairman of the Board of the Association NP Market Council</p> <p>2013 – present: Chairman of the Management Board of ATS</p> <p>2013-2010: Deputy Plenipotentiary Representative of the President of the Russian Federation in the North Caucasus Federal District</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Supervisory Board of the Association NP Market Council; - Member of the Board of Directors of ATS; - Member of the Board of Directors of JSC SO UES. 	<p>Work experience for the last 5 years:</p> <p>2014 – present:- General Director of PJSC "Polyus"</p> <p>2016 - present time - General Director of LLC "UK Polyus"</p> <p>2014-2016 - President of JSC Polyus</p> <p>2011-2013 - Head of Representative Office ALPINAKAPITAL E.I.S.E.L. LIMITED "(Republic of Cyprus), Moscow</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors (Chairman) of OOO SL Gold - Member of the Board of Directors of PJSC "Polyus" - Member of the Board of Directors of PJSC "FGC UES"
Committees	Committee for the Development of Energy in the Far East	-	Audit Committee, Personnel and Remuneration Committee, Investment Committee	The Strategy Committee, the Committee for the Development of Energy in the Far East
Extended	(2016) Russian Federation	(2016) Russian Federation	(2016) Russian Federation	(2016) Russian Federation

Membership in the Board of Directors	Since 2015	Since 2015	Since 2013	Since 2016
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	Sergey Ivanov	Vyacheslav Kravchenko	Vyacheslav Pivovarov	Nikolay Podguzov
Status	<p>Recognised by the Board of Directors as a Senior Independent Director.</p> <p>Recognised by the Board of Directors as an Independent Director, since The director on the date of recognition had formal criteria of connection with:</p> <ul style="list-style-type: none"> - a key shareholder of the Company - the Russian Federation, as a member of the Board of Directors of more than two organisations controlled by the Russian Federation and - the state as it is the general director of "RT-Capital" PLC- a organisation controlled by the Russian Federation. <p>This connection is formal and does not affect the ability of Ivanov S. N. to act on the Board of Directors in the interests of the Company⁴⁴</p>	Representative of the Russian Federation, voting on directives	Independent Director	Representative of the Russian Federation, voting on directives
b.y.	1961	1967	1972	1974
Education	Moscow Engineering Physics Institute (theoretical nuclear physics) Doctor of Economic Sciences Corresponding Member of the Russian Academy of Sciences	Moscow State University (Law)	Sergo Ordzhonikidze State Academy of Management (World Economy) American University in Paris (Applied Economics) Stanford Business School	St. Petersburg State Technical University; Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia

⁴⁴ Detailed information on the recognition by the Board of Directors of Ivanov S.N. as an independent director is disclosed on the Company's website at: <http://www.rushydro.ru/upload/iblock/881/Vipiska-iz-protokola--263.pdf>

Experience over the past 5 years and participation in the management bodies of other organizations as of 31.12.17	<p>Work experience for the last 5 years:</p> <p>2017 - 2016 - General Director of OOO RT-Capital</p> <p>2016-2015 - General Director of AO Corporation Nechernozemagropromstroi</p> <p>2016-2011 - General Director of OJSC ERKO</p> <p>2015-2012 - General Director of LLC Lenset</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of JSC RT-Stroytech - Member of the Board of Directors of RT-Capital LLC 	<p>Work experience for the last 5 years:</p> <p>2013 - present time - Deputy Minister of Energy of Russia</p> <p>2013-2012 - Chairman of the Board of the Association of NP Market Council</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of PJSC "Rosseti" - Member of the Board of Directors of PJSC "MOESK" - Member of the Board of Trustees of NIU "MEI" - Member of the Board of Directors of JSC "SO UES" (Chairman) 	<p>Work experience for the last 5 years:</p> <p>2011 - present time - President of Altera Capital LLC</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of GeoProMining Investment Ltd (Cyprus) <p><i>Has experience and knowledge in the field of preparation, analysis, evaluation, and audit of accounting (financial) reporting</i></p>	<p>Work experience for the last 5 years:</p> <p>2017 - present time - General Director of FSUE Russian Post</p> <p>2013 - 2017 - Deputy Minister of Economic Development of Russia</p> <p>2013 - 2012 - Deputy Director of the Department of Economics and Finance of the Government of Russia</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Supervisory Board of VTB Bank (PJSC) - Member of the Supervisory Board of PJSC "Pochta Bank" - Member of the Board of Directors of PJSC "Rosseti" - Member of the Board of Directors of GC "DIA"
Committees	Audit Committee, Personnel and Remuneration Committee, Committee on Reliability, Investment Committee	Committee on Reliability, Energy Efficiency and Innovation, Committee for the Development of Energy in the Far East	Audit Committee, Personnel and Remuneration Committee, Investment Committee, The Strategy Committee	-
Extended	(2016) Russian Federation	(2016) Russian Federation	(2016) Russian Federation	(2016) Russian Federation
Membership in the Board of Directors	Since 2015	Since 2014	Since 2013	Since 2016

	Nikolai Rogalev	Alexey Chekunkov	Sergey Shishin	Andrey Shishkin	Nikolay Shulginov
Status	Representative of the Russian Federation, voting on directives	Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Representative of the Russian Federation, voting on directives, Chairman of the Management Board - CEO
b.y .	1962	1980	1963	1959	1951
Education	Moscow Power Engineering Institute (Thermal Power Plants)	Moscow State Institute of International Relations, (Economics)	Higher School of KGB, Border University of KGB, Russian Academy of Public Administration of the President of the Russian Federation (State and Municipal Administration)	Gubkin Moscow Institute of Petrochemical and Gas Industry(Oil Engineering)	Sergo Ordzhonikidze Labour Polytechnic Institute of Novocherkassk (Electricity Supply of Industrial Companies and Cities); PhD in Technical Sciences

<p>Experience over the past 5 years and participation in the management bodies of other organizations as of 31.12.17</p>	<p>Work experience for the last 5 years:</p> <p>2016 - present time- President of NP "Scientific and Technical Council of the Unified Energy System"</p> <p>2015 - present time - Head of the Federal State Educational Establishment of Higher Professional Education "NIU MPEI" (part-time)</p> <p>2013 - present time - Rector of the NIU MPEI FGBOU HPE</p> <p>2013 – 2013 Rector of the State Educational Establishment of Higher Professional Education "NIU MPEI"</p> <p>2012 - present - Deputy Manager of the Fund "Energy Without Borders"</p> <p>2001-2013 - Head of a Department. Chair (part-time) FGBOU HPE "NIU MPEI"</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of PJSC "Rosseti" - Chairman of the Supervisory Board of the Energy Without Borders Foundation 	<p>Work experience for the last 5 years:</p> <p>2014 - present time - General Director of the Fund for Development of the Far East and Baikal Region JSC</p> <p>2014-2013 - First Deputy General Director of OOO Kada-Neftegaz</p> <p>2013-2011 - Director of LLC "MC" RFPI</p> <p>"Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of LLC Skolkovo Venture Investments - Member of the Board of Directors of Voskhod JSC - Member of the Supervisory Board of AK ALROSA (PJSC) - Member of the Supervisory Board of ANO "Agency of the Far East for attracting investments and supporting exports" (Chairman) 	<p>Work experience for the last 5 years:</p> <p>2007 - present time - Senior Vice-President of Bank VTB (PJSC)</p>	<p>Work experience for the last 5 years:</p> <p>2016 - present time - President, Chairman of the Management Board of PJSC ANC Bashneft</p> <p>2015 - present time - General Director of LLC "RN-Active"</p> <p>2012 - present time - Vice-President, since 2015 - also a member of the Management Board of PJSC NK "Rosneft"</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of Zvezda-Hyundai LLC (Chairman) - Member of the Board of Directors of OOO NPO "Drilling Equipment", LLC "SNGT", OJSC "TomskNIPIneft" - Member of the Board of Directors of PJSC ANC Bashneft (Deputy Chairman) - Member of the Board of Directors of PJSC "Giprotyumenneftegas", LLC "Star of Marine Technologies" - Member of the Board of Directors of RIG Research Pte. Ltd, JSC DCCS, JSC Central Design Bureau Lazurit (Chairman), RN Exploration and Production LLC, RN-Commerce LLC, RN-Pererabotka LLC 	<p>Work experience for the last 5 years:</p> <p>2015 - present time - Chairman of the Management Board - General Director 2016 - present - Member of the Management Board of the RUE "RSPP"</p> <p>2015-2004 - Deputy Chairman, First Deputy Chairman of the Management Board of JSC SO UES</p> <p>Information on positions held in management bodies as of December 31, 2017 *:</p> <ul style="list-style-type: none"> - Member of the Board of Directors Global Sustainable Energy Partnership (Global Energy Partnership) - Member of the Board of Trustees of the Siberian Federal University - Member of the Board of Directors of PJSC "Rosseti" - Member of the Supervisory Board of NP "Hydropower of Russia" and Association of NP "Market Council for the Organisation of an Effective System for Wholesale and Retail Trade in Electrical Energy and Power" - Member of the Board of Trustees of the State Educational Establishment of Higher Professional Education in the NIU MPEI - Member of the Supervisory Board of NP "Scientific and Technical Council of the Unified Energy System"
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Committees	Committee on Reliability, Energy Efficiency and Innovation; Strategy Committee; Investment Committee	Committee on Energy Development of the Far East; Committee on Reliability, Energy Efficiency and Innovation; Investment Committee	The Strategy Committee	-	The Strategy Committee
Extended	(2016) Russian Federation	(2016) Russian Federation	(2016) Russian Federation	(2016) Russian Federation	(2016) Russian Federation
Membership in the Board of Directors	Since 2016	Since 2016	Since 2011	Since 2014	Since 2016

* Information on all the positions held in the management bodies of other organisations for the last 5 years is given in section 5.2.1 of the Company's quarterly report for the 4th quarter of 2017, which is published at <http://www.rushydro.ru/upload/iblock/d01/1-EZhO-4-kv.17.pdf>

** Members of the Board of Directors as of December 31, 2017 do not own shares in the Company, including indirectly. In the reporting year, the members of the Board of Directors did not acquire or alienate shares of the Company. The Company and the Group companies did not issue loans to members of the Board of Directors.

The duties of the Representatives of the Russian Federation are determined by Decree of the Government of the Russian Federation No. 738 of 03.12.2004.

The independence of the members of the Board of Directors is determined in accordance with the criteria for the independence of the PJSC Moscow Stock Exchange and the Corporate Governance Code recommended by the Bank of Russia.

Board of Directors assessment

In accordance with the recommendations of the CIC of the Bank of Russia, the performance of the Board of Directors is assessed on a regular basis.

In 2016, the Board of Directors for the first time conducted a self-evaluation of its activities for the corporate of years 2015-2016, resulting in a Plan of measures to improve the activities of the Board of Directors of the Company (approved by the Board of Directors on June 23, 2016).

As part of the implementation of this Plan, the Company implemented the following measures to improve the effectiveness of the Board of Directors:

- increase in the number of informal meetings of members of the Board of Directors (meetings of the Board of Directors held in full-time);
- consideration of strategic issues at the meetings of the Board of Directors held in full-time;
- consideration by the Board of Directors of issues related to the risk management system;
- review of RusHydro Group's consolidated business plans and investment programmes, an action plan for optimising the costs of RusHydro Group companies, and reports on their execution;

To conduct an external independent evaluation of the activities of the Board of Directors of PJSC RusHydro for 2017, the Company attracted an independent company with a worldwide reputation - PricewaterhouseCoopers Advisory LLC.

The methodology for conducting an independent evaluation of the activities of the Board of Directors of the Company assumed the following activities:

- evaluation of the effectiveness of the Board of Directors as a whole (for the purpose of balancing the membership of the Board, the Council's performance of key functions assigned to it and its role in the corporate governance system and the successful development of the Company, as well as the Council's operating procedures);
- evaluation of the effectiveness of each Committee of the Board of Directors (also on the membership, role and procedures of the work of the Committees);
- evaluation of the effectiveness of the Chairman of the Board of Directors and the Senior Independent Director;
- individual evaluation of the effectiveness of the members of the Board of Directors.

These activities were carried out through:

- questioning sessions with members of the Board of Directors;
- individual interviews with members of the Board of Directors, the Corporate Secretary, and some key management personnel of the Company;
- analysis of internal documents and materials related to the activities of the Board of Directors and its Committees, as well as their protocols.

The preliminary results of the independent evaluation of the Board of Directors' activity testify to the fact that the Company complies with most of the principles and recommendations of both Russian and British corporate governance codes concerning the activities of the Board of Directors and its Committees. The explanation of certain areas of non-compliance with these principles and recommendations is provided in Appendix 1 to the Annual Report.

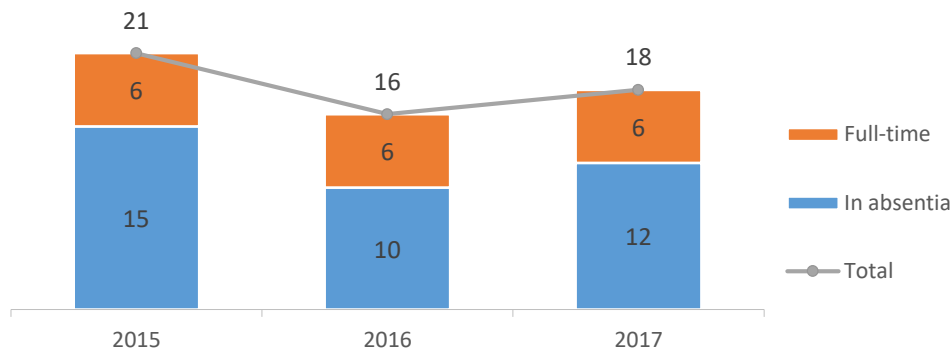
The results of an external independent evaluation of the activities of the Board of Directors and recommendations aimed at improving the efficiency of the Board of Directors and its Committees are planned to be considered at the in-person meeting of the Board of Directors in the second quarter of 2018. Based on the results of the evaluation and based on the recommendations of PricewaterhouseCoopers Advisory LLC, an action plan (roadmap) will be prepared to increase the effectiveness of the Board of Directors.

Also in 2017, PJSC RusHydro conducted a procedure for evaluating the activities of the Board of Directors to determine the contribution of Russian Federation representatives to the Company's operations, taking into account its development strategy. The valuation was carried out in accordance with the methodology approved by Rosimushchestvo for the individual evaluation of members of the Board of Directors of joint-stock companies with state participation (Order of the Federal Property Management Agency of March 6, 2014 No. 71). The evaluation was carried out in the office of the Company on the MV-Portal of the Federal Property Management Agency by filling out the questionnaire on the members of the Board of Directors, proposed by the Federal Property Management Agency.

Report on the activities of the Board of Directors of PJSC RusHydro

In 2017, 18 meetings of the Board of Directors were held, of which 6 meetings were held in person. Number of questions - 178.

Number of meetings of the Board of Directors



In 2017, on average, attendance at meetings of the Board of Directors was 93% of all meetings held in 2017.

Personal attendance of meetings of the Board of Directors in 2017

Full name of the Board of Directors' member	01/18	02/21	04/04	04/05	04/18	04/19	05/22	06/21	08/10
	In absentia	In absentia	Full-time	In absentia	In absentia	Full-time	In absentia	In absentia	In absentia
Avetisyan A .D.	+	+	+	+	+	-	+	+	-
Bystrov M. S.	+	+	+	+	+	+	+	+	-
Grachev P.S.	+	+	+	+	+	+	+	+	+
Ivanov S. N.	+	+	+	-	+	+	+	+	+
Kravchenko V. M.	+	+	+	+	+	-	+	+	-
Pivivarov V. V.	+	+	+	+	+	+	+	+	+
Podguzov N.R.	+	+	+	+	+	+	+	+	+
Rogalev N.D.	+	+	+	+	+	+	+	+	+
Trutnev Y. P.	+	+	+	+	+	+	+	+	+
Chekunkov A.O.	+	+	+	+	+	+	+	+	+
Shishin S.V.	+	+	+	+	-	-	+	+	+
Shishkin A.N.	+	+	+	+	+	+	+	+	+
Shulginov N.G.	+	+	+	+	+	+	+	+	+

Full name of the Board of Directors' member	08/29	08/30	10/11	10/27	10/27	11/24	12/13	12/25	12/26	Share of participation of a member of the Board of Directors in the total number of meetings
	In absentia	Full-time	In absentia	Full-time	In absentia	In absentia	Full-time	In absentia	In absentia	
Avetisyan A .D.	-	-	-	+	+	+	+	+	+	13/18
Bystrov M. S.	+	+	+	+	+	+	+	+	+	17/18
Grachev P.S.	+	+	+	+	+	+	+	+	+	18/18

Ivanov S. N.	+	+	+	+	+	+	+	+	-	16/18
Kravchenko V. M.	+	+	+	+	+	+	+	+	+	16/18
Pivivarov V. V.	+	+	+	+	+	+	+	+	+	18/18
Podguzov N.R.	+	+	+	+	+	+	+	-	-	16/18
Rogalev N.D.	+	+	+	+	+	+	+	+	+	18/18
Trutnev Y. P.	+	+	+	+	+	+	+	+	+	18/18
Chekunkov A.O.	+	+	+	+	+	+	+	+	+	18/18
Shishin S.V.	+	+	+	+	+	+	+	+	+	17/18
Shishkin A.N.	+	-	-	+	+	-	+	+	+	15/18
Shulginov N.G.	+	+	+	+	+	+	+	+	+	18/18

Agenda of the Board of Directors meetings on the most significant issues (quarterly)

1st Quarter

- On the formation of management bodies of PJSC "RusHydro": on the election of a member of the Management Board of PJSC "RusHydro".
- On the disposal of shares of PJSC RusHydro owned by its subsidiary.
- On measures to refinance debts of companies of the RAO ES subgroup of the East.
- Reports of the Committees under the Board of Directors.
- Approval of the Work Plan of the Board of Directors of PJSC RusHydro for the first half of 2017.
- Approval of the report on the implementation of the Charity and Sponsorship Programme of the Company for 2016.
- Approval of the Charity and Sponsorship Programme of the Company for 2017

2nd Quarter

- Preliminary approval of the Company's consolidated investment programme.
- Amendments to the Long-term Development Programme of RusHydro Group.
- Issues of the Committees under the Board of Directors, including their reports
- On proposals for improving the methodology for calculating and evaluating key performance indicators in terms of the implementation of capacity schedules and a plan for financing and development.
- On the approval of the report on the implementation of the Company's Business Plan for 2016 (including reports on the implementation of the Investment Programme (including the Programme for the comprehensive modernisation of generating facilities), the Annual Comprehensive Programme of Purchases for 2016 and the Progress Report on the implementation of the set of measures (list of activities) for the reduction of operating expenses (expenses) for 2016).
- On consideration of the report on the implementation of the consolidated business plan (including the consolidated Investment Programme) of RusHydro Group for 2016.
- On the execution of KPI for PJSC RusHydro for the 4th quarter of 2016 and for 2016.
- Consideration of the consolidated Business Plan (including the consolidated Investment Programme) of RusHydro Group for 2017-2021, and approval of the target values of annual

3rd Quarter

- Election of the Chairman of the Board of Directors of the Company.
- Approval of the Work Plan of the Board of Directors for the second half of 2017 and Discussion of questions of the Committees under the Board of Directors of the Company.
- On the conclusion of agreements on the introduction of gratuitous earmarked contributions to the budgets of the regions of the Far Eastern Federal District pursuant to Art. 32 of the Federal Law of March 26, 2003 No. 35-FZ "On Electrical Power Industry" and in order to ensure the functioning of the mechanism for bringing prices (tariffs) for electricity (power) to basic levels.
- On approval of the Company's report for 2016 in the field of corporate social responsibility and sustainable development.

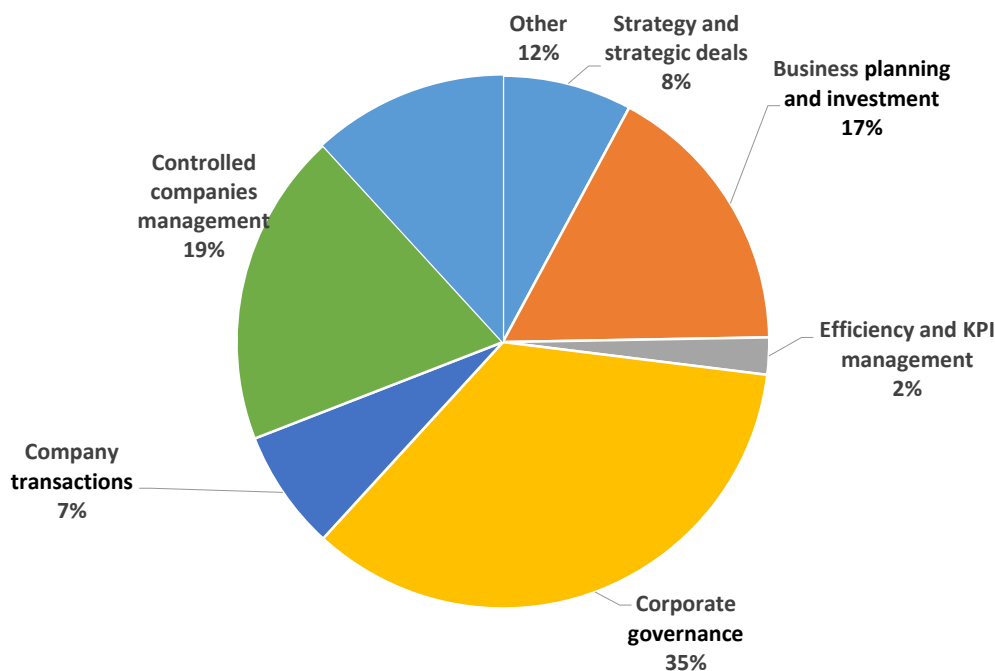
4th Quarter

- On the implementation of the Long-term development programme of RusHydro Group for the first half of 2017.
- Business plan of the Company for 2017. (Adjustment and report for the first half of 2017, including reports on the implementation of the Investment Programme (including the Programme for the comprehensive modernisation of generating facilities and the Annual comprehensive programme of purchases for the first half of 2017).
- On the execution of KPI PJSC RusHydro for 2016.
- Consideration of RusHydro Group's Value Increase Plan for the period up to 2021.
- On corporate governance issues of PJSC RusHydro.
- On the interim results of the implementation of the Business plan of PJSC RusHydro for 2017, taking into account the 9 months of 2017 (including reports on the implementation of the Investment Programme (including the Programme for the comprehensive modernisation of generating facilities) and the Annual comprehensive program of purchases for the 9 months of 2017).
- On the approval of the Insurance Coverage Programme of PJSC RusHydro for 2018.
- Transactions and priority projects.

KPIs of the members of the Management Board of PJSC RusHydro for 2017 and the KPI target values of the long-term motivation programme of PJSC RusHydro for the first cycle for 2017-2019.

- Consideration of issues related to the convening of the Annual General Meeting of Shareholders, recommendations
- Report of the Management Board of the Company for 2016.
- Review of the progress report on the implementation of the set of measures (list of measures) for the introduction of professional standards in the activities of the Company.
- On the approval of the report on the implementation of the Innovative Development Programme of RusHydro Group for 2016-2020 with the possibility of prolonging it till 2025.
- Priority projects.

The issues considered by the PJSC RusHydro Board of Directors



See the minutes of the meetings of the Board of Directors (<http://www.rushydro.ru/corporate/board/minutes/>)

Company's strategy issues. Strategic deals

The Board of Directors (*date, action*):

- 02/21/2017, examined the information on the measures taken to attract funds for the repayment of loans and borrowings of the companies of the RAO ES Subgroup of the East, and concluded a procedure for the early execution of the transaction (forward contract) with VTB Bank (PJSC);
- 04/18/2017, in order to ensure the relationship between the achievement of KPI DWP and the management remuneration, approved changes in the DPR of RusHydro Group;
- 08/10/2017, approved the conclusion of agreements on the introduction of donated earmarked contributions to the budgets of the regions of the Far Eastern Federal District in pursuance of Art. 32 of the Federal Law of March 26, 2003 No. 35-FZ "On Electrical Power Industry" and in order to ensure the functioning of the mechanism for bringing prices (tariffs) for electricity (power) to basic levels;
- 08/30/2017, * took the decision to approve the preliminary results of the structuring of the participation project of PJSC RusHydro in the construction of the Taishet Aluminum Plant, taking into account the simultaneous fulfilment of the conditions approved by the Board of Directors of the Company;

-10/11/2017, reviewed the report on the implementation of the DWP, including information on the implementation of the activities for the first half of 2017 in accordance with the DPR, as well as the interim results of the KPI DDP for the first half of 2017. The Report includes information on the implementation of activities provided for by the Directives of the Government of the Russian Federation for inclusion in the DPR;

-10/27/2017, * approved RusHydro Group's Value Increase Plan for the period until 2021 and decided on the expediency of the Company joining the UN Global Compact.

Information on the Strategy is presented in section 1.2.1 of the Strategy of RusHydro Group.

Business-planning and investments

The Board of Directors (date, action):- 04/04/2017, * considered the draft of RusHydro Group consolidated investment programme for 2017 and for 2018-2022. (adjustment), and preliminarily approved the draft investment programme of PJSC RusHydro for 2018-2027 and the draft amendments to the investment programme of PJSC RusHydro for 2017-2019;

- 04/19/2017, * considered the report on the implementation of the Business Plan and the Investment Programme of the Company for 2016;

- 06/21/2017, considered and took into account the consolidated Business Plan, which includes the Consolidated Investment Programme of RusHydro Group for 2016-2020.; - 12/26/2017, * approved the Business plan and the Investment programme of the Company for 2018, and considered the planned data on the investment facilities of PJSC RusHydro and sites of new construction of subsidiaries for the calculation of KPIs of members of the Management Board of PJSC RusHydro; at the same meeting, reviewed the Business Plan of the Company, including the Company's Investment Programme, for 2019-2022;

- 06/21/2017, 10/11/2017 and 12/25/2017, reviewed reports on the implementation of the Business Plan and the Investment Programme of the Company for the 1st quarter, the first half-year and the third quarter of 2017 respectively;

- Quarterly, the Board of Directors of JSC RusHydro considered issues related to the construction of four facilities in the Far East (Yakutsk GRES-2 (Phase 1), Phase 2 of Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, Sakhalinskaya GRES-2 (1st stage));

- 04/04/2017, * approved the list of investment projects being implemented and planned for implementation within the Investment Programme of PJSC RusHydro, for conducting a public technological and price audit in 2017-2018;

- 04/18/2017, approved a report on the implementation of a public technological and price audit for 2016 of projects implemented and planned for implementation under the Investment Programme of PJSC RusHydro;

- regularly discussed the implementation of certain investment projects of the Company;

Information on the results of operations and investments is presented in sections 2.1 Financial results and 2.3.1 Investment activity.

Performance, Innovation and Key Performance Management

The Board of Directors (date, action):

- 04/05/2017, amended the Regulations on the procurement of products for the needs of PJSC RusHydro, related to the implementation of import substitution plans;

- 04/19/2017, * reviewed the report on the implementation of the annual comprehensive procurement programme of JSC RusHydro for 2016, as well as a report on the implementation of a set of measures (list of measures) to reduce operating costs (costs) for 2016; approved the report on the execution of the Business Plan;

- 04/19/2017, * considered the report on the execution of KPI of the Company for the 4th quarter of 2016 and 2016;

- 06/21/2017, approved KPIs, including target values and methodology for calculating and evaluating the annual key performance indicators of the Management Board members of PJSC RusHydro, the target values and methodology for calculating and evaluating the KPI for the long-term motivation programme of PJSC RusHydro for the first cycle of 2017-2021.

- 06/21/2017, approved the report on the implementation of the Innovative Development Programme of RusHydro Group for 2016-2020, with the possibility of prolonging it till 2025

- 10/11/2017, approved the report on the execution of the key performance indicator "Integral KPI of innovation activity,%" of PJSC RusHydro for 2016;
- 12/25/2017, instructed the Company's management to ensure the benchmarking of the level of technological development and the values of the composite indicators of KPI of the Innovative Development Programme of RusHydro Group with the level of development and indicators of leading competitor companies;
- 12/26/2017, * approved the annual comprehensive procurement programme of PJSC RusHydro for 2018;
- 06/21/2017, 10/11/2017 and 12/25/2017, respectively, approved the reports on the implementation of the Annual Comprehensive Programme of Purchases for the 1st quarter of 2017, the 1st half-year, and the first 9 months of 2017;

Information on measures to improve operational efficiency is presented in Section 2.1 Financial Results.

The information on purchases is presented in section 2.2.5. Procurement.

Information on innovations is presented in section 2.3.2 Innovative development.

Corporate governance

The Board of Directors (date, action):

- 01/18/2017, changed the membership of the Management Board;
- 02/27/2017, approved the Regulations on the Information Policy of PJSC RusHydro;
- 06/21/2017, approved amendments to the Regulations on the Audit Committee and the Nominations and Remuneration Committee under the Board of Directors, and recognised two candidates to the Board of Directors as meeting the criteria of independent directors (MS Bystrov and SN Ivanov), afterwards elected these candidates to the Board of Directors at a meeting of 12/25/2017 (recognised the afore-mentioned individual as independent directors);
- 12/25/2017, approved amendments to the Corporate Governance Code of the Company, approved the Insurance Coverage Programme of JSC RusHydro for 2018 and the report on compliance with the information policy of PJSC RusHydro.

** The meetings were held in the form of a joint presence.*

In addition to these issues, in 2017 the Board of Directors also made decisions related to the audit (recommendation to the General Meeting of Shareholders of the auditor and the approval of the auditor's remuneration), determined the position of the Company (representatives of the Company) by voting at the meetings of the management bodies of subsidiaries on a number of key issues on their agenda, approved the new version of the Anti-Corruption Policy and Internal Audit Policy of PJSC RusHydro.

Apart from that, the Board of Directors considered the Charity and Sponsorship Programme and the report regarding its execution, approved the transactions of the Company and the controlled companies. The list of issues considered by the Board of Directors in addition to those considered confidential is listed in the form of the texts of the protocols in Appendix No. 4

Committees under the Board of Directors

The Board of Directors of PJSC RusHydro has six committees⁴⁵:

- the Strategy Committee,
- the Audit Committee,
- the Investment Committee,
- the Nominations and Compensations Committee,
- the Committee on Reliability, Energy Efficiency, and Innovation,
- the Committee for Energy Development of the Far East.

The Audit Committee functions for the purpose of assisting the Board of Directors in monitoring the financial and business activities of the Company. The key functions of the Committee are to control financial reporting, the functioning of the internal control system, risk management, corporate governance, the system of notification of fraudulent actions, as well as ensuring the independence and objectivity of internal audit and external audit.

⁴⁵ Provisions on committees under the Board of Directors can be found on the Company's website <http://www.rushydro.ru/corporate/committees/>

1st half of 2017

Membership

Independent members of the Board of Directors:
Pivovarov V.V.
Bystrov M.S.
Ivanov S.N.*

Key issues considered by the committee

- Annual report
- Annual financial statements
- Compliance with insider information requirements
- Auditor's reports for the year 2016
- Conclusion of the Company's Audit Commission
- Opinion of the Company Auditor
- Candidate for the position of the Company's Auditor
- Report on corporate social responsibility and sustainable development of RusHydro Group
- Regular reports of the Head of the Internal Audit Service of the Company
- Report on the implementation of the Action Plan for the implementation of the Comprehensive Anti-Corruption Programme of PJSC RusHydro
- Report on the functioning of the corporate internal control and management system taking into account the internal audit evaluation
- Results of evaluation of corporate governance practices

2nd half of 2017

Membership

Independent members of the Board of Directors:
Pivovarov V.V.
Bystrov M.S.
Ivanov S.N.*

Key issues considered by the committee

- Report on the corporate social responsibility and sustainable development of RusHydro Group for 2016
- Results of the on-site inspection by the Ministry of Energy of Russia
- Optimisation of the functions and structure of the Company's internal audit
- The Company's Insurance Coverage Programme
- Anticorruption policy of the Company
- Report on compliance with the information policy of the Company
- The programme for ensuring and improving the quality of internal audit
- Schedule of control activities of the Internal Audit Service for 2018

* *Chairman of the Committee*

The Chairman of the Audit Committee is an independent director and has sufficient experience and knowledge to implement the tasks assigned to the committee.

For information on internal audit, see section 3.3 Audit and control

The list of issues considered by the Audit Committee in 2017, in addition to those considered confidential, is given in Appendix No. 5.

Nominations and Compensations Committee functions for the purposes of developing recommendations on the formation of a professional membership of the Company's management bodies and effective and transparent practice of their remuneration. The main task of the Committee is preliminary analysis and development of recommendations to the Board of Directors on issues within the competence of the Board of Directors.

1st half of 2017

Membership

Independent members of the Board of Directors:
Pivovarov V.V. *.
Bystrov M.S.
Ivanov S.N..

Key issues considered by the committee

- Election of the Company's Corporate Secretary and termination of his powers
- Typical collective agreement of the branch of PJSC RusHydro for 2017-2019.
- Regulations on the Corporate Secretary of PJSC RusHydro, a new version.
- Consideration of the
- Approval of contracts which constitute an interested party transaction
- Consideration of the progress report on the implementation of the Plan of measures (the list of measures) for the implementation of professional standards in the activities of the Company

consolidated Business Plan (including the consolidated Investment Programme) of RusHydro Group for 2017-2021, and approval of the Target values of the annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2017 and the Target values of the key performance indicators of the long-term motivation programme of PJSC RusHydro for the first cycle for 2017-2019.

- Approval of the List of annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2017, the target values of the annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2017 (including the methodology for calculating and evaluating key performance indicators of the Management Board members of PJSC RusHydro).
- Approval of the Provision on the payment of remunerations and compensations to members of the Board of Directors of the Company, a new version ".
- Compliance of candidates of the Board of Directors of PJSC RusHydro with independence criteria.
- Determination of the number of members of the Management Board of PJSC RusHydro

2nd half of 2017

Membership

Independent members of the Board of Directors:
Pivovarov V.V. *.
Bystrov M.S.
Ivanov S.N..

Key issues considered by the committee

- Election of the Corporate Secretary
- Progress in the implementation of the Plan of a set of measures to introduce professional standards in the activities of the Company
- Report of the Committee
- Election of the Company's senior independent director
- KPI of the members of the Management Board for 2017
- Typical collective agreement of the branch for 2017-2019.

* *Chairman of the Committee*

The Chairman of the Nominations and Remuneration Committee is an independent director and has sufficient experience and knowledge to implement the tasks assigned to the committee.

Information on remuneration to management bodies, control bodies, and the auditor is provided in section 3.4

The list of issues considered in 2017 by the Nominations and Remuneration Committee, in addition to those recognised as confidential, is given in Appendix No. 5.

The Strategy Committee functions to ensure effective work of the Board of Directors on strategic development issues of RusHydro Group.

1st half of 2017

Membership

Members of the Board of Directors:
Grachev P.S.
Podguzov N.R.
Rogalev N.D.
Shishin S.V.
Shishkin A.N.
Shulginov N.G.
Members of the Executive Bodies:
Rizhinashvili D.I

Key issues considered by the committee

- Taishet Aluminum Plant Construction Project.
- Amendments to the Long-term Development Programme of RusHydro Group.
- Report of the Committee

Members of the Committee:

Zadvornov IA *

Mamin V.V.

Nikonov V.V.

Olkhovich E.A.

Rusakov M.V.

Snikkars P.N.

2nd half of 2017

Membership

Members of the Board of Directors:

Grachev P.S.

Pivovarov V.V.

Shishin S.V.

Shulginov N.G.

Members of the Executive Bodies:

Rizhinashvili D.I

Members of the Committee:

Bogashov AE

Gabov A.V.

Zadvornov IA *

Livshits B.A.

Rogalev N.D.

Nikonov V.V.

Snikkars PN

Stolyarov E.M.

** Chairman of the Committee*

Key issues considered by the committee

- Approval of RusHydro Group's Value Increase Plan for the period up to 2021
- Progress in the implementation of the Long-term Development Programme of RusHydro Group for the first half of 2017
- Status of execution of individual orders of the President of the Russian Federation and the Government of the Russian Federation on refinancing loan debts of the group of JSC RAO ES of the East
- Joining the Society to the UN Global Compact and preparing to join the Association "National Network of the Global Compact"
- On acquisition by the Company of additional ordinary shares of JSC "Holding Company of BoHPP"
- Report of the Committee

Detailed information about the Strategy is given in section 1.2. RusHydro Group Strategy

Information on the members of the Strategy Committee and the list of issues considered by the Committee in 2017, in addition to those recognised as confidential, are listed in Appendix No. 5.

The Committee on Investments functions for the purpose of preliminary consideration of new investment projects and investment programmes, as well as the improvement and development of the Company's investment policy.

1st half of 2017

Membership

Independent members of the Board of Directors:

Bystrov MS *

Pivovarov V.V.

Members of the Board of Directors:

Avetisyan A.D.

Chekunkov A.O.

Rogalev N.D.

Members of the Executive Bodies:

Kirov S.A.

Rizhinashvili DI

Members of the Committee:

Domnich V.A.

Zhuravlev SI

Key issues considered by the committee

- Approval of the Company's business plan for 2017-2021, including the investment programme of PJSC RusHydro for 2017, an action plan for optimising costs based on the results of an external independent audit of the costs of PJSC RusHydro. Regulation on the business planning system
- Implementation of the Company's Business Plan for 2016 (including reports on the implementation of the Investment Programme (including the Programme for the comprehensive modernisation of generating facilities), the Annual Comprehensive Programme of Purchases

Milyutin D.V.
Podgorny A.Yu.
Skulkin V.S.
Tikhonova M.G.
Khmarin V.V.

for 2016, and the Progress Report on the implementation of the package of measures to reduce operating expenses for 2016

- Implementation of KPI for PJSC RusHydro for Q2 2016, Q3 2016, Q4 2016 and 2016
- Report of the Committee

2nd half of 2017

Membership

Independent members of the Board of Directors:

Bystrov MS *
Pivovarov V.V.
Ivanov SN

Members of the Board of Directors:

Chekunkov A.O.
Rogalev N.D.

Members of the Executive Bodies:

Kazachenkov A.V.
Kirov S.A.

Members of the Committee:

Zhuravlev SI
Milyutin D.V.
Gabov A.V.
Snikkars P.
Khmarin V.V.

* Chairman of the Committee

Key issues

- Investment programme of PJSC "RusHydro" for 2017
- Approval of the adjusted business plan for 2018-2022,
- Investment programme of PJSC "RusHydro" for 2018
- Report of the Committee

For detailed information on investments, see section 2.3. Investment activity

Information on the members of the Investments Committee and the list of issues considered by the Committee in 2016 are listed in Appendix No. 5.

The Committee for Reliability, Energy Efficiency and Innovation functions to ensure the efficient work of the Board of Directors on issues of the Company's technical policy, the reliable and safe operation of the Company's hydrotechnical facilities, energy conservation policies, innovation policy, environmental policy and other issues within the competence of the Committee.

Membership in 1st half year

Members of the Board of Directors:

Rogalev ND *
Chekunkov A.O.
Shishkin A.N.
Kravchenko V.M.

Members of the Executive Bodies:

Bogush B.B.
Rizhinashvili DI

Members of the Committee:

Vikhansky A.E.
Tolstoguzov SN
Vishnevsky Yu.M.
Frolov K.E.
Karpukhin N.I.
Fedorov M.P.
Gromov R.E.

Membership in 2nd half year

Members of the Board of Directors:

Rogalev ND *
Chekunkov A.O.
Kravchenko V.M.

Members of the Executive Bodies:

Bogush B.B.
Rizhinashvili DI

Members of the Committee:

Belchenko E.V.
Tolstoguzov SN
Vishnevsky Yu.M.
Frolov K.E.
Karpukhin N.I.
Fedorov M.P.
Gromov R.E.

Key issues considered by the committee

- Innovative Development Programme of RusHydro Group for 2016-2020, with the possibility of prolonging it till 2025.
- Improving the quality of preparation and implementation of the Innovative Development Programme of RusHydro Group for 2016-2020, with the possibility of prolonging it till 2025.
- Measures to improve reliability; conducted at power facilities of RusHydro Group
- Report of the Committee

**Chairman of the
Committee*

Information on innovation activities is given in section 2.3.2 Innovation Development

Information on the members of the Committee on Reliability, Energy Efficiency, and Innovation and a list of issues considered by the Committee in 2017 are given in Appendix No. 5.

The Committee for the Development of Energy in the Far East is working to ensure the effective work of the Board of Directors in the development of the power industry of the Far Eastern Federal District in the area of responsibility of the Company and its controlled companies.

2017 year

**Membership in 1st
half year**

Members of the
Board of Directors:

Trutnev Yu.P. *

Chekunkov A.O.

Grachev P.S.

Kravchenko V.M.

Members of the
Executive Bodies:

Kazachenkov A.V.

Tolstoguzov S.N.

Members of the
Committee:

Zadvornov IA

Kachaev S.V.

Molsky A.V.

Nikonov VV

Olkhovich E.A.

Pilenyks D.V.

Tupikin V.V.

**Membership in
2nd half year**

Members of the
Board of Directors:

Trutnev Yu.P. *

Chekunkov A.O.

Grachev P.S.

Kravchenko V.M.

Members of the
Executive Bodies:

Kazachenkov A.V.

Tolstoguzov S.N.

Members of the
Committee:

Zadvornov IA

Kachaev S.V.

Konstantinov DS

Molsky A.V.

Pilenyks D.V.

Tupikin V.V.

**Key issues considered by the
committee**

- RES programme in the Far East
- Status of construction of priority projects in the Far East
- Debt financing of the Subgroup of RAO ES of the East

** Chairman of the Committee*

Information on the members of the Committee for the Development of Energy in the Far East and the list of issues considered by the Committee in 2016 are listed in Appendix No. 5.

Corporate Secretary

Name, Middle name, Surname: Natalya Gennadievna Kovaleva

Was born in 1972.

In 1996 she graduated from the Irkutsk State University, majoring in Law, qualification - a lawyer.

By the decision of the Board of Directors dated 11/11/2016 she was appointed Corporate Secretary of the Company (Minutes No. 243 of November 14, 2016).

Currently, she holds the position of deputy director of the Corporate Governance and Assets Management Department, a corporate secretary whose main duties include participation in organising the preparation and holding of General Meetings of Shareholders and ensuring the work of the Board of Directors and its Committees, as well as ensuring the interaction of the Company with its shareholders and participation in the prevention of corporate conflicts.

Also, as of December 31, 2017, she was a member of the Board of Directors in the following companies:

- Blagoveshchenskaya CHPP JSC;
- CJSC Boguchansky Aluminum Plant;
- PJSC FEED;
- JSC Malaya Dmitrovka;
- OJSC Sakhalin Municipal Company;
- LLC SNRG;

- Chuvash Power Sales Company JSC.

Until 2016, she held the position of advisor to the first deputy general director of the Company.

From 2010 to 2015 she worked as the Director of the Corporate Management Department of PJSC MOESK. Natalya Gennadievna Kovaleva has no shares in the Company (including indirectly). In the reporting year, no transactions were made with the shares of the Company.

The Company and the Group companies did not issue loans to Kovalyova N.G. In 2017 there was no conflict of interest.

3.2.3 Executive bodies - Management Board and Chairman of the Management Board - General Director

The executive bodies carry out the current management of the Company's activities.

The competence of the Management Board and the Chairman of the Management Board - the Director General - is defined in Articles 18 and 19 of the Company's Charter, respectively. The competence of the executive bodies includes issues that are not within the competence of the General Meeting of Shareholders of the Company and the Board of Directors.

The number of members of the Management Board is determined by separate decisions of the Board of Directors.

In 2017, the Board consisted of 6 people, including the Chairman of the Management Board, the Company CEO.

Management Board membership as of 31.12.2017 **

	Nicholai Shulginov - Chairman of the Management Board, CEO	Boris Bogush - First Deputy General Director - Chief Engineer	Andrey Kazachenkov - First Deputy General Director	Sergey Kirov - First Deputy General Director	Markin Vladimir - First Deputy General Director	George Rizhinashvili - First Deputy General Director
Supervised blocks		Block of production activities	Block of financial and corporate governance	Sales, economic planning and investments block	Administrative support block	Block of strategy and innovations
b.y.	1951	1952	1980	1976	1956	1981
Education	Sergo Ordzhonikidze Labour Polytechnic Institute of Novocherkassk. (Power Supply of Industrial Companies and Municipalities)	Saratov Polytechnic Institute (Mechanical Engineering) Academy of National Economy of the Government of the Russian Federation (Corporate Management Development)	St. Petersburg State University of Engineering and Economics (Economics and Management at Engineering Enterprises, Management); University of Wisconsin, Madison, USA (MBA)	Pryanishnikova State Agricultural Academy of Perm (Economics and Management of Agricultural Production) Regional Interdisciplinary Retraining Centre at Perm Technical University (Economics and Management)	Moscow State University, (Journalism); The Institute of Economics and Culture (Law)	Moscow State University (PhD in Economics)

<p>Experience over the past 5 years and participation in the management bodies of other organisations as of 31.12.2017</p>	<p>Work experience for the last 5 years: 2015 - present time - Chairman of the Management Board - General Director 2016 - present time - Member of the Management Board of the RSPP 2015-2004 - Deputy Chairman, First Deputy Chairman of the Management Board of JSC SO UES Information on positions held in management bodies as of December 31, 2017 *: - Member of the Board of Directors Global Sustainable Energy Partnership (Global Energy Partnership) - Member of the Board of Trustees of the Siberian Federal University - Member of the Board of Directors of PJSC "Rosseti" - Member of the Supervisory Board of NP "Hydropower of Russia" and Association of NP "Market Council for the Organisation of an Effective System for Wholesale and Retail Trade in Electric Energy and Power" - Member of the Board of Trustees of the State Educational Establishment of Higher Professional Education in the NIU MPEI - Member of the Supervisory Board of NP "Scientific and Technical Council of the Unified Energy System"</p>	<p>Work experience for the last 5 years: 2009 - present time - Managing Director, Head of the Business Unit "Production", Member of the Management Board, First Deputy General Director of JSC RusHydro - Chief Engineer Information on the positions held in management bodies as of December 31, 2017 *: - Member of the Supervisory Board of NP "Hydropower of Russia" - Member of the Board of Trustees of the Non-profit Foundation "Soprichastnost"</p>	<p>Work experience for the last 5 years: 2015 - present time - Member of the Management Board First Deputy General Director of PJSC RusHydro; 2015 - Adviser to the Chairman of the Management Board - General Director of PJSC RusHydro; 2015-2009 Advisor to the Chairman of the Board; Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board of PJSC "FGC UES" Information on the positions held in management bodies as of December 31, 2017 *: - Member of the Board of Directors of JSC "RAO ES of the East" (Chairman)</p>	<p>Work experience for the last 5 years: 2010 - present time - Director for Economics, Deputy General Director for Economics, Investments and Purchasing, Member of the Management Board, First Deputy General Director of PJSC RusHydro 2014-2010 - General Director of OOO RusHydro IT Service</p>	<p>Work experience for the last 5 years: 2016 - present time - Member of the Management Board, First Deputy General Director of PJSC RusHydro, Chairman of the Committee on Safety and Work with the fans of the Russian Football Union 2016-2011 - Head of the Department for Interaction with the Media of the Investigative Committee of the Russian Federation</p>	<p>Work experience for the last 5 years: 2009 - present time - Member of the Management Board, First Deputy General Director of PJSC RusHydro 2016 - present time - Chairman of the Board of the Foundation for the Development of the Faculty of Economics of Moscow State University Information on the positions held in management bodies as of December 31, 2017 *: - Member of the Board of Trustees of the Faculty of Economics, Moscow State University- Member of the Board of Trustees of the Non-profit Foundation "Soprichastnost"</p>
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Membersh ip on the Manageme nt Board	Since 2015	Since 2010	Since 2016	Since 2015	Since 2017	Since 2009
Shareholding	Does not own company shares Did not purchase or sell company shares in the reporting period	Share of the Issuer's ordinary shares owned – 0.004241 % Did not purchase or sell company shares in the reporting period	Does not own company shares Did not purchase or sell company shares in the reporting period	Does not own company shares Did not purchase or sell company shares in the reporting period	Does not own company shares Did not purchase or sell company shares in the reporting period	Share of the Issuer's ordinary shares owned – 0.014193 %
Availability of loans from the Company and the Group companies	No	No	No	No	No	No
Membership in committees in BD	Strategy Committee	Reliability Committee, Energy Efficiency and Innovation	Committee for the Development of Energy in the Far East, Investment Committee	Investment Committee	-	Reliability Committee, Energy Efficiency and Innovation, Strategy Committee

* Information on the positions held in the management bodies of other organisations for the last 5 years is given in section 5.2.2 of the quarterly report of the Company for the 4th quarter of 2017, which is published at <http://www.rushydro.ru/upload/iblock/d01/1-EZhO-4-kv.17.pdf>

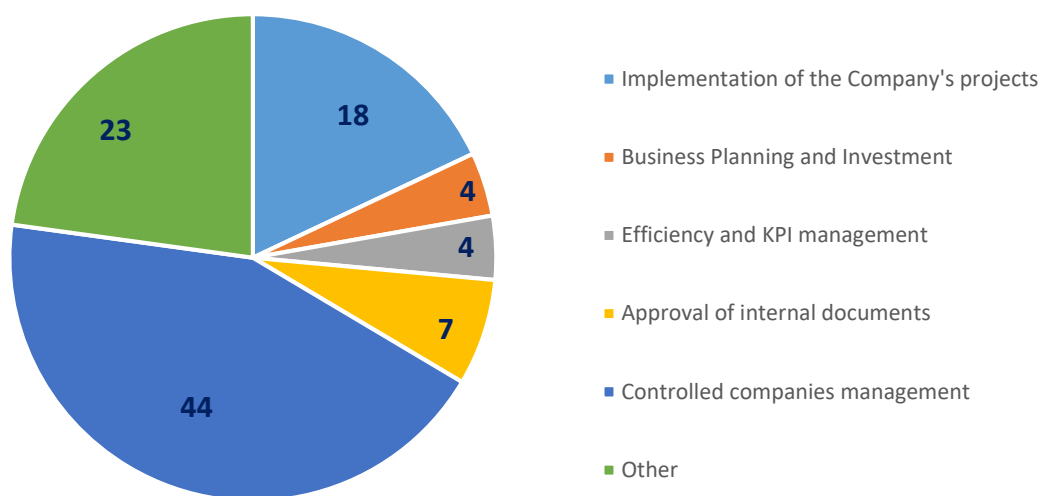
** In the reporting year, no decisions were made on the early termination of the powers of persons who are members of the Management Board of the Company. The term of office of Shulginov Nikolai Grigorievich in accordance with the labour contract is till September 14, 2020, while the remaining members of the Management Board of PJSC RusHydro are employed on long-term contracts. No conflict of interests among members of the executive bodies of PJSC RusHydro in the reporting year was reported.

Report on the activities of the Management Board

In 2017, 64 meetings of the Board were held (12 of them were in person), at which 495 issues related to the Company's current activities were considered. Also, all issues submitted for consideration by the Board of Directors were preliminarily discussed.

Within the framework of control over the activities of the executive bodies, the Board of Directors regularly reviews the Board's reports on the execution of the Company's business plan, as well as on the implementation of key investment projects of RusHydro Group. In addition, the Board of Directors determines the target values of annual KPIs of members of the Management Board of JSC RusHydro, approves reports on the performance of KPIs by members of the Company's Management Board. In addition, the Board of Directors reviews the Board's reports on the execution of certain assignments of the Board of Directors.

Issues considered by the Management Board of PJSC RusHydro in 2017, %



3.3 Audit and Control

PJSC RusHydro has a system for monitoring financial and business activities, which consists of local regulatory documents, current practices, procedures and methodology, and key stakeholders:

- Audit Committee
- External Auditor
- Audit Committee under the Board of Directors
- Internal Audit Service

The main principles, goals, tasks, methods, and processes of the control system are defined in the documents approved by the General Meeting of Shareholders and the Board of Directors of PJSC RusHydro:

- Regulations on the Audit Commission (<http://www.rushydro.ru/upload/iblock/389/03Polozhenie-o-RK.pdf>).
- Code of Corporate Governance (<http://www.rushydro.ru/upload/iblock/65d/Kodeks-korporativnogo-upravleniya-RusGidro.pdf>),
- Internal Control and Risk Management Policy (http://www.rushydro.ru/upload/iblock/c9c/Politika-VKiUR-PJSC-RusGidro_16.11.2015_utv.pdf),
- Internal Audit Policy (<http://www.rushydro.ru/upload/iblock/993/Politika-v-oblasti-vnutrennego-audita.pdf>),
- Regulations on the Audit Committee (<http://www.rushydro.ru/upload/iblock/20b/Prilozhenie-15.-Polozhenie-o-KA.pdf>),
- Code of Corporate Ethics (<http://www.rushydro.ru/upload/iblock/527/Prilozhenie-7.-Kodeks-korporativnoj-etiki.pdf>),

- Anticorruption Policy (<http://www.rushydro.ru/upload/iblock/ac6/Prilozhenie-5.-Antikorrupsionnaya-politika-nov.red.pdf>).

The Audit Commission of the Company is accountable to the General Meeting of Shareholders. The opinion of the Audit Commission is the subject of consideration of the Audit Committee. The opinion of the Audit Commission on the results of the audit of the Annual Report is a mandatory document submitted to the General Meeting of Shareholders.

The Auditor's report is subject to reviewing by the Audit Committee and the Audit Commission. The Audit Committee considers the auditor's plan for the annual audit of the Group.

The Audit Committee carries out functional management of the Internal Audit Service, including approving the annual schedule of control activities and quarterly reports on its performance.

3.3.1 Internal Audit Committee

The number of members of the Audit Committee is five.

Internal Audit Committee members

	Natalia Annikova - member of the Audit Committee for the period of 2016	Igor Repin - Chairman of the Audit Committee	Tatyana Zobkova	Marina Kostina	Dmitry Simochkin
b. y.	1955	1966	1976	1980	1992
Main position held	First Deputy General Director of JSC "Construction Management No. 308"	Deputy Executive Director of the Non-Profit Organisation "Investor Protection Association"	Deputy Executive Director of the Non-Profit Organisation "Investor Protection Association"	Deputy Director of the Department of Corporate Governance of the Ministry of Economic Development of the Russian Federation	1st degree specialist, chief specialist-expert, advisor, deputy head of the department
Nominated by	(2017): Russian Federation	(2017): Russian Federation	(2017) Russian Federation	(2017) Russian Federation	(2017) Russian Federation
Ownership of the Company's shares	no	no	no	no	no

In 2017, the Audit Committee conducted an audit of the financial and economic activities of JSC RusHydro based on the results of its activities for 2016⁴⁶. Conclusions of the Commission on the results of the audit were presented to the annual General Meeting of Shareholders on June 26, 2017. The audit confirmed that the data contained in the Company's reports and financial documents were reliable, the accounting standards were adhered to and the financial statements were provided in compliance with the requirements of the current legislation and internal regulations, the financial and economic activities were conducted in compliance with the interests of the Company and its shareholders.

3.3.2 External Auditor

PJSC RusHydro annually conducts an independent external audit of financial (accounting) reports according to Russian and international standards. Selection of an external auditor who independently reviewed the accounting (financial) statements of PJSC RusHydro under RAS and IFRS for 2015-2017, was conducted in the manner of an open tender.

⁴⁶ The conclusion of the Internal Audit Committee of JSC RusHydro based on the results of the audit of financial and economic activities for 2017 is presented in Appendix No. 19 to this annual report.

Competitive selection of the Auditor of PJSC RusHydro was carried out on the basis of the Federal Law of 05.04.2013 44-FL "On the contract system in the procurement of goods, works, services for the provision of state and municipal needs" (the date of procurements - February 27, 2015, the date of final decision - 08.04.2015). The tender documentation was approved by the Federal Agency for State Property Management (Rosimushchestvo). Following the results of the competitive procedures, JSC PwC Audit was declared the winner.

JSC PwC Audit is a member of the self-regulatory organisation of auditors - Non-Profit Partnership "Audit Chamber of Russia" (NP ACR).

In 2017, JSC PwC Audit conducted an independent audit of the Company's accounting (financial) statements for 2016 in accordance with the Russian Accounting Standards, and JSC PwC Audit prepared Pthe consolidated financial statements for 2016 in accordance with the International Financial Reporting Standards. In addition, JSC PwC Audit conducted a review of the consolidated interim financial statements of the issuer for the six months ending on June 30, 2017, and the nine months ending on September 30, 2017.

In 2018 JSC PwC Audit conducted the independent audit of the accounting (financial) statements of the Company for 2017 in accordance with the Russian Accounting Standards, and JSC PwC Audit compiled the consolidated financial statements for 2017 in accordance with International Financial Reporting Standards.

In 2017, the Audit Committee considered a number of issues related to the work of the external auditor, including the analysis of the Company's accounts and the evaluation of the results of the external audit of the Company's accounts for compliance with the legislation of the Russian Federation, International Financial Reporting Standards, accounting, and other regulatory legal acts and standards

3.3.3 Internal Audit Service

The main objective of the activity of the Internal Audit Service of PJSC RusHydro is to assist the Board of Directors and the executive bodies of RusHydro Group in improving the management of the Group, improving its operations, including through a systematic and consistent approach to the analysis and evaluation of the risk management system, internal control, and corporate governance. The number of members of the Service is five.

The Internal Audit Service is a separate structural unit of PJSC RusHydro, which is subordinate to the Board of Directors (the Audit and Administrative Subordination Committee) to the General Director, the Chairman of the Management Board of PJSC RusHydro. The head of the Internal Audit Service was approved by the decision of the Board of Directors of PJSC RusHydro.

The tasks and functions of the Internal Audit Service include:

- organisation and conduct of internal audits of the Company and Subsidiaries, processes and activities;
- assessment of the effectiveness of the internal control system, the risk management system, corporate governance of the Company and Subsidiaries;
- organisation of methodological support and control over the activities of the Company's representatives in the Audit Commissions Subsidiaries;
- interaction with the Audit Committee.

General principles and approaches to the Company's internal audit system are fixed in the Internal Audit Policy approved by the Board of Directors of PJSC RusHydro. The policy takes into account the requirements of the Corporate Governance Code of PJSC RusHydro, the Methodological Recommendations and Guidelines of the Federal Property Management Agency, and is aimed, among other things, at increasing the compliance of the Internal Audit Service of PJSC RusHydro to the International Professional Standards of Internal Audit.

In 2017, the Board of Directors reviewed the report on the effectiveness of the internal control and risk management system, corporate governance, taking into account the assessment conducted by the Internal Audit Service and the recommendations for its improvement.

The priorities of the Company's internal audit in accordance with the objectives of RusHydro Group, taking into account the available resources, as well as the risk-oriented approach to planning of control activities, are determined by the Monitoring Action Plan, which is approved annually by the Audit Committee.

In the course of 2017, 14 planned monitoring activities were carried out, and 6 unscheduled inspections and official investigations were conducted / attended, during which audit evidence was collected and analysed to assess the effectiveness of the internal control, risk management, and corporate governance system, including:

- checks of branches and subsidiaries engaged in the construction, operation, and repair of generation facilities;
- thematic audits aimed at identifying opportunities to improve the Company's business processes and the activities of key controlled companies;
- evaluation of the internal control and risk management system of RusHydro Group;
- evaluation of the corporate governance system.

Based on the results of the control activities, the Company's management and the controlled companies develop and implement corrective actions aimed at following the remarks, increasing the efficiency of the internal control system, preventing the repetition of violations, applying disciplinary measures to persons who committed violations. Internal auditors carry out follow-up control of corrective actions.

Evaluation by the Audit Committee of the effectiveness of the internal audit process

On a quarterly basis, the Audit Committee reviews the report of the Head of the Internal Audit Service on the implementation of the Monitoring Schedule Plan, which contains a brief description of the identified material violations, remarks and shortcomings in the activities of the Company and its controlled companies, including information on significant risks, control and corporate governance issues, and recommendations on their elimination, increase of efficiency of internal control system.

Based on the results of the evaluation (feedback) in 2017, the high efficiency of the internal audit work was identified in terms of identifying shortcomings, the elimination of which would reduce / eliminate the impact of negative factors on the efficiency of the Company and the controlled companies.

In the reporting year, the Methodology for evaluating the effectiveness of the internal control and risk management system by the Internal Audit Service was approved. The Company also approved the Programme for ensuring and improving the quality of the Company's internal audit, designed to ensure proper control and evaluation of the internal audit activity, as well as to identify areas for its improvement.

The programme defines the goals, directions, approaches and procedures for the continuous (ongoing) and cyclical monitoring of the quality of internal audit activities. The implementation of the programme includes:

- conducting ongoing (continuous) monitoring of internal audit activities,
- conducting annual internal assessments of internal audit activities (self-assessments),
- regular external evaluation of internal audit activities (every 5 years),
- informing about the results of the evaluation,
- development / update of the plan of measures for the development and improvement of internal audit activities.

3.4 Report on the remuneration of management bodies, supervisory bodies, and the auditor

3.4.1 Remuneration of the Board of Directors

In 2017, remuneration was paid to the Board of Directors elected on June 27, 2016, for work in the Board of Directors from June 27, 2016 to June 26, 2017.

The calculation of the remuneration was made in accordance with the Regulation on the payment of remuneration and compensation to members of the Board of Directors of PJSC RusHydro, approved by the Annual General Meeting of Shareholders on June 27, 2016 (Minutes No. 15 of June 29, 2016). Basic calculation parameters:

- the basic part of the remuneration of each member of the Board of Directors is 900,000 rubles;
- the amount of remuneration depends on the number of meetings in which a member of the Board of Directors participated;
- remuneration is not paid if a member of the Board of Directors of the Company did not participate in more than 25 (twenty five) % of the meetings held (from the moment of his election until the election of the Board of Directors of the Company in a new membership);
- the amount of remuneration is increased if the member of the Board of Directors is:
 - Chairman of the Board of Directors (by 30%),
 - Chairman of the Committee of the Board of Directors (by 20%),
 - Senior Independent Director (15%);
 - a member of the Committee of the Board of Directors (by 10%);

- remuneration to the Chairman and members of the Board of Directors of the Company who are (during the full or partial term of office of a member of the Board of Directors) individuals for whom the legislation of the Russian Federation stipulates a restriction or prohibition on receiving any payments from commercial organisations, is not accrued or paid;

- remuneration is not paid to members of the Board of Directors who are or have been members of the executive bodies of the Company.

The Company does not pay compensation to members of the Board of Directors other than those related to travel and residence for participation in the meeting, including the Company does not pay remuneration to members of the Board of Directors due to a change of control or early termination of powers.

Remuneration and allowances are paid by the Company in cash (Russian rubles) within 60 (sixty) days after the annual General Meeting of Shareholders of the Company at which the decision to elect a new Board of Directors of the Company was made.

The decision on the payment of remuneration to the members of the Board of Directors was adopted by the annual General Meeting of Shareholders on June 27, 2017. The decision on the payment of remuneration to members of the Board of Directors was previously reviewed and recommended by the Personnel and Remuneration Committee (Minutes No. 63 of May 22, 2017).

Remuneration of the Board of Directors, rub.

	2015	2016	2017
Remuneration for participation in the work of the management body	7,861,990.94	5,561,538.45	7,472,307.70
Salary	0	0	0
Variable component (premium)	0	0	0
Commission (remuneration)	0	0	0
Compensation for expenses	0	0	0
Other types of remuneration	0	0	0
TOTAL:	7,861,990.94	5,561,538.45	7,472,307.70
Costs associated with the performance of the functions of a management member, reimbursed by the Company	336,214.43	52,510.00	0

This remuneration methodology was not revised from 2010 to 2016.

In 2016 the Company attracted the world-wide renowned consultant Ernst & Young (CIS) BV (the Moscow branch), which conducted a survey of the practice of remuneration to board members of large Russian companies with comparable business size. Based on the results of the analysis, a new method for calculating the remuneration of members of the Board of Directors of the Company was developed, according to which the basic part of the remuneration of each member of the Board of Directors is set at 3.51 million rubles, which corresponds to the average market level of remuneration. This approach will allow retaining and attracting professionals to the Board of Directors of the Company.

The General Meeting of Shareholders of PJSC RusHydro (Minutes No. 16 dated June 27, 2017) approved a new Regulation on the payment of remuneration and compensation to members of the Board of Directors of PJSC RusHydro (<http://www.rushydro.ru/upload/iblock/3dc/2.6.-Pr-6.-Polozhenie-o-voznagrazhdenii-chlenov-SD-2017-novaya-redaktsiya.pdf>). In accordance with this, the basic part of the remuneration of each member of the Board of Directors amounted to 3.51 million rubles.

3.4.2 Remuneration of the Management Board

Remunerations to members of the Management Board, including the Chairman of the Management Board, the General Director, were paid in 2017 in accordance with the terms of employment contracts and the Regulations on Remuneration and Compensation to the members of the Management Board of PJSC RusHydro approved by the decision of the Board of Directors of the Company on 11.11.2016 (Minutes No. 14.11.2016 No. 243). In 2016 the Company attracted the world-wide renowned consultant Ernst & Young (CIS) BV (the Moscow branch), which conducted a survey of the practice of remuneration of top managers of large Russian companies

with comparable business size. Based on the results of the analysis, the procedure for calculating the remuneration of members of the Management Board of the Company was substantially revised.

Since January 1, 2017 the remuneration model was fully linked with the implementation of short-term and long-term KPI of the Company, approved by the Board of Directors of the Company on the recommendation of the Nominations and Remuneration Committee under the Company's Board of Directors. The motivation system is based on the following principles: transparency, balance (observing the balance of interests of the shareholders of the Company, and the interest of management in achieving the Company's objectives in the long-term and short-term), objectivity (the amount of remuneration directly depends on the results of the Company's activities and the implementation of significant projects).

The current model of remuneration provides for a long-term motivation programme for the Management Board with reference to the growth of the value of shares and the fulfilment of key performance indicators of the Programme established by the Board of Directors of the Company. The programme is designed to more closely link the interests of the management and shareholders of the Company in the steady growth of the Company's capitalisation and business development. The main objectives and principles of the Programme: motivation of the Company's management for the implementation of strategic tasks and openness to shareholders, remuneration is determined taking into account the level of achievement of KPI of the Programme, a single mechanism for calculating remuneration and equal conditions for obtaining compensation.

The amount and terms of compensation to the members of the Management Board in connection with the early termination of the contract are determined by a document approved by the Board of Directors regulating the payment of remuneration and compensation to the members of the Management Board of PJSC RusHydro. "Golden schemes" for the early termination of a contract in the Company are not provided. The maximum amount of compensation paid in case of an early dismissal of a member of the Management Board is limited in accordance with the legislation of the Russian Federation by a threefold average monthly salary of a member of the Management Board.

For more details on the KPIs established by the Board and their execution, see section 1.2.3. Key performance indicators.

Information on remuneration to the members of the Management Board, including the Chairman of the Management Board, the General Director, is disclosed on the corporate website of the Company as part of the issuer's quarterly reports (<http://www.rushydro.ru/investors/disclosure/greports/>).

Remuneration of the Management Board, rub.

	2015	2016	2017
Remuneration for participation in the work of the management body	0	0	0
Salary	97,827,885.72	71,655,251.40	185,393,109.80
Variable component (premium)	625,844,823.00	153,917,203.00	344,617,982.00
Commission (remuneration)	0	0	0
Compensation for expenses	0	0	0
Other types of remuneration	0	0	0
Total:	723,672,708.72	225,572,454.40	530,011,091.80
Costs associated with the performance of the functions of a management member, reimbursed by the Company	7,788,019.40	6,993,854.30	1,697,447.58

3.4.3 Remuneration of the Audit Commission

Payment of remunerations to members of the Audit Commission in 2017 was made in accordance with the Regulations on Remuneration and Compensation to the members of the Audit Commission of PJSC RusHydro approved by the Annual General Meeting of Shareholders (Minutes No. 15 of 06/29/2016), according to which the basic remuneration to a member of the Audit Commission is set at the amount of 15% of the average annual remuneration of a member of the Board of Directors. The basic remuneration is adjusted with the coefficient of personal participation of a member of the Audit Commission in meetings and a coefficient that takes into account the work placement as Chairman and Secretary of the Audit Commission. This Regulation

applies to members of the Audit Commission who are not individuals for whom the legislation of the Russian Federation provides for a restriction or prohibition on receiving any payments from commercial organisations. On June 26, 2017, the Annual General Meeting of Shareholders of PJSC RusHydro (Minutes No. 16 dated June 27, 2017) decided to pay compensation to the members of the Company's Audit Commission for the period from June 27, 2016, to June 26, 2017, in the amount, procedure, and terms determined by the Regulations on Remuneration and Compensation to the members of the Audit Commission of PJSC RusHydro approved by the decision of the annual General Meeting of Shareholders of the Company of 29.06.2016 № 15).

Remuneration of the Audit Commission, rub.

	2015	2016	2017
Remuneration for participation in the work of the body supervising the financial and economic activities of the issuer	342,200.0	629,475.0	530,514.00
Total	342,200.0	629,475.0	530,514.00
Expenses related to the performance of the functions of members of the bodies controlling the issuer's financial and business operations, reimbursed by the Company	0	0	0

June 27, 2017, the General Meeting of Shareholders of PJSC RusHydro (Minutes No. 16 of June 27, 2017) approved a new Regulation on payment of remuneration and compensation to members of the Audit Commission of PJSC RusHydro, according to which clarifications were made in the methodology for calculating the remuneration of members of the Audit Commission.

3.4.4 Remuneration of the auditor

Remuneration of the auditor *, rub.

Audited fiscal year	2015	2016	2017
Audit of annual accounting (financial) reporting under RAS and Consolidated IFRS reporting, including a review of the consolidated financial statements for 6 months.	120,000,690	119,999,805	136,055,180
Remuneration for non-audit services	no	no	no

* The auditor's remuneration for 2017 includes also the cost of a review of the consolidated financial statements for 9 months.

Remuneration of the auditor is determined by the decision of the Board of Directors of the Company taking into account the results of the competitive procedures and after preliminary consideration by the Audit Committee.

3.5 Business Ethics and Anti-corruption

3.5.1 Control over Major and Interested Party Transactions

In PJSC RusHydro, there is a system of internal control over transactions. The adopted Regulations about contractual work in PJSC RusHydro regulate the unified procedure for approving, signing, and executing contracts concluded on behalf of PJSC RusHydro. Draft contracts are subject to corporate review in order to comply with Russian law while its signing.

In 2017, JSC RusHydro concluded interested-party transactions, the list of which, including the subject of transactions, the interested parties, and information on their approval, is given in Appendix No. 2 to the Annual Report. All transactions were approved by the Board of Directors or the General Meeting of Shareholders; thus, there was no conflict of interest in the performance of these transactions.

3.5.2 Preventing the use of Insider Information

PJSC RusHydro has a Regulation on insider information aimed at complying with the requirements of the Russian legislation in the field of countering the misuse of insider information and market manipulation. The Regulation takes into account international corporate governance practices, including the requirements of the Financial Services Authority's Disclosure and Transparency Rules (The Financial Conduct Authority).

The Regulation establishes the categories of individuals that PJSC RusHydro includes in the list of insiders, the access procedure and the rules for protecting the confidentiality of insider information, as well as restrictions on the use of information by insiders to conduct transactions with the Company's financial instruments and to transfer information about it to other persons.

The list of insider information is compiled in Russian and English and is published on the corporate site (www.rushydro.ru and www.eng.rushydro.ru). The Company publishes information related to the insider in Russian in the news bulletin of the authorized news agency Interfax (www.e-disclosure.ru), in English - in the RNS news line (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).

The control over compliance with the requirements of the legislation on insider information is the responsibility of the member of the Management Board, First CEO's Deputy - A.V. Kazachenkov, who, based on the results of each quarter, provides a report to the Audit Committee. The Audit Committee includes in its annual report information on the Company's performance of the data required.

3.5.3 Anti-Corruption Efforts

The anti-corruption system of RusHydro Group is built in accordance with the regulatory documents (acts) of the Russian Federation in order to implement in RusHydro Group the state policy on combating corruption, minimising corruption risks, ensuring open and fair business in order to improve the corporate culture, follow the best corporate practices management and maintenance of business reputation at a high level.

In order to increase the effectiveness of countering corruption, JSC RusHydro has approved a comprehensive programme of anti-corruption activities for 2016-2019, which defines the main areas of anti-corruption activity.

Within the framework of the Programme, the Company annually carries out activities aimed at reducing corruption risks in the Company, ensuring compliance of the Company's activities with the requirements of Russian and international anti-corruption legislation.

In the reporting year, a number of local regulatory documents were developed and updated. Instead of the Anti-Corruption Policy of PJSC RusHydro, approved by the decision of the Board of Directors of 04/07/2016 (Minutes No. 235 of 04/08/2016) and the Policy on Conflict of Interest Management of PJSC RusHydro approved by the Board of Directors on 07.04.2016 (Minutes dated 08.04.2016 No. 235) was formed a unified Anti-Corruption Policy of PJSC RusHydro in new wording (Minutes No. 263 of the Board of Directors of December 28, 2017), which defines the main principles, requirements, and directions of activities to prevent corruption and ensure compliance with the anti-corruption lawmaker of the Russian Federation and include provisions for the settlement of conflicts of interest, as one of the anti-corruption measures.

In the reporting year, the Rules for the operation of the "Line of Trust" of RusHydro Group were amended in a new version (Order No. 898 of December 21, 2017) establishing a unified approach to receive, review, and record calls to the Trust Line in RusHydro Group, including the following changes:

- the concepts and definitions used were supplemented and refined;
- the regulatory (legislative) basis for preventing and countering corruption were updated;
- the list was updated, as well as the functions of the responsible persons and units involved in the process of receiving, reviewing appeals coming to the Trust Line;
- the list of criteria limiting the consideration of appeals received on the Trust Line is updated.

The Regulation of the commissions for compliance with the norms of corporate ethics and the settlement of the conflict of interests of PJSC RusHydro (Order No. 934 of December 29, 2013) was developed and put into effect defining the tasks, powers, types, and procedures for the establishing and functioning of an Ethics Commissions and the order of their interaction.

In addition, in order to ensure a unified approach to the organisation of anti-corruption activities in RusHydro Group, local regulatory acts were implemented in the field of counteracting corruption and resolving a conflict of interests similar to the local regulatory acts of PJSC RusHydro in the controlled entities of PJSC RusHydro.

PJSC RusHydro provides full-time assistance to law enforcement, controlling, and supervisory authorities in carrying out inspections and requests for information on the compliance of PJSC RusHydro with anti-corruption legislation, including the preservation and transfer of documents and information to these authorities that contain data on corruption offenses, when investigating the facts of corruption, while conducting inspections of the Company's activities on preventing and combating corruption.

Ensuring openness and accessibility of information (102-17)

On the official website and the internal portal of PJSC RusHydro can be accessed updated information:

- on the local regulatory acts adopted in the Company for combating corruption, preventing illegal actions and conflicts of interest;
- plans and reports on the implementation of the activities of the Comprehensive Programme of Anti-Corruption Activities;
- information materials, current regulatory legal acts, methodological materials on combating corruption.

At PJSC RusHydro, the Trust Line (<http://www.rushydro.ru/form/>) is on an ongoing basis an accessible communication channel for calls from employees of RusHydro Group and third parties (including anonymous ones) on countering fraud and corruption, suppression of unlawful actions and conflicts of interest, the improvement of the activities of the organisations of the Group.

Intracorporate communications

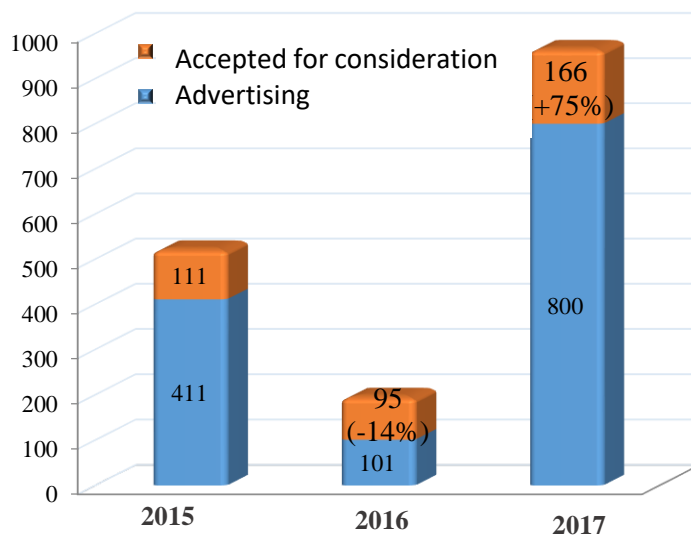
To improve the effectiveness of interaction between members of the work team, to accelerate information exchange within the organisation, to shape and disseminate corporate values of the company, to promptly inform employees about events, the intranet portal my.rushydro.ru was created and is maintained. The portal publishes news, regulatory and administrative documents of the Company, provides information and useful information for employees, as well as information on the availability of vacancies in the Group, while various other service functions are implemented.

One of the most effective tools for internal communications of the Group is the intracorporate newspaper. The monthly edition of "Vestnik RusHydro" is a full-color edition of 16 pages, whose total circulation in 2017 was 100,000 copies. The newspaper publishes a wide range of news from all regions of its presence, reflects the activities of all the divisions of the Group. Much attention is paid to interviews with the heads of the companies of the Group and its divisions. The newspaper is distributed free of charge at all facilities of the Company. An electronic version of the newspaper was created on the website www.vestnik-rushydro.ru, which allows to expand the audience of the channel of internal communications.

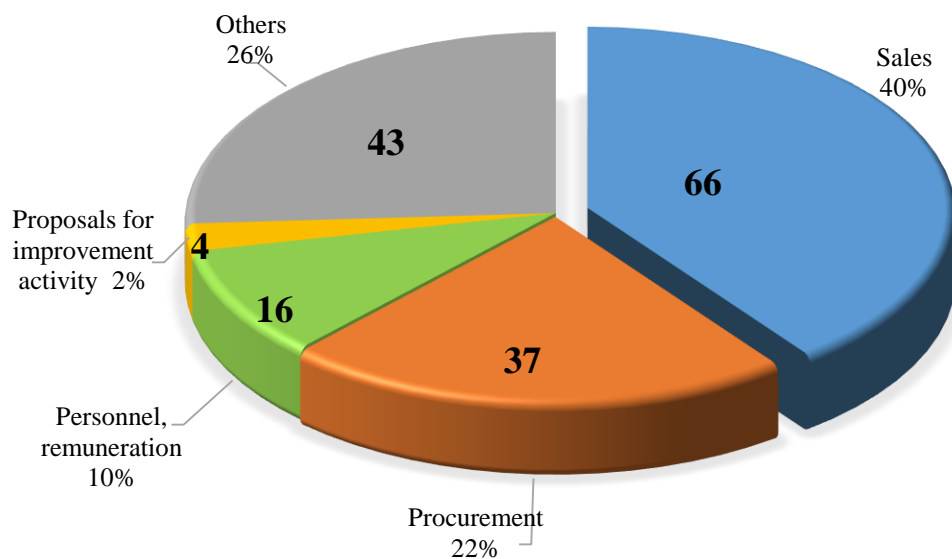
Trust Line

In 2017, 966 applications were received to the "Trust Line" of the Company. Compared to 2016, the number of applications increased 4.9 times. The main reasons for the multiple increase in the number of applications was the integration of the Company and JSC RAO ES of the East, the popularisation of the Line, as well as the growth of the applicants' trust in the communication channel. In 2017, 166 applications were considered for consideration as meeting the criteria established by local regulatory acts. The main reasons for the refusal was non-compliance with the criteria for considering appeals received by the "Line of Trust", or lack of information for feedback (letters without a return address).

Referral statistics, pc.



Based on the materials received by the "Line of Trust" in 2017, 5 service checks were initiated and completed.
Statistics of calls to the "Trust Line"



Improvement of the internal control system

Each year PJSC RusHydro updates the internal control system and implements plans to improve the internal control system, within surveys of the internal control systems of business processes of PJSC RusHydro.

Special attention is paid to the analysis of the adequacy of control procedures aimed at reducing the risks of corruption and fraud. Based on the results of the surveys, risk matrixes and control procedures are developed and updated to minimise risks.

Perfection of conditions, procedures and mechanisms of purchasing activity

Participation of representatives of PJSC RusHydro in activities on combating corruption:

- IV International GRC Forum "Anticorruption 2017. Revolutionising Values", organised by Thomson Reuters;
- Seminar of the Club of Companies on the Development of Corporate Governance with the participation of OECD representatives organised by PJSC "Moscow Exchange" and Deloitte, dedicated to the current world trends in business ethics and anti-corruption practices, as well as discussion of the state of compliance culture in Russian companies;
- All-Russian interactive action, timed to the annual International Day against Corruption, celebrated on December 9, organised by the Chamber of Commerce and Industry of the Russian Federation;
- seminar organised by the Russian Union of Industrialists and Entrepreneurs "Actualisation of mechanisms of counteraction to corruption on the example of separate business processes".

The Company regularly checks the legal entities and individuals with whom RusHydro intends to enter into financial and business relations as part of the procurement procedures, for the existence of conflicts of interest, including affiliation (interdependence) between the leaders (founders) of these organisations and employees of PJSC RusHydro.

In 2017, the Methodology for assessing the business reputation and financial status of participants in procurement procedures was updated (Order No. 246 of April 21, 2017) in the executive office and branches of JSC RusHydro.

Glossary

Company, RusHydro	PJSC RusHydro, including its branches and executive office
Combined heat and power plant	Combined heat and power plant generates electricity and useful heat at the same time
Controlled company	A legal entity that is under the direct or indirect control of a controlling person
Controlling person	A person who has the right, directly or indirectly (through the persons under his control), to dispose of by virtue of his participation in a controlled organization and (or) on the basis of trust management agreements, and (or) a simple partnership, and (or) an instruction, and (or) a share agreement, and (or) another agreement, the subject of which is the exercise of rights certified by shares (interests) of the controlled entity, more than 50 percent of the votes in the supreme management body of the controlled entity or the right to appoint (elect) a sole executive body itelny body and (or) more than 50 percent of the managerial body of the controlled entity.
Day-Ahead Market	The competitive selection of price bids of suppliers and buyers conducted by JSC "ATS" a day before the actual delivery of electricity with the determination of prices and volumes of delivery for each hour of the day
Energy Efficiency	Effective (rational) use of energy resources. Use less energy to provide buildings or manufacturing processes in production with the same level of energy
Generating companies of the wholesale electricity market	Companies formed on the basis of the power plants
Gigacalorie	A unit of measurement for heating energy
Gigacalorie-Hour	A unit of measurement for heating power
Hydropower plant	A power plant as unified production and technological complexes, combining hydro-technical constructions and equipment that transforms mechanical energy from water into electric energy. In the text of the annual report, except when otherwise noted, tidal power plants and PS HPPs are included as HPPs
Hydro-technical constructions	Dams, hydropower plant constructions, spillways, drain and water-discharge constructions, tunnels, channels, pumping stations, navigation locks, boat lifts; buildings used to protect from floods and the destruction of water reservoir shores; dam constructions, protecting the liquid waste reservoirs of production and agricultural organizations; devices that protect against washing-away and other constructions designed to use water resources and to prevent any negative impact from water and liquid waste
Integrated Energy System	Aggregated production and other electricity property assets, connected via a unified production process (including production in the form of the combined generation of electrical and heat) and the supply of electrical energy under the conditions of a centralized operating and dispatch management.
Installed capacity	Total nominal active capacity of generators at electric power plants which are part of the Group's structure
JSC RAO UES of Russia	The Russian energy company (until July 1st, 2008). Full name - Open Joint Stock Company Unified Energy System of Russia. The Company previously united almost all of Russian energy sector companies under its consolidation. JSC RAO UES of Russia ceased to exist as of June 30, 2008 as a result of a comprehensive energy sector reform
Kilowatt-Hour	A unit of measurement for produced electricity
Megawatt	A unit of measurement for electrical capacity
Pump storage hydropower plants	Pump-storage power plants, which works by transforming electricity from other power plants into the potential energy of water; during reverse transformation, accumulated energy is contributed to the energy system primarily to cover deficits that may occur during peak load periods
Renewable energy sources	Include: hydro, solar, wind, geo-thermal, hydraulic energy, energy from water currents, waves, tides, the temperature gradient of sea water, temperature differences between air masses and the ocean, heat from the Earth, animal bio-masses and vegetable and household waste
Subgroup RAO ES of the East	JSC RAO ES of the East, including its controlled companies
Subsidiaries and dependent companies	Entities, in which another (main) economic entity due to its majority or greater participation in the charter capital or in accordance with a concluded agreement or in another way, has the opportunity to determine the decisions adopted by said entities.
The RusHydro Group	PJSC RusHydro, including its controlled companies
Thermal power plant	Thermal power plant is a power plant in which heat is converted to electric power
Useful supply of electricity	Electricity received and paid for by consumers

Wholesale electricity and capacity market	Sphere for the turnover of electric energy and capacity within the framework of Russia's integrated energy system within the country's unified economic space with the participation of large electricity producers and consumers that have the status of wholesale market objects, confirmed in full accordance with the Russian Federal Law "On the electric power industry" (by the Russian Government). The criteria for including large electricity producers and consumers in the category of large producers and large consumers are also established by the Russian government
Wind electric plants	Include two or more wind energy installations designed to convert wind energy into electric energy and its transmission to consumers

List of abbreviations

PJSC RusHydro	Public joint-stock company RusHydro, including its branches and executive office
JSC RAO UES of Russia	Joint-stock company RAO Energy Systems of the East
APAC	Asian-Pacific Region
AGM	Annual General Meeting of Shareholders
BoD	Board of Directors
CHPP	Combined heat and power plant
CCA	Competitive capacity auction
CC	Controlled company(ies)
DAM	Day-Ahead Market
FEC	Fuel and Energy Complex
FEFD	Far Eastern Federal District
Gcal	Gigacalorie
Gcal/h	Gigacalorie-Hour
HPP	Hydropower plant
IES	Integrated Energy System
KPIs	Key performance indicators
kWh	Kilowatt-Hour
LTDP	Long term Development Program
MW	Megawatt
MPP	Mobile Power Plant
PS HPP	Pump storage hydropower plant
R & D	Research and development
REM	Retail energy market
RES	Renewable energy sources
SDCs	Subsidiaries and dependent companies
TPP	State District Power Plant
SPPs	Solar power plant
TPP	Thermal power plant
VNIIG	The B.E. Vedeneev All Russia Institute of Hydraulic Engineering
WECM	Wholesale electricity and capacity market
WGCs	Generating companies of the wholesale electricity market (WEM)
WPS	Wind electric plants
PJSC RusHydro	Public joint-stock company RusHydro, including its branches and executive office
JSC RAO UES of Russia	Joint-stock company RAO Energy Systems of the East
APAC	Asian-Pacific Region
AGM	Annual General Meeting of Shareholders

Tables of compliance with GRI Standard (102-55)

Disclosure	Reference	Comments
GRI 102. General Disclosures		
102-1. Name of the organization		
102-2. Activities, brands, products, and services		
102-3. Location of headquarters		
102-4. Location of operations		
102-5. Ownership and legal form		
102-6. Markets served		
102-7. Scale of the organization		
102-8. Information on employees and other workers		
102-9. Supply chain		
102-10. Significant changes to the organization and its supply chain		
102-11. Precautionary Principle or approach		
102-12. External initiatives		
102-13. Membership of associations		
102-14. Statement from senior decision-maker		
102-15. Key impacts, risks, and opportunities		
102-16. Values, principles, standards, and norms of behavior		
102-17. Mechanisms for advice and concerns about ethics		
102-18. Governance structure		
102-40. List of stakeholder groups		
102-41. Collective bargaining agreements		
102-42. Identifying and selecting stakeholders		
102-43. Approach to stakeholder engagement		
102-44. Key topics and concerns raised		
102-45. Entities included in the consolidated financial statements		
102-46. Defining report content and topic Boundaries		
102-47. List of material topics		
102-48. Restatements of information		
102-49. Changes in reporting		
102-50. Reporting period		
102-51. Date of most recent report		
102-52. Reporting cycle		
102-53. Contact point for questions regarding the report		
102-54. Claims of reporting in accordance with the GRI Standards		
102-55. GRI content index		
102-56. External assurance		
Standart elements of electric utilities sector disclosures		
EU1. Installed capacity		
EU2. Net energy output broken down by primary energy source and by regulatory regime		
EU4. Length of above and underground transmission and distribution lines by regulatory regime		
Material topics		
Long-term Development Programme Realisation of RusHydro Group		
GRI 103. Management Approach.		
Power development in the Far East		
GRI 103. Management Approach		
Investment attractiveness increase		
GRI 103. Management Approach		
Investment policy and implementation of the investment program, including the commissioning of new energy facilities and replacement of outgoing capacity		
GRI 203: Indirect Economic Impacts		
GRI 103. Management Approach		
203-1. Infrastructure investments and services supported		
203-2. Significant indirect economic impacts		
Sustainable development of electric power production, including the implementation of the Complex modernisation Program and the Technical Upgrading and Reconstruction Program		

<i>GRI 302. Energy</i>		
<i>GRI 103. Management Approach</i>		
302-1. Energy consumption within the organization		
302-3. Specific fuel consumption		
302-4. Reduction of energy consumption		
EU10. Planned capacity in comparison with the forecasted demand for electricity, broken down by energy sources and the regulatory regime		
Safety and reliability of generation facilities		
<i>GRI 103. Management Approach</i>		
The system of prevention and liquidation of natural disasters and emergencies (including floods, floods, low water levels)		
<i>GRI 103. Management Approach</i>		
Increasing operational efficiency and financial sustainability		
<i>GRI 201: Economic performance</i>		
<i>GRI 103. Management Approach</i>		
201-1. Direct economic value generated and distributed		
201-3. Defined benefit plan obligations and other retirement plans		
201-4. Financial assistance received from government		
Human resource development		
<i>GRI 404. Training and Education</i>		
<i>GRI 103. Management Approach</i>		
404-2. Programs for upgrading employee skills and transition assistance programs		
404-3. Percentage of employees receiving regular performance and career development reviews		
Ensuring decent working conditions and respect for the rights of employees		
<i>GRI 401. Employment</i>		
<i>GRI 103. Management Approach</i>		
<i>GRI 401-1. The total number of employees taken and dismissed in 2017, broken down by age group, sex and region; '[</i>		
401-2. Benefits provided to full-time employees that are not provided to temporary or part-time employees		
401-3. Parental leave		
<i>GRI 405. Diversity and Equal Opportunity</i>		
<i>GRI 103. Management Approach</i>		
405-1. Diversity of governance bodies and employees		
<i>GRI 407. Freedom of Association and Collective Bargaining</i>		
407-1. Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		
EU22. Number of people economically displaced and compensated, by type of project		
GRI 412: Evaluation of investment agreements for the observance of human rights 2016		
<i>GRI 103. Management Approach</i>		
412-3. The total number and percentage of significant investment agreements and contracts that include provisions relating to human rights issues or assessed from a human rights perspective		
Occupational safety and health at work		
<i>GRI 403. Occupational Health and Safety</i>		
<i>GRI 103. Management Approach</i>		
403-2. Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		
403-4. Health and safety topics covered in formal agreements with trade unions		
403-4. Reflection of health and safety issues in formal agreements with trade unions		
Social and economic development of regions of presence		
<i>GRI 202. Market Presence</i>		
<i>GRI 103. Management Approach</i>		
202-1 Ratios of standard entry level wage by gender compared to local minimum wage		
Information openness and transparency		
<i>GRI 205. Anti-corruption</i>		The RusHydro Group does not consolidate the information on the number of units
<i>GRI 103. Management Approach</i>		
205-3. Confirmed incidents of corruption and actions taken		

		assessing the risks associated with corruption
Implementation of PJSC RusHydro Environmental Policy		
<i>GRI 303. Water</i>		
<i>GRI 103. Management Approach</i>		
303-1. Water withdrawal by source		
303-2. Water sources significantly affected by withdrawal of water		
<i>GRI 304. Biodiversity</i>		
<i>GRI 103. Management Approach</i>		
304-1. Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
304-2. Significant impacts of activities, products, and services on biodiversity		
304-3. Habitats protected or restored		
304-4. IUCN Red List species and national conservation list species with habitats in areas affected by operations		
<i>GRI 305. Emissions</i>		
<i>GRI 103. Management Approach</i>		
305-1. Direct (Scope 1) GHG emissions		
305-4. GHG emissions intensity		
305-5. Reduction of GHG emissions		
305-7. Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		
<i>GRI 306. Effluents and Waste</i>		
<i>GRI 103. Management Approach</i>		
306-1. Water discharge by quality and destination		
306-2. Waste by type and disposal method		
306-4. Transport of hazardous waste		
306-5. Water bodies affected by water discharges and/or runoff		

Tables of compliance with IIRC Integrated Reporting Framework (<IR>)

1. The reflection in the report of the fundamental concepts of <IR>	
Fundamental concepts	Use/ do not use
Creating value for the organization and stakeholders	
Capitals	
Value creation	
2. Conformity of the report with the core principles of the <IR>Standard	
Leading principles	Corresponds / does not correspond
Strategic focus and future orientation	
Connectivity of information	
Stakeholder relationships	
Materiality	
Conciseness	
Reliability and completeness	
Constancy and comparability	

3. The presence in the report of the content elements of the <IR>		
Content elements	Report section	Page
Organization overview and external environment		
Management		
Business model		
Risks and opportunities		
Strategy and resource allocation		
Performance		
Outlook		

List of appendices

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Appendix № 3. Information on participation in other organizations

3.1 Information concerning all forms of the company's participation in commercial entities including its objectives, form and financial involvement, basic data on the entities (main statutory activities, earnings, profit), and efficiency indicators, in particular, the amount of dividends received for the owned shares in the reported period

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Feedback form

Dear reader! You have read with the annual report of PJSC RusHydro, addressed to a wide range of stakeholders. The opinion of the readers - those for whom the report was created, it is extremely important to us. We would be grateful if you will contribute to the quality of the Group's reporting by answering the questionnaire.

When completing the application form please note that PJSC RusHydro also annually publishes a report on sustainable development and of the accounting information located there.

The completed form can be sent to the address: 127006, Moscow, ul. Malaya Dmitrovka, 7, or by fax: +7 (495) 225-37-37 (marked "The Department for Corporate Governance and Property Management"), or by e-mail corpupr@rushydro.ru.

1. Rate the report using the criteria "Completeness and relevance of information"

<input type="checkbox"/>	Excellent
--------------------------	-----------

<input type="checkbox"/>	Good
--------------------------	------

<input type="checkbox"/>	Satisfactory
--------------------------	--------------

<input type="checkbox"/>	Unsatisfactory
--------------------------	----------------

2. Does the report allowed us to obtain the necessary information about the Company?

<input type="checkbox"/>	Yes
--------------------------	-----

<input type="checkbox"/>	No
--------------------------	----

Other

(comments)

3. What sections of the report, which proved to be most meaningful and useful for you:

4. What topics do you think should be included in the next report:

5. Your advice and additional comments:

6. Indicate which stakeholder category you belong to:

☐

RusHydro Group Employees

☐

Shareholder / Investor

☐

The customer / user (the subject of the retail market)

☐

The representative of the public authorities

<input type="checkbox"/>	The representative of the professional community or NPO	<input type="checkbox"/>	The representative of local communities in the presence regions
<input type="checkbox"/>	Media representative	<input type="checkbox"/>	Representatives of universities and other educational
<input type="checkbox"/>	Business partner / contractor / supplier	<input type="checkbox"/>	Other (specify)

Contacts

Full name	“Public Joint Stock Company Federal Hydro-Generating Company – RusHydro” (102-1)
Full name	Public Joint-Stock Company Federal Hydro-Generating Company – RusHydro
Abbreviated name	PJSC RusHydro
OGRN	1042401810494
INN	2460066195
KPP	246601001
OKPO	75782411
OKVED	35.11.2
Number and date of issue of the certificate of state registration as a legal entity	1042401810494 26.12.2004
Main activity	35.11.2 Production of electricity by hydroelectric power plants (102-2)
Information about the listing of strategic enterprises and strategic joint-stock companies	Presidential Decree of 21.05.2012 No.688 PJSC RusHydro on the list of strategic enterprises and strategic joint-stock companies, approved by Presidential Decree of August 4, 2004 N 1009 "On approval of the list of strategic enterprises and strategic joint-stock companies
Location	43 Dubrovinskogo Street, Bldg 1, Krasnoyarsk, the Krasnoyarsk Region, Russia, 660017 (102-3)
Mailing address	7 Malaya Dmitrovka Street, Moscow, Russia, 127006
Telephone	+7 (800) 333-8000
Fax	+7 (495) 225-3737
E-mail	office@rushydro.ru
Internet address in Russian	www.rushydro.ru
Internet address in English	www.eng.rushydro.ru
Bank Details	
Current account	4070281043809 0001390
Bank	PJSC Sberbank, Moscow, Russia
BIC	044525225
Correspondence account:	3 30101810400000000225
Shareholder relations	
Hotline Telephone	+7 (800) 200-6112 (the call is free for all regions residents of Russia)
E-mail	divid@vtbreg.ru
Corporate Governance and Property Management Department, Corporate Secretary	Kovaleva Natalya Gennadievna
Telephone	+ 7 (800) 333-80-00 add. 1025
E-mail	corpupr@rushydro.ru
Registrar	
Full name	Joint Stock Company VTB Registrar
Abbreviated name	VTB Registrar
Location	127015, Moscow, Pravda st., 23
Mailing address	127137, Moscow, PO Box 54
Telephone	+7 (495) 787-44-83
Fax	+7 (495) 787-44-83
E-mail	info@vtbreg.ru
Internet address in Russian	http://www.vtbreg.ru
License No	№ 045-13970-000001 by 02/21/2008
Investor relations	
IR Department	Ahmedjanov Timur Gumyarovich
Telephone	+7 (800) 333-8000 add. 1607
E-mail	ir@rushydro.ru
Media relations	
Director of the Corporate Communications Department	Nagora Margarita Georgievna
Telephone	+7 (800) 333-8000, add. 4369
E-mail	press@rushydro.ru
Depository Bank (Depository Receipt)	
Full name	The Bank of New York Mellon (New York City)

	Olena Smirnova
Telephone	+1 212 815 2510
E-mail	olena.smirnova@bnymellon.com
Depository (bonds)	
Full name	National Settlement Depository
Abbreviated name	NSD
Location	12 Spartakovskaya St., Moscow, Russia, 105066
Telephone	+7 (495) 234-48-27
Fax	+7 (495) 956-09-38
E-mail	bonds@nsd.ru
Internet address in Russian	www.nsd.ru
Auditor	
Full name	Closed Joint Stock Company PricewaterhouseCoopers Audit
Abbreviated name	CJSC PwC Audit
Location	10 Butyrsky Val Street, Moscow, Russia, 125047
Telephone	+7 (495) 967-6000
Fax	+7 (495) 967-6001
E-mail	psc.russia@ru.pwc.com
Internet address	www.pwc.ru
Contact persons on the preparation of the report (102-53)	
Full name	Novgorodtsev Anton Yurievich
Duty	Head of the Equity and Disclosure Department of the Corporate Governance and Property Management Department
Telephone	+7 800 333 8000
E-mail	NovgorodtsevAYu@rushydro.ru
Full name	Shamne Anna Alexandrovna
Duty	Senior expert of the Equity and Disclosure Department of the Corporate Governance and Property Management Department
Telephone	+7 800 333 8000
E-mail	ShamneAA@rushydro.ru

APPENDICES

TO

2017 ANNUAL REPORT

PJSC RusHydro

Translation from Russian original

**(In the case of inaccuracies, ambiguities and other contradictions, the
Russian version is in priority)**

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Appendix № 1. Information on compliance with the Russian Corporate Governance Code

Hereby the Board of Directors of PJSC “RusHydro” announces the observance of the principles of corporate governance enshrined in the corporate governance Code and the reasons of partially observance and non-observance the particular principles of the Russian Corporate governance Code.

PJSC “RusHydro” partially observe the following principles of the Corporate Governance Code

1.1.6 The procedure established by the company for the conduct of the general meeting provides an equal opportunity for all persons present at the meeting to express their opinion and ask questions of interest to them regarding the presence of all candidates for the company's management and control bodies at the meeting of shareholders of the company.

1.2.4. The Company shall strive to exclude the use by shareholders of other ways of generating profit (income) at the expense of the company, in addition to dividends and liquidation value in relation to the establishment of control mechanisms in internal documents that ensure the timely identification and procedure for approving transactions with persons affiliated with significant shareholders (persons who have the right to dispose of votes falling on voting shares), in cases where the law does not formally recognize such transactions as interested party transaction.

2.3.1 Only persons having an impeccable business and personal reputation and possessing the knowledge, skills and experience necessary for making decisions within the competence of the Board of Directors and required for the effective performance of its functions are elected by the members of the Board of Directors in the evaluation of candidates to the Board of Directors from the point of view of having the necessary experience, knowledge, business reputation, lack of conflict of interests.

2.3.2 Members of the Board of Directors of the company are elected through a transparent procedure that allows shareholders to obtain information about candidates sufficient to form a view of their personal and professional qualities regarding the provision to shareholders of the results of the evaluation of candidates for the Board of Directors.

2.3.3. The composition of the Board of Directors is balanced, including by the qualifications of its members, their experience, knowledge and business qualities, and enjoys the trust of shareholders in evaluating the work of the Board of Directors, including an analysis of the Board's needs in terms of professional qualifications, experience and business skills.

2.3.4 The quantitative composition of the Board of Directors of the company enables to organize the activity of the Board of Directors in the most efficient manner, including the possibility of forming committees of the Board of Directors, and also provides for significant minority shareholders of the company the opportunity to elect a candidate to the Board of Directors for which they vote in terms of evaluating the work of the Board of Directors and consideration by the Board of Directors of the issue of compliance of the quantitative composition of the Board of Directors with the needs of the company and the interests of shareholders.

2.5.2 The Chairman of the Board of Directors ensures a constructive atmosphere for holding meetings, free discussion of issues on the agenda of the meeting, monitoring the implementation of decisions taken by the Board of Directors in assessing the work of the Chairman of the Board of Directors.

2.6.1 The members of the Board of Directors make decisions taking into account all available information, in the absence of a conflict of interest, taking into account the equal treatment of the shareholders of the company, within the usual business risk in terms of fixing in internal documents the obligation to abstain from voting on any issue in which a member The Board of Directors has a conflict of interest.

2.6.3 The members of the Board of Directors have sufficient time to fulfill their duties in terms of evaluating the work of the Board of Directors (which took into account the individual attendance of meetings of the Board and committees, as well as the time devoted to preparing for participation in meetings).

2.6.4 All members of the Board of Directors equally have access to documents and information of the company. The newly elected members of the Board of Directors shall be provided, as soon as possible, with sufficient information about the company and the work of the Board of Directors regarding the right of access of members of the Board of Directors to the documents of the controlled companies and the program of familiarization activities for the newly elected members of the Board of Directors.

2.8.5 The composition of the committees is defined in such a way that it allows for a comprehensive discussion of the pre-examined issues, taking into account the different views regarding the chairmanship of the committees by independent directors.

2.9.1 The evaluation of the quality of the work of the Board of Directors is aimed at determining the degree of effectiveness of the work of the Board of Directors, committees and members of the Board of Directors, their work compliance with the needs of the company's development, revitalization of the work of the Board of Directors and identification of areas in which their activities can be improved in terms of performance evaluation. The Board of Directors and its committees, as well as reviewing the results of the evaluation at a full-time meeting.

6.3.1 The provision of information and documents by the company at the request of shareholders is carried out in accordance with the principles of fairness and ease in the part of providing shareholders with access to information on entities controlled by the company.

7.1.1 Significant corporate actions include the reorganization of the company, the acquisition of 30 percent or more of the company's voting shares

7.1.2 The Board of Directors plays a key role in making decisions or recommending significant corporate actions, the Board of Directors relies on the position of independent directors of the company regarding statements by independent directors about their position on significant corporate actions prior to their approval.

7.1.3 In the event of substantial corporate actions affecting the rights and legitimate interests of shareholders, equal conditions are provided for all shareholders of the company, and in the event that the mechanisms provided for by law are not sufficient to protect the rights of shareholders, additional measures that protect the rights and legitimate interests of the shareholders of the company. At the same time, the company is guided not only by compliance with the formal requirements of the legislation, but also by the principles of corporate governance set out in the Code in terms of establishing in the Charter minimum criteria for classifying transactions of the company to significant corporate actions.

7.2.1 Information on the performance of material corporate actions is disclosed with an explanation of the reasons, conditions and consequences of the commission of such actions in terms of disclosure of information on significant corporate actions of the company, including the grounds and timing of such actions.

7.2.2 The rules and procedures related to the implementation by the company of significant corporate actions are fixed in the internal documents of the company with regard to fixing in the internal documents a rule on engaging an appraiser to determine the value of property alienated or acquired under a major transaction or interested party transaction and for the acquisition cost estimation and redemption of the company's shares, as well as expanding the list of grounds on which members of the Board of Directors of the company and other persons provided by law recognize as being interested in transactions of the Company.

PJSC “RusHydro” does not observed the following principles of the Corporate Governance Code

2.4.3. Independent directors comprise not less than one third of the elected members of the Board of Directors in terms of the composition of the Board of Directors.

2.4.4. Independent directors play a key role in preventing internal conflicts in Company and in committing to the company significant corporate actions regarding the evaluation by independent directors of significant corporate actions related to a possible conflict of interest and providing the Board of Directors with the results of such an assessment.

2.7.4 Decisions on the most important issues of the company's activities are taken at a meeting of the Board of Directors by a qualified majority or by a majority of all elected members of the Board of Directors regarding the decision on the most important issues set forth in Recommendation 170 of the Code, by a qualified majority, at least three quarters , or by a majority vote of all elected members of the Board of Directors.

Detailed information on the compliance of PJSC “RusHydro” with the principles and recommendations of the Corporate Governance Code recommended for use by the Bank of Russia is provided in the table on "Compliance with the principles and recommendations of the Corporate Governance Code".

A brief description of the most significant aspects of the model and practice of corporate governance in the Company, a description of the methodology by which the Company assessed the compliance with corporate governance principles enshrined in the Corporate Governance Code recommended by the Bank of Russia, as well as planned (proposed) actions and activities of the Company to improve the model and practice corporate governance with an indication of the timing of the implementation of such actions and activities is provided in Chapter 3 of this Annual Report .

The Company issues internal documents and corporate governance practices of the Company in accordance with the provisions of the Code of the Company. Thus, the Company respects the fundamental principles and recommendations of the Code.

The reasons for the difference in some provisions of the Company's Corporate Governance Code from the principles of the recommendations of the Corporate Governance Code recommended by the Bank of Russia: the inapplicability of a number of provisions of the Code to the Company (for example, the absence of preferred shares). In addition, a significant amount of the novelties introduced by the Code of Corporate Governance recommended by the Bank of Russia does not allow to implement and ensure their high-quality implementation in a short time. The Company is constantly working to improve corporate governance.

Key reasons explanation, factors and (or) the circumstances due to which the Company has not complied with or complied not in full the principles of corporate governance, set out the Corporate Governance Code and description of the mechanisms and governance tools that are used by the Company in place of (substitute) recommended by the Corporate Governance Code are given below in column 7 of the table of the Report on compliance with the principles and recommendations of the Code of Corporate Governance recommended by the Bank of Russia.

The Company complies with all recommendations of the Corporate Governance Code, which are reflected in the requirements of the Moscow Stock Exchange Listing Rules, which are mandatory for issuers whose shares are in the First level of the list of securities.

Information on compliance with the Russian Corporate Governance Code

The Board of Directors confirms that the data contained in this report contains complete and reliable information on the company's compliance with the principles and recommendations of the Corporate Governance Code for 2017.

N	Corporate governance Code principles	Criteria used to evaluate whether the principle is observed	The status of compliance with the principle of corporate governance in 2017	Explanations of deviations from the evaluation criteria compliance with the principle of corporate governance in 2017
1.1	The company should ensure the equal and fair treatment of all its shareholders in the course of their exercising their rights to participate in the management of the company.			
1.1.1	The company should create the most favorable conditions possible for its shareholders, enabling them to participate in the general meetings and to develop informed positions on the issues forming its agenda, as well as providing them with the opportunity to coordinate their actions and express their opinions regarding the issues under discussion.	<p>1. The internal document of the company which regulates the procedure of convening, preparing and holding general shareholders meetings, and which was approved by the general shareholders meeting, should be available within the public domain.</p> <p>2. During the period of preparation for the meeting, the company shall establish the necessary organizational and technical conditions to ensure that shareholders may pose questions to members of the company's executive bodies and Board of directors, as well as to publicly express their opinions on the meeting's agenda items. To this end, a company with a large number of shareholders is recommended to support a special telephone line (hotline) for communication with shareholders, to establish a special email address, and to provide a forum for discussion of the meeting agenda on its website</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.1.2	Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to properly prepare themselves for participation therein.	<p>1. A notice announcing a general shareholders meeting should be published on the website of the company at least 30 days before the date of the meeting.</p> <p>2. In the message of the meeting provided the meeting venue and documents required for admission to the premises.</p> <p>3. The shareholders were provided with access to information about what the proposed issues on the agenda and who have been nominated to the Board of Directors and the auditing Commission of the company.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

1.1.3	During the preparation for and holding of the general meeting, the shareholders should be able to freely and in a timely manner receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and Board of directors, and to communicate with each other.	<p>1. During the relevant reporting period shareholders should be provided with an opportunity to pose questions to members of the company's executive bodies and Board members before and during the annual general meeting.</p> <p>2. The materials set out the positions of the Board of Directors regarding the general meeting's agenda, as well as dissenting opinions of Board members on each item therein. Such materials are recommended for inclusion into the minutes of a meeting of the Board of Directors where such opinions have been expressed.</p> <p>3. The company is recommended to provide those shareholders who are entitled to review the list of persons authorized to participate in the meeting with the opportunity to review it starting from the date when the company receives such information.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.1.4	There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda.	<p>1. The shareholders have the opportunity to propose items to be included in the agenda of its annual general meeting within a 60-day period following the end-date of the respective calendar year.</p> <p>2. If there are typos and other insignificant flaws in shareholder proposals, it is not recommended that the company refuse to include these proposals on the agenda or refuse to allow the proposed candidate to claim his/her place on the list of nominees for election as long as the contents of the proposal as a whole are sufficient to determine the will of the shareholder and to confirm his right to submit the proposal.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.1.5	Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way.	1. To rule out any abuse, the company should include in its internal documents a provision whereby a person filling out a voting ballot may, until the end of the general meeting, request that a copy of the ballot filled out thereby be certified by the company's counting commission (or representatives of the registrar who carry out the functions of such counting commission).	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

1.1.6	<p>Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.</p>	<p>1. The general meeting should be conducted in such a way as to enable the shareholders to make informed and reasoned decisions on all matters on the agenda. In order to do so, a sufficient time for reports on the agenda should be provided and there should be sufficient time to discuss these issues.</p> <p>2. The company should invite candidates nominated to its Board of directors and internal audit commission to attend the respective general meeting (and such candidates are recommended to attend the same) so that shareholders will be able to ask them questions and make their judgments about such candidates.</p> <p>3. The Board of Directors considered the use of telecommunication systems to provide the shareholders with remote access to their general meetings (for example, by broadcasting its proceedings via the company's website or by using video conferencing).</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>P.1 is fully observed. P.2 and p.3 are partially observed. With regard to paragraphs 2, the Company provides the following explanations:</p> <p>P.2.7. The Regulation on the procedure for convening and holding the General Meeting of Shareholders of the Company provides for the right to attend the meeting of persons included in the list of candidates for election to the management and control bodies of the Company.</p> <p>In practice, at the annual general meeting of shareholders in 2017, there were individual members of the Board of Directors, including the Chairman of the Board of Directors, individual members of the Audit Commission.</p> <p>In addition, invitations to participate in the Assembly were sent to all candidates for administrative and control bodies.</p> <p>Deviation from compliance with this recommendation is due to the fact that the Company can not provide the mandatory attendance at each shareholders' meeting of all candidates for administration and control without exception for various reasons (production, organizational, personal circumstances of each candidate). In practice, holding a meeting of shareholders of the Company, candidates to the Board of Directors who were not previously elected to the Board of Directors are usually present at the shareholders' meetings, and shareholders have an actual opportunity to ask them questions.</p> <p>The Company intends to strive in the future to maximum full compliance with this recommendation of the Code.</p> <p>With respect to paragraphs 3, the Company provides the following explanations:</p> <p>The Board of Directors, while taking decisions related to the preparation and conduct of general meetings of shareholders, has not yet considered the issue of using telecommunications to provide shareholders remote access to participate in general meetings. However, during the annual general meeting of shareholders held on 26.07.2017, the Company conducted a live video broadcast of this meeting on a corporate website on the Internet.</p> <p>In this regard, non-compliance with this rule has a formal procedural nature in which the achievement of the goal to</p>
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				<p>which the norm is directed is achieved.</p> <p>When preparing the annual general meeting of shareholders in 2018, the Board of Directors of the Company will consider the issue of using telecommunications to provide remote access to shareholders for participation in the meeting.</p>
1.2	Shareholders should have equal and fair opportunities to participate in the profits of the company by means of receiving dividends.			
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	<p>1. The company has developed and disclosed its dividend policy approved by the Board of Directors.</p> <p>2. If the dividend policy of the company utilizes indicators from the financial statements of the company to determine the size of the dividend, the relevant provisions of the dividend policy should include the consolidated indicators of financial statements.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.2.2	The company should not make a decision on the payment of dividends if such decision, without formally violating limits set by law, is nevertheless unjustified from the economic point of view and might lead to the formation of false assumptions about the company's activity.	1. The dividend policy of the company should contain clear indications of financial/economic circumstances which prohibit the company from paying dividends.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders.	1. The company has not taken any actions which would allow for the deterioration of dividend rights of existing shareholders in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.2.4	The company should strive to rule out any means through which its shareholders can obtain profit or gain at the company's expense other than dividends and distributions of its liquidation value.	1. The company has established appropriate control mechanisms in its internal documents to prevent its controlling persons from deriving a profit (income) from the company in ways other than dividends or liquidation value. Internal documents of the company contain provisions establishing control mechanisms for timely identification and approval of transactions with affiliated	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>During the year 2017, the Company had three significant shareholders:</p> <ul style="list-style-type: none"> - Russian Federation (controlling shareholder); - Gazprombank (Joint Stock Company) and VTB Bank (PJSC) are shareholders owning over 5% of the Company's shares.

		parties and major shareholders (persons entitled to control votes attached to voting shares) in cases when the law does not formally recognize these transactions as interested-party transactions.		<p>At the same time, in April 2017, Gazprombank reduced its shareholding below 5% and ceased to be a significant shareholder.</p> <p>In the Company, there are practices of identifying conflicts of interest when concluding contracts. Also, there are mechanisms for disclosing the beneficiaries of counterparties established by the Company's LNA when concluding contracts.</p> <p>In addition, the conclusion of contracts by both the Company and the controlled companies is carried out in accordance with the regulated procurement procedures.</p> <p>Despite the fact that the Company considers current practices and regulatory documents sufficient to exclude the facts of providing "to other shareholders" other ways of obtaining profit (income) at the expense of the company ", the Company plans to consider the issue of introducing additional norms into internal documents in 2018.</p>
1.3	The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders. Equal treatment should be unilateral and beyond dispute.			
1.3.1	The Company has created the conditions for a fair treatment to every shareholder on the part of management bodies and controlling persons of the company, including conditions to ensure that abuses by large shareholders against minority shareholders.	1. During the reporting period the procedures adopted for management of potential conflict between major shareholders were effective, and the Board of Directors paid sufficient attention to conflicts, if any, between shareholders.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.3.2	The Company should not perform any acts which would or could result in artificial reallocation of corporate control therein.	1. There were no quasi-treasury shares or they did not participate in voting during the course of the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.4	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.			
1.4	The shareholders should be	1. The quality and reliability of the work performed by the	<input checked="" type="checkbox"/> observed	

	provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	registrar of the company answers the requirements of the company and its shareholders.	<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1	The Board of Directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions.			
2.1.1	The Board of Directors should be responsible for decisions to appoint and remove members of executive bodies, including taking action in response to failure of the latter to properly perform their duties. The Board of Directors should also guarantee that the company's executive bodies act in accordance with an approved development strategy and the main business goals of the company.	<p>1. According to the charter of the company, the Board of Directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of executive bodies of the company.</p> <p>2. During the reporting period the Board heard reports of the one-person executive body and members of the collective executive body on the implementation of the strategy, with particular attention to conformity with the company's performance in targeting indicators set forth by the company's strategy.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>In accordance with the Company's Charter, the terms of the contract of the sole executive body are determined by the Board of Directors or by a person authorized by the Board of Directors to sign an employment contract. At the same time, the competence of the Board of Directors includes the authority to approve the Policy on Remuneration and Compensation of Members of the Executive Bodies.</p> <p>Terms of contracts with members of the Management Board are determined by the sole executive body on the basis of the policy on compensation and reimbursement of expenses (compensation) of members of executive bodies approved by the Board of Directors.</p>
2.1.2	The Board of Directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	1. During the reporting period the Board of Directors has reviewed matters related to the status of execution of the strategy of the company, approval of its financial plan (budget) and the review of criteria and indicators (including interim) pertaining to the execution of the strategy and business plans of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1.3	The Board of Directors should determine principles of and approaches to creation of the risk management and internal control	1. The Board of Directors has determined the principles and approaches to creation of the risk management and internal control system in the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

	system in the company.	2. The Board of Directors has evaluated the risk management and internal control system during the reporting period.		
2.1.4	The Board of Directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its Board members, members of its executive bodies and other key managers.	<p>1. The company has developed and implemented a policy (policies) on remuneration and/or reimbursement of costs incurred by its Board members, members of executive bodies and other key managers. This policy (policies) was approved by the Board of Directors.</p> <p>2. During the reporting period the Board of Directors reviewed matters related to the indicated policy (policies).</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to items 1,2, the Company provides the following explanations:</p> <p>As the category of "key executives" has not been determined and approved by the Board of Directors, the Board of Directors did not approve the Policy on compensation and reimbursement of expenses (compensation) by the Board of Directors.</p> <p>The policy on remuneration and reimbursement of expenses (compensation) of all employees of the Company is determined taking into account the principles of the policy on compensation and reimbursement of expenses (compensation) to members of the executive bodies of the company, approved by the Board of Directors.</p>
2.1.5	The Board of Directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	<p>1. The Board of Directors plays a key role in prevention, detection and resolution of internal conflicts</p> <p>2. The company has created a system of identification of transactions related to a conflict of interest and a system of measures intended to resolve such conflicts.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1.6	The Board of Directors should play a key role in ensuring that the company is transparent, discloses information in full and in due course, and provides its shareholders with unhindered access to its documents.	<p>1. The Board of Directors has approved a regulation on information policy.</p> <p>2. The company has appointed persons in charge of the implementation (enforcement) of the information policy.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1.7	The Board of Directors should monitor the company's corporate governance practices and play a	1. During the reporting period the Board of Directors reviewed the corporate governance practices in the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	

	key role in its material corporate events.		<input type="checkbox"/> not observed	
2.2	The Board of Directors should be accountable to the company's shareholders.			
2.2.1	Information about the Board of Directors' work should be disclosed and provided to the shareholders.	<p>1. The annual report of the company for the reporting period contains information regarding the directors' attendance at Board and committee meetings.</p> <p>2. The annual report contains information about the key results of the evaluation of the work of the Board of Directors in the reporting period.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.2.2	The chairman of the Board of Directors must be available to communicate with the company's shareholders.	1. In the company there is a transparent procedure that provides the shareholders the opportunity to send the Chairman of the Board of Directors issues and their position on them.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.3	The Board of Directors should be an efficient and professional governing body of the company which is able to make objective and independent judgments and pass resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons with impeccable business and personal reputation should be elected to the Board of Directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the Board of Directors and to perform all such functions efficiently.	<p>1. The performance assessment procedure for the Board of Directors adopted in the company includes the evaluation of professional qualifications of Board members.</p> <p>2. In the reporting period, the Board of Directors (or its nominations committee) evaluated candidates nominated to the Board in terms of their experience, knowledge, business and personal reputation, absence of conflicts of interest etc.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>P. 1 is fully observed. P. 2 is partially observed. With regard to paragraph 2, the Company provides the following explanations: In 2017, the Personnel and Remuneration Committee (nominations) was assessment of candidates to the Board of Directors from the point of view of their independence. The evaluation of the candidates to the Board of Directors in terms of having the necessary experience, knowledge, business reputation, and lack of conflict of interest was not conducted due to the fact that the list of candidates to the Board of Directors for the annual General Meeting of Shareholders in 2017 fully corresponded to the one in effect in 2016-2017 corporate year to the composition of the Board of Directors, which was known to the shareholders of the Company. In order to implement the recommendations of the Code in 2018, the Committee on staff and remunerations (nominations) will assess the candidates to the Board of Directors in terms of having the</p>

				necessary experience, professional qualifications, knowledge, business reputation and the results of such an assessment will be presented to shareholders as part of the materials of the annual general meeting of shareholders.
2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. Biographical data on all candidates nominated to the Board of Directors, and the results of the evaluation of such candidates conducted by the Board of Directors (or its nominations committee), information regarding the candidate's conformity with independence criteria in accordance with recommendations 102-107 of the Code, and the candidates' written consent to be elected to the Board, were provided to shareholders in preparation for all meetings where the election of Board members was on the agenda.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>When electing the members of the Board of Directors at the General Meeting, the Company provided biographical data to the shareholders, information on compliance with their independence criteria and information on the written consent of candidates for election to the Board of Directors. Information on the evaluation of candidates from other points of view was not provided, since such an assessment was not carried out separately for each of the candidates in 2016 for the reasons indicated in p. 2.3.1. of this report.</p> <p>Information on the evaluation of candidates in terms of having the necessary experience, professional qualifications, knowledge, business reputation will be provided to shareholders in preparation for the Annual General Meeting of Shareholders in 2018.</p>
2.3.3	The composition of the Board of Directors should be balanced, in particular in terms of qualifications, expertise, and the business skills of its members. The Board of Directors should enjoy the confidence of the shareholders.	1. During the procedure of assessment of the work of the Board of Directors conducted in the reporting period, the Board analyzed its composition in terms of qualifications and expertise of its members.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>In the reporting period, the work of the Board The external evaluation of the work of the Board of Directors was not carried out in the reporting period, due to the fact that the composition of the Board of Directors elected in 2017 fully corresponds to the previous composition of the Board of Directors elected in 2016. At the same time in March 2018. an independent consultant</p>

				<p>(PricewaterhouseCoopers Advisory) was selected, including for an external evaluation of the work of the Board of Directors for 2017. The subject of this evaluation includes the evaluation of the members of the Board of Directors.</p> <p>In addition, the Russian Institute of Directors (NP RID), attracted by the Company on a regular basis, in assigning the corporate governance rating in 2017, assessed the practice of corporate governance within the component of the "Management and Control Activities" component - one of the four key components being evaluated in rating evaluation. More information is available on the Company's website (http://www.rushydro.ru/corporate/rating/national_rating/2017/) Also, in 2017, the procedure for evaluating the activities of the Board of Directors was carried out to determine the contribution of representatives of the Russian Federation to the activities of the Company, taking into account its development strategy. The valuation was conducted in accordance with the methodology approved by Federal Property Management Agency for the individual evaluation of members of the Board of Directors of joint-stock companies with state participation.</p> <p>The report on the results of the independent external evaluation is planned for consideration by the Board of Directors in the 2nd quarter of 2018.</p>
2.3.4	<p>The membership of the Board of Directors of the company must enable the Board to organize its activities in the most efficient way possible, in particular, to create committees of the Board of Directors, as well as to enable substantial minority shareholders of the company to put forth a candidate to the Board of Directors for whom they would vote.</p>	<p>1. During the procedure of assessment of the work of the Board of Directors conducted in the reporting period, the Board of Directors analyzed the conformity of its membership to the needs of the company and its shareholders.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>The external evaluation of the work of the Board of Directors was not carried out in the reporting period, due to the fact that the composition of the Board of Directors elected in 2017 fully corresponds to the previous composition of the Board of Directors elected in 2016.</p> <p>At the same time in March 2018, an independent consultant (PricewaterhouseCoopers Advisory) was selected, including for an external evaluation of the work of the Board of Directors for 2017. The subject of this evaluation includes the evaluation of the members of the Board of Directors.</p> <p>In addition, the Russian Institute of Directors (NP RID), attracted by the Company on a regular basis, in assigning the corporate governance rating in 2017, assessed the practice of corporate governance within the component of the "Management and Control Activities" component - one of the</p>

				<p>four key components being evaluated in rating evaluation. More information is available on the Company's website (http://www.rushydro.ru/corporate/rating/national_rating/2017/) Also, in 2017, the procedure for evaluating the activities of the Board of Directors was carried out to determine the contribution of representatives of the Russian Federation to the activities of the Company, taking into account its development strategy. The valuation was conducted in accordance with the methodology approved by Federal Property Management Agency for the individual evaluation of members of the Board of Directors of joint-stock companies with state participation.</p> <p>The report on the results of the independent external evaluation is planned for consideration by the Board of Directors in the 2nd quarter of 2018.</p>
2.4	The Board of Directors should include a sufficient number of independent directors.			
2.4.1	<p>An independent director should mean any person who has the required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.</p>	<p>1. During the reporting period all independent Board members answered all requirements of recommendations 102-107 of the Code or were deemed independent pursuant to a decision of the Board of Directors.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	

2.4.2	It is recommended to evaluate whether candidates nominated to the Board of Directors meet the independence criteria as well as to review, on a regular basis, whether or not independent Board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	<p>1. During the reporting period the Board of Directors (or its nominations committee) issued an opinion regarding the independence of each candidate nominated to the Board and provided the shareholders with the appropriate conclusion.</p> <p>2. At least once in the reporting period the Board of Directors (or its nominations committee) evaluated the independence of current members of the Board of Directors indicated by the company in the annual report as independent directors.</p> <p>3. The company has developed procedures indicating the actions which must be taken by a Board member once he/she ceases to be independent including their obligation to inform the Board of Directors of these circumstances in a timely fashion</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.4.3	Independent directors should account for at least one-third of all directors elected to the Board of Directors.	1. Independent directors should account for at least one-third of all directors elected to the Board of Directors.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	<p>With regard to paragraphs 1, the Company provides the following explanations:</p> <p>The number of independent members of the Board of Directors during the reporting period was less than 1/3 of the composition of the Board of Directors, due to the fact that the Company does not influence the formation of the Board of Directors since Members of the Board of Directors are elected by shareholders at the General Meeting of Shareholders.</p> <p>However, the Personnel and Remunerations Committee (nominations) considered nominees for members of the Board of Directors for independence and this information was submitted to shareholders in the composition of the Meeting.</p> <p>At the end of the reporting period, the Company had 4 independent directors (2 of which were fully independent and 2 were recognized as independent by the Board of Directors¹), which corresponds to the requirements of the Listing Rules of the Moscow Stock Exchange in terms of the number of independent directors on the board of directors.</p>

¹ The recognition of directors as independent meets the requirements set by the Moscow Stock Exchange Listing Rules, meets the requirements of the Company's Corporate Governance Code, but partially does not comply with the requirements of the Corporate Governance Code recommended by the Bank of Russia in terms of the rule that does not provide for the recognition of an independent director who has a formal relationship with the state.

				<p>In order to comply with this requirement in 2018, the Company will inform shareholders about the presence of independent candidates in the Board of Directors.</p> <p>In the event that a sufficient number of independent directors are not elected to the AGM in 2018, the Company will consider the possibility of recognizing certain directors by independent directors by decision of the Board of Directors.</p>
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (with no conflict of interest) should preliminarily review material corporate actions related to a potential conflict of interest and a document setting out the results of such evaluation should be made available as part of materials to be provided in connection with a Board meeting where a respective matter is to be considered.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>The internal documents of the Company do not fix the procedure according to which independent directors (for whom there is no conflict of interest) preliminarily assess the significant corporate actions associated with a possible conflict interests.</p> <p>However, a significant part of the issues before the consideration for consideration by the Board of Directors is considered on the Committees under the Board of Directors. The Committees include independent directors who have the opportunity to express their position regarding these issues. Decisions of committees under the Board of Directors of the Company shall be notified to the Board of Directors until the voting is started.</p> <p>During 2018, the Company will consider the possibility of consolidating all issues that meet the criteria for significant corporate actions of the Code of Corporate Governance to the competence of the Audit Committee for the purpose of forming independent directors' opinions on such actions related to a possible conflict of interests.</p>
2.5	The chairperson of the Board of Directors should help it carry out the functions imposed thereon in a most efficient manner.			
2.5.1	It is recommended to either elect an independent director to the position of chairperson of the Board of Directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors	<p>1. The chairperson of the Board of Directors is an independent director or a senior independent director who was appointed from among the independent directors.</p> <p>2. The role, rights and responsibilities of the chairperson of the Board (and, if applicable, of the senior independent director) are clearly determined in the internal documents of the Company/</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>The Company has chosen an approach to elect a senior independent director due to the fact that the Deputy Chairman of the Government of the Russian Federation - Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District Yu.P. Trutnev, who is the representative of the Russian Federation in the Board of Directors of the Company.</p>

	and liaise with the chairperson of the Board of Directors.			
2.5.2	The Board chairperson should ensure that Board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairperson should also monitor fulfillment of decisions made by the Board of Directors.	1. The performance of the chairperson of the Board of Directors was evaluated within the framework of the Board performance assessment procedure in the reporting period.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>The external evaluation of the work of the Board of Directors was not carried out in the reporting period, due to the fact that the composition of the Board of Directors elected in 2017 fully corresponds to the previous composition of the Board of Directors elected in 2016.</p> <p>At the same time in March 2018, an independent consultant (PricewaterhouseCoopers Advisory) was selected, including for an external evaluation of the work of the Board of Directors for 2017. The subject of this evaluation includes the evaluation of the members of the Board of Directors.</p> <p>In addition, the Russian Institute of Directors (NP RID), attracted by the Company on a regular basis, in assigning the corporate governance rating in 2017, assessed the practice of corporate governance within the component of the "Management and Control Activities" component - one of the four key components being evaluated in rating evaluation. More information is available on the Company's website (http://www.rushydro.ru/corporate/rating/national_rating/2017/)</p> <p>Also, in 2017, the procedure for evaluating the activities of the Board of Directors was carried out to determine the contribution of representatives of the Russian Federation to the activities of the Company, taking into account its development strategy. The valuation was conducted in accordance with the methodology approved by Federal Property Management Agency for the individual evaluation of members of the Board of Directors of joint-stock companies with state participation.</p> <p>The report on the results of the independent external evaluation is planned for consideration by the Board of Directors in the 2nd quarter of 2018.</p>

2.5.3	The chairperson of the Board of Directors should take any and all measures as may be required to provide the Board members in a timely fashion with information required to make decisions on issues on the agenda.	1. The obligation of the chairperson of the Board of Directors to take any and all measures to provide the Board members in a timely fashion with information required to make decisions is stipulated in the internal documents of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.6	Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.			
2.6.1	Acting reasonably and in good faith means that Board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	<p>1. Internal documents of the company should stipulate that if a Board member has a conflict of interest, he/ she should promptly inform the Board of Directors (through its chairman or the company's corporate secretary) both of the existence of and grounds for such conflict of interest. In any case, such notification shall be made before the issue is discussed at a meeting of the Board of Directors or by any of its committees at which such Board member is present.</p> <p>2. According to internal documents of the company, if a Board member has a conflict of interest, he/she may not take part in decision-making. He/ she should abstain from voting on any issues in which he/she has a conflict of interest.</p> <p>3. The company should provide for a procedure (and a related budget) enabling Board members to receive, at the expense of the company, professional advice on issues relating to the jurisdiction of the Board of Directors.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>P.1 is fully observed. P 2 is partially observed. P.3 is fully observed. With regard to paragraph 2, the Company provides the following explanations:</p> <p>Internal documents of the Company do not provide for a specific duty of a member of the Board of Directors not to vote on any issue in which he has a conflict of interest. However, the Code of Corporate Ethics of the Company provides for the obligation of the members of the Board of Directors to notify the Company through the Board of Directors about the existence of a conflict of interest. In practice, the members of the Board of Directors refrain from any actions that entail a conflict of interest. However, the conflict of interest is an extremely rare event. In 2017 The members of the Board of Directors did not state that they had a conflict of interest. In 2016, one case of a conflict of interest was declared in which the corresponding member of the Board of Directors abstained from voting. The Board of Directors (the date of the Board of Directors on December 28, 2017) decided to approve the introduction of appropriate amendments and to include this provision in the Regulations on the procedure for convening and holding meetings of the Board of Directors with subsequent approval of this Regulation at the AGM in 2018. Thus, after (and in the event of) approval by the annual general meeting of shareholders of the Regulations on the procedure for convening and holding meetings of the Board of Directors in a new edition, this rule will be implemented.</p>
2.6.2	Rights and duties of Board members should be clearly stated	1. The company adopted and published an internal document whereby the rights and duties of Board members	<input checked="" type="checkbox"/> observed	

	and documented in the company's internal documents.	are clearly stated.	<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.6.3	Board members should have sufficient time to perform their duties.	<p>1. Individual attendance at Board and committee meetings and time devoted to the preparation for the participation in meetings was considered during the procedure of assessment of the Board of Directors in the reporting period.</p> <p>2. In accordance with internal documents of the company, Board members should notify the company's Board of directors of their intention to take a position in management bodies of other entities and, immediately after their election (appointment) to the management bodies of such other entities, of such election (appointment).</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>P. 1 is partially observed. P.2 fully observed. With regard to paragraph 1, the Company provides the following explanations:</p> <p>The external evaluation of the work of the Board of Directors was not carried out in the reporting period, due to the fact that the composition of the Board of Directors elected in 2017 fully corresponds to the previous composition of the Board of Directors elected in 2016.</p> <p>At the same time in March 2018, an independent consultant (PricewaterhouseCoopers Advisory) was selected, including for an external evaluation of the work of the Board of Directors for 2017. The subject of this evaluation includes the evaluation of the members of the Board of Directors.</p> <p>In addition, the Russian Institute of Directors (NP RID), attracted by the Company on a regular basis, in assigning the corporate governance rating in 2017, assessed the practice of corporate governance within the component of the "Management and Control Activities" component - one of the four key components being evaluated in rating evaluation. More information is available on the Company's website (http://www.rushydro.ru/corporate/rating/national_rating/2017/) Also, in 2017, the procedure for evaluating the activities of the Board of Directors was carried out to determine the contribution of representatives of the Russian Federation to the activities of the Company, taking into account its development strategy. The valuation was conducted in accordance with the methodology approved by Federal Property Management Agency for the individual evaluation of members of the Board of Directors of joint-stock companies with state participation.</p> <p>The report on the results of the independent external evaluation is planned for consideration by the Board of Directors in the 2nd quarter of 2018.</p>

2.6.4	All Board members should have equal opportunity to access the company's documents and information. Newly elected Board members should be provided with sufficient information about the company and work of its Board of directors as soon as possible.	<p>1. In accordance with internal documents of the company, Board members are given an opportunity to obtain any and all information required to perform their duties, including information on legal entities controlled by the company. The duty of the company's officials to provide the Board members with such information is set forth by the company's internal documents.</p> <p>2. The company has a formal induction program for newly elected Board members.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>P.1 and P.2 are partially observed. With regard to paragraph 1, the Company provides the following explanations: This right is not formalized in internal documents. The Regulations on the Procedure for Convening and Holding Meetings of the Board of Directors of the Company stipulate the right of the members of the Board of Directors to request any information and documents that are necessary for making decisions on the competence of the Board of Directors. There is also a time limit of 5 working days for providing such information to a member of the Board of Directors. The Company plans to include this provision in the Regulations on the Procedure for Convening and Holding Meetings of the Board of Directors of the Company and submit this Regulation for approval by the AGM in 2018. Thus, after (and in the case of) approval at the AGM in 2018. Regulations on the procedure for convening and holding meetings of the Board of Directors in a new edition, this provision will be implemented.</p> <p>With regard to paragraph 2, the Company provides the following explanations: There is no formalized program of familiarization measures for newly elected members of the Board of Directors in the Company. Due to the fact that the list of candidates to the Board of Directors for the annual General Meeting of Shareholders in 2017 fully corresponded to the composition of the Board of Directors operating in 2016-2017, the risks associated with the lack of a program of fact-finding activities were absent. At the same time, the Company organizes interaction between the management and the Board of Directors, whose level allows to promptly respond and provide the necessary information to newly elected members of the Board of Directors for quick and informative acquaintance with the Company's activities. The procedure for the inauguration of the newly elected members of the Board of Directors was reviewed and approved by the decision of the Board of Directors (Minutes No. 263 of December 28, 2017). The draft Regulation on the procedure for convening and holding meetings of the Board of Directors of the Company (including this rule) will be submitted for preliminary approval</p>
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				<p>by the Board of Directors of the Company and subsequent approval by the annual General Meeting of Shareholders of the Company following the results of 2017.</p> <p>Thus, after (and in the case of) approval at the AGM in 2018. Regulations on the procedure for convening and holding meetings of the Board of Directors of the Company in a new edition, this provision will be implemented.</p> <p>In addition, after the new Board of Directors was elected in 2018, the Company will send an introductory course program to newly elected members of the Board of Directors.</p>
2.7	Meetings of the Board of Directors, preparation for them, and participation of Board members therein should ensure efficient work of the Board.			
2.7.1	It is recommended to hold meetings of the Board of Directors as needed, with due account of the company's scope of activities and its then current goals.	1. The Board of Directors held at least 6 meetings in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the Board of Directors and setting it out in the company's internal documents. The above procedure should enable the shareholders to prepare themselves properly for such meetings.	1. The company has an internal document in place regulating the procedure of preparation and holding of Board meetings which, inter alia, requires that the notice of a meeting must be made, as a rule, at least 5 days before the date of the meeting.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.7.3	The form of a meeting of the Board of Directors should be determined with due account of the importance of the issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person.	1. According to the charter or an internal document of the company, the most important issues (in accordance with the list provided in recommendation 168 of the Code) must be considered and decided at meetings held in person.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the Board of Directors	1. According to the charter of the company, the most important issues as described by recommendation 170 of the Code must be decided by a qualified majority vote of at least three quarters of the votes or by a majority vote of all	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>Paragraph 15.6 of the Charter of PJSC "RusHydro", providing for the adoption of items n. 23-25, 31 items 12.1. Art. 12 of the</p>

	by a qualified majority vote or by a majority vote of all elected Board members.	elected Board members.		<p>Articles of Association by a two-thirds majority of the members of the Board of Directors participating in the meeting, allows to ensure the maximum consideration of the opinions of the members of the Board of Directors.</p> <p>The introduction of this rule into the Charter can lead to the risk of not taking individual decisions in individual situations, for example, when considering issues with a minimum quorum of 7 people and having at least one vote against.</p> <p>In spite of the fact that the turnout of the Board of Directors members is usually high, and the voting as a whole is close to unanimity, it is inexpedient to create legal prerequisites for the impossibility of the Board of Directors making separate decisions. Including due to the fact that in corporate practice such changes are, as a rule, irreversible.</p> <p>In this connection, the Company does not introduce this norm into the Charter of the company in the previous periods, but is going to do that in 2019.</p>
2.8	The Board of Directors should form committees for preliminary consideration of the most important issues of the company's business.			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	<p>1. The Board of Directors formed an audit committee comprised exclusively of independent directors.</p> <p>2. The objectives of the audit committee, including the objectives listed in recommendation 172 of the Code, are determined in the internal documents of the company.</p> <p>3. At least one member of the audit committee, who is an independent director, has experience and knowledge of preparation, analysis, evaluation and audit of accounting (financial) statements.</p> <p>4. Meetings of the audit committee were held at least once every quarter during the reporting period.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	A member of the Board of Directors, Pivovarov VV, corresponds to the requirement specified in clause 3 of clause 2.8.1, since he has experience in the analysis of accounting (financial) statements.
2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent	<p>1. The Board of Directors formed a remuneration committee comprised exclusively of independent directors.</p> <p>2. The committee is chaired by an independent director who is not the Board chairperson at the same time.</p> <p>3. The objectives of the remuneration committee, including</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

	directors and chaired by an independent director who should not concurrently be the Board chairperson.	the objectives listed in recommendation 180 of the Code, are determined in the internal documents of the company.		
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the Board of Directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	<p>1. The Board of Directors formed a nominations committee (or its objectives indicated in recommendation 186 of the Code are implemented by a different committee), with a majority of its members being independent directors.</p> <p>2. The objectives of the nominations committee (or the relevant committee performing these functions) including the objectives indicated in recommendation 186 of the Code are determined in the internal documents of the company</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.8.4	Taking account of its scope of activities and levels of related risks, the company should form other committees with its Board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.	1. In the reporting period the Board of Directors considered the conformity of the composition of its committees to the objectives of the Board of Directors and of the company. Additional committees were either formed or were deemed unnecessary.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>In addition to the audit and staffing committees and remunerations (nominations), the Company has the following committees:</p> <ul style="list-style-type: none"> - on strategy; - on investments; - Reliability, energy efficiency and innovation; - on the development of energy in the Far East. <p>In spite of the fact that in the text of the decisions of the Board of Directors there was not separately noted the opinion of the Board of Directors on the compliance of the composition of its committees with the tasks of the Board of Directors and the objectives of the company's activity, this opinion was assumed in the formation of the composition of committees.</p>
2.8.5	The composition of the committees should be determined in such a way that it would allow a	<p>1. Board committees are chaired by independent directors.</p> <p>2. Given the specific nature of issues considered by the</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>P.1 is partially observed.</p> <p>P.2 is fully observed.</p> <p>With regard to paragraph 1, the Company provides the</p>

	comprehensive discussion of issues being considered on a preliminary basis with due consideration of differing opinions.	audit committee, the nominating committee and the remuneration committee, persons who are not members of the above committees can attend their meetings only at the invitation of their chairpersons.		<p>following explanations:</p> <p>In accordance with the requirements of the Company's Corporate Governance Code, committees should be headed by independent directors. The Audit Committee, the Personnel and Remuneration Committee (nominations) and the Investment Committee are headed by independent directors.</p> <p>The Committee for Reliability, Energy Efficiency and Innovation and the Committee for the Development of Energy in the Far East are narrow-profile committees, which address issues of territorial development and issues related to technical policy, reliable and safe operation of the Company's production facilities, energy conservation policies, innovative, environmental policies.</p> <p>Taking into account the specifics of the issues being considered by these committees, it is more important for the Chairman of the Committee to have more professional skills, experience in the work of the relevant Committee and other specialized knowledge.</p> <p>In connection with the above-mentioned chairmen of the respective committees, the members of the committees were elected on the basis of their professional skills and experience in the relevant field of committees in the field of activity.</p> <p>The Company plans, if it is possible, to consider the possibility of electing, in 2018, the Chairman of the Strategy Committee of an independent director.</p>
2.8.6	Committee chairpersons should inform the Board of Directors and its chairperson of the work of their committees on a regular basis.	1. During the reporting period chairpersons of Board committees presented regular reports to the Board of Directors on their activities.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.9	The Board of Directors should make an exhaustive evaluation of the quality of its work and that of its committees and Board members.			
2.9.1	Evaluation of quality of the Board of Directors' work should be aimed at determining how efficiently the Board of Directors, its committees and Board members work and whether their work meets the company's needs, as well as at making their work	<p>1. Self-evaluation or external evaluation of the work of the Board of Directors in the reporting period included the evaluation of the work of the Board committees, separate members of the Board of Directors and of the Board of Directors as a whole.</p> <p>2. The results of the self-evaluation or external evaluation of the Board of Directors in the reporting period were</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1.2, the Company provides the following explanations:</p> <p>The external evaluation of the work of the Board of Directors was not carried out in the reporting period, due to the fact that the composition of the Board of Directors elected in 2017 fully corresponds to the previous composition of the Board of Directors elected in 2016.</p> <p>At the same time in March 2018. an independent consultant</p>

	more intensive and identifying areas of improvement.	reviewed by the Board of Directors at meetings held in person		<p>(PricewaterhouseCoopers Advisory) was selected, including for an external evaluation of the work of the Board of Directors for 2017. The subject of this evaluation includes the evaluation of the members of the Board of Directors.</p> <p>However, In addition, the Russian Institute of Directors (NP RID), attracted by the Company on a regular basis, in assigning a corporate governance rating in 2017, assessed the practice of corporate governance within the component "Management and Control Activities" - one of the four key appraisable components in rating evaluation. More information is available on the Company's website (http://www.rushydro.ru/corporate/rating/national_rating/2017/) Also, in 2017, the procedure for evaluating the activities of the Board of Directors was carried out to determine the contribution of representatives of the Russian Federation to the activities of the Company, taking into account its development strategy. The valuation was conducted in accordance with the methodology approved by Federal Property Management Agency for the individual evaluation of members of the Board of Directors of joint-stock companies with state participation.</p> <p>The report on the results of the independent external evaluation is planned for consideration by the Board of Directors in the 2nd quarter of 2018.</p>
2.9.2	Quality of work of the Board of Directors, its committees and Board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the Board of Directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years	1. An external organization (consultant) was retained to evaluate the work of the Board of Directors at least once in the last three reporting periods.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
3.1	The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its Board of directors.			
3.1.1	The corporate secretary should	1. The company has adopted and disclosed an internal	<input checked="" type="checkbox"/> observed	

	have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.	document – regulation on the corporate secretary. 2. The company disclosed on its website and in its annual report information on the corporate secretary which is as detailed as that required to be disclosed in relation to Board members and members of the executive bodies of the company.	<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.	1. The Board of Directors approves the appointment, termination of appointment, and additional remuneration of the corporate secretary.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.1	The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to Board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company			
4.1.1	It is recommended that the level of remuneration paid by the company to its Board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, nor allowing for an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees.	1. The company has adopted an internal document (documents) – a remuneration policy (policies) in relation to its Board members, members of executive bodies and other key managers whereby the approaches to the remuneration of the indicated persons are clearly determined.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	With regard to paragraph 1, the Company provides the following explanations: As the category of "other key employees" is not defined and not approved by the Board of Directors, the Policy on remuneration was not approved in relation to this category of employees
4.1.2	The company's remuneration policy should be developed by its remuneration committee and approved by the Board of Directors. With the help of its remuneration committee, the Board of Directors should monitor	1. During the reporting period the remuneration committee reviewed the remuneration policy (policies) and the practice of its (their) implementation and, when necessary, provided the Board of Directors with the relevant recommendations.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	With regard to paragraph 1, the Company provides the following explanations: The company's remuneration policy was worked out by the remuneration committee and approved by the Board of Directors of the Company in 2016, it was introduced during the reporting period. During the reporting period, the remuneration

	implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.			committee presented appropriate recommendations to the Board of Directors.
4.1.3	The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the Board of Directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.	1. The remuneration policy (policies) of the company contains (contain) transparent mechanisms to be used to determine the amount of remuneration due to members of the Board of Directors, executive bodies and other key managers of the company and regulates (regulate) all types of payments, benefits and privileges provided to any of the indicated persons.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>The category of "key executives" is not defined and approved by the Board of Directors. In relation to this category of employees, the policy on compensation and reimbursement of expenses (compensations) was not approved by the Board of Directors.</p> <p>The policy on remuneration and reimbursement of expenses (compensation) for all employees of the Company is determined taking into account the principles of the policy on compensation and reimbursement of expenses (compensation) to members of the executive bodies of the company approved by the Board of Directors and contains transparent mechanisms for determining the amount of remuneration, and regulates all types of payments and benefits.</p>
4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the Board of Directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations.	1. The remuneration policy (policies) of the company or other internal documents of the company set forth the rules of reimbursement of expenses of Board members, members of executive bodies and other key managers of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>The category of "key executives" is not defined and approved by the Board of Directors, the Board of Directors did not approve the Policy on compensation and reimbursement of expenses (compensations) by the Board of Directors.</p> <p>The policy on remuneration and reimbursement of expenses (compensation) of all employees of the Company is determined taking into account the principles of the policy on compensation and reimbursement of expenses (compensation) to members of the executive bodies of the company, approved by the Board of Directors.</p>
4.2	The system of remuneration of Board members should ensure harmony between the financial interests of the directors and the long-term financial interests of the shareholders.			
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration of the Board members. It is not advisable to pay a fee for participation in	1. A fixed annual fee has been the only form of monetary remuneration of Board members for their services on the Board in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

	individual meetings of the Board of Directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of Board members.			
4.2.2	Long-term ownership of shares in the company contributes most to aligning the financial interests of Board members with the long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should Board members take part in the company's option plans.	1. If the company has a practice (policy) of paying remuneration to the Board members in the form of its shares, its policy (internal document) of remuneration payable to the Board members should set out clear and transparent rules regulating the ownership of shares by the Board members. These rules should encourage them to increase their shareholdings and own the shares on a long-term basis.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	With regard to paragraph 1, the Company provides the following explanations: Not applicable. The Company does not provide for the practice of remuneration in securities.
4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of Board members in connection with a change of control over the company or other circumstances.	1. The company does not provide for any additional allowance of compensation in the event of early dismissal of Board members in connection with a change of control over the company or other circumstances.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.3	The system of remuneration due to the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance results and their personal contributions to the achievement thereof.			
4.3.1	Remuneration due to the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.	1. In the reporting period annual key performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the company. 2. During the last evaluation of the system of remuneration of members of executive bodies and other key managers of the company the Board of Directors (remuneration committee) made sure that the company used an effective ratio between the fixed and variable remuneration.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	With regard to paragraphs 1 to 3, the Company provides the following explanations: The category of "other key executives" is not defined and approved by the Board of Directors, the Board of Directors did not approve the Policy on remuneration and reimbursement of expenses (compensation) by the Board of Directors. Annual performance indicators established by the Board of Directors, members of the executive bodies of the company, are used in determining the amount of variable remuneration for all employees of the Company.

		3. The company has a procedure ensuring that any award/bonus funds wrongfully obtained by members of executive bodies or managers are repaid to the company		With regard to paragraph 3, the Company provides the following explanations: All bonus payments to members of the executive bodies are made in accordance with the policy on remuneration approved by the Board of Directors of the Company.
4.3.2	Companies whose shares are admitted to trading at organized markets are recommended to put in place a long-term incentive program for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).	1. The company has put in place a long-term incentive program for the company's executive bodies and other key managers of the company involving the company's shares (financial instruments for which the company's shares are the underlying assets). 2. The long-term incentive program should provide that the right to dispose of shares or exercise options shall arise no earlier than in three years from the date when such shares were provided. In addition, the right to dispose of the same, upon the expiration of a respective period, should be made conditional on the achievement of certain targets by the company, including nonfinancial targets, if applicable.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	With regard to paragraph 1, the Company provides the following explanations: The category of "other key executives" is not defined and approved by the Board of Directors, the Board of Directors did not approve the Policy on remuneration and reimbursement of expenses (compensations) by the Board of Directors. The management of the company may be included in the membership of the Program by a separate resolution of the Board of Directors, taking into account the recommendations of the Personnel and Remuneration Committee.
4.3.3	The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed double the fixed portion of his/her annual remuneration.	1. The amount of severance pay (golden parachute) payable by the company in the event of early dismissal of an executive or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such persons did not exceed double the fixed portion of his/her annual remuneration.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	With regard to paragraph 1, the Company provides the following explanations: The category of "other key executives" is not defined and approved by the Board of Directors, the Board of Directors did not approve the Policy on remuneration and reimbursement of expenses (compensations) by the Board of Directors. "Golden parachutes" in Company are not provided for all categories of workers.
5.1	The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.			
5.1.1	The Board of Directors should determine the principles of and approaches to creation of the risk management and internal control system in the company	1. The functions of various governance bodies and divisions of the company in the risk management and internal control system are clearly determined in the internal documents of the company/policy of the company approved by the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.1.2	The company's executive bodies should ensure the establishment	1. The company's executive bodies ensured the distribution of functions and authority in relation to risk management	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	

	and continuing operation of the efficient risk management and internal control system in the company.	and internal control among managers (heads) of divisions and departments subordinate to them.	<input type="checkbox"/> not observed	
5.1.3	The company's risk management and internal control system should enable all concerned to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company	<p>1. The company has a corruption prevention policy in place.</p> <p>2. The company has developed a procedure of informing the Board of Directors or the audit committee of violations of the law, internal procedures and the ethics code of the company.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.1.4	The Board of Directors is recommended to take required and sufficient measures to guarantee that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the Board of Directors and that it operates efficiently.	1. During the reporting period the Board of Directors reviewed the organization, operation, and efficiency of the risk management and internal control system and, if necessary, made recommendations toward its improvement. The results of such review of the system's efficiency were communicated to the shareholders as part of the annual report of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.2	To independently evaluate, on a regular basis, the reliability and efficiency of the risk management and internal control system and corporate governance practices, the company should arrange for internal audits.			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the	1. A separate structural division (internal audit department) that reports directly to the Board of Directors or the audit committee was created in the company; an external independent organization with the same status was retained to conduct the audit.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

	internal audit department should report to the Board of Directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.			
5.2.2	When carrying out an internal audit, it is recommended to evaluate the efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.	<p>1. In the reporting period, within the framework of internal audit procedures, the efficiency of the internal control system and the risk management system was evaluated.</p> <p>2. The company uses generally accepted approaches to internal control and risk management.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.1	The company and its activities should be transparent to its shareholders, investors, and other stakeholders.			
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.	<p>1. The Board of Directors approved an information policy developed in compliance with the recommendations of the Code.</p> <p>2. The Board of Directors (or one of its committees) reviewed the company's compliance with the information policy at least once in the reporting period.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.1.2	The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	<p>1. The company discloses information on its corporate governance system and the corporate governance principles applied in the company on its official website.</p> <p>2. The company discloses information regarding the composition of its executive bodies and the Board of Directors, independence of Board members and their membership in Board committees (in compliance with the Code).</p> <p>3. If there is a person who controls the company, that person sets its plans with respect to the company in a special memorandum which is then disclosed.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.2	The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.			

6.2.1	The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.	<p>1. The information policy of the company determines the approaches and criteria of identifying information which may substantially affect the standing of the company and the value of its securities and the procedures which ensure that such information is disclosed in a timely fashion.</p> <p>2. If the company's securities are traded on international organized markets, material information is disclosed both in the Russian Federation and on such markets in the same amount and at the same time or within the reporting period.</p> <p>3. If foreign shareholders own a substantial number of shares in the company, the company discloses information not only in Russian, but in one of the most commonly-used foreign languages as well.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law.	<p>1. During the course of the reporting period the company disclosed annual and semiannual financial statements prepared in compliance with IFRS. The annual report of the company for the reporting period contains annual financial IFRS statements and the relevant audit report.</p> <p>2. The company discloses full information about the structure of the capital of the company in compliance with Recommendation 290 of the Code in the annual report and on the website of the Company on the Internet.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance results for the year.	<p>1. The annual report of the company contains information about the key aspects of the company's operational activities and financial results.</p> <p>2. The annual report of the company contains information about the environmental and social aspects of the company's activities.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.3	The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should	1. The procedure of information provision to shareholders (including information about the organizational controlled by the company) upon their request is not unreasonably	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>At present, the Company's Information Policy does not contain</p>

	not be unreasonably burdensome.	burdensome.		<p>a norm on the Company's obligations to provide information on entities controlled by the Company at the request of shareholders.</p> <p>The company has a significant number of controlled companies.</p> <p>In part, these companies independently disclose information about themselves.</p> <p>The Company discloses information on the controlled information</p> <ul style="list-style-type: none"> - in the Financial Consolidated Financial Statements for IFRS and as part of the Corporate and Social Responsibility and Sustainable Development Report, which is compiled by the Group (the most significant controlled companies). - in the Quarterly reports of the Company; - on the Company's corporate website at the link http://www.rushydro.ru/company/structure/ <p>At the moment, the decision to fix this provision in the Information</p> <p>The Company's policy is not adopted, therefore the Company does not plan to make any changes in the Information Policy in 2018 in terms of providing shareholders with access to information on entities controlled by the company, at the request of shareholders.</p> <p>At the same time, this does not exclude the possibility of introducing this norm in the longer term.</p>
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.	<p>1. During the reporting period the company did not deny shareholders' requests to provide information or such refusals were justified.</p> <p>2. In cases specified in the information policy of the company shareholders are warned of the confidential nature of the information and undertake to protect its confidentiality.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
7.1	Any actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed.			
7.1.1	Material corporate actions shall be	1. The company's articles of association (charter) include a	<input type="checkbox"/> observed	P.1 and P.2 are partially observed.

	<p>deemed to include reorganization of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in the rights of its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's Board of directors.</p>	<p>list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions fall within the jurisdiction of the company's Board of directors. In cases when the indicated actions are within the purview of the general shareholders meeting in compliance with the requirements of the law, the Board of Directors issues recommendations to the shareholders.</p> <p>2. The charter of the company determines the following (as a minimum) as material corporate actions: reorganization of the company, acquisition of 30% and more of voting shares (takeover), major transactions, increase or reduction of the charter capital of the company as well as the listing or delisting of the company's shares.</p>	<p><input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed</p>	<p>With regard to items 1,2, the Company provides the following explanations:</p> <p>The Charter of the Company refers to the competence of the Board of Directors including the following additional issues, which in their essence, reflect approaches to significant transactions:</p> <ul style="list-style-type: none"> - taking decisions on participation and on termination of the Company's participation in other organizations (with the exception of organizations specified in clauses 16, clause 10.2 of Article 10 of this Charter); - preliminary approval of decisions on the commission of the Company: <ul style="list-style-type: none"> a) transactions, the subject of which are non-current assets of the Company in the amount of more than 10 (Ten) percent of the book value of these assets of the Company as of the date of the decision to conclude such a transaction; b) transactions (several interrelated transactions) related to the alienation or the possibility of alienation of the Company's property that constitutes fixed assets, intangible assets, construction in proSDPPs objects, in cases (amounts) and procedure determined by separate decisions of the Board of Directors of the Company; c) transactions with shares and stakes of organizations in which the Company participates in cases (amounts) and in the manner determined by the Board of Directors of the Company, or in all other cases when the procedure for the adoption of such decisions by the Board of Directors of the Company is not defined. - taking decisions on the Company's transactions related to the gratuitous transfer of the Company's property or property rights (claims) to itself or to a third party; transactions related to exemption from property obligations to themselves or to a third party; transactions related to gratuitous provision of services (performance of work) to third parties in cases (sizes) determined by separate decisions of the Board of Directors; - approval of major transactions in cases provided for by the Federal Law "On Joint Stock Companies"; - approval of transactions provided for by the Federal Law "On Joint Stock Companies"; - recommendations regarding the voluntary or mandatory proposal received by the Company for the acquisition of Company shares, as well as other equity securities convertible
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				<p>into shares of the Company;</p> <ul style="list-style-type: none"> - determination of the position of the Company (representatives of the Company), including the instruction to accept or not to take part in voting on the agenda items, to vote on the draft decisions "for", "against" or "abstained" on the following agenda items of the management bodies of subsidiaries , unless otherwise specified by separate decisions of the Board of Directors of the Company: a) on reorganization, liquidation of a subsidiary company; b) determination of the quantity, par value, category (type) of the declared shares in the subsidiary company and the rights granted by these shares; c) to increase the authorized capital of the subsidiary by increasing the nominal value of shares or by placing additional shares; d) on placement of securities of the subsidiary, convertible into ordinary shares; e) on the fragmentation, consolidation of the shares of the subsidiary; e) on the acquisition by the subsidiary of shares (stakes in the authorized capital) of other business entities, including when establishing companies, if the price of such a transaction is 15 or more percent of the book value of the subsidiary's assets determined by its accounting (financial) reporting on the last reporting date; g) consent to the completion or subsequent approval of major transactions by the subsidiary; h) on the completion by the subsidiary company of transactions (including several interrelated transactions) connected with the alienation or the possibility of alienation of the property of the subsidiary that constitutes fixed assets, intangible assets, construction in proSDPPs, the purpose of which is the production, transmission, dispatching, distribution of electric and thermal energy , in cases (amounts) determined by separate decisions of the Board of Directors of the Company; i) on the completion by the subsidiary company of transactions involving the alienation, transfer to pledge or other encumbrance (through the commission of one or more interrelated transactions) of shares and the interests of subsidiaries with respect to the subsidiary engaged in the production, transmission, dispatching, distribution and sale of electric and thermal energy ;
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				<p>- increase of the Company's charter capital by placing additional shares within the number of announced shares, taking into account the restrictions established by the Federal Law "On Joint-Stock Companies" and this Charter;</p> <p>- decision-making on application for listing of the Company's shares and (or) equity securities of the Company convertible into shares of the Company, in cases provided for by the Federal Law "On Joint-Stock Companies" and other legal acts of the Russian Federation.</p> <p>In cases where the implementation of these corporate actions is directly attributed by the legislation to the competence of the general meeting of shareholders, the Board of Directors provides shareholders with appropriate recommendations.</p> <p>These transactions and actions are considered by the Board of Directors or the AGM on the proposal of the Board of Directors.</p> <p>Thus, despite the absence of a formal definition of material transactions in the Charter, the Company fulfills the objectives of this norm - to increase the involvement of the Board of Directors in significant actions and transactions of the Company for shareholders.</p> <p>In addition, at the AGM in 2018, the Company plans to amend the Charter and determine the list of transactions or other actions that are significant corporate actions.</p>
7.1.2	The Board of Directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on the opinions of the company's independent directors	1. The company has a procedure in place whereby independent directors state their position/opinion on material corporate actions prior to their approval.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>The Company does not provide for a procedure in accordance with which independent directors declare their position on significant corporate actions before their approval.</p> <p>However, a significant part of the issues before the consideration for consideration by the Board of Directors is considered on the Committees under the Board of Directors. The Committees include independent directors who have the opportunity to express their position regarding these issues. Decisions of committees under the Board of Directors of the Company shall be notified to the Board of Directors until the voting is completed.</p> <p>During 2018, the Company will consider the possibility of consolidating all issues that meet the criteria for material</p>

				transactions of the Corporate Governance Code within the competence of the Audit Committee for the purpose of forming independent opinions by such independent directors before such approval.
7.1.3	When taking any material corporate actions which would affect the rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code .	<p>1. The company's articles of association (charter) establish lower criteria than those specified under the law for the categorization of the company's transactions as material corporate actions.</p> <p>2. During the reporting period all material corporate actions were subject to approval prior to their execution.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>P.1 and P.2 are partially observed.</p> <p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>The Charter of the Company provides for lower and more detailed criteria for referring transactions to the competence of the Board of Directors. Their list is given in the explanations to paragraph 7.1.1. of this report.</p> <p>Despite the absence of a formal definition of material transactions in the Charter, the Company fulfills the objectives of this norm - to increase the involvement of the Board of Directors in significant actions and transactions of the Company for shareholders.</p> <p>With regard to paragraph 2, the Company provides the following explanations:</p> <p>The Charter of the Company refers to the competence of the Board of Directors additional issues that in their essence reflect the approaches to significant transactions. Their list is given in the explanations to paragraph 7.1.1. of this report.</p> <p>These transactions were approved in the reporting period prior to their implementation.</p>
7.2	The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due course and thus be in a position to influence them, and which would also guarantee that the shareholders' rights are observed and duly protected in the event of taking such actions.			
7.2.1	The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due course and thus be in a position to influence them, and which would also guarantee that the shareholders' rights are observed and duly protected in the event of taking such actions.	1. The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due course and thus be in a position to influence them, and which would also guarantee that the shareholders' rights are observed and duly protected in the event of taking such actions.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>During the reporting period, there were no extraordinary significant corporate actions requiring, in the Company's opinion, additional disclosure, except for the completion of a forward transaction within the framework of refinancing of the debt of the Company's Far Eastern companies and additional issue of the Company. These events were comprehensively disclosed and covered. Other corporate actions were disclosed in the usual way.</p>

7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.	<p>1. The company's internal documents specify a procedure for the retention of the services of an independent appraiser to determine the value of the property being transferred or acquired under a major transaction or an interested-party transaction.</p> <p>2. The company's internal documents specify a procedure for the retention of the services of an independent appraiser to determine the purchase or buyback value of the shares of the company.</p> <p>3. Internal documents of the company provide an extended list of grounds on which members of the Board of Directors and other stipulated by the legislation the parties are considered interested in the transactions of the Company.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>Paragraphs 1-3 are partially observed. With regard to paragraphs 1-2, the Company provides the following explanations: Internal documents of the Company do not provide for the procedure for attracting an independent appraiser to determine the value of property alienated or purchased under a major transaction or interested party transaction, as well as when purchasing and redeeming shares of the Company. However, in practice, the Company attracts independent appraisers to determine the value of alienating shares in subsidiaries. With regard to paragraph 3, the Company provides the following explanations: In relation to transactions in which there is an interest from 01.01.2017, amendments to the legislation have been made that completely revise the approaches to approving transactions in which there is an interest. These changes tend to liberalize the regulation of transactions in which there is interest. The Company does not plan to expand the requirements of the legislation with respect to transactions in which there is an interest.</p>
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These Data on compliance with Russian Code of corporate governance prepared using Central Bank of the Russian Federation from 17.08.2016, the number IN-06-52/8.
Description of the most significant aspects of the model and practices of corporate governance in Societies given in the Annual report in Chapter 3 (Corporate governance), Section 1.5 (a Company in the securities market) and Section 1.3 (Risk Management).

Appendix № 2. Information on major transactions and interested party transaction in 2016 with an indication of the Parties concerned, date and Protocol number of the management body meeting approving the transaction, and description of the transaction (including its subject, Agreement price and term), of the Interested Party(ies), and of the Person(s), treated as a non-independent Director

1. The company did not perform major transactions in 2017.

2. Information about interested party transactions in 2017:

№	List of transactions with an indication of the Parties concerned	Number and date of the Protocol of the management body approving the transaction	Description of the transaction (subject, price, and term of the Agreement)	Interested Party(ies) and Person(s) treated as a non-independent Director (as of the transaction approval date)
1.	The agreement between PJSC RusHydro and JSC "PJSC ES of the East"	The consent for the transaction was given by the General Meeting of Shareholders (Minutes No. 16 of June 27, 2017)	<p>Parties: JSC "RAO ES of the East" - Borrower; PJSC RusHydro is the Lender.</p> <p>Subject of the Agreement: The Lender transfers money to the Borrower (the Loan Amount), and the Borrower undertakes to return the Loan Amount to the Lender.</p> <p>Size of the transaction in monetary terms: the maximum loan amount: 25,700,000,000 rubles 00 kopecks; The size of the transaction as a percentage of the value of assets as of June 30, 2017: 2.63%. The book value of assets as of June 30, 2017 is 976,762 million rubles.</p> <p>Targeted use of the loan: replenishment of working capital to ensure financing of the investment program and refinancing of bank loans.</p> <p>Interest rate for using the loan: 0% per annum.</p> <p>Loan repayment period: on demand, but not later than 10 (Ten) years from the date of conclusion of the loan agreement.</p> <p>Date of transaction: July 31, 2017.</p>	<p>Interested in:</p> <ul style="list-style-type: none"> - member of the Management Board, First Deputy Director General of JSC RusHydro Kazachenkov AV, who is also a member of the Board of Directors of JSC RAO ES of the East; - all members of the Board of Directors and all members of the Management Board of PJSC RusHydro, which is the managing organization of JSC RAO ES of the East (Shulginov NG, Bogush BB (stake of stakeholder participation in the authorized capital (stake owned by the person concerned) Of the Company -0.003843%), Kirov SA, Markin VI, Rizhinashvili DI (stake of stakeholder participation in the authorized capital (share of the Company's owned shares) - 0.012860%), Trutnev Yu .P., Avetisyan AD, Bystrov MS, Grachev PS, Ivanov SN, Kravchenko VM, Pivovarov VV, Podguzov NR, Rogalev ND, Chekunkov AO, Shishin SV, Shishkin AN)..
2.	Loan agreement	The agreement	Parties:	Interested in:

between JSC "RusHydro" and JSC "RAO ES of the East"	was not approved. In accordance with 1.1 Article 81 of the Federal Law of 26.12.1995 No. 208-FL "On Joint-Stock Companies", members of the Board of Directors and the Management Board of the Company were notified of this transaction. The requirement to obtain consent for the transaction was not received.	JSC "RAO ES of the East" - Borrower; PJSC RusHydro is the Lender. Subject of the Agreement: The Lender transfers a sum of money to the Borrower, and the Borrower undertakes to repay the loan amount to the Lender, as well as to pay interest for using the loan in the manner and under the conditions established by the Agreement. Loan amount: in the amount of 8,522,514,171 (eight billion five hundred twenty two million five hundred fourteen thousand one hundred and seventy one) rubles 85 kopecks. Targeted use of the loan: to repay the Borrower's debt to creditor banks under concluded loan agreements. Interest rate for using the loan: For the use of the loan, the Borrower shall pay to the Lender interest at a rate determined as follows:	- Chairman of the Management Board - General Director of JSC RusHydro Shulginov NG, who is also a member of the Board of Directors of JSC RAO ES of the East; - Member of the Management Board, First Deputy Director General of JSC RusHydro Kazachenkov AV, who is also a member of the Board of Directors of JSC RAO ES of the East.									
		<table><tr><th>Period</th><th>Calendar period</th><th>The formula for calculating interest</th></tr><tr><td>1</td><td>From the date of issue of the loan until 12/31/2017</td><td>$K(n) = K_{CB} + 1,5\% - \frac{Divn(n)}{55\,000\,000\,000} * 100\%, \text{ where}$<p>K(n) – interest rate on loans in year n; is calculated in percent per annum with rounding of its value according to the rules of mathematical rounding up to the second decimal place. K_{CB} – the interest rate of the Central Bank of Russia; Divn(n)– planned amount of dividend payments of the Lender in the current year with respect to the Shareholding Package, net of tax on dividend income provided for by the approved business plan of the Lender.</p><p>For the purpose of calculating the interest rate of Period 1 Divn(n) is taken to be 2 805 750 000 (Two billion eight hundred and five million seven hundred and fifty thousand) rubles.</p></td></tr><tr><td>2, 3 ..., n</td><td>Since January 1 to December 31 of the corresponding year, starting from 2018</td><td>$K(n) = K_{CB} + 1,5\% - \frac{Divn(n) - Divn(n-1) + Div\,fact(n-1)}{55\,000\,000\,000} * 100\%, \text{ where}$<p>Div fact(n-1) – actual amount paid by the Lender in the previous year of dividend payments in respect of the Shareholding Package, net of tax on dividend income; Divn(n – 1) – the planned volume of dividend payments of the Lender in the previous year in respect of the Shareholding Package, net of tax on dividend income, recorded in calculating the interest rate for Period n-1.</p></td></tr></table>		Period	Calendar period	The formula for calculating interest	1	From the date of issue of the loan until 12/31/2017	$K(n) = K_{CB} + 1,5\% - \frac{Divn(n)}{55\,000\,000\,000} * 100\%, \text{ where}$ <p>K(n) – interest rate on loans in year n; is calculated in percent per annum with rounding of its value according to the rules of mathematical rounding up to the second decimal place. K_{CB} – the interest rate of the Central Bank of Russia; Divn(n)– planned amount of dividend payments of the Lender in the current year with respect to the Shareholding Package, net of tax on dividend income provided for by the approved business plan of the Lender.</p> <p>For the purpose of calculating the interest rate of Period 1 Divn(n) is taken to be 2 805 750 000 (Two billion eight hundred and five million seven hundred and fifty thousand) rubles.</p>	2, 3 ..., n	Since January 1 to December 31 of the corresponding year, starting from 2018	$K(n) = K_{CB} + 1,5\% - \frac{Divn(n) - Divn(n-1) + Div\,fact(n-1)}{55\,000\,000\,000} * 100\%, \text{ where}$ <p>Div fact(n-1) – actual amount paid by the Lender in the previous year of dividend payments in respect of the Shareholding Package, net of tax on dividend income; Divn(n – 1) – the planned volume of dividend payments of the Lender in the previous year in respect of the Shareholding Package, net of tax on dividend income, recorded in calculating the interest rate for Period n-1.</p>
		Period		Calendar period	The formula for calculating interest							
1	From the date of issue of the loan until 12/31/2017	$K(n) = K_{CB} + 1,5\% - \frac{Divn(n)}{55\,000\,000\,000} * 100\%, \text{ where}$ <p>K(n) – interest rate on loans in year n; is calculated in percent per annum with rounding of its value according to the rules of mathematical rounding up to the second decimal place. K_{CB} – the interest rate of the Central Bank of Russia; Divn(n)– planned amount of dividend payments of the Lender in the current year with respect to the Shareholding Package, net of tax on dividend income provided for by the approved business plan of the Lender.</p> <p>For the purpose of calculating the interest rate of Period 1 Divn(n) is taken to be 2 805 750 000 (Two billion eight hundred and five million seven hundred and fifty thousand) rubles.</p>										
2, 3 ..., n	Since January 1 to December 31 of the corresponding year, starting from 2018	$K(n) = K_{CB} + 1,5\% - \frac{Divn(n) - Divn(n-1) + Div\,fact(n-1)}{55\,000\,000\,000} * 100\%, \text{ where}$ <p>Div fact(n-1) – actual amount paid by the Lender in the previous year of dividend payments in respect of the Shareholding Package, net of tax on dividend income; Divn(n – 1) – the planned volume of dividend payments of the Lender in the previous year in respect of the Shareholding Package, net of tax on dividend income, recorded in calculating the interest rate for Period n-1.</p>										
The Lender shall notify the Borrower of the value of the interest rate												

			<p>for the relevant period:</p> <ul style="list-style-type: none"> • on the date of conclusion of the Agreement; • annually up to the 15th day of the first month of each calendar year; <p>within 5 (five) business days from the date of the change in the key rate of the Central Bank of the Russian Federation.</p> <p>Loan repayment period: until March 30, 2022 (5 years from the date of conclusion of the Agreement).</p>	
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Appendix № 3. Information on participation in other organizations

3.1 Information Concerning All Forms of the Company's Participation in Commercial Entities Including its Objectives, Form and Financial Involvement, Basic Data on the Entities (Main Statutory Activities, Earnings, Profit), and Efficiency Indicators, in Particular, the Amount of Dividends Received for the Owned Shares in the Reported Period

Company Name	Objectives of the Involvement	Form of the Involvement	Financial Indicators		Earnings, thou. RUB.	Net Profit, thou. RUB	Dividends, Received by RusHydro PLC (in 2015), thou. RUB	Main Activities
			Book Value of the Contribution, RUB	RusHydro PLC' share of the Statutory Capital, %				
JSC "HydroEngineering Siberia"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	2,291,979,300.00	100	-	(1,870,577),	0.00	design and survey works
JSC "VEIIG named BE Vedenev"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	8,160,200.00	100	955,245	67,300	74,394,000.00	production of research and development work in the field of electric power industry
Geotherm JSC	Maintaining the development of the Company's core business	Participation in the company's statutory capital	984,097,918	99.65	980,937	(4,628)	0.00	power generation
JSC "Zaramagskiye HPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	17,933,142,000.00	99.75	263,992	(24,166)	0.00	construction of Zaramagh hydroelectric power station, electricity generation
JSC "Hydroinvest"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	9,550,150,000.00	100	13,876,354	101,481	0.00	operations with securities
JSC "Leningrad PSP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	5,763,565,938.00	100	-	(4,019,029)	0.00	Re-design of pilot industrial Northern PES, construction of Leningrad PSPP, electricity generation
JSC "NIIES"	Subsidiary support of the main activities of the	Participation in the company's statutory	649,,970,985.00	100	400,434	(38,428)	0.00	production of research and development

	Company	capital						work in the field of electric power industry
JSC "OP Verkhne-Mutnovskaya GeoPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	133,364,156.00	48.04	29,178	965	0.00	power generation
JSC UK HydroOGK	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	150,000.00	100	687,349	26,784	0.00	managing organization
JSC "ESCO UES"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	15,000,000.00	100	20,576	(47,037)	0.00	construction works
JSC "Construction organizer Boguchanskaya HPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	5,100.00	51	135,164	273	0.00	construction of Boguchanskaya HPP
CJSC "Customer of the construction of Boguchanskaya HPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	4,900.00	49	51,368	116	0.00	construction of Boguchanskaya HPP
CJSC "The Organizer of the Construction of the Boguchansky Aluminum Plant"	Development of a new type of business	Participation in the company's statutory capital	4,900.00	49	499,296	109	0.00	construction of the Boguchansky aluminum plant
JSC "Customer of the construction of the Boguchansky aluminum plant"	Development of a new type of business	Participation in the company's statutory capital	5,100.00	51	82,453	31	0.00	construction of the Boguchansky aluminum plant
JSC "Nizhne-Bureyskaya HPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	14,610,989,509.00	100	90,352	31,584	0.00	construction of the Nizhne-Bureyskaya HPP
JSC "Nizhne-Zeyskaya HPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	349,715,990.00	100	-	(1,438)	0.00	construction of the Nizhne-Zeiskaya HPP
JSC "Zagorskaya PSHPP-2"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	53,681,508,646.00	100	3,554	(586,758)	0.00	construction of Zagorskaya PSHPP-2
JSC "TK RusHydro"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	18,057,693.00	100	1,661,280	53,420	0.00	provision of transportation services

JSC "Engineering Center for Renewable Energy"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	694,072,210.00	100	-	(2)	0.00	construction of an experimental binary power unit
JSC "Yuzhno-Yakutsky GEK"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	3,255,023,323.00	100	,-	(12,267),	0.00	construction of the South Yakutia hydropower complex
JSC "Sulaksky HydroCascade"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	8,961,493,852.00	100	537,705	(85,755)	0.00	construction of the Sulak hydropower cascade
JSC "CSO SSHGES"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	482,153,947.00	100	88,552	(5,120)	0.00	Educational-production information-innovation center
JSC "Hydro-repair-VKK"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	535,040.00	100	6,922,833	344,860	154,313,026.56	repair of electric power facilities
JSC "Karachay-Cherkess hydro-generating company"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	6,582,581.00	100	-	(59,443)	0.00	building
HydroOGK Aluminum Company Limited	Financial investments	Participation in the company's statutory capital	34,200.00 euro	100	-	(1,769)	0.00	holding company
HydroOGK Power Company Limited	Financial investments	Participation in the company's statutory capital	33,317,311.68 euro	100	-	468,028	0.00	holding company
JSC "Lenhydroproject"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	174,451.00	100	1,129,192	27,970	101,180,000.00	production of research and development work in the field of electric power industry
PJSC "Kolymaenergo"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	12,063,052,613.00	98.76	2,882,334	104,180	0.00	power generation
JSC "GVC Energetiki"	Supporting maintenance of main activity	Participation in the company's statutory capital	325,580	100	1,237	(3,595)	3,996,000.00	design and development of information technology
ChirkeyGESstroy JSC	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	249,690,071.50	74.99	4,040,711	(54,923)	0.00	construction works

JSC "Ust-Srednekanskaya hydroelectric power station named after AF Dyakov"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	18,809,586,927.00	67.82	858,565	(7,590)	0.00	construction of the Ust-Srednekanskaya HPP
JSC "ESC RusHydro"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	11,981,227,367.00	99.99	6,593,941	(69,647)	0.00	wholesale trade in electric and thermal energy
JSC "Far Eastern Wind Farm"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	224,088,473.00	100	-	(2,236)	0.00	construction of a wind farm
JSC "Malaya Dmitrovka"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	4,819,782,000.00	100	582,204	74,186	0.00	property management
JSC "Small HPPs of Altai"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	500,000.00	100	-	(180,518),	0.00	construction of small HPPs in Altai
JSC "MHPP of Dagestan"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	161,500,000.00	100	-	(1,472),	0.00	construction of small hydro power stations in Dagestan
RusHydro International B.V.	Maintaining the development of the Company's core business	Participation in the company's statutory capital	5,800,000.00 euro	100	1,342 (thousand euro)	(1,704) (thousand euro)	0.00	investment activities
PJSC "Yakutskenergo"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	2,769,811,893.00	29.8	29,017,873	11,915	0.00	production, transmission and distribution of electricity
PJSC "Boguchanskaya HPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	163,578,869.00	2.9	15,733,286	4,643,545	0.00	power generation
PJSC "KamGEK"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	1,187,917,534.00	96.58	257,930	(27,125)	0.00	power generation
JSC "RGS"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	3,809,000.00,,,	100	476,653	92,560	35,122,998.50	provision of consulting services in procurement
JSC "RAO ES of the East"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	19,171,124,235.50	84.39	950,820	(1,502,238)	0.00	activity on management of holding companies
JSC "SEC"	Strategic, financial investments	Participation in the company's statutory capital	3,507,568,000.00	26.94	604,946	(18,821)	0.00	power generation

		capital						
CJSC "Verkhne-Naryn hydroelectric power stations"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	2,500,000 KGS	50	102 (thousand KGS)	10,692 (thousand KGS)	0.00	construction of the Upper Naryn cascade of HPPs
OJSC IESK	Strategic, financial investments	Participation in the company's statutory capital	8,861,928,328.00	42.75	20,632,298	(993,729)	0.00	power transmission
Blagoveschenskaya TPP JSC	Maintaining the development of the Company's core business	Participation in the company's statutory capital	6,301,500,000.00	100	399,472	(65,850)	176,412,999.99	CHP construction
JSC "Sakhalinskaya SDPP-2"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	12,995,500,000.00	100	-	185,290	0.00	construction of SDPP
JSC "Yakutsk SDPP-2"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	16,861,500,000.00	100	240,955	120,540	0.00	construction of SDPP
JSC "Thermal Power Plant in Sovetskaya Gavan"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	7,345,260,000.00	100	-	510,820	0.00	CHP construction
JSC "Holding company BoAZ"	Strategic, financial investments	Participation in the company's statutory capital	500,000.00	100	-	(802)	0.00	investment activities
JSC "Holding company BogHES"	Strategic, financial investments	Participation in the company's statutory capital	500,000.00	100	-	(980)	0.00	investment activities
LLC "RusHydro IT Service"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	500,000.00	100	567,314	62,933	39,464,000.00	provision of consulting services in the field of IT
LLC "Verkhnebalkarskaya MHPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	581,256,768.00	100	828	(138,484)	0.00	construction of the Upper Balkarian small hydropower plant
LLC "Fiagdonetskaya MHPP"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	63,400,000.00	100	-	(38,585)	0.00	construction of the Fiagdon small hydropower plant
LLC "MHPP Stavropol and KCHR"	Maintaining the development of the Company's core business	Participation in the company's statutory capital	47,694,908.51	100	1,754	(9,379)	0.00	Construction of Small HPPs in Karachaevo-Cherkessia
LLC	Development of a new	Participation in the		40	989,159	140,496	0.00	production of

"VolgaGidro"	type of business	company's statutory capital	449,814,356.00					hydraulic equipment
JSC "Technopark Rumyantsevo"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	10.00	0.000005	18,142	10,781	0.00	construction and installation works
PJSC "Inter RAO" *	Strategic, financial investments	Participation in the company's statutory capital	5,701,572,102.90	1.94	-	-	297,926,617.85	diversified holding, which includes the generation and sale of electricity in domestic and foreign markets
PJSC "FEEC"	Strategic, financial investments	Participation in the company's statutory capital	178,714,322.00	1.04	83,525,223	(3,718,751)	0.00	purchase and sale of electricity (power)
LLC "Index of Energy - HydroOGK"	Subsidiary support of the main activities of the Company	Participation in the company's statutory capital	10,000,000.00	0.11	494,580	(1,363,166)	0.00	investment activities
Bank of Cyprus Public Company Ltd *	the shares came into the possession upon liquidation of RusSUNHydro Limited	Participation in the company's statutory capital	-	0.000186	-	-	0.00	banking activities
JSC "NPF of Electric Power Industry" *	Strategic, financial investments	Participation in the company's statutory capital	730,906.14	0.609	-	-	0.00	investment activities

* Information on revenue and net profit is not provided, because PJSC Inter RAO, Bank of Cyprus Public Company Ltd, NPF Electricity JSC are not associated and / or joint companies of RusHydro Group, nor are they part of it. PJSC RusHydro does not have the accounting statements of these companies.

3.2 Information Concerning All Forms of the Company's Participation in Non-Commercial Entities, Including the Entity Name, Date of Joining, Subscription Fee in RUB/ other currency, Area of the Entity's Activities

№ p/p	Name of the Entity	Area of Activities	Year of Joining and Relevant Resolution Details	Yearly Membership Subscription	Note
Non-Residents					
1	International Hydropower Association, IHA	Support and dissemination of hydro power industry knowledge under the auspices of UNESCO International Hydrological Program	2006 Extract from the RAO UES Board Resolution Protocol No. 47 dated 21.12.2006	12,000 GBP	
2	Global Sustainable Energy Partnership, GSEP	Elaboration of joint policy platforms and implementation of relevant initiatives, both on domestic markets and internationally	2008 Extract from the PJSC RusHydro Board Resolution Protocol No. 59 dated 18.07.2008	150,000 CAD	
TOTAL				12,000 GBP	
				150,000 CAD	
Russian Residents					
3	Market Council NP	Arrangement of electric power trade in the Wholesale market	2008 Extract from the HydroOGK OJSC Board Resolution Protocol No. 48 dated 03.03.2008	5,207,000.0	
4	Association of land and property owners and investors.	The partnership serves a discussion panel used by PJSC RusHydro to promote its interests and dialogue with the government authorities concerning improvement of the legal environment in the area of land and property ownership.	2012 Extract from the PJSC RusHydro Board Resolution Protocol No. 168 dated 30.11.2012	300,000.0	

5	Hydro Energy of Russia NP	Improvement of efficiency of hydro power facilities and hydro resources	2008 Protocol of Supervisory Board meeting of Hydro Energy of Russia NP No. 4 dated 18.02.2008	6,775,000.0	
6	All-Russian Association of Employers "Russian Union of Industrialists and Entrepreneurs" (AAE RUIE)	Protection of the members' social and economic interests and legal rights necessary for their companies' and economy's sustainable development	2006 Extract from the HydroOGK OJSC Board Resolution Protocol No. 4 dated 18.02.2008	500,000.0	
7	Council of Energy Industry Veterans NP	Promotion of the members' activities in comprehensive support of the energy industry veterans	2008 Extract from the HydroOGK OJSC Board Resolution Protocol No. 50 dated 04.04.2008	15,000,000.0	
8	Russian-Chinese Business Council NP	The Russian-Chinese Business Council was established to promote joint business projects of Russia and China, protection of mutual investment, settlement of corporate disputes and facilitation of cooperation between the Russian and Chinese business communities.	2015 Extract from the PJSC RusHydro Board Resolution Protocol No. 13 dated 26.07.2015	750,000.0	
9	Directors' Research and Innovations Club NP	The Club is a communications forum for the professionals in research, development and implementation of innovations	2013 Extract from the RusHydro OJSC Board Resolution Protocol No. 183 dated 19.06.2013	330,000.0	
10	EnergostroiAllians NP	Promotion of favorable business conditions for companies operating in construction, refurbishment and rehabilitation of permanent facilities and protection of the power industry against unreliable foreign and domestic entities	2010 Extract from the PJSC RusHydro Board Resolution Protocol No. 102 dated 29.06.2008	444,000.0	PJSC RusHydro ceased participation in NP Energostroyallians in 2017 (Article 55.6 of the Civil Code of the Russian Federation)

11	Association "Self-Regulating Corporation of Builders of the Krasnoyarsk Region"	Prevention of damage to life or health of individuals, property of individuals or legal entities, state or municipal property, the environment, life or health of animals and plants, objects of cultural heritage (historical and cultural monuments) of the peoples of the Russian Federation due to lack of construction work influence on the safety of capital construction facilities and are carried out by individual entrepreneurs and (or) legal entities - members of the Association.	2017 Extract from the minutes of the meeting of the Management Board of PJSC RusHydro of July 28, 2017 No. 1055pr / 6	320,000.0	PJSC "RusHydro" joined the Association "Self-Regulating Corporation of Builders of the Krasnoyarsk Territory" in 2017 (Article 55.6 of the Civil Code of the Russian Federation)
12	Research & Technology Council of UES NP	Support to the Partnership members in the efforts to formulate the Research & Technology and Economic Policy of the Unified Energy System of Russia	2008 Extract from the HydroOGK OJSC Board Resolution Protocol No. 50 dated 04.04.2008	2,000,000/0	
13	RAEL NP	Support of business cooperation in the power industry through the protection of employers' interests in the social, labor, economic and other areas, their relationships with trade unions, government authorities, municipal bodies, and through development and implementation of an agreed socially responsible policy of the members.	2006 Extract from the HydroOGK OJSC Board Resolution Protocol No. 18 dated 10.04.2006	2,450,000.0	
14	UES CONS NP	Promotion of professional knowledge and improvement of entrepreneurship and professional qualifications of the power industry specialists and specialists in supporting industries (training); development and improvement of professional training system in the energy industry	2008 Extract from the HydroOGK OJSC Board Resolution Protocol No. 47 dated 18.02.2008	2,500,000.0	PJSC "RusHydro" ceased participation in UES CONS NP in 2017
TOTAL, RUB				36,576,000.0	

3.3 Information Concerning Shares / Stakes Purchase Contracts made by PJSC RusHydro in 2017, Indicating the Parties to the Contracts, their Subject, Price and other Terms

1) Date of the contract: 06/27/2017.

Parties:

Purchaser - OOO "Telmamskaya HPP"

The applicant is PJSC RusHydro

Subject:

Alienation of securities by adopting a mandatory offer.

The name of the Issuer	Public Joint-Stock Company Irkutskenergo
The number of shares	4,297,368 (four million two hundred ninety seven thousand three hundred and sixty-eight) pieces
Type, category (type) of securities	Registered ordinary uncertificated shares
The nominal value of 1 share	1 (One) ruble
The placement price of 1 share	17.42 (Seventeen rubles forty-two kopecks)
Registration number of additional issue	1-01-00041-A

The term of payment, the procedure for payment, the procedure for filing an application for the sale of securities and the procedure for transferring rights to sold securities are provided for by a mandatory offer to purchase equity securities.

Price:

The price of transferred securities was 74,860,150 (Seventy-four million eight hundred sixty thousand one hundred and fifty) rubles 56 kopecks.

2) Date of the contract: 11/27/2017

Parties:

The acquirer - Dmitry Dmitrievich Romanov, is determined by the protocol on the outcome of the auction for the sale of shares of OJSC Zharki from November 7, 2017, under procedure No. COM26091700313

Seller - PJSC RusHydro

Subject:

The Seller undertakes to transfer the following securities to the ownership of the Acquiror (hereinafter "Shares"):

The name of the Issuer	Opened Public Joint-Stock Company Zharki (OJSC Zharki)
The number of shares	25,940 (Twenty five thousand nine hundred and forty) pieces
Type, category (type) of securities	Registered ordinary uncertificated shares
The nominal value of 1 share	235 (Two hundred thirty five) rubles
Registration number of additional issue	1-05-40392-F of 22.12.2011

The Purchaser undertakes to accept the Shares and pay them in accordance with the terms of the Agreement.

The Shares are sold by the Seller on the basis of the Protocol, according to which the Acquirer is recognized as the winner of the procedure for selling the Shares through a public offering (hereinafter referred to as the "Trades").

Price:

According to the Protocol, the price of the Shares is 6,000,000 (six million) rubles 00 kopecks, VAT is not charged.

3) Date of the contract: 12/12/2017

Parties:

The issuer is JSC Leningradskaya PSP

Acquirer - PJSC RusHydro

Subject:

The Issuer undertakes to transfer into the ownership of the Acquirer the following shares placed by private subscription issued in accordance with the Resolution on the additional issue of the Issuer's securities registered by the Bank of Russia on December 31, 2014 (hereinafter – “Shares”):

The name of the Issuer	Public Joint-Stock Company Leningradskaya PSP
The number of shares	900 000 000 (Nine hundred million) pcs.
Type, category (type) of securities	Registered ordinary uncertificated shares
The nominal value of 1 share	1 (One) ruble
The placement price of 1 share	1 (One) ruble
Registration number of additional issue	1-01-03655-D-004D

The Acquirer shall purchase and pay for the Shares no later than 4 (four) business days before the end date of the Shares placement determined in accordance with the Decision on the additional issue of Shares.

Price:

The price of the transferred securities was 900,000,000 (Nine hundred million) rubles.

In 2017 the Company did not conclude contracts for the sale and purchase of shares and units of economic partnerships and companies.

Appendix № 4. Information on the Meetings of the Board of Directors

Protocol Date and Number	Item Number and Title
01/19/2017 № 247	<ol style="list-style-type: none"> About the head of the Internal Audit Service of the Company. On the formation of the management bodies of PJSC "RusHydro".
02/27/2017 № 248	<ol style="list-style-type: none"> On approval of internal documents of the Company. On approval of transactions carried out by the Company. On the position of JSC "RusHydro" (representatives of JSC "RusHydro") in the management bodies of subsidiaries. On consideration of reports on the results of the activity of Committees under the Board of Directors of PJSC "RusHydro" for 2016. On priority directions of the Company's activity. On approval of the Report on the sale of non-core assets for 2016. About the Charity and Sponsorship Program of the Company.
04/07/2017 № 249	<ol style="list-style-type: none"> On the draft consolidated investment program of the RusHydro Group for 2018-2022 and for 2017 (adjustment), and on the draft investment program of PJSC RusHydro for 2018-2027 and for 2017 (adjustment). On the approval of the list of investment projects for the conduct of a public technological and price audit in 2017-2018. On the status of the implementation of priority projects for the construction of 4 facilities in the Far East (Yakutskaya SDPP-2 (1st stage), Phase 2 of Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, Sakhalinskaya SDPP-2 (1st stage) . On the review of the results of the field inspections of the Ministry of Energy of Russia on the implementation of investment projects "Construction of the second stage of Blagoveshchenskaya CHPP", "Construction of a CHP plant in Sovetskaya Gavan", "Construction of Yakutsk SDPP-2 (1st stage)," Construction of Sakhalinskaya SDPP-2 (1st stage) "and consideration of action plans for elimination of identified remarks taken by JSC" RusHydro ", which ensure the commissioning of facilities. On approval of the adjusted Charity and Sponsorship Program of the Company for 2017.
04/07/2017 № 250	<ol style="list-style-type: none"> On consideration of proposals of the Company's shareholders on nominating candidates for election to the management and control bodies of PJSC RusHydro. On consideration of proposals of the Company's shareholders on inclusion of issues in the agenda of the annual General Meeting of Shareholders of PJSC RusHydro. On the proSDPPs of development and implementation of import substitution plans.
04/18/2017 № 251	<ol style="list-style-type: none"> On approval of reports on the results of the activities of committees of the Board of Directors for the second half of 2016. On approval of the report on the implementation of a public technological and price audit of investment projects for 2016, containing the results of a consolidated analysis of audits and conclusions on the results of public and expert discussion. On making changes to the Long-term Development Program of RusHydro Group. On the execution of the decision of the Board of Directors of the Company: "On proposals to improve the methodology for calculating and evaluating key performance indicators in terms of the implementation of capacity schedules and a plan for financing and development." On the coordination of the combination of a physical person performing the functions of a sole executive body and members of the Management Board in management bodies of other organizations, as well as other paid posts in other organizations. On priority directions of the Company's activity. On termination of the Company's participation in other organizations. On the position of JSC "RusHydro" (representatives of JSC "RusHydro") in the management bodies of subsidiaries. On approval of the Report on the organization of insurance protection of PJSC "RusHydro" in 2016.
04/20/2017 № 252	<ol style="list-style-type: none"> On approval of the report on the implementation of the Business Plan for the Company for 2016 (including reports on the implementation of the Investment Program (including the Program for the comprehensive modernization of generating facilities), the Annual Comprehensive Program of

	<p>Purchases for 2016 and the ProSDPPs Report on the implementation of a set of measures (list of measures) to reduce operating expenses (expenses) for 2016).</p> <ol style="list-style-type: none"> 2. On consideration of the report on the implementation of the consolidated business plan (including the consolidated Investment Program) of the RusHydro Group for 2016. 3. On performance of key performance indicators of PJSC "RusHydro" for the 4th quarter of 2016 and 2016. 4. On consideration of the consolidated business plan (including the consolidated Investment Program) of the RusHydro Group for 2017-2021 and approval of the Target values for the annual key performance indicators of the Management Board members of PJSC RusHydro for 2017 and the Target values of key performance indicators of the Long-Term Motivation Program of PJSC RusHydro "Of the first cycle for 2017-2019. 5. On priority directions of the Company's activity
05/23/2017 № 253	<ol style="list-style-type: none"> 1. On approval of the agenda of the annual General Meeting of Shareholders of the Company. 2. On the preliminary approval of the Company's Annual Report for 2016. 3. On approval of the report on transactions concluded by the Company in 2016, in which there is an interest. 4. On consideration of the annual accounting (financial) statements of the Company following the results of 2016. 5. On recommendations to the annual General meeting of shareholders of the Company on the issue: Approval of the distribution of the Company's profit based on the results of 2016. 6. On recommendations to the Annual General Meeting of Shareholders of the Company on the issue: On the amount of dividends, the terms and form of their payment based on the results of work for 2016 and the establishment of a date for which persons entitled to receive dividends are determined 7. On recommendations to the Annual General Meeting of Shareholders on the issue: On payment of remuneration for work in the Board of Directors to members of the Board of Directors of the Company who are not government employees in the amount established by the Company's internal documents. 8. On recommendations to the annual General meeting of shareholders of the Company on the issue: On payment of remuneration for work in the Audit Commission to the members of the Company's Audit Commission that are not state employees in the amount established by the Company's internal documents. 9. On recommendations to the annual General Meeting of Shareholders of the Company on the candidacy of the Company's Auditor. 10. On recommendations to the annual General Meeting of Shareholders of the Company on the issue: Approval of the new version of the Company's Charter. 11. On recommendations to the annual General Meeting of Shareholders of the Company on the issue: Approval of the Regulations on the Procedure for Convening and Holding the General Meeting of Shareholders of the Company in a new version. 12. On recommendations to the annual General Meeting of Shareholders of the Company on the issue: Approval of the Provision on the procedure for convening and holding meetings of the Board of Directors of the Company in a new version. 13. On recommendations to the annual General Meeting of Shareholders of the Company on the issue: Approval of the new version of the Regulations on the Management Board of the Company. 14. On recommendations to the annual General meeting of shareholders of the Company on the issue: Approval of the new version of the Regulations on payment of remuneration and compensation to members of the Board of Directors of the Company. 15. On recommendations to the annual General Meeting of Shareholders of the Company on the issue: Approval of the Regulations on Remuneration and Compensation to the members of the Company's Audit Commission in a new version. 16. On recommendations to the Annual General Meeting of Shareholders of the Company on the issue: On termination of participation of JSC "RusHydro" in NP "Konts EES". 17. On the price of a loan agreement between PJSC RusHydro and PJSC RAO ES Of the East, which is a deal the Parties are interested in. 18. On recommendations to the annual General Meeting of Shareholders of the Company on the issue: On agreement to conclude a loan agreement between JSC "RusHydro" and PJSC "RAO ES Of the East", which is a deal the Parties are interested in. 19. On issues related to the convening, preparation and holding of the annual General Meeting of Shareholders of the Company..

06.22.2017 №. 254	<ol style="list-style-type: none"> 1. On consideration of the consolidated business plan (including the consolidated Investment Program) of the RusHydro Group for 2017-2021 and approval of the Target values for the annual key performance indicators of the Management Board members of PJSC RusHydro for 2017 and the Target values of key performance indicators of the Long-Term Motivation Program of PJSC RusHydro "Of the first cycle for 2017-2019. 2. On the interim results of the implementation of the Company's Business Plan for 2017, taking into account the fact for the 1st quarter of 2017 (including reports on the implementation of the Investment Program (including the Program for the comprehensive modernization of generating facilities) and the Annual Comprehensive Program of Purchases for the 1st quarter of 2017). 3. On priority directions of the Company's activity. 4. On approval of reports on the results of the Committee's activities under the Board of Directors of PJSC "RusHydro" for the 2016-2017 corporate year. 5. On approval of the report on the functioning of the corporate internal control and risk management system of the Company. 6. On consideration of the report on the proSDPPs of the implementation of the set of measures (list of measures) for the introduction of professional standards in the activities of the Company. 7. On approval of the report on the implementation of the Innovative Development Program of the RusHydro Group for 2016-2020. with a perspective up to 2025 for 2016 year. 8. On approval of the Report on the implementation of the Action Plan for the sale of non-core assets of the Company for the I quarter of 2017. 9. On determining the amount of payment for the services of the Company's Auditor 10. On determining the position of the Company (representatives of the Company) on the agenda of the management bodies of subsidiary economic entities. 11. On the recognition of independent candidates to the Board of Directors of the Company (members of the Board of Directors of the Company).
11.08.2017 № 255	<ol style="list-style-type: none"> 1. On election of the Chairman of the Board of Directors of the Company. 2. On election of the Deputy Chairman of the Board of Directors of the Company. 3. On the formation of committees under the Board of Directors of the Company. 4. On the definition of priority areas of the Company. 5. On determining the position of the Company (representatives of the Company) on the agendas of the management bodies of subsidiary economic entities.
09/01/2017 №. 256	<ol style="list-style-type: none"> 1. On approval of the Work Plan of the Board of Directors of PJSC "RusHydro" for the second half of 2017. 2. On participation and termination of participation of PJSC RusHydro in other organizations 3. On approval of the Report on the implementation of the Action Plan for the sale of non-core assets of the Company for the first half of 2017. 4. On approval of transactions carried out by the Company 5. On priority directions of the Company's activity
01.09.2017 № 257	<ol style="list-style-type: none"> 1. On the priority activities of the Company: On the construction of the Taishet aluminum plant. 2. On the priority areas of the Company's activities: On the implementation of certain orders of the President of the Russian Federation and the Government of the Russian Federation on the refinancing of loan debts of the group of PJSC "RAO ES of the East".
10/13/2017 № 258	<ol style="list-style-type: none"> 1. On the provision in the Ministry of Economic Development of Russia of information on the possession of assets located on the territory of the Russian Federation through foreign legal entities. 2. On approval of the Supplementary Agreement to the Standard Collective Agreement of the branch of PJSC "RusHydro" for 2017-2019. 3. On the implementation of the Long-term development program of the RusHydro Group for the first half of 2017. 4. On the definition of priority areas of the Company.
10/30/2017 № 259	<ol style="list-style-type: none"> 1. On priority directions of the Company's activity 2. On approval of the Charity and Sponsorship Program of the Company in 2017 in a new edition.
10/30/2017 № 260	<ol style="list-style-type: none"> 1. On determining the position of the Company (representatives of the Company) on the issue of the agenda of the General Meeting of Shareholders of JSC "Yakutsk SDPP-2": On the agreement for a major transaction - the conclusion of JSC "Yakutsk SDPP-2" of the Supplementary Agreement to

	the General Contract for the construction of the Yakutsk SDPP-2 (1st stage) of February 24, 2014 No. 01 / ZRUH / 13-121293.
11/27/2017 № 261	<ol style="list-style-type: none"> 1. On the determination of the amount of payment for the services of the auditor: On the determination of the maximum cost of services for the audit of the Company's financial statements prepared in accordance with Russian Accounting Standards (RAS) and the audit (review) of the consolidated financial statements of the RusHydro Group prepared in accordance with International Financial Reporting Standards (IFRS), for the period from 2018 to 2020. 2. On approval of the report on the implementation of the plan of measures for the sale of non-core assets of the Company for 9 months of 2017. 3. On priority directions of the Company's activity: On approval of transactions carried out by the Company: 4. On approval of transactions related to the gratuitous transfer of the Company's property. 5. On participation and termination of the Company's participation in other organizations 6. On determining the position of the Company (representatives of the Company) in the management bodies of subsidiaries: On determining the position of the Company (representatives of the Company) on the agenda of the management bodies of JSC Hydroinvest
12/14/2017 № 262	<ol style="list-style-type: none"> 1. On the definition of priority activities of the Company.
12/28/2017 № 263	<ol style="list-style-type: none"> 1. On corporate governance issues of PJSC RusHydro. 2. On non-core assets of PJSC RusHydro. 3. On the completion of a transaction related to the gratuitous transfer of property of PJSC RusHydro. 4. About priority directions of activity of PJSC "RusHydro" 5. On approval of internal documents of PJSC "RusHydro" 6. On the interim results of the implementation of the Business Plan of PJSC RusHydro for 2017, taking into account the fact for 9 months of 2017 (including reports on the implementation of the Investment Program (including the Program for the comprehensive modernization of generating facilities) and the Annual Comprehensive Program of Purchases for the 9 months of 2017) . 7. On approval of the Insurance Coverage Program of PJSC "RusHydro" for 2018. 8. Determination of the position of PJSC RusHydro (representatives of JSC RusHydro) in the management bodies of subsidiaries
12/28/2017 № 264	<ol style="list-style-type: none"> 1. On the business plan of PJSC "RusHydro" for 2018 - 2022 years. 2. On approval of the list of annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2018 and the target values of the annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2018. 3. On approval of the annual comprehensive procurement program of PJSC "RusHydro" for 2018.

Resolutions of the meetings could be found under the link: <http://www.eng.rushydro.ru/governance/board/minutes/2017/>

Appendix № 5. Information on the Meetings of the Committees under the Board of Directors

Far East energy development Committee under the Board of Directors

Protocol Date and Number	Item Number and Title
04/03/2017 № 3	On the preliminary approval of the report on the results of the activities of the Far Eastern Energy Development Committee under the Board of Directors for the first half of 2016-2017 of the corporate year.
04/03/2017 № 3	On the recommendations to the Board of Directors of the Company on the status of implementation of priority projects for the construction of 4 facilities in the Far East (Yakutsk SDPP-2 (1st stage), Phase 2 of Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, Sakhalinskaya SDPP -2 (1st turn).
04/03/2017 № 3	On the recommendations to the Board of Directors of the Company on the issue: Determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda of the management bodies of Blagoveshchenskaya CHPP JSC: On the agreement for a conclusion between Blagoveshchenskaya CHPP and PJSC Power Machines additional agreement No. 11 to the general contract for the construction of the second stage of Blagoveshchenskaya CHP Plant No. 1-KS-2013-BTEC-2 / 12A dated December 26, 2013, which is a major transaction.
04/18/2017 № 4	On recommendations to the Board of Directors of the Company on the issue: On the Program for Development of RES in the Far East.
10/10/2017 № 6	On the election of the Deputy Chairman of the Far Eastern Energy Development Committee under the Board of Directors of PJSC RusHydro.
10/10/2017 № 6	On the election of the Secretary of the Committee for the Development of Energy in the Far East under the Board of Directors of PJSC RusHydro.
10/10/2017 № 6	On approval of the Work Plan of the Committee for the Development of Energy in the Far East under the Board of Directors of PJSC RusHydro for 2017 -2018.
10/10/2017 № 6	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: On securing financing for the project "Expansion of the 220 kV Maya substation and construction of the Megino-Kangalas rayon power transmission lines in the Republic of Sakha (Yakutia)".
10/10/2017 № 6	On recommendations to the Board of Directors of PJSC RusHydro on the issue: Status of the implementation of priority projects for the construction of 3 facilities in the Far East (Yakutskaya SDPP-2 (1st stage), TPP in Sovetskaya Gavan, Sakhalinskaya SDPP-2 (1 line) as of June 30, 2017.
10/27/2017 № 7	On recommendations to the Board of Directors of PJSC RusHydro on the issue: Determination of the position of the Company (representatives of the Company) on the issue of the agenda of the General Meeting of Shareholders of JSC Yakutskaya SDPP-2: On the agreement for a major transaction - the conclusion of JSC Yakutskaya SDPP-2 Additional of the agreement to the General Contract for the construction of the Yakutsk SDPP-2 (1st stage) of February 24, 2014 No. 01 / ZRUH / 13-121293.
10/27/2017 № 7	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: On securing financing for measures to implement the technological connection of the 220 kV Orotukan-Palatka-Centralnaya line.
10/27/2017 № 7	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: On securing financing for the project "Construction of two single-circuit HVL 110 kV Pevek-Bilibino".
12/11/2017 No. 8	On the recommendations to the Board of Directors of PJSC RusHydro on the issue: On the definition of priority activities of the Company: On the status of implementation of priority projects for the construction of 4 facilities in the Far East (Yakutsk SDPP-2 (1st stage), Phase 2 of Blagoveshchenskaya TPP , TPP in Sovetskaya Gavan, Sakhalinskaya SDPP-2 (1st stage).
12/11/2017 No. 8	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: On the definition of priority activities of the Company: On the proSDPPs of the technological connection of the BJI 220kV Orotukan-Palatka-Tsentralnaya.
12/11/2017 No. 8	On recommendations to the Board of Directors of PJSC RusHydro on the issue: On the definition of priority activities of the Company: On the implementation of the Action Plan ("Roadmap") "On ensuring the power supply of the Chukotka Autonomous Okrug while replacing the outgoing generation facilities", approved by the Government of the Russian Federation on 12.12.2016 № 9519п-ПІ9.
12/11/2017 No. 8	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: On the definition of priority activities of the Company: On the status of the implementation of the project for construction of approaches to the 220 kV "Maya".
12/11/2017 No. 8	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: On the definition of priority activities of the Company: On the construction of the Ust-Srednekanskaya HPP.
12/25/2017 № 9	On recommendations to the Board of Directors of PJSC RusHydro on the issue: Determination of the position of PJSC RusHydro (representatives of JSC RusHydro) on

	the agenda of the General Meeting of Shareholders of JSC Yakutskaya SDPP-2: Approval of a major transaction - Supplementary Agreement No. 1 dated 12/01/2017 to the Property Lease Agreement No. YASDPP-2/2016/19 of April 29, 2016.
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Strategy Committee under the Board of Directors

Protocol Date and Number	Item Number and Title
№96 02/14/2017	1. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On the priority areas of the Company's activities: on disposal of shares of PJSC" RusHydro "owned by its subsidiary". 2. On approval of the Work Plan of the Strategy Committee under the Board of Directors of PJSC "RusHydro" for the first half of 2017.
№97 04/07/2017	1. On recommendations to the Board of Directors of the Company on the issue: "On introducing changes to the Long-term Development Program of RusHydro Group". 2. On the implementation of the Long-term development program of the RusHydro Group for 2016.
№98 04/17/2017	1. On recommendations to the Board of Directors of the Company on the issue: "On termination of participation of PJSC" RusHydro "in other organizations". 2. On recommendations to the Board of Directors of the Company on the issue: "On the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda of the management bodies of PJSC RAO ES Of the East, JSC RBEF and JSC ESC RusHydro: acquisition of subordinated bonds of the Joint-Stock Commercial Bank for the Promotion of Charity and Spiritual Development of the Fatherland "PERESVET" (Joint Stock Company) ".
№99 06/06/2017	1. On the execution of the instruction of the Board of Directors of the Company on the issue "On the approval of the Strategy for the development of the RusHydro Group for the period up to 2020 with the prospect of up to 2025" (item 4.2 of the Protocol dated June 8, 2016 No. 238) ". 2. On recommendations to the Board of Directors of the Company on the issue: "On approval of the report on the results of the Strategy Committee under the Board of Directors of PJSC" RusHydro "for 2016-2017 corporate year".
№100 06/16/2017	1. On recommendations to the Board of Directors of the Company on the issue "On the priority areas of the Company's activities: About the Taishet aluminum plant construction project".
№101 08/28/2017	1. On election of the Deputy Chairman of the Strategy Committee. 2. On approval of the Work Plan of the Strategy Committee for the second half of 2017. 3. Recommendations to the Board of Directors regarding: "On the execution of individual orders of the President of the Russian Federation and the Russian Government on refinancing of loans Group PJSC" RAO ES of the East ", " 4. Recommendations to the Board of Directors on the "Determination of the position of PJSC" RusHydro "(representatives of the PSC" RusHydro ") on the agendas of its subsidiaries controls: 1. On the reorganization of Geotherm JSC in the form of merger with it JSC "Pauzhetskaya GeoPP" and JSC "OP Verkhne-Mutnovskaya GeoPP"; 2. Increasing the authorized capital of Geotherm JSC; 3. On the reorganization of JSC "Verkhne-Mutnovskaya OP GeoPP" in the form of a merger with Geotherm JSC. 5. Recommendations to the Board of Directors on the issue: "On participation and termination of participation of PJSC" RusHydro "in other organizations." 6. On election of the Secretary of the Strategy Committee.
№102 09/27/2017	1. On recommendations to the Board of Directors of the Company on the issue: "On the implementation of the Long-term development program of the RusHydro Group for the first half of 2017".
№103 10/10/2017	1. On recommendations to the Board of Directors of the Company on the issue: "On the definition of priority activities of the Company: On joining the Company to the UN Global Compact and preparing to join the Association" National Network of the Global Compact ".
№104 10/24/2017	1. On recommendations to the Board of Directors of the Company on the issue "On priority areas of the Company's activities: Consideration of the RusHydro Group's Value Increase Plan for the period up to 2021".
№105 11/14/2017	1. On recommendations to the Board of Directors of the Company on the issue: "On participation (change in the participation share) of the Company in other

	<p>organizations".</p> <p>2. On recommendations to the Board of Directors of the Company on the issue: "On termination of the Company's participation in other organizations".</p> <p>3. On recommendations to the Board of Directors of the Company on the issue: "On determining the position of the Company (representatives of the Company) on the agenda of the management bodies of JSC" Hydroinvest ".</p>
№106 11/22/2017	1. On recommendations to the Board of Directors of the Company on the issue: "On transactions with shares of organizations in which the Company participates".

Audit Committee under the Board of Directors

Protocol Date and Number	Item Number and Title
02/20/2017 (Minutes No. 93)	<p>1. On recommendations to the Board of Directors of the Company on the issue: "On approval of the new version of the Regulations on the Information Policy of PJSC RusHydro"</p> <p>2. On the Report on compliance by the Company with the requirements of the legislation of the Russian Federation in the field of countering the misuse of insider information and market manipulation and the Regulations on Insider Information of PJSC RusHydro for the 4th quarter of 2016.</p> <p>3. On the instruction of the Chairman of the Board of Directors of PJSC RusHydro Trutneva Yu.P. in accordance with the Protocol of the Board of Directors of PJSC RusHydro of December 26, 2016 No. 245.</p> <p>4. On the implementation of the schedule of control activities of PJSC "RusHydro" for the 4th quarter of 2016.</p>
03/17/2017 (Minutes No. 94)	<p>1. Approval of the Work Plan of the Audit Committee under the Board of Directors of PJSC RusHydro for the first half of 2017.</p> <p>2. On recommendations to the Board of Directors of the Company on the issue: "On approval of the Report on the organization of insurance protection of PJSC" RusHydro "in 2016".</p> <p>3. On approval of the report of the Chairman of the Audit Committee under the Company's Board of Directors on the results of activities for the second half of 2016.</p> <p>4. On the Report of PwC Audit JSC (the Company's Auditor) based on the results of the interim audit of the Company's accounting statements under RAS for 9 months of 2016.</p>
04/20/2017 (Minutes No. 95)	<p>1. About the Report of PwC Audit JSC (the Company's Auditor) based on the audit of the Company's financial statements prepared in accordance with Russian Accounting Standards for 2016.</p> <p>2. On the report of PwC Audit JSC (the Company's Auditor) following the audit of the consolidated financial statements of RusHydro Group in accordance with IFRS for the year ended December 31, 2016.</p> <p>3. On the audit opinion of the Company's Auditor based on the audit of the Company's financial statements prepared in accordance with Russian Accounting Standards for 2016.</p> <p>4. On the Opinion of the Audit Commission of the Company based on the audit results of the Company for 2016.</p> <p>5. On recommendations to the Board of Directors of the Company on the issue of annual financial statements prepared in accordance with Russian Accounting Standards for 2016.</p> <p>6. On recommendations to the Board of Directors of the Company on the candidature of the Company's Auditor.</p> <p>7. On recommendations to the Board of Directors of the Company on determining the amount of payment for the services of the Company's Auditor for 2017.</p> <p>8. On the preliminary approval of the Company's Annual Report for 2016.</p>
May 18, 2017 (Minutes No. 62-96) Joint meeting with the Committee for Personnel and Remuneration	1. On recommendations to the Board of Directors of the Company on the issue: "Consideration of the consolidated business plan (including the consolidated Investment Program) of the RusHydro Group for 2017-2021 and the approval of the target values of the annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2017 and Target values of key performance indicators of the long-term motivation program of PJSC "RusHydro" for the first cycle for 2017 - 2019 ".
05/19/2017 (Minutes No. 97)	1. On the Report on compliance by the Company with the requirements of the legislation of the Russian Federation in the field of countering the misuse of insider information and market manipulation and the Regulations on Insider Information of PJSC RusHydro for the 1st quarter of 2017.

	<p>2. On consideration of the report on the implementation of the Action Plan for the implementation of the Comprehensive Anti-Corruption Program of PJSC RusHydro in 2016.</p> <p>3. On consideration of the Methodology for evaluating the effectiveness of the internal control and risk management system of the internal audit division.</p> <p>4. On the execution of the schedule of control measures of PJSC "RusHydro" for the 1 st quarter of 2017.</p>
05/31/2017 (Minutes No. 98)	<p>1. On preliminary approval of the report of the Chairman of the Audit Committee under the Company's Board of Directors on the results of activities for the 2016-2017 corporate year.</p> <p>2. On preliminary consideration of the results of the assessment of corporate governance practices.</p> <p>3. On preliminary consideration of the report on the functioning of the corporate system of internal control and risk management, taking into account the assessment of internal audit.</p> <p>4. On the instruction of the Chairman of the Board of Directors of PJSC RusHydro Trutneva Yu.P. in accordance with the Protocol of the Board of Directors of PJSC "RusHydro" dated 20.04.2017 No. 252.</p>
06/16/2017 (Minutes No. 99)	<p>1. On amending the Regulations on the Audit Committee under the Board of Directors, approved by the decision of the Board of Directors of PJSC RusHydro (Minutes No. 239 of 23.06.2016).</p> <p>2. Consideration of proposals to increase the effectiveness of the Company's activities based on the results of the audit of the implementation of the DDA in 2016</p>
08/02/2017 (Minutes No. 100)	<p>1. On introducing changes to the schedule of control activities of the Internal Audit Service of PJSC RusHydro for 2017, approved by the decision of the Audit Committee under the Board of Directors of PJSC RusHydro (Minutes No. 92 of December 14, 2016).</p> <p>2. On the Report on compliance by the Company with the requirements of the legislation of the Russian Federation in the field of countering the misuse of insider information and market manipulation and the Regulations on Insider Information of PJSC RusHydro for the 2nd quarter of 2017.</p>
08/28/2017 (Minutes No. 101)	<p>1. On election of the Deputy Chairman of the Audit Committee.</p> <p>2. Appointment of the Secretary of the Audit Committee.</p> <p>3. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue "On approval of the Report on Corporate Social Responsibility and Sustainable Development of the RusHydro Group for 2016".</p> <p>4. On recommendations to the Board of Directors of the Company on the issue: "On preliminary approval of decisions on the commission of the Company: On the completion of a transaction related to the gratuitous transfer of the Company's property that constitutes fixed assets".</p> <p>5. On recommendations to the Board of Directors of the Company on the issue: "On the Company's transactions related to the free transfer of the Company's property to third parties".</p>
09/29/2017 (Minutes No. 102)	<p>1. On approval of the Work Plan of the Audit Committee under the Board of Directors of PJSC RusHydro for the second half of 2017.</p> <p>2. On the execution of the schedule of control measures of PJSC "RusHydro" for the 2 nd quarter of 2017.</p>
11/31/2017 (Minutes No. 103)	<p>1. "On consideration of information on the implementation of action plans approved by the order of JSC" RusHydro "dated June 15, 2017 No. 384 on the results of on-site inspections of the implementation of investment projects" Construction of a CHP plant in Sovetskaya Gavan ", " Construction of the Yakutsk SDPP-2 (1), "Construction of Sakhalinskaya SDPP-2 (1st stage)"</p> <p>2. "On consideration of information on the implementation of the action plan following the results of the field inspection of the Ministry of Energy of Russia on the implementation of the investment project of PJSC" RusHydro "Ust-Srednekanskaya HPP (including an analysis of the fulfillment of measures necessary to fill the Ust-Srednekansk reservoir to the design mark; conclusion of the Ust-Srednekanskaya HPP to the designed capacity) "</p> <p>3. "On consideration of information on the implementation of the action plan approved by the order of JSC" RusHydro "dated January 19, 2016 No. 24 (as amended by Order No. 22 of January 20, 2017) as a result of on-site inspection of the implementation of the project activities for design, construction and commissioning operation of the Boguchanskaya HPP, stipulated by the investment program of PJSC "RusHydro" for 2014 - 2016 "</p> <p>4. "On consideration of the results of the on-site inspection of the Ministry of Energy of Russia on the implementation of the investment project" Supply and replacement of six hydro turbines of the Novosibirsk HPP "on a turn-key basis" and a draft Action Plan for the elimination of violations and deficiencies identified by the Ministry of Energy of Russia. "</p>

11/15/2017 (Minutes No. 104)	<ol style="list-style-type: none"> 1. On the Report of PwC Audit JSC (the Company's Auditor) following the results of the review of the consolidated interim condensed financial information of RusHydro Group under IFRS for the six months ended June 30, 2017. 2. On the Plan of JSC PwC Audit (Auditor of the Company) for audits of the RusHydro Group for 2017. 3. On the Report of PwC Audit JSC (the Company's Auditor) based on the results of the interim audit of the Company's accounting reports under RAS for 6 months of 2017. 4. On recommendation to the Board of Directors of the Company on the issue: "On determining the maximum cost of services for auditing the Company's financial statements prepared in accordance with Russian accounting standards and auditing (reviewing) the consolidated financial statements of the RusHydro Group prepared in accordance with international financial standards reporting, for the period from 2018 to 2020 " 5. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On the approval of the Policy in the field of internal audit of PJSC" RusHydro "in a new edition. 6. On optimization of the functions and structure of the Internal Audit Service of PJSC "RusHydro".
11/30/2017 (Minutes No. 105)	<ol style="list-style-type: none"> 1. On consideration of the Report on compliance by the Company with the requirements of the legislation of the Russian Federation in the field of countering the misuse of insider information and market manipulation and the Regulations on Insider Information PJSC "RusHydro" for the third quarter of 2017. 2. On recommendations to the Board of Directors of the Company on the issue: "On approval of the Insurance Coverage Program of PJSC" RusHydro "for 2018". 3. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue "On the approval of the Anti-Corruption Policy of PJSC" RusHydro "in a new version."
12/22/2017 (Minutes No. 106)	<ol style="list-style-type: none"> 1. On recommendations to the Board of Directors of the Company on the issue: "On consideration of the Report on Observance of the Information Policy of PJSC" RusHydro ". 2. On recommendations to the Board of Directors of the Company on the item: "On corporate governance issues: On approval of internal documents of the Company". 1. On recommendations to the Board of Directors of the Company on the issue: "On non-core assets of the Company". 2. On recommendations to the Board of Directors of the Company on the issue: "On the preliminary approval of decisions on the commission of the Company: On the transaction related to the gratuitous transfer of the Company's property that constitutes fixed assets". 3. On the execution of the schedule of control measures of PJSC "RusHydro" for the 3rd quarter of 2017. 4. On approval of the schedule of control activities of the Internal Audit Service of PJSC "RusHydro" for 2018.
12/28/2017 (Minutes № 107)	<ol style="list-style-type: none"> 1. On approval of the Program for ensuring and improving the quality of internal audit.

Nominations and Compensations Committee under the Board of Directors

Protocol Date and Number/item	Item Number and Title
01/16/2017, 58/1	On recommendations to the Board of Directors of PJSC RusHydro on the issue "Determining the quantitative composition of the Management Board of PJSC" RusHydro "
01/16/2017, 58/2	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue "On election of a member of the Management Board of PJSC" RusHydro "
03/14/2017, 59/1	On the preliminary approval of the report on the results of the activities of the Personnel and Remuneration Committee (nominations) under the Board of Directors of PJSC "RusHydro" for the period from 18.06.2016 to 31.12.2016.
11/04/2017, 60/1	On recommendations to the Board of Directors of the Company on the issue: "On the execution of a resolution of the Board of Directors of the Company".
11/04/2017, 60/2	On the recommendations to the Board of Directors of the Company on the issue: "On agreeing the combination of positions in the management bodies of other organizations by an individual acting as the sole executive body and members of the Management Board, as well as other paid posts in other organizations".
04/26/2017, 61/1	On recommendations to the Board of Directors of the Company on the issue: "On recommendations to the annual General Meeting of Shareholders of the Company on the issue:" On payment of remuneration for work on the Board of Directors to members of the Board of Directors who are not state employees in the amount established

	by the Company's internal documents ".
05/18/2017, 62/1	On recommendations to the Board of Directors of PJSC RusHydro on the issue: "Consideration of the consolidated business plan (including the consolidated Investment Program) of the RusHydro Group for 2017-2021 and the approval of the target values of the annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2017 and Target values of key performance indicators of the long-term motivation program of PJSC "RusHydro" for the first cycle for 2017 - 2019. "
05/22/2017, 63/1	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On recommendations to the Annual General Meeting of Shareholders of PJSC" RusHydro "on the issue:" Approval of the Regulations on payment of remuneration and compensation to members of the Board of Directors of the Company in a new version ".
05/22/2017, 63/2	On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: On recommendations to the Annual General Meeting of Shareholders of PJSC "RusHydro" on the issue: "On termination of participation of JSC RusHydro in the Non-Profit Partnership" Corporate Educational and Scientific Center of the Unified Energy System ".
05/22/2017, 63/3	On the compliance of candidates for the Board of Directors of PJSC RusHydro with the criteria of independence.
05/22/2017, 63/4	On recommendations to the Board of Directors of PJSC RusHydro on the issue: "Recognition of a member of the Board of Directors of the Company as an independent director".
06/01/2017, 64/1	The question contains confidential information
06/01/197, 64/2	The question contains confidential information
06/01/2017, 64/3	On recommendations to the Board of Directors of the Company on the issue: "On consideration of the report on the implementation of the Plan of measures (the list of measures) for the introduction of professional standards in the activities of the Company."
06/19/2017, 65/1	On the preliminary approval of the report on the results of the activities of the Personnel and Remuneration Committee (nominations) under the Board of Directors of PJSC "RusHydro" for 2016-2017 corporate year
06/19/2017, 65/2	On recommendations to the Board of Directors of the Company on the issue: "On amendments to the Regulations on the Personnel and Remuneration Committee (nominations) attached to the Board of Directors of PJSC RusHydro, approved by the decision of the Board of Directors of PJSC RusHydro (Minutes No. 239 of 23.06.2016)."
09.28.2017, 66/1	On election of the Secretary of the Personnel and Remuneration Committee (nominations) under the Company's Board of Directors.
28.09.2017, 66/2	On election of the Deputy Chairman of the Personnel and Remuneration Committee (nominations) under the Company's Board of Directors.
28.09.2017, 66/3	On recommendations to the Board of Directors of the Company on the issue: "On approval of the Supplementary Agreement to the Model Collective Agreement of the Branch of PJSC" RusHydro for 2017-2019 ".
10.10.2017, 67/1	On recommendations to the Board of Directors of the Company on the issue "On the performance of key performance indicators of the Company for 2016".
12/07/2017, 68/1	On recommendations to the Board of Directors of the Company on the issue: "On consideration of the report on the implementation of the Plan of measures (the list of measures) for the introduction of professional standards in the activities of the Company."
12/21/2017, 69/1	On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On approval of the list of annual key performance indicators of the members of the Management Board of PJSC" RusHydro "for 2018 and target values of the annual key performance indicators of the members of the Management Board of PJSC" RusHydro "for 2018".
12/21/2017, 69/2	On recommendations to the Board of Directors of the Company on the issue: "On the recognition of independent members of the Board of Directors of the Company".
12/21/2017, 69/3	On the election of the senior independent director of the Company.

Investment Committee under the Board of Directors

Protocol Date and Number	Item Number and Title
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No. 88 of February 20, 2017	<p>1. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On ensuring the preparation of project and estimate documentation of investment projects included in the investment program of PJSC" RusHydro ".</p> <p>2. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On approval of the Report on the sale of non-core assets for 2016".</p> <p>3. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "Determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the issue of the agenda of the management body of JSC Karachaevo-Cherkess hydrogenerating company:" On approval of the conclusion of a loan agreement between PJSC " RusHydro "and JSC" Karachay-Cherkess hydro-generating company ", which is a major transaction".</p>
No. 89 of April 3, 2017	<p>1. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On the draft consolidated investment program of the RusHydro Group for 2018-2022 and 2017 (adjustment), and the draft investment program of PJSC" RusHydro "for 2018-2027 and for 2017 (adjustment). "</p> <p>2. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On approval of the report on the public technological and price audit of investment projects for 2016, containing the results of the consolidated analysis of audits and conclusions on the results of public and expert discussion."</p> <p>3. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On approval of the list of investment projects for conducting a public technological and price audit in 2017-2018".</p> <p>Question number 4. On approval of the work plan of the Investments Committee under the Board of Directors of PJSC RusHydro for the first half of 2017.</p>
No. 90 of April 13, 2017	<p>1. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "Implementation of key performance indicators of PJSC" RusHydro "for the 4th quarter of 2016 and 2016".</p> <p>2. On the recommendation to the Board of Directors of PJSC RusHydro on the issue: "On approval of the report on the implementation of the Company's Business Plan for 2016 (including reports on the implementation of the Investment Program (including the Program for the comprehensive modernization of generating facilities), the Annual Comprehensive Program of Purchases for 2016 and Report on the implementation of a set of measures (list of measures) to reduce operating expenses (costs) for 2016 ".</p> <p>3. On recommendations to the Board of Directors of PJSC RusHydro on the issue "Consideration of the report on the implementation of the consolidated business plan (including the consolidated Investment Program) of the RusHydro Group for 2016".</p> <p>4. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "Consideration of the consolidated business plan (including the consolidated Investment Program) of the RusHydro Group for 2017-2021 and the approval of the target values of the annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2017 and Target values of the key performance indicators of the long-term motivation program of PJSC "RusHydro" for the first cycle for 2017 - 2019 ".</p>
No. 91 of April 17, 2017	<p>1. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On postponing the execution of the instruction on item 2 of the agenda of the meeting of the Board of Directors of the Company on February 19, 2016" On the proSDPPs of construction of Zagorskaya PSHPP-2 "(Minutes No. 231 of 20.02.2016, Minutes No. 10.10 .2016 No. 242). "</p>
No. 92 of May 22, 2017	<p>1. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On recommendations to the Annual General Meeting of Shareholders of the Company on the issue: On the amount of dividends, the terms and form of their payment based on the results of work for 2016 and the date on which persons entitled to receive dividends ".</p> <p>2. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On recommendations to the Annual General Meeting of Shareholders of the Company on the issue: Approval of the distribution of the Company's profit based on 2016 results".</p>
No. 93 of June 20, 2017	<p>1. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On the interim results of the implementation of the Company's Business Plan for the year 2017, taking into account the fact for the 1st quarter of 2017 (including reports on the implementation of the Investment Program (including the Integrated Modernization Program) and Annual complex procurement program for the 1st quarter of 2017) "</p> <p>2. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On approval of the procedure for agreeing with the Ministry of the Russian Federation for the development of the Far East of investment programs and other plans for the development of infrastructure implemented by the Company in the Far Eastern Federal District."</p> <p>3. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On approval of the Report on the implementation of the Action Plan for the sale of non-core assets of the Company for the I quarter of 2017".</p>

	4. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On approval of the report on the results of the Committee for Investments under the Board of Directors of PJSC" RusHydro "for 2016-2017 corporate year".
No. 94 of August 29, 2017	1. On election of the Deputy Chairman of the Investments Committee under the Board of Directors of PJSC RusHydro. 2. Election of the Secretary of the Investments Committee under the Board of Directors of PJSC RusHydro. 3. Recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On approval of the Report on the implementation of the Action Plan for the sale of non-core assets of the Company for the first half of 2017".
No. 95 dd. 06.10.2017	1. On approval of the work plan of the Investments Committee under the Board of Directors of PJSC RusHydro for the second half of 2017. 2. On recommendation to the Board of Directors of PJSC "RusHydro" on the issue: "On the interim results of the implementation of the Company's Business Plan for 2017, taking into account the fact for the first half of 2017 (including reports on the implementation of the Investment Program (including the Program for the Integrated Modernization of Generating objects) and the Annual comprehensive procurement program for the first half of 2017) ". 3. On recommendations to the Board of Directors on the issue: "On the adjustment of the Company's business plan for 2017". 4. On recommendations to the Board of Directors of the Company on the issue: "On priority areas of the Company's activities: On approval of Supplementary Agreement No. 4 to the Agreement on the Provision of Budget Investments No. 01-08 / 827 of December 18, 2012".
No. 96 of November 22, 2017	1. Recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On approval of the Report on the implementation of the Action Plan for the sale of non-core assets of the Company for 9 months of 2017". 2. Recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On the priority areas of the Company's activities: On the modification of previously adopted decisions on approving the BEMO project financing scheme". 3. On recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On approval of transactions related to the gratuitous transfer of the Company's property".
№97 of December 12, 2017	1. Recommendations to the Board of Directors of PJSC RusHydro on the issue: "On the intermediate results of the implementation of the Company's Business Plan for 2017, taking into account the fact for 9 months of 2017 (including reports on the implementation of the Investment Program (including the Program for the Integrated Modernization of Generating objects) and the Annual complex program of purchases for 9 months of 2017) ». 2. Recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On the proSDPPs of construction of Zagorskaya PSHPP-2".
No. 98 of December 22, 2017	1. Recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On the business plan of PJSC" RusHydro "for 2018 - 2022 years". 2. Recommendations to the Board of Directors of PJSC "RusHydro" on the issue: "On approval of the annual comprehensive procurement program of PJSC" RusHydro for 2018 ".

Reliability, Energy Efficiency and Innovations Committee under the Board of Directors

Protocol Date and Number	Item Number and Title
№45 of May 29, 2017	1: On recommendations to the Board of Directors of PJSC RusHydro on the issue: "On approval of the report on the implementation of the Innovative Development Program of the RusHydro Group for 2016-2020. with a prospect up to 2025 for 2016 ". 2: Approval of the report on the results of the activities of the Committee for Reliability, Energy Efficiency and Innovation under the Board of Directors of PJSC "RusHydro" for the 2016-2017 corporate year.
№ 46 of June 13, 2017	1: On recommendations to the Board of Directors of the Company on the issue: "On determining the Company's (Company's representatives) position on the agenda of the Board of Directors of JSC Zagorskaya PSHPP-2:" On approval of the contract for the supply of equipment that is a transaction related to alienation or possible alienation property constituting fixed assets, the purpose of which is the production, transmission, dispatching, distribution of electric and thermal energy. "

№ 47 of December 12, 2017	1: on election of the Deputy Chairman of the Committee for Reliability, Energy Efficiency and Innovation under the Board of Directors of the Company. 2: on the election of the Secretary of the Committee on Reliability, Energy Efficiency and Innovation under the Board of Directors of the Company. 3: on recommendations to the Board of Directors of the Company on the issue: "On the proSDPPs of construction of Zagorskaya PSHPP-2".
№ 48 of December 21, 2017	1. On recommendations to the Board of Directors of the Company on the issue: "On consideration of proposals for improving the quality of preparation and implementation of the Innovative Development Program of the RusHydro Group for 2016-2020. with a prospect up to 2025".
№ 49 of December 28, 2017	1. On recommendations to the Board of Directors of the Company on the issue: "On measures to improve reliability, conducted at power facilities of RusHydro Group".

Appendix № 6. Information about the sales of non-core assets

The program of alienation of non-core assets of PJSC RusHydro (hereinafter - Program) approved by the Board of Directors (Minutes No. 263 of December 28, 2017)², determines the general principles and procedure for the Company's actions to dispose of non-core assets of the Company.

The goal of the Program is to formulate a methodology for managing the Company's non-core assets.

The main directions of the Program:

- formation and maintenance of the Register of non-core assets and the Plan of measures for the sale of non-core assets;
- ways and procedures for the sale of non-core assets;
- information support for the process of selling non-core assets;
- provision of reports on the sale of non-core assets.

The plan of measures for the sale of non-core assets of PJSC "RusHydro" for 2016 (4 quarter) - 2017. and the adjusted Register of non-core assets of PJSC RusHydro in a new wording were approved by the Board of Directors (Minutes No. 246 of December 27, 2016).

The register of non-core assets contains the main information about non-core assets, their book value, the type of the proposed action with respect to non-core assets and other necessary information.

The Action Plan for the sale of non-core assets includes non-core assets planned for sale in 2017, indicating the timing of the sale of non-core assets and their market value, as determined by the appraisal organization.

№	Assets	Registration No.	Balance Sheet item reflecting the assets as of the reporting date immediately preceding the sale date	Accounts (including analytical accounts) reflecting the income and expenditure associated with the retirement of the assets (91.1xxx/91.2xxx)	Book value of the assets, thou. RUB	Actual sales value of the assets, thou. RUB excluding VAT	Deviation of the actual sales value of the assets from their book value , thou. RUB	Reasons for the variance between the actual sales value and the book value if the assets, thou. RUB
1	PJSC "Irkutskenergo" ³	-	1,170	9101040101/ 9102040101	74,353	74,860	+507	Sale by acceptance of the Obligatory offer of LLC "Telmamskaya HPP"
	JSC "Zharki" ⁴	-	1,170	9101040101/ 9102040101	0	6,000	+ 6,000	Sale by the results of competitive procedures

² Previously, the Regulation on the procedure for disposing of non-core assets of JSC RusHydro, approved by the Board of Directors (Minutes No. 106 of 01.09.2010 and No. 239 of 23.06.2016), and the Alienation Program for Non-core Assets approved by the Board of Directors (Minutes No. 242 of 10.10.2016).

³ Participation terminated in the 3rd quarter of 2017

⁴ Sold on 12/06/2017

2	99 apartments in the village Talakan Amur region	1004_54 10527 10526 1861 1004_38 1004_36 1004_34 10301010000002710000 10301010000002740000 10301010000002830000 10301010000002940000 10301010000003000000 10301010000003110000 10301010000003120000 10301010000003220000 10301010000003260000 10301010000003300000 10301010000003330000 10301010000003370000 10301010000003390000 10301010000003400000 10301010000003420000 10301010000003430000 10301010000003440000 10301010000003470000 10301010000003490000 10301010000003500000 10301010000003520000 10301010000003530000 10301010000003540000 10301010000003550000 10301010000003570000 10301010000003590000 10301010000003600000 10301010000003610000 10301010000003620000 10301010000003630000 10301010000003640000 10301010000003650000 10301010000003660000 10301010000003670000 10301010000003690000 10301010000003700000	1151.1	9101010101/ 9102010101	76,881	36,374	- 40,507	Sale at market value determined by the appraisal organization, employees of the branch of PJSC "RusHydro" - "Bureyskaya HPP"
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3	Apartment in Moscow region	3Г10300	1,151.1	9101010101/ 9102010101	1,690	2,753	+1,063	Sale at the market value determined by the appraisal organization, employee of the branch of PJSC "RusHydro" - "Zagorskaya PSPP"
4	Road tunnel in the Karachay-Cherkess Republic	22	1,151.3	910101011/-	0	85	+85	Sale by the results of competitive procedures
5	Apartment in the Nizhny Novgorod region	НЖ0000068	1,151.1	9101010101/ 9102010101	1,983,000	2,052,009	+69,009	Sale by the results of competitive procedures
6	5 apartments in the village Talakan Amur region	1003_24 1003_3 1004_48 10301010000002 880000 10301010000003060000	1,151.1	-,/9102051100	1,195	0.00	- 1,195	The transfer of property to employees of the branch of PJSC "RusHydro" - "Bureyskaya HPP"
7	2 apartments in the Republic of Khakassia	2700000150 2700000170	1,213	9001180101/ 9002180101	5,850	4,452	-1,398	Sale at the market value determined by the appraisal organization

8	Laboratory building in the Krasnoyarsk Territory	112	1,151.1	-/9102010701	17,777	-	-17,777	The object was in a dilapidated state. The object is liquidated and decommissioned
9	External communication networks of Borus Hotel in the Republic of Khakassia	7559	1,151.3	-/9102010701	12	-	-12	The object was in a dilapidated state. The object is liquidated and decommissioned
Total					179 741	126 576	-,53,165	

Appendix № 7. Information on pending court proceedings

	Number of pending court proceedings	The total sum of claims, RUB
Claimant: PJSC RusHydro	48	1,478,852,193.50
Defendant: PJSC RusHydro	18	78,467,515.05

Appendix № 8. Information concerning the State support funds received by the Company in the reporting year, including the amount of granted subsidies (Rubles), their use, and drawdown by the end of the year

In 2017, PJSC RusHydro did not raise funds from the federal budget for the implementation of investment program projects.

For the year 2017 the Company used previously received budgetary funds under Presidential Decree No. 1564 of 11/22/12 for the construction of heat generation facilities in the Far East in the amount of 4,978.7 million rubles, including:

- CHP in Sovetskaya Gavan – 1,940.2 million rubles (taking into account the return of part of the advance payment by the general contractor),
- Sakhalin SDPP -2 (1st stage) – 3,038.5 million rubles,
- Yakutsk SDPP-2 (1st stage) - 0.0 million rubles (the facility was introduced on October 31, 2017),
- Blagoveshchenskaya CHP (2nd stage) - 0.0 million rubles (the facility was introduced on December 22, 2016).

As of 01.01.2018, the balance of the budgetary appropriations previously received by the Company in the sale of the Russian Federation of additional shares of PJSC RusHydro is – 5,027.2 million rubles, including:

- for the further construction of a combined heat and power plant in Sovetskaya Gavan (Khabarovsk Territory) - 4,127.9 million rubles;
- the balance of unused saved budget investments - 899.3 million rubles (476.9 million rubles allocated for the completion of the coastal spillway of the Sayano-Shushenskaya hydroelectric power station - construction completed), 422.4 million rubles for the design of the Kankunskaya HPP - design completed.

Appendix № 9. Report on the Long Term Development program implementation of the RusHydro Group for the year of 2017

OVERVIEW

The long-term development program of the RusHydro Group for the period 2016-2020 (hereinafter referred to as "the LTDR") was approved by the decision of the Board of Directors of PJSC "RusHydro" (hereinafter also the Company) as of 11/23/2016 (Minutes No. 244).

In accordance with the decision of the Board of Directors of the Company of December 26, 2016 (Minutes No. 245), and in order to ensure the relationship between the achievement of KPI of DWR and the remuneration of management by the decision of the Board of Directors of the Company of April 18, 2017 (Minutes No. 251), changes were made to the DDP in the part of the list and KPI LTDR methodology in accordance with the KPI approved by the members of the Company's Management Board and KPI of the Long-Term Motivation Program of PJSC RusHydro.

The LTDR defines the main principles and directions that ensure the effective dynamic development of the RusHydro Group for the effective use of hydro resources, the creation of conditions for ensuring the reliability of the Unified Energy System of Russia, and the creation of conditions for the social and economic development of the regions of the Far East by ensuring the availability of energy infrastructure for existing and promising consumers.

Pursuant to the directives of the Government of the Russian Federation No. 4955p-P13 of 17.07.2014, an audit of the implementation of the LTDR is carried out annually in accordance with the Standard for carrying out an audit of the implementation of the LTDR⁵ and the Terms of Reference for carrying out an audit of the implementation of the LTDR⁶, developed taking into account the recommendations of the Government of the Russian Federation⁷.

PERFORMANCE VERSUS PLANNED AND ESTIMATED TARGETS BASED ON CONSOLIDATED BUSINESS PLAN OF THE RUSHYDRO GROUP

The main element of economic planning in the RusHydro Group is the Business Plan, which is formed for the medium term. By the decision of the Board of Directors of the Company, the Regulation on the business planning system was approved (Minutes No. 233 of 01.04.2016), in accordance with which the Consolidated Business Plan of RusHydro Group is formed in accordance with IFRS⁸.

The Consolidated RusHydro Group Business Plan for 2017-2021, reviewed by the Board of Directors of the Company (Minutes No. 254 of June 22, 2017), was formed on the basis of the Business plans of the RusHydro Group companies (PJSC RusHydro and its controlled companies (hereinafter referred to as the "CC")), transformational and consolidation amendments used to bring information in compliance with the requirements of IFRS.

The LTDR⁹ reflects the values of the planned and forecasted performance of the RusHydro Group, formed on the basis of the RusHydro Group Consolidated Business Plan project for 2017-2021. For the period after the approval of the LTDR, the project of the Consolidated Business Plan of RusHydro Group (the values of planned and forecasted indicators) was adjusted based on current conditions. For the purposes of this Report, the planned data for 2017 are presented on the basis of the Consolidated Business Plan of the RusHydro Group, reviewed by the Board of Directors on June 21, 2017 (Minutes No. 254 of June 22, 2017), and, in addition, take into account the increase in revenue from the sale of electricity (capacity) 2017 in the amount of 2,000 million rubles, which is determined in the target KPI values approved by the above decision of the Board of Directors of the Company.

⁵ Minutes of the Board of Directors of the Company No. 206 of November 21, 2014.

⁶ Minutes of the Board of Directors of the Company No. 206 of November 21, 2014....

⁷ Order of the Government of the Russian Federation of 04.15.2014 No. ISH-P13-2583.

⁸ Hereinafter in the text - International Financial Reporting Standards.

⁹ Approved by the resolution of the Board of Directors of the Company of November 23, 2016 (Minutes No. 244) as amended by the resolution of the Board of Directors of the Company dated April 18, 2017 (Minutes No. 251).

The actual data of the report on the implementation of the LTDP for 2017 was formed on the basis of the audited Consolidated Financial Statements of the RusHydro Group prepared in accordance with IFRS for the year ended December 31, 2017 and as of that date.

According to the consolidated financial statements of RusHydro Group under IFRS, the authorized capital of the Company as of December 31, 2017 is 426 289 million rubles.

Revenues

Analysis of data on the RusHydro Group in 2017 shows a decrease in actual revenues in relation to the plan by 14,862 million rubles (or -3.7%).

In the structure of revenues of the RusHydro Group, the largest share is generated from the sale of electricity (capacity) - 74% of the total revenue.

In the actual data flow, the main share of revenues from the sale of electricity (capacity) is provided by the RusHydro Group (PJSC RusHydro, sales companies and other generating companies), without taking into account the revenues of the RAO ES subgroups of the East. The Subgroup RAO ES of the East provides revenues from the sale of heat energy (99% of the total revenue from the sale of heat), government subsidies (almost 100% of the total volume) and other revenues (74% of the total volume in fact and 61% according to plan).

Current operating revenue structure for 2017, million rubles.

Item	2017 planned	2017 actual	Variation (planned/actual)	
			Absolute	relative
Sale of electricity (energy)	292,477	282,290	-10,187	-3.5%
Sale of heat	36,226	38,907	2,681	7.4%
State subsidies	16,103	32,745	16,642	103.3%
Other income	51,610	26,922	-24,688	-47.8%
Other operating income	0	690	690	-
Total Revenues from current operations and State subsidies	396,416	381,554	-14,862	-3.7%
Including revenues of PJSC RusHydro, with share in total revenues	115,109	120,752	5,643	4.9%
	29.0%	31.6%		
Including revenues of the Holding subgroup "RAO ES of the East", with share in total revenues	206,435	201,281	-5,154	-2.5%
	52.1%	52.8%		

The analysis of deviations of the actual indicators from the planned ones shows an increase relative to the revenue plan:

- from the sale of thermal energy (including hot water) by 7.4%;
- from receiving state subsidies by 103.3%.

The overall decrease in revenues, relative to the planned level, was affected by a decrease in revenue from the sale of electricity (capacity) by 3.5% and other revenue by 47.8%.

The decrease in revenues from the sale of electricity and capacity by the companies of the segment The subgroup of RAO ES of the East is due to the introduction from 01.07.2017 of the mechanism for bringing tariffs to basic levels in the territory of the Far East (Federal Law No. 508-FL of December 28, 2016 "On Amending the Federal Law" On electric power industry "), which leads to the redistribution of revenues under the items "Sale of electricity (capacity) "and" Government subsidies, "namely, the reduction of revenues from electricity sales and the growth of government subsidy revenues.

According to PJSC RusHydro, revenue from electricity and capacity sales is growing, due to the growth in electricity sales volumes on the day-ahead market due to the growth in output and productive supply.

A significant decrease in income under the item "Other revenue" relative to the planned volumes is observed in the segment "Other" and "Subgroup of RAO ES of the East". The deviation in the "Other" segment in the amount of 13,720 million rubles was due to the sale of the treasury stake in PJSC "RusHydro" from the balance of JSC "Hydroinvest" as part of the deal on the capitalization of PJSC "RusHydro" with a view to refinancing the external debt of the subsidiaries of RAO ES East ".

Other revenues received by the RusHydro Group in 2017 in the amount of 690 million rubles are dividends received by PJSC RusHydro and other companies from PJSC Inter RAO and PJSC Rosseti.

Expenses

According to the RusHydro Group, actual expenses for 2017 decreased by 32,997 million rubles. (or -9.8%) relative to the planned values.

Expense structure for 2016, million rubles..

Item	2017 planned	20167 actual	Variation (planned/actual)	
			Absolute	relative
Fuel consumption	50,702	58,098	7,396	14.6%
Depreciation of equipment and non-tangible assets	28,418	25,023	-3,395	-11.9%
Salaries, payments to staff and taxes, related to salary, investments to pension saving fund	73,891	74,591	700	0.9%
Taxes, except income tax	12,500	10,681	-1,819	-14.6%
Outsourced services	29,057	25,485	-3,572	-12.3%
Water consumption expenses	3,577	3,370	-207	-5.8%
Unclassified stores acquisition costs ¹⁰	17,359	10,812	-6,546	-37.7%
Infrastructure payments, related to sale of electricity and heat ¹¹	49,031	50,634	1,603	3.3%
Purchased electricity (energy)	44,872	40,747	-4,125	-9.2%
Other expenses (balance) ¹²	27,395	4,363	-23,033	-84.1%
TOTAL Current operation expenses	336,802	303,805	-32,997	-9.8%
Including revenues of PJSC RusHydro, with share in total revenues	66,670	62,628	-4,042	-6.1%
	20%	21%	-	-
Including revenues of the Holding subgroup "RAO ES of the East", with share in total revenues	195,593	199,561	3,968	2.0%
	58%	66%	-	-

The overall cost reduction for the plan was affected by the following costs:

- Other expenses (balance) - decrease by 23,033 million rubles (or -84.1%);
- expenses for the acquisition of other materials - a decrease of RUB 6,546 million (or -37.7%);
- purchased energy (capacity) - a decrease of 4,125 million rubles (or -9.2%);
- services of outside organizations - a decrease of 3 572 million rubles (or -12.3%);
- depreciation of fixed assets and NMA - a decrease of 3,395 million rubles (or -11.9%);
- purchase of fuel - an increase of 7,396 million rubles (or + 14.6%).

The decrease in expenses under the item "Other expenses (balances)" is provided mainly by the effect of selling the treasury stake in PJSC "RusHydro" from the balance of JSC "Hydroinvest" as part of the transaction for the capitalization of PJSC "RusHydro" in order to refinance the external debt of the subsidiaries of RAO ES of the East ".

The expenses under the item "Expenses for the acquisition of other materials" are influenced by the Subgroup of RAO ES of the East. The deviation based on the results of 2017 is due to differences in the methods of reflecting the planned and actual costs for fuel and materials (intragroup costs are excluded from the revenues of Vostek JSC and the related fuel costs of operating companies).

Reducing the cost of purchased electricity is observed in the segment "Subgroup of ESC RusHydro" (PJSC "Krasnoyarskenergosbyt", JSC "ESC RusHydro"). The increase in the cost of purchased electricity is due to the increase in purchase prices on the DAM.

¹⁰ The fact for the item is the amount of expenses for items: "Other materials" in the amount of 10,170 million rubles and "Expenses for the purchase of oil products for resale" in the amount of 642 million rubles, in accordance with Note 25 to the Consolidated Financial Statements of RusHydro Group prepared in accordance with with IFRS for the year ended December 31, 2017 and at that date.

¹¹ In fact, the item includes expenses for items: "Expenses for the distribution of electricity" in the amount of 43,482 million rubles, "Expenses for ensuring the functioning of the electricity and capacity market" in the amount of 3,639 million rubles, "Expenses for the acquisition and transportation of thermal energy" in the amount of 3 513 million rubles, in accordance with Note 25 to the Consolidated Financial Statements of RusHydro Group prepared in accordance with IFRS for the year ended December 31, 2017 and at that date.

¹² In fact, the item includes expenses for social expenditures in the amount of 1 098 million rubles, business trip expenses of 843 million rubles, loss on disposal of fixed assets in the amount of 1,006 million rubles and other expenses in the amount of 1,617 million rubles in accordance with Note 25 "Operating expenses" to the consolidated financial statements of PJSC "RusHydro" prepared in accordance with IFRS for the year 2017 and as of this date, less the cost of contributions to APF in the amount of 201 million rubles, recorded in the article Salary, payments employees and taxes associated with salaries, contributions to APFs.

The decrease in expenses under the item "Services of third-party organizations" for the year 2017 is due to the effective conduct of procurement procedures, support of the asset life-cycle management system, and the implementation of measures to optimize the organizational structure and business processes.

The decrease in expenses under the item "Depreciation of fixed assets and intangible assets" by 11.9% is due to the transfer of commissioning of facilities, the entries of which were planned in accordance with the investment program included in the business plan (mainly Nizhne-Bureyskaya HPP). Also, this factor has an effect on reducing expenses under the articles Taxes other than income tax, Third Party Services, Water Consumption Expenditure and Expenses for Purchasing Other Materials.

The increase in expenses under the item "Fuel Acquisition" by 14.6% is provided by the RAO ES Subgroup of the East due to the increase in electricity production (JSC "FEGC"), heat supply from the collectors (JSC "FEGC"), the increase in fuel prices, including on coal in connection with the additional generation of electricity from the stations of JSC "FEGC" (a change in the structure of the loading of equipment).

The overall cost reduction was influenced by measures to optimize expenses and improve the efficiency of the RusHydro Group's activities conducted by management.

Financial results

Profit and Loss Report of RusHydro Group, RUB mln.

Item	2017 planned	2017 actual	Variation (planned/actual)	
			Absolute	relative
Current operating revenues	380,312	348,119	-32,193	-8.5%
State subsidies	16,103	32,745	16,642	103.3%
Other operating income	0	690	690	-
Current operating expenses	-336,802	-303,805	32,997	-9.8%
Fixed assets Impairment loss	0	-24,000	-24,000	-
Receivables impairment loss, net	0	-5,957	-5,957	-
Financial assets Impairment loss	59,614	47,792	-11,822	-19.8%
Loans issued Impairment loss	-8,990	-12,690	-3,700	41.2%
Current operations income	3,315	417	-2,898	-87.4%
Financial revenues / (expenses), net	53,940	35,519	-18,421	-34.2%
Income related to associated companies and JV	-15,787	-13,068	2,719	-17.2%
Income before tax	38,152	22,451	-15,701	-41.2%
Managed semi-fixed costs, indexed by CPI ¹³	145,547	113,312	-32,235	-22.1%

The analysis of the profit and loss statement shows that the actual profit of the RusHydro Group is below the plan values, which is due to the fact that non-planned impairment losses of property, plant and equipment were reflected in the amount of RUB 24,000 million (primarily in respect of Yakutskaya SDPP-2 and Yakutskenergo) and an impairment loss of receivables of RUB 5,957 million (as a result of an analysis of overdue accounts receivable and an estimation of the probability of its repayment).

Also, the decrease in profit was influenced by the recognition of a financial expense as a result of a change in the fair value of a non-deliverable forward for shares. It should be noted that the approach to determining the fair value of the forward contract is to predict the future value of the share at the end of the forward contract. In this case, the calculation is made using the mathematical model "Monte Carlo", taking into account the volatility of shares of PJSC "RusHydro" and current market quotes. In this connection, in the event of a subsequent increase in the value of the Company's shares, the already reflected costs will be restored.

In addition, it should be borne in mind that the implemented scheme for attracting financing is much more effective than credit mechanisms. The forward rate is tied to the level of the CBR's key rate and will be reduced by dividends paid in favor of VTB Bank. The effective forward rate (excluding the cost of selling the stake in PJSC RusHydro) is 5.42%, and taking into account the sale of shares (with the current level of

¹³ Managed conditional-permanent expenses are expenses for which the Group influences and has an internal mechanism for their management. Do not take into account the costs that are regulated by the electricity market, the legislation of the Russian Federation and not subject to internal control mechanisms (costs for: purchased energy (capacity), infrastructure payments related to the sale of electricity, water use, taxes, depreciation, insurance).

market quotes remaining), the effective forward rate will be negative (-11%). This means that the aggregate payments on the instrument are less than the amount of funds raised (55 billion rubles).

Long-term borrowed funds as of December 31, 2017 amounted to 90,912 million rubles. Short-term borrowed funds and short-term part of long-term borrowed funds amounted to 78,613 million rubles.

Based on the Regulation on the dividend policy approved by the resolution of the Board of Directors of the Company (Minutes No. 195 of March 28, 2014) and the Resolution of the Government of the Russian Federation No. 944-r of May 18, 2017, following the results of 2016, the dividends paid by JSC "RusHydro" amounted to 50% the result of RusHydro Group, determined in the consolidated financial statements prepared in accordance with IFRS, or 19,876 million rubles.

In 2017, the Company implemented the activities of the Cost Optimization Plan based on the results of an external independent audit of the costs of PJSC RusHydro, taking into account the subsidiaries approved by the decision of the Board of Directors of the Company, in 3 key areas with the greatest potential to reduce costs:

1. Operating expenses: optimization of costs for maintenance of production personnel; optimization of unit costs for maintenance and repair; optimization of unit costs for fuel; optimization of transport costs; optimization and development of a centralized supply system. The economic effect of the initiatives was 5,304 million rubles.

2. Management model and operating costs: smooth increase of the manageability standards to the level of the best practices in the Company; standardization of the number of AUP in the Company's branches to the level of the best domestic practice; liquidation of representative offices of PJSC "FEED", JSC "FEGC", JSC "FEDC", PJSC "Yakutskenergo" and JSC "Chukotenergo" in Moscow; transfer of some of the functions of the administrative and managerial staff of the branches to the level of PJSC "FEED", JSC "FEGC", JSC "FEDC", optimization of the functions of branches and executive offices of PJSC "FEED", JSC "FEGC", JSC "FEDC"; standardization of the number of AUP in production units of JSC "RAO ES of the East"; integration of the executive units of PJSC RusHydro and JSC RAO ES of the East, reduction of management levels and improvement of manageability standards in JSC RAO ES of the East. The economic effect from the implementation of initiatives amounted to 1382 million rubles.

3. Investment activity: reduction of costs for other TP & R facilities. In the course of the implementation of the Production Program for Technical Upgrade and Reconstruction (hereinafter referred to as the TPiR Program), an additional reduction in costs for the implementation of IT and SB projects in the amount of RR 1,715 million was achieved.

At the same time, measures are implemented to postpone the replacement of hydraulic units in good condition and reduce costs by optimizing the structure and costs of the contract. During the implementation of the TPiR program, balancing of financing schedules of projects for the modernization of hydroelectric unit equipment in 2017-2021.

POLICY MEASURES OF RUSHYDRO GROUP

Investment program of PJSC RusHydro

The approved LTDP reflects the financing of the Company's investment projects for the period 2016-2020 in the amount of 276 753.97 million rubles, of which in 2017 - 90 221.06 million rubles¹⁴.

These parameters for 2017 include: the volume of financing for investment projects implemented by the Company - in the amount of 57,891.64 million rubles¹⁵; the volume of financing for investment projects implemented by the CC - in the amount of 32,329.43 million rubles.

The financing of the program is reflected in the DTP in the amount of 140,133.8 million rubles, of which in 2017 - 26,254.46 million rubles.

By the decision of the Board of Directors of the Company, the draft of the Consolidated Investment Program of the RusHydro Group for 2018-2022 has been taken into account, taking into account the adjustment for

¹⁴The draft investment program of JSC "RusHydro" for 2016-2020 includes the activities of the Company's Investment Program for 2016-2020, sent to the Ministry of Energy of Russia on August 15, 2016 (letter 3649.NSH).

¹⁵Volumes of financing are given in accordance with the Investment Program of PJSC "RusHydro" approved by Order of the Ministry of Energy of Russia No. 1458 of December 30,.

2017¹⁶, that was included in the Consolidated Business Plan of the RusHydro Group for 2017-2022¹⁷ and was approved by the decision of the Board of Directors of the Company on June 21, 2017..

In accordance with this investment program, the specified amount of financing for the period 2016-2020 (taking into account the actual financing that was established in 2016) amounted to 277,986.16 million rubles, of which for 2017 - 78,560.37 million rubles: including for investment projects implemented by the Company amounted to 46,912.51 million rubles; for investment projects implemented by the CC - 31,647.86 million rubles.

The adjusted amount of financing for the program of technical and financial support for the period 2016-2020 (taking into account actual financing that was established in 2016) amounted to 130,292.27 million rubles, of which 2014 for the year 2014 was 24,499.20 million rubles.

By the decision of the Board of Directors of the Company within the framework of the next adjustment of the business plan, the adjustment of the Investment Program of JSCo RusHydro for 2017¹⁸ was approved, according to which the specified amount of financing of JSC RusHydro, including CC for 2017, is 66,695.81 million rubles, including in the part of PJSC "RusHydro" - 45 664.18 million rubles.

By the decision of the Board of Directors of the Company on December 26, 2017, the business plan of PJSC "RusHydro" for 2018-2022¹⁹ was approved, according to which the parameters of the Investment Program 2018-2020

Taking into account the above, the adjusted volume of the Investment Program of PJSC "RusHydro" for 2016-2020 is 266 411.15 million rubles, including:

1. Technical re-equipment and reconstruction: for the period 2016-2020 in the amount of 123,201.15 million rubles, of which 2017 for the year is 24,499.20 million rubles.
2. Comprehensive recovery of SSHPP: for the period 2016-2020 in the amount of 1,022.11 million rubles, of which 2017 for the year - 150 million rubles.
3. Priority projects in the Far East: for the period 2016-2020 in the amount of 51,541.87 million rubles, of which 2017 for 207.77 million rubles.
4. New construction: for the period 2016 - 2020 in the amount of 85,493.47 million rubles, of which 2017 for the year -20,929.64 million rubles:
 - 4.1 The objects under construction: for the period 2016 - 2020 in the amount of 70 725.75 million rubles, of which 2017 - 19 022.50 million rubles.
 - 4.2 Renewable energy projects: for the period 2016-2020 in the amount of 14,767.72 million rubles, of which 2017 for 1 907.14 million rubles.
5. Other: for the period 2016-2020 in the amount of 5,152.55 million rubles, of which 2017 for the year 984.21 million rubles

It should be noted that in accordance with the changes introduced by the Resolution of the Government of the Russian Federation No. 132 of 16.02.2015 "On Amending Certain Acts of the Government of the Russian Federation on Approval of Investment Programs of Electric Power Subjects and Control over their Implementation" and taking into account the decisions taken at the meeting in the Ministry of Energy of Russia (Minutes No. 09-563-pr of 03.04.2015), the parameters of the Investment Program approved by the Ministry of Energy of Russia do not include indicators for projects implemented by the CC²⁰.

In accordance with the instructions of the Chairman of the Government of the Russian Federation DA. Medvedev from 20.06.2017 DM-P13-3944p within the adjustment of the investment program of PJSC

¹⁶ Protocol of 24.04.2017 No. 249.

¹⁷ Minutes No. 254 of June 22, 2017.

¹⁸ Minutes of 13.10.2017 No. 258.

¹⁹ Minutes dated 28.12.2017 No. 264.

²⁰ JSC "Ust-Srednekanskaya HPP them. A.F. Dyakova, PJSC Boguchanskaya HPP, JSC Sulaksky HydroCascade, JSC Zaramagskiye HPPs, JSC Zagorskaya PSPP-2, JSC Nizhne-Bureyskaya HPP, JSC Leningradskaya PSPP, JSC Small HPPs of Kabardino-Balkaria ", LLC " Small HPP of Stavropol and Karachaevo-Cherkessia ", "Verkhne-Balkarskaya MHPP".

"RusHydro"²¹ provides for postponing the completion date of the construction and commissioning of the CHP capacity in the city of Sovetskaya Gavan for 2019.

The commissioning of additional capacity for 2017 amounted to 237.24 MW and 469.60 Gcal / h, including: Yakutsk SDPP-2 - 193.48 MW and 469.60 Gcal / h, as part of the implementation of TpiR projects - 42.5 MW and MHPP B. Zelenchuk (KChR) - 1.26 MW. As of 01.01.2018, 100% of the planned capacity for 2017 was introduced.

In the reporting year, in accordance with the investment program of PJSC "RusHydro", 97.25% of the planned volume was financed, taking into account investment projects implemented by the CC.

The program of retrofitting and upgrading for 2017 was implemented in terms of financing by 96.79%, in terms of development by 99.28%.

Investment structure in 2017

Funding stream	Financing plan for 2017, billion rubles	Real financing for 2017, billion rubles	Execution, %
Retrofitting and upgrading	24,499.20	23,713.18	96.79%
Complex recovery SSHHPP	150.00	104.49	69.66%
Priority projects in the Far East	20,132.76	19,853.71	98.61%
Projects under construction	20,929.64	20,513.66	98.01%
Other	984.21	676.88	68.77%
Total	66,695.81	64,861.92	97.25%

The reasons for the deviation from planned values in 2017 are as follows:

1. Retrofitting and upgrading: increase in the deadlines for performance of work and failure to fulfill contractual obligations by contracting organizations for projects, long-term procurement procedures for choosing contractors, long-term coordination and adjustment of project documentation, lack of working documentation for the fault of the general designer, cancellation of procurement procedures on projects, postponement of work performance.
2. Complex restoration of the Sayano-Shushenskaya HPP: the reason for the deviation is caused by the existing savings based on the completion of the construction.
3. Other: The technical and economic assessment of the completion of the construction of the Cheboksary HPP at the level of the NPP is 63 meters - deviation from the approved volume is due to the postponement of the design work for the 1st quarter of 2018 and amounted to (-) 110.73 million rubles.

Investment program of «RAO ES of the East» Holding

The LTDR for 2016-2020 reflects the financing of the investment program activities of the companies that are part of the RAO ES Holding East holding in the amount of 123,316.67 million rubles²² (including 34,619.06 million rubles in 2017), including in joint-stock companies "RAO ES of the East" - 23 522.88 million rubles (of which in 2017 - 11 437.7 million rubles).

The LTDP reflects the financing of the retrofitting and upgrading program for the period 2016-2020²³ in the amount of 47,414.2 million rubles, of which in 2017 - 9,548.7 million rubles.

The Board of Directors of the Company, as part of the RusHydro Group Consolidated Business Plan, reviewed RusHydro's Consolidated Investment Program for 2017-2022²⁴ according to which the specified amount of funding for the investment programs of the companies of RAO ES East Holding for the period 2016-2020, taking into account the established fact of financing in 2016, is 135,635.59 million rubles²⁵ (of which in 2017 - 39,607.76 million rubles), including JSC "RAO ES of the East" - 30,251.41 million rubles (of which in 2017 - 16,198 , 95 million rubles).

²¹ Correction of the Investment Program of JSCo RusHydro for 2017 is approved by Order No. 34 @ of the Ministry of Energy of Russia of December 29, 2017.

²² Data is presented without taking into account non-core CC whose investment programs are approved in accordance with the procedure set forth in Government Decree No. 977 of 01.12.2009. The total amount of financing in accordance with the draft investment program for the period 2016-2020, including non-core CC, is 123 955 , 86 million rubles (of which in 2017 - 34 854.96 million rubles).

²³ The program of TP & R Holding of RAO ES of the East was considered within the framework of the project of the Investment Program of RAO ES East Holding Company approved by the decision of the Company's Management Board dated March 24, 2016 (Minutes No. 968pr).

²⁴ Minutes of June 22, 2017 No. 254.

²⁵ Data are given only for energy companies whose investment programs are approved in the manner prescribed by RF Government Decree No. 977 of 01.12.2009 and included in the approved DDA. The total amount of financing in accordance with the investment

The adjusted volume of financing of the program of technical and technical proSDPPs for the period 2016-2020²⁶ amounted to 46,254.22 million rubles, of which 2017 for 8,619.91 million rubles.

In the second half of 2017, the Boards of Directors of the companies of RAO ES East Holding approved business plans for the period 2018-2022²⁷ and an adjustment for 2017²⁸, according to which the specified amount of financing of investment programs for the period 2016-2020 is 167,376.08 million rubles²⁹ (of which in 2017 - 30 887.69 million rubles), including JSC "RAO ES of the East" - 28,576.90 million rubles (of which in 2017 - 7,697.56 million rubles). The specified amount of financing of the program of technical and technical proSDPPs for the period 2016-2020 amounted to 54,603.97 million rubles, of which 2014 - 9,412.68 million rubles.

The actual amount of financing of the investment projects of the RAO ES East Holding in 2017 in accordance with the Investment Programs of the companies of the RAO ES East Holding Company amounted to 25,780.0 million rubles or 83.46% of the annual plan, including the investment program of JSC RAO ES Of the East - 7,571.74 million rubles or 98.37% of the annual plan.

Financing of the program of TPiR Holding of RAO ES of the East in 2017 actually amounts to 8,499.82 million rubles. The program of TPiR for 2017 was implemented in terms of financing by 90.30%.

The program of TPiR Holding of RAO ES of the East for 2017 in terms of development was fulfilled by 86.08%: with the plan 7,114.72 million rubles, the fact amounted to 6,124.58 million rubles.

Below is the structure of investments of RAO ES Holding companies:

Investment structure in 2017

Funding stream	Financing plan for 2017, billion rubles	Real financing for 2017, billion rubles	Execution, %
Retrofitting and upgrading	9,412.68	8,499.82	90.30%
Complex recovery SSHPP	9,279.75	8,984.67	96.82%
Priority projects in the Far East	9,186.12	6,520.17	70.98%
Projects under construction	3,009.13	1,775.34	59.00%
Other	30,887.69	25,780.0	83.46%

For the year 2017, RAO ES Holding generation facilities were commissioned for generation: 3.04 MW and 5.74 Gcal / h, for network facilities: 1 393 669 km, 455.79 MVA³⁰.

The reasons for the deviation from planned values in 2017 are as follows:

1. The main deviation is formed by the "Technological connection", including the objects of TOSER PJSC "Kamchatskenergo", JSC FEDC (-) 1 518.18 million rubles .:" Tourist cluster ", " Zelenovskie ozerki ", " Mikhailovsky " "Big Stone". The reasons for rejection are land issues, changes in project documentation, the problem of timeliness in resolving the issues by the Applicant, the Development Corporation of the Far East, and the residents' lack of readiness for power consumption.

program of the RAO ES East Holding for the period 2016-2020, taking into account actual financing, including non-core CC of JSC RAO ES Of the East, is 138,553.62 million rubles (of which in 2017 - 40,466, 91 million rubles).

²⁶ The CC and CC development programs for core CC of the RAO ES Holding East Holding in accordance with the IP were considered as part of the business plans of the CC and approved by decisions of the Boards of Directors.

²⁷ Business plans for 2018-2022 were approved by the Boards of CC Directors: PJSC Kamchatskenergo (Minutes No. 13 dated 09.08.2018), PJSC Magadanenergo (Minutes No. 2-18 of 20.02.2018), Teploenergoservis JSC (Minutes No. 09.02 .2018 No. 2), Chukotenergo JSC (Minutes No. 3-18 of 21.02.2018), JSC "YUESK" (Minutes No. 15 dated 22.02.2018), PJSC "Yakutskenergo" (Minutes No. 3 dated 20.02.2018), JSC "FEDC" (Minutes No. 4 dated 02.03.2018), PJSC "Sakhalinenergo" (Minutes No. 10 dated February 22, 2018).

²⁸ Adjustments to business plans for 2017 were approved by the Boards of CC Directors: PJSC "Kamchatskenergo" (Minutes No. 5 of 14.08.2017), PJSC "Mobile Energy" (Minutes No. 8 of August 14, 2017); PJSC "Magadanenergo" (Minutes No. 16-17 of August 17, 2017); PJSC "Yakutskenergo" (Minutes No. 18 of 18.08.2017), JSC "Sakhaenergo" (Minutes No. 11 of 18.08.2017), Teploenergoservis JSC (Minutes No. 10 dated 18.08.2017), Chukotenergo JSC (Minutes of 18.08 .2017 No. 11-17), JSC "YUESK" (Minutes No. 3 of August 18, 2017), PJSC "Sakhalinenergo" (protocol No. 2 of August 22, 2017), JSC "FEDC" (Minutes No. 11 of August 22, 2017), JSC "FEGC" (Minutes No. 4 of August 22, 2017).

²⁹ Data are given only for energy companies whose investment programs are approved in the manner prescribed by RF Government Decree No. 977 of 01.12.2009 and included in the approved DDA. The total amount of financing in accordance with the investment program of the RAO ES East Holding for the period 2016-2020, taking into account actual financing, including non-core CC of JSC RAO ES Of the East, amounts to 170,363.40 million rubles (of which in 2017 - 31,593, 94 million rubles).

³⁰ Megavolt-ampere of transformer power.

2. Reduction in the physical volumes of construction for connection of applicants with power categories up to 15 kW, from 15 to 150 kW in accordance with the applications for technological connection (-) 366.54 million rubles. (JSC FEDC, PJSC Yakutskenergo), as well as connection to heating networks, in connection with the dissolution of previously concluded contracts for the provision of technological connection services (-) 155.10 million rubles.
3. Violation of obligations on the part of design and contracting organizations for a number of projects of the Company (-) 1 134.6 million rubles. (JSC FEDC, PJSC Yakutskenergo, PJSC Magadanenergo, JSC FEGC).
4. Savings based on the results of procurement procedures (-) 371.9 million rubles. (JSC "FEGC").
5. Due to the unavailability of third-party participants, transactions with assets under sales and purchase agreements were not executed, barter (-) 97.70 million rubles. (PJSC "Yakutskenergo").
6. In connection with the change in the source of financing for the project "Completion of the second phase of the project" Expansion of the 220 kV Maya substation and construction of the power lines of the Megino-Kangalas District of the Republic of Sakha (Yakutia) for connection to the electricity grids of PJSC "FGC UES" electrical installations of PJSC Yakutskenergo of the Republic of Sakha (Yakutia) - the purchase of materials in the planned volume was not financed: deviation (-) 104.89 million rubles.

Production program of PJSC "RusHydro"

As a result of the implementation of the Production Program in 2017, the additional capacity increase amounted to 42.5 MW, including due to the increase in the capacity of the Volga HPP (10.5 MW), the Zhigulevskaya HPP (21.0 MW), the Saratov HPP (6.0 MW) , Novosibirsk HPP (5.0 MW).

Main results for 2017:

- After modernization, 3 hydraulic units were put into operation (Bureyskaya HPP - 1 g / a, Cheboksarskaya HPP - 2 g / a).
- 7 hydroturbines have been replaced (Volzhskaya HPP - 2 GT, Zhigulevskaya HPP - 2 GT, Votkinskaya HPP, Novosibirsk HPP, Saratov HPP) and 3 sets of mechanical parts of generators (Volzhskaya HPP - 2 GG, Votkinskaya HPP).

The approved DDA reflects:

- The cost of the production program of repairs³¹ for the period 2016-2020 in the amount of 15,896.3 million rubles, of which in 2017 - 3 033.6 million rubles.
- The volume of costs for the Production Maintenance Program (TOT) for the period 2016-2020 in the amount of 5,909.5 million rubles, of which in 2017 - 1,114.8 million rubles.
- The volume of costs for the Production Research Program (R & D) for the period 2016-2020 in the amount of 3,761.3 million rubles, of which in 2017 - 758.3 million rubles.

In 2017, changes were made in the planned volumes by program:

- Repair program³² for the period 2016-2020, the specified volume of expenses is 15,810.4 million rubles, of which 2017 for 2 919.8 million rubles.
- The maintenance program for the period 2016-2020, the specified amount of costs is 5,802.2 million rubles, of which 2014 - 1 054.7 million rubles.

³¹ Production programs for repairs, maintenance and research for 2016-2021. approved by the decision of the Company's Management Board (Minutes No. 969pr of 30.03.2016). The decision of the Company's Management Board is based not on the volume of financing, but on the amount of expenses. Recalculation of costs in the forecast prices was carried out in accordance with the target version of the indices of the Single Scenario Conditions of PJSC "RusHydro" approved by the Company's order No. 92 of February 8, 2016.

³² Production programs for repairs, maintenance and research for 2017-2022. approved by the decision of the Company's Management Board (Minutes No. 1034pr of March 31, 2017). Recalculation of costs in the forecast prices was carried out in accordance with the target version of the indices of the Unified Scenario Conditions of PJSC RusHydro, approved by the Company's order of January 16, 2017 No. 9.

- The program of research works for the period 2016-2020, the specified volume of costs is 3 470.4 million rubles, of which 2017 for 698.8 million rubles.

Implementation of program in 2017

Program execution ³³	Financing plan for 2017, billion rubles	Real financing for 2017, billion rubles	Execution, %
Repair program	2,919.8	2,736.8	94 %
Maintenance program	1,054.7	994.7	94 %
Research program	698.8	608.3	87 %

The repair program for PJSC RusHydro for 2017 was implemented in terms of development by 94%: with a plan of 2,919.8 million rubles, the fact is 2,736.8 million rubles.

The reasons for the deviation from the planned values in 2017 are as follows:

1. Optimization of technical solutions for the amount of 52.6 million rubles.
2. Violation of the terms of performance of work by the Counterparty to the amount of 51.2 million rubles.
3. Saving on the fact of holding trades and performance of works under concluded contracts in the amount of 43.2 million rubles.
4. Unsuccessful procurement procedures due to the lack of participants who met the procurement requirements, amounting to 11.7 million rubles.
5. Adjustment of the calendar schedule with the transfer of work for future periods in the amount of 9.4 million rubles.

The maintenance program for basic, auxiliary equipment and systems of hydroelectric power plants for 2017 was fulfilled in the part of development by 94%: with a plan of 1,054.7 million rubles, the fact is 994.7 million rubles.

The reasons for the deviation from the planned values in 2017 are as follows:

1. Saving on the fact of holding trades and performance of works under contracts to the amount of 47.2 million rubles.
2. Adjustment of the calendar schedule with the transfer of work for future periods in the amount of 6.5 million rubles.

The R & D program for 2017 was implemented in terms of development by 87%: under the plan 698.8 million rubles, the fact is 608.3 million rubles.

The reasons for the deviation from the planned values in 2017 are as follows:

1. Saving on the fact of conducting tenders and performance of works under concluded contracts for the amount of 64.3 million rubles.
2. Adjustment of the calendar schedule with the transfer of work for future periods in the amount of 40.2 million rubles.

Taking into account the fact that the main objects of generation of RusHydro are hydroelectric power stations that convert water energy into electric energy, the account and use of water availability forecasts and the influence of climate change on the hydrometeorological situation in river basins in the current work is an inalienable requirement.

In accordance with the business plans for 2017³⁴ - PJSC RusHydro³⁵ and CC - the planned amount of electricity generation to the generating facilities of PJSC RusHydro and the CC is set at 104.43 billion kWh³⁶. Based on the results of 2017, the actual generation of electricity to the generating facilities of PJSC "RusHydro", taking into account the CC, is 107.46 billion kWh³⁷.

³³ Data on the implementation of the program of TURP for 2016 - 2021. are presented in the section "Investment program of PJSC" RusHydro ".

³⁴ The predicted values for the generation of electrical energy are calculated on the basis of the average annual production values, taking into account the evolving hydrological situation, water reserves in the HPP reservoirs, the draft annual maintenance plan and the available water availability forecast.

³⁵ Approved by the decision of the Board of Directors of the Company (Minutes No. 258 of October 13, 2017).

³⁶ Including the output plan for the PJSC "Boguchanskaya HPP" is 14.53 billion kWh (owned by PJSC RusHydro and UC RUSAL).

³⁷ The data are presented as of 01.01.2018, taking into account the output: PJSC Boguchanskaya HPP (owned by PJSC RusHydro and UC RUSAL, the actual output is 13.29 billion kWh), JSC Geoterm, PJSC Kamchatka Gas and Energy Complex as part of

Exceeding the planned values is due to the rational use of hydro resources and effective interaction of RusHydro with JSC "SO UES" and Rosvodresursami, which allowed minimizing idle discharges of water and ensuring the operation of HPP equipment with optimal pressures and high efficiency.

Production program of RAO ES East Holding Company

The main results of the implementation of the Production Program of the Holding of RAO ES of the East for 2017 under the program of retrofitting and upgrading:

- Reconstruction of seven boiler units of JSC "FEGC": No. 9 and No. 11 of Vladiof the Eastskaya CHPP-2, No. 9 and No. 13 of Artemovskaya CHPP, No. 4 of Partizanskaya SDPP, No. 5 and No. 7 of Komsomolskaya CHPP-2.
- Modernization of the turbine unit st. No. 2 of Vladiof the East CHPP-2.
- Gasified by the seventh boiler plant, st. No. 15 of Khabarovsk CHPP-1 of JSC "FEGC".
- Works have been performed to modernize gas turbine engines of the type "DC 59" in the branches of PES "Kazym" and PES "Urengoy".
- The reconstruction of substations and transmission lines to ensure reliable power supply to consumers and the accession of new applicants.
- Reconstruction of heating networks for the purpose of preparation for the heating season.

According to the repair program:

In the reporting year, major and medium repairs were performed: turbine units of 28 units. (with a plan of 27 units); Boiler units 35 units. (with a plan of 35 units); generators 22 units. (with a plan of 22 units); transformers 51 units. (with a plan of 47 units), including:

- overhaul of power units: st. No. 8 of Primorskaya SDPP, art. No. 1 of Khabarovsk CHP Plant No. 3, Station No. 1 of Komsomolskaya CHPP-3, Station No. 2 of Neryungrinskaya SDPP of JSC "FEGC";
- overhaul of turbine units: st. Nos. 2,6 of Khabarovsk cogeneration station-1, st. No. 2 of Vladiof the Eastskaya CHPP-2, station No. 2 of Partizanskaya SDPP, station No. 1 of Blagoveshchenskaya CHPP of JSC "FEGC"; Station No. 2 of Kamchatka CHPP-2 of PJSC "Kamchatskenergo"; Art. No. 8 of Magadan Thermal Power Plant, Art. No. 5 of Arcagalinskaya SDPP of PJSC "Magadanenergo"; Art. No. 2 of the Yuzhno-Sakhalinskaya CHP Plant, Art. No. 5 of Sakhalinskaya SDPP of PJSC "Sakhalinenergo"; Station No. 5 of Chaunskaya CHPP of Chukotenergo;
- overhaul of boiler units: st. No. 4 of Blagoveshchenskaya Thermal Power Plant, Station No. 4 of Partizanskaya SDPP, Station No. 11 of Artemovskaya CHP Plant, Station No. 3 of Nikolaevskaya CHPP of JSC "FEGC"; Art. № 6 of Magadanskaya TPP of PJSC "Magadanenergo"; Station No. 4.1 of Yuzhno-Sakhalinskaya CHP Plant, Station No. 2 of Sakhalinskaya SDPP PJSC "Sakhalinenergo"; Station No. 3 of Chaunskaya CHP Plant, Station No. 3 of Egvekinotskaya SDPP of Chukotenergo JSC.

In 2017, 4 086 km of electric and 57 km of heating networks were repaired.

The LTDR reflects the cost of the production program of repairs³⁸ for the period 2016-2020 in the amount of 63,196.84 million rubles, of which in 2017 - 12,361.14 million rubles.

In 2017, changes were made to the planned volumes under the Repair Program for the period 2016-2020, the specified volume of expenses amounted to 64,207.89 million rubles, of which 2018 for the year was 13,030.41 million rubles³⁹.

HPP-2), PJSC "Kolymaenergo", JSC "OP Verkhne-Mutnovskaya GeoPP", JSC "Pauzhetskaya GeoPP", ZAO "IEC". Data on RAO ES Of the East Holding are presented in a separate section.

³⁸ Reviewed and approved in accordance with the established procedure by the management bodies of PO RAO ES of the East JSC.

³⁹ The production program of repairs was reviewed and approved in accordance with the established procedure by the management bodies of the CC of JSC "RAO ES of the East", including the production programs for repairs in 2017 agreed by the minutes of meetings to protect the production CC programs for 2017: PJSC "Kamchatskenergo" (Minutes dated August 14, 2017 No. 5), PJSC "Mobile Energy" (Minutes No. 8 of August 14, 2017); PJSC "Magadanenergo" (Minutes No. 16-17 of August 17, 2017); PJSC "Yakutskenergo" (Minutes No. 18 of 18.08.2017), JSC "Sakhaenergo" (Minutes No. 11 of 18.08.2017), Teploenergosservis JSC (Minutes No. 10 dated 18.08.2017), Chukotenergo JSC (Minutes of 18.08 .2017 No. 11-17), JSC

Program fulfillment in 2017

Execution targets ⁴⁰	Target for 2017, million rubles	Actual for 2016, million rubles.	Target execution, %
Repair program	13,030.41	12,693.39	97.4%

The repair program of the RAO ES of the East for 2017 in terms of development is 97.4%.

In accordance with the approved business plans for 2017, the planned generation of electricity by the generating facilities of the RAO ES of the East Holding Company is set at 32.1 billion kWh, including 8.0 billion kWh over isolated power systems. In fact, generating assets of the RAO ES Holding East in 2017 generated electricity in the amount of 32.8 billion kWh, including 8.1 billion kWh for isolated power systems.

In accordance with the approved business plans for 2017, the planned heat generation by the generating facilities of the RAO ES of the East Holding Company is set at 31.0 million Gcal, including 9.3 million Gcal for isolated power systems. In fact, the generating facilities of the RAO ES of the East Holding in 2017 released thermal energy in the amount of 29.9 million Gcal, including 8.9 million Gcal through isolated power systems. The deviation from planned targets in 2017 is due to higher outdoor temperatures, as well as a reduction in the heating season in a number of large settlements of the Far Eastern Federal District.

Innovative Development Program of RusHydro Group

The approved DDA reflects the financing of the activities of the Innovative Development Program of the RusHydro Group for the period 2016-2020 in the amount of 11,390.0 million rubles (in forecast prices including VAT), including: for JSC RusHydro - 2,655.9 million rubles and for Holding RAO ES of the East - 8 734.1 million rubles, of which in 2017 - 1 981.3 million rubles, including for JSC RusHydro - 407.1 million rubles and for Holding RAO ES of the East - 1,574, 2 million rubles.

The specified volumes are included in the LTDP in accordance with the Innovative Development Program of the RusHydro Group for the period 2016-2020 with a prospect up to 2025 (hereinafter referred to as IDP RusHydro) approved by the resolution of the Board of Directors of the Company of November 23, 2016 (Minutes No. 244).

The medium-term plan for the implementation of the activities of the innovative development program of PJSC "RusHydro" for 2017-2019, approved by the decision of the Board of Directors of the Company of June 22, 2017 (Minutes No. 254), set the volume of financing activities for 2017 - 742.5 million rubles, areas:

- Activities in the field of implementation of innovative projects in the amount of 423.2 million rubles, including R & D in the amount of 273.2 million rubles.
- Activities in the field of innovation management and innovation infrastructure development, as well as interaction with external organizations in the amount of 319.3 million rubles.

The actual amount of funding for the medium-term plan of JSC RusHydro RusHydro in 2017 amounted to 586.7 million rubles, or 79% of the annual plan, including in the directions:

- Activities in the implementation of innovative projects in the amount of 332.3 million rubles, or 78.5% of the annual plan, including R & D in the amount of 235.5 million rubles or 86.2% of the annual plan.
- Activities in the field of innovation management and innovation infrastructure development, as well as interaction with outside organizations in the amount of 254.4 million rubles or 79.7% of the annual plan.

The reasons for the deviations from planned values in 2017 are as follows:

- transfer of delivery of stages of a number of works for 2018 due to violation of work schedules by contractors;

"YUESK" (Minutes No. 3 of August 18, 2017); PJSC "Sakhalinenergo" (Minutes No. 2 of August 22, 2017), JSC "FEDC" (Minutes No. 11 of August 22, 2017), JSC "FEGC" (Minutes No. 4 of August 22, 2017).

⁴⁰ The data on the implementation of the TPiR program is in the section "Investment Program of RAO ES Holding of the East".

– removal from R & D: "Development of technology for the use of orthogonal turbines in hydropower. Optimization of the design of a typical power unit with the use of innovative materials "and" Investigation of the possibility of development of power in the Kamchatka Krai based on local energy resources "due to the adjustment of the investment program;

– Adjustment of the volume of financing following the results of procurement procedures.

The most significant projects implemented by JSC RusHydro during 2017:

– Development of a hardware and software complex for monitoring and forecasting the reliability of hydraulic structures of hydroelectric power plants (HPSPs) in complex engineering and geological conditions. During the year 2017, the second stage of the work was completed - engineering surveys and the project of additional placement of a complex of measuring equipment.

– Research of new technologies on repair and restoration of HS elements with increasing service life and reliability, development of implementation manual. During 2017, the development of TK, the preparation of tender documentation, the conclusion of a contract, an advance payment was carried out.

– Comprehensive assessment of the actual strength of hydraulic turbine components operated by HPP by methods of numerical analysis of stress-strain state. During the year 2017, the second stage of the work was carried out - a methodology was developed for determining the actual strength and residual life of the blades of hydro turbines at the Volzhsko-Kama cascade, as well as recommendations for the operation and design of high-pressure HPPs / PSPs.

Innovative Development Program of RAO ES East Holding Company

In accordance with the Program for Innovative Development of the Holding RAO ES of the East for 2016-2020 with a perspective up to 2025 (hereinafter referred to as IDP RAO ES of the East) approved by the decision of the Board of Directors of RAO ES Of the East JSC dated 01.07.2016 (Minutes No. 145), financing activities for the period 2016 - 2020 is 8,734.1 million rubles (in forecast prices with VAT), of which in 2017 - 1,574.2 million rubles.

The medium-term plan for the implementation of the RID ESE East activities for 2017-2019, approved by the decision of the Board of Directors of PJSC RusHydro of June 22, 2017 (Minutes No. 254), established a plan to finance the activities of the RAO ES Of the East Project for 2017 in the amount of 1,654.7 million rubles, including in the directions:

– Activities in the field of innovative projects in the amount of 1 638.5 million rubles, including R & D in the amount of 204.3 million rubles.

– Activities in the field of innovation management and innovation infrastructure development, as well as interaction with outside organizations in the amount of 16.2 million rubles.

The actual amount of funding for the activities of the IDP RAO ES of the East in 2017 amounted to 1 602.7 million rubles, or 96.9% of the plan, including:

– Activities in the area of implementation of innovative projects in the amount of 1 567.1 million rubles or 95.6% of the annual plan, including R & D - in the amount of 166.9 million rubles or 81.7% of the annual plan.

– Activities in the field of innovation management and innovation infrastructure development, as well as interaction with outside organizations in the amount of 35.6 million rubles, which is 2 times higher than the annual plan.

The deviation from the planned indicators for financing R & D in 2017 is due to the cancellation of two R & D projects of JSC "RAO ES Of the East" in connection with the adjustment of the investment program.

The most significant projects implemented by the Holding within the framework of the IDP RAO ES of the East during 2017:

– Reconstruction of Khabarovsk CHPP-1 for use as natural gas fuel with the use of innovative technologies for fuel preparation and supply (power boilers).

- Research and development of technological solutions to reduce erosion wear and improve the reliability of working blades of the last stages of modern steam turbines due to the formation of multifunctional nanocomposite coatings.

EFFECTIVENESS OF FAR EASTERN ASSETS ACTIVITIES

Tariff regulation

In 2017, the introduction of a mechanism for reducing tariffs.

As part of the introduction of the mechanism for bringing tariffs to a basic level, the State Duma of the Russian Federation adopted federal laws No. 508-FL of December 28, 2016 "On Amendments to the Federal Law" On Electric Power Industry "and on June 30, 2017 No. 129-FL" On Amending the Federal law "On Electricity", which introduced an additional premium to the price for capacity in the I and II price zones, due to which tariffs in the Far East were reduced to the base level determined by the Government of the Russian Federation, and a scheme for transferring funds to the sub- OBJECTS Far Eastern Federal District (hereinafter referred to as FED).

Decree of the Government of the Russian Federation of 28.07.2017 No. 895 "On the achievement of basic levels of prices (tariffs) for electricity (capacity) in the Far Eastern Federal District" approved:

- Rules for the determination and application of a surcharge to the price for capacity supplied in wholesale market price zones by wholesale market actors - electricity (capacity) producers, in order to achieve the base levels of electricity prices (tariffs) planned for the next period in the Far Eastern Federal District (power);

- Rules for bringing prices (tariffs) for electricity (capacity) in the territories of the Far Eastern Federal District to the planned for the next period regulation of basic levels of prices (tariffs) for electricity (capacity);

- Rules for the purposeful use of funds received from the application of a surcharge to the price for capacity supplied in the price zones of the wholesale market by wholesale market actors - electricity (capacity) producers, to achieve the base levels of prices (tariffs) planned for the next period in the Far Eastern Federal District, for electric power (power), control over the targeted use of such funds, transfer of free-of-charge targeted contributions to the budgets of the subjects of the Russian Federation EDERATION members of the Far Eastern Federal District, an agreement (contract) for the donation earmarked contributions.

Decree of the Russian Federation from 7.28.2017 number 1614 p PJSC "RusHydro" specified beneficiary premium to the price of power supplied at the price zones of the wholesale market, is installed in order to reach the territories of the Far Eastern federal district planned for the next period of regulation of prices (tariffs baselines) for electric energy (power).

Decree of the Russian Federation from 7.28.2017 number 1615-p on 2017 set the base level of prices (tariffs) for electric energy (power) to the Russian Federation, members of the Far Eastern Federal District, in the amount of 4 rubles per kilowatt-hour (excluding value added tax). Also approved by the size of assets (23 995 million rubles.), Taken into account when determining the markup on the power supplied in the price zones of the wholesale market of the wholesale market - electricity producers (capacity) installed in order to achieve in the subjects of the Far Eastern Federal District of base price levels (tariffs) for electric energy (power) and the formula for calculating the above premium to the price for capacity is defined.

By the Federal Government on 11/15/2017 number 2527-p 2018 set the base level of prices (tariffs) for electric energy (power) to the Russian Federation, members of the Far Eastern Federal District, in the amount of 4.3 rubles per kilowatt-hour (without value added tax). Also, the size of the funds was approved (35,032 million rubles, growth by 1467 by 2017), taken into account when determining the surcharge to the price for capacity supplied in wholesale market price zones by the wholesale market participants - electricity (capacity) producers established in order to achieve in the subjects of the Far Eastern Federal District basic levels of prices (tariffs) for electricity (capacity), and a formula for calculating the above premium to the price of capacity.

In 2017, work was carried out to introduce long-term tariff regulation. As part of the decisions of the meeting held on November 14, 2017 by the President of the Russian Federation V.V. Putin, as well as taking

into account the instructions of the joint meeting of the Deputy Prime Minister of the Russian Federation A.V. Dvorkovich and Yu.P. Trutnev on 09.19.2017 (Minutes № AD-P9-96pr), worked out the options and implications of the Far Eastern Federal District mechanisms of investment (ROI) in the construction and modernization of power facilities, and in the Ministry of Energy of Russia sent a letter of 24.11.2017 № 6843 . NS with relevant proposals.

At present, JSC RusHydro participates in the work on the formation of a technical task on the topic "Evaluation of the cost of measures for the reconstruction of thermal power plants in Russia", which should form the basis for the development of a new version of the DPM mechanism, including for facilities in the Far East. The Association "NP Market Council", the Ministry of Energy and the Association "Council of Energy Producers" sent comments on the text of the terms of reference.

Completion of work on preparation and submission to the federal executive bodies of draft normative legal acts ensuring the introduction of long-term methods is planned for 2018.

Accounts receivable management

Accounts receivable from consumers for electricity to the CC on the territory of the Far Eastern Federal District⁴¹ as of 31.12.2017 - 15 306.6 million rubles⁴² (the growth of the debt of the reporting period amounted to 1 489.8 million rubles).

The main growth occurred in the following groups: for enterprises financed from the federal budget - due to non-payment of the enterprises of the FGBU "CZKU"⁴³, JSC "SU HOUSING"⁴⁴, subordinated to the Ministry of Defense of the Russian Federation; population; on management companies and HOAs; on network organizations that purchase electricity in order to compensate for losses.

The most troubled debtors are OJSC Amurmetal (Khabarovsk Territory) - bankruptcy, Sakhalinugol-6 LLC (Sakhalin Region), Dalnegorsky GOK (Primorsky Krai) - bankruptcy, Primteploenergo (Primorsky Krai).

The main share in the structure of receivables is occupied by consumer groups: the population is 25.2%, utilities 22.0%, management companies and HOAs 10.7%⁴⁵ – OPP 10.3%, industry 8.9%. The share of these groups makes up 77.1% of the total amount of accounts receivable.

The accounts receivable of consumers for thermal energy before the CC on the territory of the Far Eastern Federal District as of December 31, 2017 - 17 399.7 million rubles⁴⁶ (the growth of the debt of the reporting period amounted to 1,450.8 million rubles).

The main growth occurred in groups: the population; for enterprises financed from the federal budget - due to non-payment of the FGBU "CZKKU" enterprise, subordinated to the Ministry of Defense of Russia; on management companies and HOAs. The main share in the structure of accounts receivable - 76.8% of total debt - is occupied by consumer groups: the population, management companies and HOAs.

By results of 2017 the main reasons for the formation of accounts receivable are:

– Excessive list of "unconnected" consumers for electricity (up to 57% of consumers that have receivables). Enterprises and organizations of the federal budget - the Ministry of Defense of Russia, EMERCOM of Russia, UFSIN; management companies, HOAs, companies that have emergency reservation; non-excludable by decision of the court initiated by the actions of the prosecutor's office - wholesale enterprises resellers of electricity and heat, utilities and utilities (organizations responsible for water supply, as well as heat supply to settlements outside the district heating system), "socially significant" consumers.

– Impossibility of a complete cut-off of heat energy to utilities and socially significant consumers, impossibility of any restriction of heat supply to natural persons (90-95% of consumers having receivables).

⁴¹ The management structure includes: PJSC "FEED", JSC "FEGC", PJSC "Yakutskenergo", PJSC "Kamchatskenenergo", PJSC "Magadanenergo", PJSC "Sakhalinenergo", JSC "Chukotenergo", JSC "YUESK", JSC "Sakhaenergo" JSC "Teploenergoservis", PJSC "Mobile power engineering".

⁴² According to summary data of marketing departments of CC on the territory of the Far Eastern Federal District.

⁴³ FGBU "Central Housing and Communal Services" of the Ministry of Defense of the Russian Federation.

⁴⁴ JSC "Main Department of Housing and Communal Services".

⁴⁵ Wholesale enterprises resellers.

⁴⁶ According to summary data of marketing departments of CC on the territory of the Far Eastern Federal District.

– Bankruptcy of enterprises - consumers in the sphere of housing and communal services, resellers of thermal energy, managing organizations.

As for thermal and electric energy, the main non-payers belong to consumer groups for which there are legislative or technical difficulties in applying measures to introduce restrictions on the consumption regime or to stop the supply of a resource.

In order to ensure the receipt of cash in the account of current payments and repayment of the CC receivables of the CC in the territory of the Far Eastern Federal District, all measures stipulated by the legislation in force are applied.

On the most problem groups of consumers and individual companies, work is carried out at the level of the subjects of the Federation, heads of municipal entities with a view to jointly influencing debtors on payment of arrears.

Activities to improve the efficiency of energy sales activities

1. Bilateral agreements in the non-price zone of the Far East of the wholesale electricity and capacity market.

As part of the implementation of measures to increase the revenues of JSC "FEGC" in 2017, bilateral contracts for the sale and purchase of electricity. The volume of electricity sales under bilateral agreements amounted to 1 034.8 million kWh. The sale price of electric energy under bilateral contracts amounted to 2,062.7 rubles / MWh, which allowed receiving additional revenues of 748.8 million rubles.

Under the cost optimization program, in order to reduce the cost of purchased energy from the wholesale market by marketing companies, in 2017 bilateral agreements were concluded between PJSC "FEEC" and JSC "RusHydro". The volume of purchase of electric energy amounted to 488.5 million kWh at a price equal to the doubled established tariff for HPPs, which allowed PJSC "FEEC" to get an additional economic effect of 417.9 million rubles.

2. Changes in the regulatory legal acts of the Russian Federation.

As part of the improvement of the regulatory and legal framework of the Russian Federation in the energy sector of the Far Eastern Federal District, the task of preserving the penalty coefficients for capacity for suppliers of OREMs in non-price zones was solved.

Decree of the Government of the Russian Federation No. 1664 of December 27, 2017 amended the Rules of the wholesale market approved by Government Decree No. 1172 of 27.12.2010 providing for increasing the penalty coefficients for suppliers in the price zones of the Wholesale Electric Energy Market by the amount of the differentiation coefficient, which is a function of the accident rate and the load of generating equipment in past periods. For suppliers of non-price zones, the differentiation coefficient is set equal to one, while the values of the penalty coefficients themselves are kept at the current level. Thus, in terms of power fines, the conditions for suppliers of non-price zones did not change.

Decrease in the cost of the fuel component

In 2017 the RAO ES Holding Company continued work on optimization of the fuel supply system, planned activities were carried out, including:

1) Demonopolization of the fuel and energy resources market of the Far Eastern Federal District, expansion of competition and diversification of fuel supplies through the use of non-design coal brands.

In 2017, in accordance with the program for organizing and conducting pilot combustion of non-projected coals, the experimental coal combustion of the grade "Zh" of the Fandyushkinskoye field produced by OOO "Behringpromugol" at the Chukotenergo branch of Chaunskaya CHPP was carried out. Based on the results of pilot combustion, a technical certificate has been drawn up, the results are assessed as satisfactory and confirm the practical possibility of using this coal when performing a number of technical conditions.

2) Conclusion of long-term contracts for the supply of coal for a period of at least three years, including provisions on pricing rules for each subsequent calendar year, including market conditions, in their conditions.

In 2017, based on the results of open competitive procedures, a long-term coal supply contract was concluded with Gornyak-1 LLC for the period 2018-2020 for the needs of the power plants of PJSC Sakhalinenergo (Yuzhno-Sakhalinskaya CHPP-1, Sakhalinskaya SDPP, Sakhalinskaya SDPP- 2). The agreement fixes coal prices that do not exceed the indices-deflators established by the Ministry of Economic Development of the Russian Federation for the period under review.

3) Unification of the terms of fuel supply contracts and application of special payment terms.

Due to the inclusion in coal supply contracts of conditions for a reduction in the price of coal products, depending on its quality characteristics (humidity, ash content, heat of combustion), savings in payment for current coal supplies for 2017 are estimated at 564.1 million rubles.

4) Conclusion of framework agreements for the supply of fuel.

For the purposes of purchasing fuel in the spot market, based on the lowest bid price of participants, in 2017 framework agreements were concluded: for the supply of coal for the off-balance requirement of the stations of JSC "FEGC" - 20 contracts; for the supply of petroleum products (diesel fuel, gasoline, fuel oil) - 23 contracts.

5) Carrying out joint work with the Ministry of Energy of Russia to create a mechanism to contain the growth rates of purchase prices for coal for generating companies in the territory of the Far Eastern Federal District is not higher than the growth of the domestic energy coal price index, including through the introduction of tariff regulation for coal suppliers.

The Ministry of Energy of Russia sent an appeal for the introduction of export duties on energy coals (out of reference No. 5963. NS of December 20, 2016 "On the initiative to introduce export duties on energy coals").

Following the results of 2017 a meeting was held under the leadership of Deputy Minister of Energy of the Russian Federation A.B. Yanovsky on the issue of a sharp rise in prices for coal products for the energy sector. Based on the results of this meeting, it was decided to hold joint consultations between the Ministry of Energy of Russia, the Ministry of Economic Development of Russia and the FAS Russia to find a solution to this problem.

Implementation of measures for import substitution

Holding RAO ES of the East actively cooperates with Russian suppliers and manufacturers of equipment and components (PJSC "Power Machines", CJSC "Ural Turbine Plant", CJSC "Energomash-Uraelectrotyazhmash", LLC "Prosoft-Systems", LLC "Unitel-Engineering" LLC "Togliatti Transformer", CJSC "ChEAZ", LLC "MoselectroShield", CJSC "Group of Companies Electrosshield", etc.).

On the already implemented and ongoing projects of the Holding Company, such as: Vostochnaya CHPP, Blagoveschenskaya CHPP (2nd stage), Sakhalinskaya SDPP-2 (1st stage), Yakutsk SDPP-2 (1st stage), TPP in Sovetskaya The harbor is mainly used equipment produced in the Russian Federation.

Within the framework of production activities, during technical re-equipment and reconstruction in the Holding's energy companies, priority is given to procurement of equipment from domestic manufacturers.

According to the results of the consolidated analysis of the Holding's purchases⁴⁷ for 2017, the value of purchased domestic equipment is 85%⁴⁸. The increase in the share of imported equipment by 5% compared to 2016 was influenced by the purchase of a 220 kV switchgear assembly for the implementation of an investment project for the construction of a 220 kV OTTU "Orotukan-Palatka-Tsentralnaya"⁴⁹.

Reducing the level of depreciation of production assets

Thermal networks: RAO ES of the East Holding operates 3,079 km of heat networks (hereinafter referred to as "TS"), while the wear of TC equipment remained at the same level in 2017 and is 49%.

The 57 km long vehicle with a service life of more than 25 years as of 31.12.2017 is 990 km (32% of the total length).

Electric networks: RAO ES of the East Holding operates more than 21 518 pcs. transformer substations 0,4-220 kV and over 104,220 km of power transmission lines, depreciation as of December 31, 2017 is as follows: power transmission lines 49.5% (in 2016 50.3%), transformer substations 62.5% (in 2016 year year 63.5%).

Generating objects: Holding RAO ES of the East operates: turbine units - 141 units⁵⁰, depreciation as of December 31, 2017 is 78.8% (in 2016 - 77%); Boiler units - 234 units⁵¹, depreciation as of 31.12.2017 in

⁴⁷ Based on the analysis of purchases worth more than 250 thousand rubles.

⁴⁸ From the total cost of purchases in the amount of 3,998.0 million rubles.

⁴⁹ The cost of purchased equipment is 317.8 million rubles. KRUE 220 kV refers to equipment, the manufacture of which in the Russian Federation is not well established. Based on the results of consideration of applications of the tender participants, the offer of the domestic supplier (JSC VO Elektroapparat) was rejected as inadequate to the technical requirements specified in the bidding documents. Link to the tender documentation for the purchase: <https://energybase.ru/tender/31705393503>.

⁵⁰ The preliminary data.

⁵¹ The preliminary data.

2017 is 66.1% (in 2016 - 65%).

Refinancing of loan debts of companies of RAO ES Of the East Holding

In March 2017, as part of the fulfillment of the instructions of the President of the Russian Federation and the Government of the Russian Federation, measures were successfully implemented to refinance loan debts of the enterprises of RAO ES Holding East. The mechanism of the transaction is unique for the Russian market in terms of its structure and the volume of the attracted capital.

In accordance with the decisions of the Board of Directors of the Company (Minutes No. 244 of 23.11.2016, No. 246 of 27.12.2016, No. 248 of 27.02.2017), due to the sale of 40 billion pcs. In favor of Bank VTB (PJSC) of shares of the additional issue and 15 billion shares of treasury shares of PJSC RusHydro, equity financing in the amount of 55 billion rubles was raised. VTB Bank (PJSC) purchased 55 billion shares of the Company's shares, which is 12.9% of the authorized capital. The state's share in the charter capital of the Company following the deal amounted to 60.56%, which ensures compliance with the requirements of Presidential Decree No. 362 of May 23, 2014.

Also between PJSC RusHydro and Bank VTB (PJSC), a non-contracted forward contract was signed, the final settlement of which is expected to take place at the end of a 5-year period. The forward rate is formed as a key rate of the Central Bank plus a margin of 1.5%. At the same time, forward payments are reduced by the amount of dividends paid to the Bank during the term of the forward contract.

At the end of the forward contract one of the parties to the transaction pays to the other party the difference between the cost of selling the stake in RusHydro and the face value of the forward. At the same time, PJSC RusHydro has no obligation to VTB Bank (PJSC) to redeem its shares (put option). In case of not selling the block of shares of the Company during the term of the forward contract (5 years), the obligations of the parties are determined based on an independent valuation of the shareholding.

An important aspect of the transaction is the condition that the additional income received from the sale of RusHydro's shares at a price higher than the face value of the forward is fully RusHydro's income.

From the point of view of the efficiency of the transaction for RusHydro, the proposed scheme for attracting financing in terms of the effective interest rate is more effective than the existing credit mechanisms. The current value of the forward rate (excluding the cost of selling a block of shares) due to its reduction for paid and planned dividends, as well as as a result of a decrease in the Bank of Russia's key rate is 5.42%.

For the organization of corporate governance and control over the further disposal of the Company's shares, a shareholder agreement was concluded between VTB Bank and Federal Property Management Agency.

Renaissance funds in the amount of 55 billion rubles attracted from VTB Bank were fully transferred to operating companies of RAO ES East Holding in accordance with loan agreements and sent in March 2017 to repay bank loans. The interest rate for intra-group loans is floating and equal to the forward rate, reduced by the amount of dividends in favor of VTB Bank for shares of the Company acquired in the framework of the transaction. There is also a grace period for interest payments during the first two years from the date of entering into intra-group loans. Savings from lowering the percentage load and the action of the two-year grace period are used to finance repair programs and measures for the technical re-equipment and reconstruction of the core companies of RAO ES East Holding.

In order to improve the management of Far Eastern assets of the RusHydro Group and ensure control over the targeted use of raised funds, measures were taken to consolidate 100% of RAO ES Of the East shares in the ownership of RusHydro Group and to integrate the executive units of PJSC RusHydro and JSC RAO ES Of the East. 05/02/2017, an agreement was concluded to fulfill the functions (execution of rights and duties) of the sole executive body of RAO ES of the East JSC by JSC RusHydro.

Renewable power generation development in the Far Eastern federal region

A promising direction of the RusHydro Group's activity in the Far East is to increase the share of generation based on renewable energy sources (hereinafter referred to as RES).

In accordance with the program for the development of renewable energy in 2017, the following projects of solar power plants (hereinafter - SES) in the Republic of Sakha (Yakutia):

- SES with a capacity of 50 kW in the village of Sebyan-Kuel of Kobiai district. The cost of construction is 9 390, 07 thousand rubles (excluding VAT). The planned annual saving of diesel fuel is 700.0 thousand rubles⁵².
- SES with a capacity of 50 kW in the village of Orto-Balagan, Oymyakonsky district. The cost of construction is 7 403, 60 thousand rubles (excluding VAT). The planned annual saving of diesel fuel is 770.0 thousand rubles.
- SES with a capacity of 40 kW in the village of Kystatyam, Zhigansky district. The cost of construction is 6,817, 41 thousand rubles (excluding VAT). The planned annual saving of diesel fuel is 465.0 thousand rubles.

Currently, work is under way to update the program for the development of renewable energy resources of PJSC RusHydro in the Far Eastern Federal District for the period 2018-2023.

DEVELOPMENT OF SCIENTIFIC-DESIGN COMPLEX

The scientific design complex (hereinafter SDC) is an asset of PJSC RusHydro, which produces high-end products (providing services) for high-tech industries in Russia and is currently made up of five institutes: JSC Institute Hydroproject, JSC Lengidroproekt, JSC "Mosoblgidroproekt", JSC "VNIIG them. B.E. Vedenev and JSC NIIES.

As a result of 2017, the results of financial and economic activities for the scientific and design complex are:

- The volume of CDD's revenues as of December 31, 2017 amounted to 4,759.8 million rubles, which is 6% lower than in the same period last year.
- The share of revenues from foreign customers by the end of 2017 was 7%⁵³ (for the same period last year - 6%).
- Costs were reduced by 137.0 million rubles, or 3% compared to the same period last year and amounted to 4,259.3 million rubles.
- The share of other customers that are not general contractors of PJSC RusHydro increased in revenue from 20% in 2016 to 26% in 2017.
- The share of works performed by subcontractors decreased in revenue from 18% in 2016 to 17% in 2017.

IMPROVEMENT OF THE CORPORATE GOVERNANCE SYSTEM

In order to improve the corporate governance system, the Board of Directors of the Company on June 19, 2015 (Minutes No. 218 of June 22, 2015) approved the Corporate Governance Code of PJSC "RusHydro" (as amended by the decisions of the Board of Directors of PJSC "RusHydro" - Minutes No. 239 dated June 23, from December 28, 2017 No. 263, hereinafter - the Code).

Throughout 2017, the Company continued to implement Code norms aimed at improving the level of corporate governance by bringing internal documents in line with it, as well as applying norms in everyday practice.

Following the results of the work done, the following key actions were implemented:

- The shares held by the CC did not participate in the voting during the reporting period. In 2017, a significant portion of these shares was sold to VTB Bank (PJSC). At the moment, the companies of RusHydro Group own 0.9% of the Company's voting shares.
- The Board of Directors of the Company has evaluated the effectiveness of the Company's risk management and internal control system, and the issue of corporate governance practice in the Company.
- A senior independent director was elected among independent directors.
- The Board of Directors approved the Regulation on the Information Policy of the Company in a new version, and at the end of 2017 reviewed the report on its implementation.

⁵² Hereinafter: the data are given in the prices of 2017.

⁵³ It is calculated on the volume of proceeds from scientific and design CC: JSC "Institute Hydroproject", JSC "Lengidroproekt", JSC "Mosoblgidroproekt", JSC "VNIIG im. B.E. Vedenev and JSC NIIES.

- The Personnel and Remuneration Committee (nominations) before the annual General Meeting of Shareholders considered the independence of candidates to the Board of Directors for the purpose of providing information to the Company's shareholders.
- The list of materials provided to shareholders for the Annual General Meeting of Shareholders has been expanded.

As a result of these activities, the share of the principles of the Code fully complied with in JSC RusHydro has increased.

External evaluation of both individual aspects and corporate governance in 2017 was carried out by the Working Group on the establishment in the Russian Federation of an International Financial Center in conjunction with the Expert Council under the Government of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs (RSPP) and the Russian Institute of Directors (NP RID).

In November 2017, the Working Group on the Establishment of the International Financial Center in the Russian Federation, in conjunction with the Expert Council under the Government of the Russian Federation, published the results of a study of the practice of introducing companies' priority recommendations of the Code and the quality of corporate governance. PJSC RusHydro took the fourth place in the said study (it shares with Rosneft PJSC).

Following the results of 2017, the Company became one of the leaders on the RSPP index in the field of sustainable development - "Responsibility and Openness". The "Responsibility and Openness" index reflects the situation in the sphere of disclosure of corporate information on sustainable development and corporate responsibility.

In May 2017, the Company attracted the Company on an ongoing basis, the Russian Institute of Directors conducted an annual assessment of the corporate management practices of PJSC RusHydro in accordance with the updated methodology of the National Corporate Governance Rating (NRKU). As a result of the assessment, PJSC RusHydro was assigned a corporate governance rating of 7 ++ "Advanced Corporate Governance Practices" on the NRMU scale.

The Company's corporate governance practice was assessed on four components, each of which identified key positive aspects and aspects that require further improvement.

This assessment confirms that the Company complies with the requirements of the Russian legislation in the field of corporate governance and follows a significant number of recommendations of the Russian Corporate Governance Code.

IMPROVEMENT OF THE HUMAN RESOURCES SYSTEM

In 2017, the following measures were taken to improve the system of staffing in the framework of the implementation of the system of "Corporate Lifts":

"Corporate elevator - New School"

Implementation of measures of early professionalization:

- Within the framework of the current Program for advanced development of human resources of PJSC RusHydro, "From the New School to the Workplace", systematic work is conducted with students and students in the regions where RusHydro Group is present. Priority direction of the school stage of training future personnel for the company is the creation of specialized school classes (Energoclasses) and centers of technical creativity (Technoclasses) in 9 regions of the company's presence, where 908 schoolchildren of grades 7-11 received training in the past year. 2017 was marked by the opening of two more Energoclasses in the village of Novobureisk and Rybinsk.

- Every year the Industry Olympiad "Energy of Education" is held. In 2017, the Olympics started in the online testing format.

- For the best students of vocational guidance projects that have passed the competitive selection, a corporate scientific camp is organized - Summer Energy School. In 2017 the school was held on the basis of the Cheboksary HPP and 34 schoolchildren from 15 regions of the Russian Federation took part in it.

- Experts of the company participate annually in the All-Russian Festival of Energy Saving # Together, as well as in profile modules and project changes in children's educational centers "Sirius",

"Ocean", "Eaglet", "Smena". In total for 2016-2017, more than 250 schoolchildren of grades 5-11 took part in them.

Implementation of the activities of the Program of social and professional adaptation of orphanage pupils:

- In 2017, 450 orphans took part in the "Young Energy" program aimed at the socialization and professionalization of orphans and children left without parental care, more than 20 of them entered the specialized areas of training.

"Corporate elevator - Higher educational institution".

Organization of strategic partnership with specialized educational organizations of secondary and higher vocational education:

- In 2017, the first graduates of young specialists - bachelors in the field of "Electrical Power Engineering and Electrical Engineering" (the profile of "Hydroelectric Power Station") of the Volzhsky Branch of the MPEI took place.

- Within the framework of cooperation agreements between JSC RusHydro and specialized universities, more than 250 students are practicing at the company's facilities every year, more than 100 students of higher education institutions regularly participate in industry conferences and forums: the XIX World Festival of Youth and Students, the Youth Day of the Russian Energy Week, the International Engineering championship "Case-in".

- 16 people (4 bachelor students and 12 master's students) were enrolled in the targeted places allocated for the application of JSC RusHydro.

- In the Spring Energy Student School for students of profile universities in 2017, 37 students of the Research Institute "MEI", the Branch of the Research Institute "MEI" in the city of Volzhsky, the SFS SFU, the Bauman MSTU took part. N.E. Bauman. The VSEC took place at the Moscow Power Engineering University.

"Corporate Lift - Company".

Training of Company employees:

- In total for the year of 2017 the company's employees were trained on 23 332 training programs.

- In 2017, a training and training ground was put into operation to train workers serving RPA devices, which will improve the competence of the staff of the STSU.

All-Russian competitions of operational personnel of the HPP:

- In 2017, internal professional competences of operational staff of HPPs / PSPs at RusHydro Group sites were held in accordance with the new model regulation on the conduct of competitions and with the use of a corporate switching simulator.

- In 2017, in accordance with the instructions of the Government of the Russian Federation and the letter of the Federal Agency for Property Management, an agreement was signed between JSC RusHydro and the Union of the Development of Professional Communities and Workers, Worldwide Russia, on the basis of which in October 2018, on the basis of the Volzhskaya HPP and the Volga educational center CorUnG will be held Branch corporate championship in the competence "Operational and technological management of hydraulic units and auxiliary equipment" according to the standards of Worldsills.

Implementation of the Program for the Preservation and Enhancement of Operational Status of Station Operators:

- Activities to preserve and improve the operability of operational personnel were introduced in 9 branches of the Company - Bureyskaya HPP, Volzhskaya HPP, Votkinskaya HPP, Dagestan branch, Zeyskaya HPP, Zhigulevskaya HPP, Kamskaya HPP, Novosibirsk HPP, Sayano-Shushenskaya HPP named after PS. Empty. A total of 249 operative workers participated.

IMPROVEMENT OF THE SYSTEM OF ANTI-TERRORISM, ECONOMIC AND INFORMATION SECURITY

In 2017, the following activities were carried out::

In the direction of antiterrorist security.

1. Based on the analysis of the practice of the security services of branches, corporate scientific and practical seminars and antiterrorist exercises conducted at the Company's facilities, the proposals have been sent to the State Duma of the Federal Assembly of the Russian Federation and the Ministry of Energy of the Russian Federation to improve the legislation of the Russian Federation in the sphere of ensuring the safety of energy facilities. The proposals of PJSC RusHydro received a positive assessment of the National Anti-Terrorist Committee of the Russian Federation and were taken into account when drafting the relevant draft laws.
2. In order to improve the security and vulnerability assessment of energy facilities in accordance with the requirements of the legislation of the Russian Federation, surveys of the objects of JSC RusHydro by interdepartmental commissions (MVK) were conducted.
3. Based on the decisions of the MVK, the antiterrorist protection and protection of the power facilities of the Company's branches have been modernized. Agreements for the provision of services for the protection of the facilities of JSC "RusHydro" in 2018.

In the direction of economic security.

1. For the implementation of strategic goals by the security units, in carrying out tasks to protect the economic and other interests of the RusHydro Group, activities were carried out to identify and localize risks and threats to economic security, and prevent damage to the RusHydro Group.
The main measures to ensure economic security were aimed at preventing unfair contractors from performing work and rendering services related to the implementation of investment projects of the RusHydro Group for the construction, reconstruction and modernization of energy facilities, as well as to identify and prevent risks of the implementation of these projects at an early stage.
2. In order to improve the efficiency of the RusHydro Group's security units, measures have been implemented to improve the procedure for conducting internal service checks and investigations into potential and realized risks of economic security.

In the direction of information security.

1. In terms of legal, organizational, administrative and regulatory measures, developed, approved and implemented in practice:
 - Order of JSC "RusHydro" dated February 15, 2017 No. 77 "On the system of measures to control the functioning of critical information systems of the Company";
 - Order of JSC "RusHydro" dated June 26, 2017 No. 407 "On approval of the Policy for processing personal data of PJSC" RusHydro ";
 - Order of JSC "RusHydro" dated 29.12.2017 No. 942 "On organization of work to protect information that is a commercial secret of PJSC" RusHydro ".
2. As part of the import substitution policy, the list of technical solutions in the field of information security was revised, at the moment 90% of decisions are implemented using information protection tools of Russian production.
3. As part of the FSTEC Order No. 31 dated March 14, 2014 "On Approving Requirements to Ensure Information Protection in Automated Control Systems of Production and Technological Processes at Critical Facilities, Potentially Hazardous Objects, and Objects of Increased Danger to Life and Health of People" and for the environment », the subsystems providing information security for the automated process control system at the following branches were put into operation: Dagestan, Karachaevo-Cherkessky, Kabardino-Balkaria, and North Ro-Ossetian, Cascade Kuban GES, Nizhegorodskaya HPP, Saratov HPP, Cheboksary HPP, Zhiguli hydropower plant, Kama HPP. Work on other branches is scheduled to be completed in 2018.

RISK MANAGEMENT OF RUSHYDRO GROUP

Within the framework of improving the corporate system of internal control and risk management in 2017, the following activities:

Corporate level

1. As part of the implementation of the Internal Control and Risk Management Policy of PJSC RusHydro, the Company's Management Board approved the Strategic Risk Management Plan of RusHydro Group for 2017 - 2018⁵⁴. When approving the above plan, the:
 - the register of strategic risks of RusHydro Group,
 - a system of indicators for the implementation of strategic risks of RusHydro Group,
 - list of strategic risk management activities of RusHydro Group.
2. The RusHydro Group's risk management framework has been significantly expanded: internal control and risk management policies have been approved in 18 RusHydro Group companies, including 14 companies operating in the Far East
3. In 30 key CC approved risk management plans for 2017-2018, including in 15 companies operating in the Far East. In the 1st quarter of 2018, the CC data were submitted to the Board of Directors for approval of risk management reports for 2017.
4. In order to synchronize the processes of strategic management and risk management, a new version of the Regulation on the interaction of the Risk Management Department of the DKiUR with the structural subdivisions of PJSC RusHydro within the framework of strategic risk management was developed. The updated version of the regulation was approved by the order of PJSC RusHydro of December 27, 2017 No. 921.
5. The report on the functioning of the corporate system of internal control and risk management was reviewed by the Audit Committee under the Board of Directors of PJSC RusHydro in May 2017⁵⁵ and approved by the Board of Directors of PJSC RusHydro in June 2017⁵⁶.
6. The report on the implementation of the Action Plan for the management of strategic risks of the RusHydro Group for the year 2017 was approved by the Management Board of PJSC RusHydro on February 5, 2013⁵⁷.

Business and operational level

1. Branches of the Company and its CC are evaluated and prioritized according to the level of risk and the status of implementation of risk management procedures in order to form a risk-oriented plan of internal audit controls for PJSC "RusHydro" for 2018.
2. A survey was conducted of the internal control system of the business process "property management", within which:
 - analysis and assessment of business process risks,
 - the level of maturity of the system of internal control of the business process,
 - a system of key indicators of business process risks.
3. Launched:
 - work on the examination of the internal control system of the business process of interaction of JSC "RGS" with RusHydro Group companies within the framework of procurement activities.
 - development of a system of quantitative indicators for testing the operational efficiency of the Company's previously surveyed business processes.
4. A draft methodology for assessing information security risks of the Company was developed. Approbation of the methodology is planned for 2018.
5. Regular monitoring of the implementation of measures to improve the internal control system of key business processes of PJSC RusHydro.

⁵⁴ Minutes dated 10.10.2017 No. 1070pr.

⁵⁵ Minutes of the Audit Committee under the Board of Directors of PJSC RusHydro of May 31, 2017 No. 98.

⁵⁶ Minutes of the Board of Directors of PJSC RusHydro of July 22, 2017 No. 254.

⁵⁷ Minutes of the Management Board of PJSC RusHydro of 05.02.2018 No. 1086pr.

IMPLEMENTATION OF ACTIVITIES OF THE LONG-TERM DEVELOPMENT PROGRAM OF THE RUSHYDRO GROUP PROVIDED BY DIRECTIVES OF THE GOVERNMENT OF THE RUSSIAN FEDERATION

On increasing labor productivity in the Company (from October 31, 2014 No. 7389p-P13).

In pursuance of the directive of the Government of the Russian Federation No. 7389p-P13 dated October 31, 2014, the DDP approved by the Board of Directors of PJSC RusHydro (protocol No. 244 of 23.11.2016, as amended by protocol No. 251 as of 18/04/2017) included a key performance indicator " Labor productivity "⁵⁸, calculated according to Rosstat's methodology⁵⁹.

Achievement of target values for the indicator "Labor productivity"

(revenue thousand rubles / worked person / hours)

Indicator Definition	Planned for 2017	Actual for 2017
Labor efficiency (revenue, thousand rubles/man-hours)	4,72	5,20

On the need for labor resources, including engineering and technical specialties, necessary for the implementation of the main activities of the program (from 05.11.2014 No. 7439p-P13).

The main parameters of the need for manpower resources of JSC "RusHydro" (executive body and branches) are determined taking into account the terms of achievement of retirement age employees, as well as the possibility of internal relocation of employees, if there are appropriate recommendations based on the results of certification, formed personnel reserves, and candidate databases.

In calculating the need for engineering and technical specialists are accepted, including working vacancies that require a level of professional training not lower than the bachelor of a technical educational organization. This approach is conditioned by the requirements of the technological process of operation, repair and maintenance of the main equipment of HPPs / PSPs.

Implementation of the basic parameters of the need for labor resources, including engineering and technical specialties of JSC "RusHydro" for 2017

Indicator Definition	Planned for 2017	Actual for 2017
Total vacancies number:	119	105
Including engineering occupations	84	• 91

On the planned and phased replacement of the purchase of foreign products (works, services) by the purchase of Russian products (works, services), equivalent in technical characteristics and consumer properties, used in the implementation of investment projects and current activities (No. 1346p-P13 of 05.03.2015).

As part of the Program for the comprehensive modernization of generating facilities, PJSC RusHydro is increasing volumes of deliveries of domestic machine-building products, which is ensured, in part, by localizing production of certain types of equipment and components in Russia.

In 2017, the share of imported imported equipment was reduced in the framework of production activities in order to implement the phased replacement of purchases of foreign products (works, services) by purchase, equivalent in technical characteristics and consumer properties of Russian products (works, services).

Share of imported equipment

	Planned for 2017	Actual for 2017
Imported equipment share, %	52	22

As part of the import substitution, in accordance with Federal Law No. 223-FL of 18.07.2011 "On the Procurement of Goods, Works, Services by Individual Types of Legal Entities", and in pursuance of the Directive of the Government of the Russian Federation No. 1659p-P13⁶⁰ of March 15, on the procedure for

⁵⁸ List of legal entities accepted for the calculation of the indicator: PJSC RusHydro, PJSC FEEC, PJSC Yakutskenergo, PJSC Kamchatskenergo, JSC YUESK, PJSC Magadanenergo, PJSC Sakhalinenergo, JSC FEGC, JSC FEDC, PJSC Peredvizhnaya Energetika, Chukotenergo JSC, Sakhaenergo JSC, Teploenergosservis JSC, ESC RusHydro JSC, Krasnoyarskenergobyt PJSC, PJSC RESK, Chuvashskaya Energy Retail Company JSC, JSC Geotherm ", PJSC" Kolymaenergo ", JSC" Pauzhetskaya GeoPP ", PJSC" KamGEK ", PJSC" Boguchanskaya HPP ".

⁵⁹ The Order of the Federal State Statistics Service of September 23, 2014 No. 576.

⁶⁰ On approval of the procedure for accounting for investment projects included in the list of investment projects

accounting for investment projects included in the list of investment projects of the RusHydro Group⁶¹, which establishes a set of rules, rules and requirements in the process of selecting investment projects and obtaining a decision on the inclusion of investment projects in the Register, Government Commission on import substitution⁶². The standard provision on the accounting of investment projects in the subsidiaries of JSC RusHydro included in the list of investment projects of RusHydro Group was approved by the decision of the Company's Management Board⁶³.

EXECUTION OF THE KEY PERFORMANCE INDICATORS OF THE LONG-TERM DEVELOPMENT PROGRAM OF RUSHYDRO GROUP IN 2017

	Indicator	2017 planned	2017 actual	Execution estimate
1.	Avoiding a more extreme number of accidents: - Number of accidents at work, pcs. - Number of major accidents, pcs.	0 ≤ 5 yaers average 0	0 14 0	Done
2.	Equity capital profitability (ROE), %	5.8% ⁶⁴	10.13%	Done
3.	Earnings before interest, taxes and depreciation (EBITDA), million rubles.	95,993 ⁶⁶	110,323	Done
4.	Proportion of purchases from small and medium-sized enterprises, including the results of purchases only among SMEs ⁶⁵ , %	18% 10%	85% 38%	Done
5.	Implementation of capacity schedules and a plan for financing and development, % ⁶⁶	85%	99%	Done
6.	Productivity of labor (revenue, thousand rubles / man-hours)	4,72 ⁶⁶	5,20	Done
7.	Decrease in operating expenses (expenses),%	2%	2.26*	Done
8.	Integral innovative KPI,%	85%	91%	Done
9.	Profitability of investments of shareholders (TSR),%	100%	<100%	Not done**
10.	Free cash flow (FCF), million rubles.	- 39,875	- 29,722	Done

* * *In accordance with the decision taken at a meeting of the Board of Directors of PJSC "RusHydro" dated 04/24/2018 (Minutes No. 269)*

** *The TSR value in 2017 was -11.7%, while the value of the MosBirzhi index was -3.6%. The negative dynamics of shares in PJSC RusHydro is due primarily to the general decline in the market, which was exerted by geopolitical risks, as well as a decrease in interest in Russian companies by global investors. For most of the year, the dynamics of shares of PJSC "RusHydro" corresponded to the average market. At the end of the year, the main factors in the decline in the value of the shares were: the decision of the Board of Directors of the Company on temporary conservation of the construction project of Zagorskaya PSHPP-2, confirmation of information on the additional issue of the company's shares for financing the Pevek-Bilibino power transmission line project*

⁶¹ Decision of the Board of Directors of the Company of May 31, 2016 (Minutes No. 237).

⁶² Formed by the Government of the Russian Federation from 04.08.2015 № 785 "On the Governmental Commission for Import Substitution".

⁶³ Minutes of the Board of the Company No. 980pr of 05/20/2016.

⁶⁴ By the protocol of the Board of Directors of the Company dated 22.06.2017 No. 254 within the framework of the consolidated business plan of the RusHydro Group for 2017-2021, the estimated target values for the following KPIs established for the members of the Company's Management Board were approved: KPI "Return on Equity (ROE),%" - target the value is 6.1%; KPI "Earnings before interest, taxes and depreciation (EBITDA), million rubles" - target value 97,993; KPI "Labor productivity (revenue, thousand rubles / person-hours)" - target value 4.74.

⁶⁵ According to PJSC RusHydro.

⁶⁶ The schedule for the commissioning of capacities and the plan for financing and development are determined on the basis of planned data on the Company's investment objects and new construction sites of the DO approved in the composition of the adjusted Business Plan of the Company by the decision of the Board of Directors of the Company of 11.10.2017 (Minutes No. 258 of October 13, 2017).

**Annex to Report
on implementation of the Long-term development
program of the RusHydro Group for 2017**

COMMENTS TO CALCULATION OF KEY PERFORMANCE INDICATORS OF THE LONG-TERM DEVELOPMENT PROGRAM OF RUSHYDRO GROUP

Calculation techniques and estimation of all indicators are done based on the KPI of the LTDP of RusHydro Group, approved as part of the Long-term development program of RusHydro Group.

1. Avoidance of more than the maximum number of accidents

1.1. Calculation:

The calculation is made for each of the components of the indicator:

- number of accidents at work, pieces;
- number of major accidents.

KPI "Non-admission of more than the maximum number of accidents", incl. options:				
1.	Number of accidents at work, pcs.	Parameter value for 2017 year	Accidents at work, cf. value for 5 years (2012-2016)	Evaluation of parameter execution
		14	25.2	done
2.	Number of major accidents, pcs.	Parameter value for 2017 year	Planned value for 2017	Evaluation of parameter execution
		0	0	done
Evaluation of KPI implementation		ACTUAL	PLANNED	KPI implementation rate
		0	0	1

For reference: Accidents at work that occurred in the last five years preceding 2017

2012	2013	2014	2015	2016
26	33	25	19	23

1.2. Performance appraisal:

Indicator achieved.

2. Profitability of the share capital (ROE), %

2.1. Calculation:

The actual value is calculated using the audited Consolidated Financial Statements of RusHydro Group, prepared in accordance with IFRS: Consolidated Statement of Financial Position, Consolidated Income Statement, Note "Segment Information".

$$ROE = [(Profit\ for\ the\ period\ (year) + Non-monetary\ items\ of\ expenditure - Non-monetary\ income\ items) / Average\ annual\ share\ capital] * 100\%,$$

Where

Profit for the period - line *Profit for the period of the form Consolidated income statement*;

The average annual share capital is determined by the following formula:

The *average annual share* = (total capital₀ + total capital₁) / 2 , where

TOTAL CAPITAL 0 – the sum of the lines "Capital of shareholders of PJSC" RusHydro "and" Uncontrolled interest "at the beginning of the period of the form" Consolidated Statement of Financial Position ";

TOTAL CAPITAL 1 - the sum of the lines "Capital of shareholders of PJSC" RusHydro "and" Uncontrolled interest "at the end of the period of the form" Consolidated Statement of Financial Position ".

Non-monetary items of expenses / income – item "Other non-cash items of operating income and expenses" (Note "Segment Information"), includes:

The composition of non-monetary expenses:

- Loss from economic depreciation of fixed assets;

- Loss from depreciation of long-term bills;
- Impairment loss on available-for-sale financial assets;
- Loss from the revision of the value of the net assets of the subsidiary acquired exclusively for the purpose of subsequent resale;
- Loss on disposal of property, plant and equipment;
- The balance of income and expenses from the formation of reserves;
- Discount expenses;
- Provision for impairment of inventory;
- Negative exchange differences;
- Other non-cash expenses.

The composition of non-monetary income:

- Income related to the reduction of the pension system;
- Revenues under discounting;
- Positive exchange rate differences;
- Revenues from revaluation of financial investments;
- Other non-cash income.

The calculation of the actual value of the indicator is given in the table:

ROE	10,13%
<i>Profit for the period</i>	<i>22,451</i>
<i>Non-monetary items</i>	<i>46,750</i>
<i>Non-cash income items</i>	<i>-988</i>
<i>Average annual share capital</i>	<i>673,248</i>
<i>Capital at the beginning of the period</i>	<i>650,932</i>
<i>Capital at the end of the period</i>	<i>695,564</i>
<i>Non-monetary items</i>	<i>46,750</i>
<i>Loss from economic impairment of property, plant and equipment</i>	<i>24,000</i>
<i>The financial result from the retirement of financial investments is the current operating expenses</i>	<i>260</i>
<i>Impairment of accounts receivable</i>	<i>5,957</i>
<i>Loss on disposal of property, plant and equipment</i>	<i>1,006</i>
<i>Discounting costs</i>	<i>363</i>
<i>Negative exchange rate differences</i>	<i>1,218</i>
<i>Financial result of derivative financial instruments</i>	<i>13,946</i>
<i>Non-cash income items</i>	<i>988</i>
<i>Income from discounting</i>	<i>389</i>
<i>Positive exchange rate differences</i>	<i>599</i>

2.2. Performance appraisal

Indicator achieved.

3. Profit before interest, taxes and depreciation (EBITDA), million rubles.

3.1. Calculation:

The actual value is calculated using the audited Consolidated Financial Statements of RusHydro Group prepared in accordance with IFRS: Consolidated Statement of Financial Position, Consolidated Income Statement, Note "Segment Information", Note "Financial Income, Expenses":

$$EBITDA^{67} = \text{Profit before tax} + \text{Amortization of fixed assets and intangible assets} + \text{Non-monetary items of expenditure} - \text{Non-monetary income} + \text{Interest payments}.$$

⁶⁷ The algorithm for calculating the EBITDA is determined by the methodology for calculating and evaluating the key performance indicators of the Long-term development program of the RusHydro Group approved by the Board of Directors of the Company (Minutes No. 251 of April 18, 2017).

Profit before taxation - line Profit before tax from the Consolidated Statement of Income

Depreciation of fixed assets and intangible assets - line "Amortization" (Note "Information by Segments").

Non-monetary items of expenses / income are determined in accordance with clause 2.1. of these comments.

Interest payable - Note "Financial income, expenses", line "Interest expenses".

The calculation of the actual value of the indicator is given in the table:

EBITDA	110,323
<i>Profit before taxation</i>	<i>35,519</i>
<i>Depreciation and amortization of fixed assets</i>	<i>25,023</i>
<i>Non-monetary items</i>	<i>46,750</i>
<i>Non-cash income items</i>	<i>-988</i>
<i>Percentage to be paid</i>	<i>4,019</i>

3.2. Performance appraisal

Indicator achieved.

4. Proportion of purchases from small and medium-sized enterprises

4.1. Calculation:

For calculation, the data of the Register of contracts concluded on the basis of the procurement of the Company are used. The actual value is defined as the share of purchases for which contracts were concluded with small and medium-sized businesses in the total annual volume of purchases of products for the needs of PJSC RusHydro for which contracts were concluded in the reporting period expressed in percentage terms according to the following formulas:

$$PsmeTOTAL = (Sign^{pr}SME + SignSME + SignSMEsub) / Sign^{total} \times 100$$

$$Psme = Sign^{pr}SME / Sign^{total} \times 100$$

where:

PsmeTOTAL – The share of agreements concluded with small and medium-sized businesses (hereinafter - SMEs) in the total annual volume of contracts concluded on the basis of the results of procurement, including purchases made only among SMEs. At the same time, subcontracting contracts of the 1st level are taken into account. Subcontracting contracts of the 1st level are understood as contracts for the supply of goods, performance of work, rendering of services, concluded directly between SMEs and companies of any organizational and legal form that have concluded direct contracts with the Company, %;

Psme – The share of contracts concluded with SMEs, based on the results of procurement conducted only among SMEs, in accordance with Regulation No. 1352, in the total annual volume of contracts, %;

Sign^{pr}SME – The sum of contracts concluded with SMEs based on the results of the procurement conducted only among SMEs, in accordance with Section 2 of Regulation No. 1352,;

SignSMEsub – The amount of subcontracts of the 1st level, concluded directly between SMEs and companies of any organizational and legal form that have concluded direct contracts with the Company, RUB.;

SignSME – The sum of contracts concluded with small and medium-sized business entities on the basis of the results of purchases, with the exception of purchases only among SMEs, in accordance with Section 2 of Regulation No. 1352,

The calculation of the actual value of the indicator is presented in the table:

PsmeTOTAL Planned,		PsmeTOTAL actual, incl.					
PsmeTO TAL Planned, %	Psme Planne d, %	PsmeTO TAL actual, %	Psme actual, %	Sign^{total}, rub.	Sign^{pr}SME, rub.	SignSME, rub.	SignSMEsub, rub.
18%	10%	85%	38%	9,259,449,660	3,525,832,970	4,361,403,714	0

4.2. Performance appraisal:

Indicator achieved.

5. Implementation of capacity schedules and a plan for financing and development

5.1. Calculation⁶⁸:

To calculate the actual value, the source of information is the actual data on the Company's investment objects and new construction objects of DOs as part of the report on the implementation of the Company's Business Plan approved by the Company's Board of Directors in accordance with the established procedure. Calculation of the indicator "Implementation of capacity schedules and a plan for financing and development,%" is carried out according to the formula:

$$K^{inp\ fin\ dev} = 0,75 \cdot K^{inp\ pow} + 0,25 \cdot K^{V\ fin\ pow\ year},$$

Where: $K^{inp\ fin\ dev}$ - Implementation of capacity schedules and a plan for financing and development (per year);

$K^{inp\ pow}$ – the final (for all types of input capacities) the rate of performance of power input schedules;

$K^{V\ fin\ de\ year}$ – implementation of the annual plan for financing and development.

The final (for all types of input capacities) the rate of performance of power input schedules is calculated for the reporting year by formula:

$$K_{inp\ pow} = 100 \cdot \frac{V^{act\ pow}}{V^{pl\ pow}}, \text{ where:}$$

$K^{inp\ pow}$ – fulfillment of the capacity commissioning schedules for the reporting year (for all types of input capacities, the fact of the capacity input in the reporting period is taken with the approval of the supervisory authority for the admission to the permanent operation of the power plant of the declared capacity in accordance with the form of Rostekhnadzor order No. 212 dated April 7, 2008 and the Work Act commission on acceptance of equipment after complex testing);

$V^{pl\ pow}$ – annual planned volume of input capacity (MW);

$V^{act\ pow}$ – The power actually commissioned in the reporting year (MW).

If there is no capacity plan for the reporting year, the indicator $K^{inp\ pow}$ is not calculated, the corresponding share is redistributed to volume of the financial year $K^{V\ fin\ dev}$.

The calculation does not take into account inputs for objects planned for inputs in past periods.

Calculation of the implementation of the annual plan for financing and development is carried out by the formula:

$$K^{V\ fin\ dev\ year} = 0,5 \cdot K^{V\ fin\ year} + 0,5 \cdot K^{V\ dev\ year}, \text{ where:}$$

$K^{V\ fin\ dev\ year}$ – implementation of the annual plan for financing and development;

$K^{V\ fin\ year}$ – implementation of the annual financing plan;

$K^{V\ dev\ year}$ – implementation of the annual plan for development.

Calculation of the implementation of the annual plan for financing is carried out according to the formula:

$$K_{year}^{V\ fin} = \left(1 - \frac{\sum |\Delta Fin_{act}|}{Fin_{pl}}\right) \cdot 100\%, \text{ where}$$

Fin_{pl} - planned annual financing;

$|\Delta Fin_{act}|$ - the amount of modules deviating the actual amount of funding for each investment object in the reporting year from the planned one.

Calculation of the implementation of the annual plan for development is carried out by the formula:

$$K_{year}^{V\ dev} = \left(1 + \frac{\sum \Delta Dev_{act}}{Dev_{pl}}\right) \cdot 100\%, \text{ where}$$

Dev_{pl} – planned annual volume of development;

$\sum \Delta Dev_{act}$ – the sum of deviations of the actual volume of development from the planned investment for each object in the reporting year.

The calculation of the actual value of the indicator is presented in the table:

⁶⁸ The methodology for calculating and assessing the KPI LTDR "Implementation of capacity schedules and a plan for financing and development" corresponds to the methodology for calculating and evaluating a similar KPI established for members of the Management Board of the Company, approved by the decision of the Board of Directors of the Company dated December 23, 2016 (Minutes No. 245 of December 26, 2016). At the same time, by the decision of the Board of Directors of the Company dated April 18, 2017 (Minutes No. 251 of April 18, 2017), amendments were made to the methodology for calculating the annual KPI "Completion of capacity schedules and a plan for financing and development" established for the members of the Management Board of the Company.

Name	Capacity input, MW		Completion of the schedule for commissioning capacities, %	The amount of financing, million rubles. VAT included		The deviation module	Implementation of the annual plan for IP financing, %
	plan	act		plan	act		
Technical re-equipment and reconstruction	42.50,,,	42.50	100%	24,499.20	23,713.18	786.02	96.8%
Zaramagsky hydroelectric power stations	,	,	-	6,107.15	6,391.42	284.27	95.3%
Zagorskaya PSHPP-2	,	,	-	693.00	576.78	116.22	83.2%
Ust-Srednekanskaya HPP	,	,	-	3,514.45	3,739.32	224.87	93.6%
Verkhne-Balkarskaya SHPP	,	,	-	600.00	488.96	111.04	81.5%
Nizhne-Bureyskaya HPP	,	,	-	6,406.97	6,649.23	242.26	96.2%
Construction of a combined heat and power plant in Sovetskaya Gavan	,	,	-	2,989.77	3,019.18	29.40	99.0%
Construction of Sakhalin SDPP-2 (1st stage)	,	,	-	8,253.88	8,322.48	68.60	99.2%
Construction of the Yakutsk SDPP-2 (1st stage)	193.48	193.48	100%	8,460.04	8,244.62	215.42	97.5%
MGES Barsuchkovskaya	,	,	-	237.55	156.94	80.60	66.1%
SHPP Ust-Dzhegutinskaya	,	,	-	263.96	174.22	89.74	66.0%
TOTAL:	235.98	235.98	100%	62,025.97	61,476.33	2,248.43	96.4%

Table continuation:

Name	The amount of development, million rubles. without VAT		Deviations of the actual amount of development from the planned	Implementation of the annual plan for the development of the investment program, %	Implementation of the annual plan for financing and development of the investment program	Implementation of capacity schedules and a plan for financing and development	
	plan	act				%	Done/not done
Technical re-equipment and reconstruction	27,821.69	27,622.53	-199.16	99.3%	98.0%	99.5%	done
Zaramagsky hydroelectric power stations	5,080.31	5,105.09	24.78	100.5%	97.9%	97.9%	done
Zagorskaya PSHPP-2	688.37	593.66	-94.71	86.2%	84.7%	84.7%	done
Ust-Srednekanskaya HPP	3,144.40	3,243.21	98.81	103.1%	98.4%	98.4%	done
Verkhne-Balkarskaya SHPP	140.00	142.17	2.17	101.5%	91.5%	91.5%	done
Nizhne-Bureyskaya HPP	5,168.18	5,177.86	9.68	100.2%	98.2%	98.2%	done
Construction of a combined heat and power plant in	1,158.33	1,277.37	119.03	110.3%	104.6%	104.6%	done

Sovetskaya Gavan							
Construction of Sakhalin SDPP-2 (1st stage)	11,201.71	11,207.45	5.75	100.1%	99.6%	99.6%	done
Construction of the Yakutsk SDPP-2 (1st stage)	10,328.97	8,033.14	-2,295.83	77.8%	87.6%	96.9%	done
MGES Barsuchkovskaya	30.28	30.28	0.00	100.0%	83.0%	83.0%	Not done
SHPP Ust-Dzhegutinskaya	51.17	51.07	-0.10	99.8%	82.9%	82.9%	Not done
TOTAL:	64,813.41	62,483.83	-2,329.58	96.4%	96%	99%	done

5.2. Performance appraisal:

Indicator achieved.

6. Productivity of labor (revenue, thousand rubles / person-hours)

6.1. Calculation

The actual value of the indicator is calculated in accordance with the forms of federal statistical observation N Fri (GS) "Information on labor productivity by enterprises of the sector of non-financial corporations with state participation" (Order of Rosstat of September 23, 2014 No. 576 "On approval of statistical tools for the organization by the Federal Agency for Management state property of the federal statistical observation of labor productivity at enterprises of the non-financial corporations sector with a public institution pation "). This indicator is calculated as the ratio of the amount of revenue (based on reports on the implementation of business plans of the Company and DOs), to the number of man-hours worked by employees of the payroll and external part-time employees of the Company and DOs, on the basis of data of the form of static surveillance No. P4 " wages and movement of workers ", according to the formula:

$$LP = \text{Revenues} / \text{Number of man-hours},$$

where:

LP – labor productivity, thousand rubles / person;

Revenues – line income from the sale of products, works, services, thousand rubles.;

Number of man-hours – number of man-hours worked by employees of the payroll and external part-time workers, person hours.

Name ⁶⁹	Man-hours 2017, fact	Revenue thousand rubles. 2017, fact	LP fact
Productivity of labor	89,675,974	466,605,565	5.20

6.2. Performance appraisal:

Indicator achieved.

7. The indicator "Reduction of operating expenses (costs)"

7.1. Calculation of indicator

For the actual value, the source of information is: Report on the implementation of the Company's and CC Business Plan.

This indicator is defined as the ratio of the operating expenses (costs) of the reporting year, reduced to the base year, to the value of operating expenses (costs) of the base year, according to the following formula:

Indicator "Integral Innovative KPI"

$$\bullet CR = \left(1 - \frac{\sum CR_i^{fact}}{\sum CR_{i-1}^{base} \cdot CPI} \right) \cdot 100\%, \text{ where}$$

• *CR* – Reduction of operating expenses (costs), %;

• *i* – reporting year;

⁶⁹ List of legal entities accepted for the calculation of the indicator: PJSC RusHydro, PJSC FEEC, PJSC Yakutskenergo, PJSC Kamchatskenergo, JSC YUESK, PJSC Magadanenergo, PJSC Sakhalinenergo, JSC FEGC, JSC FEDC, PJSC Peredvizhnaya Energetika, Chukotenergo JSC, Sakhaenergo JSC, Teploenergosservis JSC, ESC RusHydro JSC, Krasnoyarskenergobyt PJSC, PJSC RESK, Chuvashskaya Energy Retail Company JSC, JSC Geotherm ", PJSC" Kolymaenergo ", JSC" Puzhetskaya GeoPP ", PJSC" KamGEK ", PJSC" Boguchanskaya HPP ".

- $\sum CR_i^{fact}$ – Present value of the Company's operating expenses (expenses) and DOs for the reporting year, thousand rubles;
- $\sum CR_{i-1}^{base}$ – amount of Company and subsidiary' operating expenses (costs), in base year (base year is previous year regarding reporting year), thousand rubles.;
- 100 - the conversion factor of the indicator as a percentage.

Name	Value
Operating expenses (expenses) for 2016, thousand rubles. (taking into account the consumer price index deflator (hereinafter - CPI))	160,095,386
Operating expenses (costs) for 2017, thousand rubles.	163,413,852
Costs not accepted for calculation in accordance with the approved methodology, including:	1,789,090
- charity (decision of the Board of Directors of the Company of August 10, 2017 - Minutes No. 255 of August 11, 2017)	1,325,000
- costs for the transaction of a non-deliverable forward with VTB Bank (PJSC) (decision of the Board of Directors of the Company of December 26, 2016 - Minutes No. 246 of December 27, 2016)	254,237
- staff costs for newly introduced facilities	209,853
Operating expenses (expenses) for 2017, thousand rubles. (cited in accordance with the approved methodology)	161,624,762
Factors beyond the control of management * (thousand rubles.), including:	5,139,604
- excess of actual fuel costs in excess of the actual CPI	3,145,33
- excess of actual labor costs, due to the excess of minimum monthly wage rate growth (indexation in accordance with the Industry Tariff Agreement in the energy sector) over the actual CPI	1,994,269
Operating expenses (expenses) for 2017, thousand rubles. (given in accordance with the approved methodology and taking into account factors beyond the control of management *)	156,485,158
Estimated value of the indicator for 2017, taking into account factors beyond the control of management	2.26%

* In accordance with the decision taken at a meeting of the Board of Directors of PJSC "RusHydro" dated 24.04.2018 (Minutes No. 269)

8. The share of R & D expenses from revenue (II1)

The indicator is calculated as a percentage and is defined as the ratio of the annual cost of R & D to companies participating in the implementation of the Innovation Development Program in RusHydro Group companies, including the Holding Company RAO ES of the East, to the revenue of companies participating in the Innovation Development Program in the companies of RusHydro Group and RAO UES Holding ES East, according to RAS for the reporting period, minus the cost of purchased electrical and heat energy, the cost of services for grid companies for the transmission of electricity and heat, on the inside iholdingovym operations, as well as revenue from services on technological connection.

Indicators	Values
Estimated revenue of PJSC RusHydro and DO-institutes, thousand rubles.	115,206,727.24
Estimated revenue of companies holding RAO ES East, thousand rubles.	132,534,284.05
Estimated revenue for RusHydro Group	247,741,011.29
The amount of funding for R & D by PJSC RusHydro in 2017, thousand rubles. (taking into account in accordance with the approved methodology of training costs)	243,718.65
The volume of financing R & D of companies of the RAO ES Holding East Holding by the results of 2017, thousand rubles. (taking into account in accordance with the approved methodology of training costs)	197,888.26

Total amount of R & D financing for RusHydro Group, thousand rubles.	441,606.91
Share of R & D expenses from revenues,% by RusHydro Group,%	0.18%

8.1. *Growth in the number of intellectual property objects put on the balance sheet for the reporting period (II₂)*

The indicator is calculated as a percentage and is defined as the ratio of the actual number of objects of intellectual property that were placed on the balance sheet of companies participating in the implementation of the Innovative Development Program of RusHydro Group and RAO ES Of the East Holding in the reporting year to the actual number of intellectual property objects that were delivered to balance sheet of companies participating in the implementation of the Innovative Development Program in the companies of RusHydro Group and the RA Holding About the ES of the East in the year preceding the reporting.

Indicators	Values
The number of intellectual property objects put on the balance sheet in 2016, pcs.	12
The number of intellectual property objects put on the balance sheet in 2017, pcs.	15
<i>including:</i>	
Holding RAO ES of the East	11
PJSC "RusHydro"	4
Actual growth in the number of objects of intellectual property put on the balance sheet for 2017 in relation to 2016,%	25.00%

8.2. *Coefficient of fuel use by thermal generation (II₃)*

The indicator is calculated as a percentage and is defined as the ratio of the total supply of electricity and heat in the units given by the companies participating in the implementation of the Innovative Development Program of the RAO ES Holding East Holding Company to the total consumption of conventional fuel for the generation of electricity and heat in the reporting year by companies participating in the implementation of the Program for Innovative Development of the Holding.

Company	Electricity output from tires, million kWh	Heat energy release from collectors, thousand Gcal	The total consumption of conventional fuel for the production of electricity and heat, here	Actual value of KIT
FEGC	21,654	21,029	11,646,087	48.64%
Kamchatskenergo	868	1,865	622,338	59.94%
Magadanenergo	89	1,052	235,722	68.37%
Mobile power engineering	207	0	116,546	21.87%
Sakhaenergo	272	81	122,892	36.60%
Sakhalinenergo	1,949	1,496	879,983	51.51%
Chukotenergo	179	428	168,029	49.46%
SENK	115	77	58,079	43.18%
Yakutskenergo	1,574	2,467	1,021,541	53.42%
TOTAL	26,907	28,495	14,871,217	49.60%

8.3. *Efficiency of capacity management HPPs (II₄)*

The indicator is calculated as the ratio of the average headcount of the main activity to the installed capacity

Indicators	Values
Average number of personnel in core business, persons.	5,380.00
- including the number of personnel of the Division of Far East, persons.	50.00
Average number of personnel in core business excluding Division DV, persons.	5,330.00
Installed capacity of HPP, MW	25,160.30
Efficiency of power plant capacity management, people / 100MW	21.18

The implementation of the "Integral Innovative KPI" is evaluated based on assessments of the performance of its constituent indicators.

The calculation of the actual value of the Integral Innovative KPI is presented in the table:

Name of parameters	Weights of indicators	Planned Values for 2017	Actual values by the results of 2017	Degree of performance indicators
Share of R & D expenses from revenue,%.	15%	0,25%	0,18%	71,37%
Growth in the number of intellectual property objects put on the balance sheet for the reporting period,%	15%	4,00%	25,00%	100,00%
Coefficient of fuel use,%	20%	51,74%	49,60%	95,87%
Efficiency of power plant capacity management, people / 100MW	20%	21,26	21,18	100,00%
Quality of development (actualization) of the IDP / performance of the IRTP Group,%	30%	100%	86,75%	86,75%
Integral Innovative KPI		85%	91%	Done

Comments on the calculation and evaluation of the performance of the parameters of the Integral Innovative KPI:

- "The share of R & D expenses from revenue,%" (P1): failure to meet the parameter is related to the refusal to sell 2 R & D projects of JSC "RusHydro" in 2017 and with the failure to perform in 2017 2 R&D activities of JSC "RAO ES of the East" .
- "Growth of the number of objects of intellectual property put on the balance sheet for the reporting period,%" (P2): the indicator is fulfilled. Overfulfillment of the indicator in the calculation of IKPE is not taken into account.
- "Fuel utilization ratio,%" (P3): the underperformance of the indicator is associated with an increase in electricity generation by JSC "FEGC" by 10% and a decrease in heat supply by 3.7%, which led to a 7% decrease in the heat production of electricity.
- "Efficiency of power plant capacity management, man / 100MW" (P4): the indicator is fulfilled (the indicator is "reverse", ie its decrease demonstrates the increase in efficiency). Overfulfillment of the indicator in the calculation of IKPE was not taken into account.
- "The quality of development (actualization) of the IRTP / implementation of the IRTP Group,%" (P5): when calculating the performance of the IKPE by the results of 2017 in accordance with the decision of the Interdepartmental Working Group on the implementation of the priorities for innovative development of the Presidium of the Presidential Council for Modernization of the Economy and Innovative Development of Russia under the chairmanship of the Deputy Prime Minister of the Russian Federation A.V. Dvorkovich (protocol of the IWG meeting dated February 27, 2013 No. 1) takes into account the assessment of the quality of the IRTP implementation in 2016.

Assessment of the degree of performance of the indicator "The quality of development (actualization) of the IRTP / implementation of the IRTP Group,%" was performed in comparison with the planned value of this indicator for 2017, approved in the LTDR.

8.4. Performance appraisal:

Indicator achieved.

9. Indicator "Profitability of investments of shareholders (TSR) "

9.1. Calculation

The calculation of the indicator is made for one year on the basis of the Company's stock quotes on the Moscow Stock Exchange and the consolidated financial statements of the RusHydro Group. The valuation is based on a comparison of the actual TSR value of the Company with the dynamics of the Moscow Intermediary Index, the MosBirzhi index (hereinafter referred to as the Index). The change in the Index is calculated as a percentage of the change in the average value of the Index for 22 trading days at the end of the year

preceding the reporting period and the average value of the Index for 22 trading days at the end of the reporting year.

$$TSR = \frac{(\bar{P}_1 - \bar{P}_0) + DPS}{\bar{P}_0}, \text{ where}$$

\bar{P}_0 – the average price of a share on the Moscow stock exchange for 22 trading days at the end of the year preceding the reporting year, RUB.;

\bar{P}_1 – the average price of shares on the Moscow stock exchange for 22 trading days at the end of the reporting year, RUB.;

DPS (dividend per share) – total amount of dividends or other payments (special dividends, reverse repurchases of shares, etc.) to shareholders paid for one share, during the reporting period, rubles.

The value of TSR in 2017 was -11.7%, while the change in the Moscow Stock Exchange index in 2017 was -3.6%.

9.2. Performance appraisal:

Indicator achieved.

10. Free cash flow (FCF)

10.1. Calculation

To calculate the actual value, the data is used from the audited consolidated financial statements of RusHydro Group, formed in accordance with IFRS in the form of the Consolidated Statement of Cash Flows.

The indicator is determined by the RusHydro Group as the difference between the balanced cash flow from operating activities, adjusted for the amount of interest paid on borrowings, payments for financial leasing and derivative financial instruments, and capital expenditures. Free Cash Flow (hereinafter referred to as FCF) is the estimated consolidated cash balance received from the main (operating) activity, the payment of mandatory financial expenses, and taking into account the implementation of the necessary investment costs to maintain and / or expand current assets .

The calculation of the FCF is based on the data of the annual consolidated financial statements of RusHydro Group, formed in accordance with IFRS by the following formula:

$$FCF = CFO - CAPEX - \text{Interest paid} - \text{Payments for financial leasing}$$

where:

CFO – Amount in the line "Total cash inflow (balance) of operating assets" of the form "Consolidated Statement of Cash Flows" for the reporting period;

CAPEX – the amount of cash outflows under the "Cash Flow from Investment Activities" section of the "Consolidated Cash Flow Statement" form for the reporting period;

Interest paid, Payments for financial leasing – the amount of the corresponding lines in the "Cash Flow from Financial Activities" section of the "Consolidated Cash Flow Statement" form for the reporting period.

The calculation of the actual value of the indicator is presented in the table:

Free cash flow (FCF), million rubles.	-29,722
<i>Total income (balance) of cash on operating activities</i>	78,125
<i>CAPEX (outflow of cash in the section "Cash flows from investing activities")</i>	-91,530
<i>Interest paid</i>	-15,794
<i>Payments on fin. leasing</i>	-523

10.2. Performance appraisal:
Indicator achieved.

Appendix № 10. The auditor's report on the Long-term development program implementation in 2017 of RusHydro Group for the period 2016-2020

Section 1. Brief information on the auditor

Name: LLC «HLB Vnesheaudit».

Primary state registration number: 1027739314448 (certificate of registration in the Unified state register of legal entities series 77 No. 007858681 dated 4 October 2002 issued by the Interdistrict Inspectorate of Ministry of Russia No. 39 for Moscow).

Location: 119180, Russia, Moscow, Bolshaya Yakimanka str., 25-27/2.

Membership in self-regulatory auditors organization: self-regulating organization of auditors Association «Sodruzhestvo». Main registration record number (ORNZ) in the Register of auditors and audit organizations – 11606046557.

Section 2. Brief information about the Group

Name: Public joint stock company «Federal Hydrogeneration company RusHydro» (PJSC RusHydro).

Primary state registration number: 1042401810494.

Location: 660017, Russia, Krasnoyarsk Krai, Krasnoyarsk, ul. Dubrovinskogo, d. 43, korp. 1.

The group consists of RusHydro, RusHydro PJSC's branches and subsidiaries, the ownership interest in which the PJSC RusHydro of over 50 %. Of PJSC RusHydro participates in the Charter capital of subsidiaries engaged in the design, construction, repair and maintenance, technical re-equipment and reconstruction of energy facilities, production and sale of electricity.

According to the results of the meeting of the Board of Directors of PJSC RusHydro from 22.11.2016 approved Long-term development program (hereinafter LTDP) for the period 2016-2020.

The efficiency performance of the LTDP is evaluated by means of a system of key performance indicators of the LTDP (hereinafter - KPI LTDP). The KPI system is intended for planning and monitoring performance purposes and objectives of the LTDP.

Section 3. Brief description of the methodological principles

Audit methodology is based on the customer's needs defined in the specifications, on the one hand, and professional judgment based on the application of professional knowledge of auditor. The tasks described in the terms of reference are implemented in the framework of the verification steps with the specified in them with a methodological approach.

The direct object of an audit of the LTDP are the processes and activities to achieve key performance indicators of the Group, certain of the LTDP. Systematic and consistent approach to validation consists in the following set of verification procedures:

- assessment of risks and opportunities associated with the implementation of the LTDP and the achievement of its results (KPIs);
- analysis of the management processes of the LTDP and components of the program activities aimed at achieving the KPIs;
- verify achievement of key performance indicators of the LTDP during the year.

Our approach to the audit of the LTDP is to review and analyze program activities of the LTDP in conjunction with the system of internal control and Group risk management, functioning of business

processes of the Group and overall corporate governance of the Group.

Section 4. Expert evaluation of the auditor

We have tested the implementation of Long-term development program of RusHydro Group for the year 2017 in accordance with the terms of reference are in Annex 1 to the contract № OG-206-94-2015/3351 from 3 December 2015, and our methodology for conducting the audit of LTDP.

Our responsibility is to Express an opinion (expert evaluation) on the basis of our examination concerning the following matters:

- the reliability of the actual performance indicators of the Group RusHydro at the end of the audited period and the achievement of the target values;
- the efficiency of the targeted usage Group of funds of the respective budgets during the audit period;
- causes of deviations of actual indicators of the performance of the planned LTDP.

For 2017 the Group has calculated the following actual performance results and determined the degree of achievement of the target values.

№	Indicator (KPI)	Unit	Plan for 2017	Fact in 2017	Performance
1	Preventing accidents in production and limit the number of accidents in the Group RusHydro	-	0	0	Completed
1.1	The number of accidents in industry	Pcs	≤ average for 5 years	14	Completed
1.2	The number of accidents	Pcs	0	0	Completed
2	Return of equity (ROE)	%	5.8	10.13	Completed
3	Income before interest, taxes and depreciation (EBITDA)	mln rub.	95,993	110,323	Completed
4	The share of purchases from small and medium-sized enterprise	%	18	85	Completed
4.1	- including the results of purchases only among SMEs (according to PJSC RusHydro)	%	10	38	Completed
5	The schedule of commissioning of the main objects of the new construction	%	85	99	Completed
6	Labor productivity (Revenue, thousand rubles/person-hours)	thousand rubles / person-hours	4.7	5.20	Completed
7	The reduction in operating expenses (costs)	%	2	2.26	Completed
8	Integral innovation KPIs	%	85	91	Completed
9	Total shareholder returns (TSR)	%	100	<100	Not completed
10	Free cash flow (FCF)	mln rub.	-39,875	-29,722	Completed

The calculated actual results of the Group's operations for 2017 confirm the fulfillment of the KPI of the DDA for 2017: all indicators are met, except for KPI "Return on investment of shareholders (TSR)".

The TSR value in 2017 was -11.7%, while the value of the Moscow Stock Exchange index was -3.6%. The negative dynamics of the Company's shares is primarily due to a general decline in the market, which was exerted by geopolitical risks, as well as a decrease in interest in Russian companies by global investors. For most of the year, the dynamics of the Company's shares corresponded to the average market. At the end of the year, the main factors in the reduction of the share price were: the decision of the Board of Directors of

the Company on temporary conservation of the construction project of Zagorskaya PSHPP-2, confirmation of information on the additional issue of the company's shares for financing the Pevek-Bilibino power transmission line project and others.

During the inspection, our attention was drawn to any facts that would give us reason to believe that these actual performance of the Group for the year 2017 and the degree of achievement of the target values calculated incorrect; there are any other major causes of deviations of actual indicators of the results of operations of the planned LTDP; the intended use by the Group for 2017 respective budgets was carried out inefficiently.

Mitrofanov LM
Executive Director
HLB Vneshaudit JSC

March, 30, 2018

Appendix № 11. Information Concerning Establishment of Unified Treasuries in the Head Companies, Subsidiaries and Affiliates

As part of the implementation of the Directives of the Government of the Russian Federation of 08.08.2014 No. 5110 p-P13, of March 26, 2015 № 1796p-P13, the Board of Directors of PJSC "RusHydro" (hereinafter - the Company) made a decision "On the establishment of a single Treasury of PJSC RusHydro, its subsidiaries (Minutes No. 203 dated September 15, 2014) and issued an order (Minutes No. 215 dated 05.05.2015) to conduct an annual analysis of the results of the creation of a single Treasury of RusHydro Group.

The Unified Treasury (hereinafter - UT) functions as a methodological and information center from June 30, 2015, whose activities are aimed at regulating the work of the UT, optimizing cash flows and centralizing the management of financial risks of RusHydro Group.

The UT represents a vertically integrated three-tier system of treasury organization of RusHydro Group:

- UT - at the top level of management,
- Treasury of Subgroups - at the middle management level
- Treasury subsidiaries - at the lower management level.

On an annual basis, an inventory of the settlement and payment system of the RusHydro Group is conducted, following which a report on the annual analysis of the results of the creation of the RusHydro Group's UT is sent to the Ministry of Finance of the Russian Federation and the Federal Financial Monitoring Service.

For the expired period in 2017, as part of the optimization of the RusHydro Group's management structure and operating expenses, the following was made in the reporting period:

- Consolidation of treasuries of the RusHydro Subgroups and RAO ES of the East, caused by the merger of the executive offices of PJSC RusHydro and RAO ES Of the East and the transfer of functions of the sole executive body of RAO ES of the East to PJSC RusHydro;
- Pilot implementation of the standard development of the Unified Accounting System of RAO ES of the East JSC in the framework of automation of treasury functions in subsidiaries;
- Reducing the number of used settlement accounts and optimizing the terms of service (tariffs) under contracts with banks.

During the reporting period, the UT also continued to work on the unification of approaches to centralizing risk management and optimizing the cash flows of RusHydro Group companies:

- established typical business processes for procedures for obtaining / providing intra-group loans, including the procedure for determining the cost of borrowing, and optimized the structure and cost of servicing the portfolio of intra-group borrowings;
- the requirements to the level of reliability and financial stability of partner banks have been raised based on the results of additional analysis of the selection of credit institutions operating in the RusHydro Group for the placement of funds and pursuant to the instruction of the Audit Committee under the Board of Directors of PJSC RusHydro (Minutes No. 98 dated May 31, 2017).

Based on the results of the measures taken and in order to ensure financial stability, transparency and efficiency of the activities of the RusHydro Group companies, a new Regulation on the single Treasury of RusHydro Group and documents regulating its activities were approved (Minutes No. 1078 of the Company's Management Board of November 27, 2012).

Appendix № 12. Information on the results of implementation of Executive Orders and Instructions issued by the President of the Russian Federation, and Instructions issued by the Government of the Russian Federation in 2017

№	Registration number	The Body that issued Executive Orders/ Instructions	Brief contents of the Executive Orders/ Instructions	Date of issue of the Executive Orders/ Instructions	Date of completion of the Executive Orders/Instructions
1.	Bx-00005.HIII	Office of the Government of the Russian Federation	On consideration of the message of the Kyrgyz Party and submission of proposals.	01/09/2017	02/14/2017
2.	Bx-00006.HIII	Office of the Government of the Russian Federation	About participation in the St. Petersburg International Economic Forum in the status of the company - Partner	01/09/2017	01/12/2017
3.	Bx-920.HIII	Deputy Prime Minister of the Russian Federation - Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing information on the main results of activities in 2016 in time until 01.03.2017	08/06/2017	03/01/2017
4.	Bx-1355.HIII	Deputy Prime Minister of the Russian Federation - Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the direction of the minutes of the meeting on the proSDPPs in the preparation of regulatory legal acts of the Government of the Russian Federation of 09.02.2017	02/15/2017	02/17/2017
5.	Bx-1409.HIII	Deputy Prime Minister of the Russian Federation - Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the direction of the protocol on the development of the territory of the advanced social and economic development "Bolshoi Kamen"	02/16/2017	03/24/2017
6.	Bx-2001.HIII	Administration of the President of the Russian Federation	About the All-Russian Climate Week - 2017	03/06/2017	03/20/2017
7.	Bx-2323.HIII	Office of the Government of the Russian Federation	On providing information during the 19th meeting of the Intergovernmental Russian-Kyrgyz Commission	03/15/2017	06/09/2017

8.	Bx-2369.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On consideration of the appeal of the general director of JSC "Zyryansky coal mine" Tsivki Yu.V.	03/16/2017	03/21/2017
9.	Bx-1483.HIII	Office of the Government of the Russian Federation	On sending information on measures taken to increase the effectiveness of counteracting corruption until 15.03.2017	02/17/2017	03/14/2017
10.	Bx-1829.HIII	Office of the Government of the Russian Federation	On the provision of information in time to 24.03.2017	03/03/2017	03/23/2017
11.	Bx-1951.HIII	Office of the Government of the Russian Federation	On sending information on additional measures to improve the effectiveness of countering corruption	03/03/2017	03/14/2017
13.	Bx-2514.HIII	Office of the Government of the Russian Federation	On sending information about employees of HR departments and units for the prevention of corruption and other offenses on or before 03.04.2017	03/20/2017	04/03/2017
14.	Bx-2558.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On sending information on the work done to reduce the cost of natural gas supplied by the Sakhalin-1 consortium	03/21/2017	03/27/2017
15.	Bx-2561.HIII	Office of the Government of the Russian Federation	On the definition of quotas for the sixth stream of participants in the federal program "Training and retraining of the reserve of management personnel (2010-2018)"	03/21/2017	03/31/2017
16.	Bx-2681.HIII	Deputy Prime Minister of the Russian Federation - Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the direction of the minutes of the meeting on the proSDPPs in the preparation of regulatory acts of the Government of the Russian Federation pursuant to Federal Law No. 508-FL of December 28, 2016 "On Amending the Federal Law" On Electric Power Industry "	03/23/2017	03/31/2017
17.	Bx-2902.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the provision of information on management companies and other executors of public services in arrears to housing and communal services enterprises before 03.04.2017 (Order of the President of the Russian Federation No. Pr-1479 of 06.07.2013)	03/29/2017	04/12/2017
18.	Bx-3524.HIII	Office of the Government of the Russian Federation	On the provision of proposals for candidates of the management reserve, as well as information on the topics of the final design works in the period up to April 24, 2017	04/12/2017	04.24.2017

19.	Bx-3526.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the development of options for renewing the power supply of the plant and providing information in time to 14.04.2017	04/12/2017	04/04/2017
20.	Bx-4137.HIII	Office of the Government of the Russian Federation	On the implementation of the instruction of the President of the Russian Federation of April 19, 2017 No. Pr-729	04/25/2017	05/19/2017
21.	Bx-4241.HIII	Office of the Government of the Russian Federation	On the provision of information on the implementation of paragraph 3 of the Directive of the Government of the Russian Federation of 30.05.2013 No. 2988p-P13 in time to 27.04.2017	04/26/2017	04/27/2017
22.	Bx-5187.HIII	Office of the Government of the Russian Federation	On the direction of the list of instructions on the results of the meeting on investment projects of the Republic of Khakassia and the Krasnoyarsk Territory within the Krasnoyarsk Economic Forum in Krasnoyarsk in the period from 21.04.2017 to 22.04.2017	05/18/2017	10/30/2017
23.	Bx-5363.HIII	Office of the Government of the Russian Federation	On consideration and provision of requested information (Letter of the Eurasian Economic Commission No. CC-1044/11 of 12.05.2017)	05/22/2017	05/25/2017
24.	Bx-8072.HIII	Office of the Government of the Russian Federation	On providing information on the issue of inspection before July 17, 2017	7/10/2017	07/17/2017
25.	Bx-9242.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the provision of a position on the implementation of the state program of import substitution through the introduction of gas turbine power plants	07/22/2017	08/24/2017
26.	Bx-9357.HIII	Administration of the President of the Russian Federation	About summing up the results of the All-Russian climatic week - 2017	07/31/2017	08/04/2017
27.	Bx-8189.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing information on the implementation of the minutes of the meeting of 28.04.2017 No. YuT-P9-38pr	07/12/2017	07/18/2017
28.	Bx-.8286.HIII	Deputy Prime Minister of the Russian Federation - Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the presentation by the partner of the 5th All-Russian Forum "Future Intellectual Leaders of Russia" and about participation in the events 01.09.2017	07/13/2017	07/25/2017

29.	Bx-9992.HIII	Office of the Government of the Russian Federation	On consideration of the appeal of the Head of the Republic of Sakha (Yakutia) on replenishment of the Endowment Fund of the North-Eastern Federal University	08/10/2017	08/29/2017
30.	Bx-9993.HIII	Office of the Government of the Russian Federation	On consideration of the appeal of the governor of the Volgograd region	08/10/2017	09/01/2017
31.	Bx-12273.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the appeal of the Chairman of the Board of Directors of LLC "Biotec" on the implementation of investment projects in the Far East	9/19/2017	10/03/2017
32.	Bx-13661.HIII	Government of the Russian Federation	(from 29.06.17 No. 1706-292)	10/12/2017	10/16/2017
33.	Bx-13987.HIII	Office of the Government of the Russian Federation	On the financing of works on the preparation of the bed of the reservoir of the Ust-Srednekanskaya HPP.	10/18/2017	01/30/2017
34.	Bx-14330.HIII	Office of the Government of the Russian Federation	About providing information	10/25/2017	11/01/2017
35.	Bx-14458.HIII	Office of the Government of the Russian Federation	On strengthening control over the implementation of electricity projects in the Far East, as well as for the implementation by RF subjects of measures to fully load the facilities under construction.	10/26/2017	11/24/2017
36.	Bx-14644.HIII	Office of the Government of the Russian Federation	On the elimination of the comments of the Accounts Chamber of the Russian Federation	10/30/2017	11/07/2017

37.	Bx-14714.HIII	Office of the Government of the Russian Federation	On the possible involvement of JSC "DVEUK" as the customer-builder and the budget recipient for the project "construction of two single-circuit HVL 110 kV" (Government order from 09.09.2017 No.№ AD-P9-96pr (item 5 of Section IV))	10/31/2017	11/24/2017
38.	Bx-15072.HIII	Office of the Government of the Russian Federation	On the direction of the list of instructions of the President of the Russian Federation and the Government of the Russian Federation, data in fulfillment of assignments contained in the materials of the Accounts Chamber of the Russian Federation.	11/07/2017	02/09/2018
39.	Bx-15170.HIII	Office of the Government of the Russian Federation	On the results of the 14th meeting of the Intergovernmental Russian-Slovenian Commission for Trade-Economic and Scientific-Technical Cooperation.	11/08/2017	12/18/2017
40.	Bx-15400.HIII	Office of the Government of the Russian Federation	On attracting investments in the modernization of decentralized generation sources, including using renewable energy sources in the Far Eastern Federal District	11/13/2017	01/30/2018
41.	Bx-16230.HIII	Office of the Government of the Russian Federation	On the appeal of the director of OOO "Transenergo" Samokhin SM. with a request to conduct an analysis of the activities of PJSC "FEEC" (Letter of September 18, 2017 No. 236/1)	11/23/2017	01/10/2018
42.	Bx-17409.HIII	Office of the Government of the Russian Federation	On the construction of power facilities in the Far East (Order of the Government of the Russian Federation of 24.10.2017 No. UT-P9-7092)	12/14/2017	01/12/2018
43.	Bx-17497.HIII	Office of the Government of the Russian Federation	On the financing of works for the preparation of the bed of the reservoir of the Ust-Srednekanskaya HPP (Order of the Government of the Russian Federation No. AD-P9-5684 of August 29,	12/15/2017	12/27/2017
44.	Bx-17498.HIII	Office of the Government of the Russian Federation	On attracting investments in the modernization (replacement) of decentralized sources of generation, including using renewable energy sources in the territory of the Far Eastern Federal District (item 5 of the RF Government order No.AD-P9-7383 of 07.11.17)	12/15/2017	01/16/2018
45.	Bx-17755.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the direction of the report of the Government of the Russian Federation dated 05.12.2017. No. 8942p-P9 on the course of implementation of the instruction of the President of the Russian Federation of 13.11.2017. No. Pr-2376 on support of the appeal of the Governor of the Chukotka Autonomous Okrug RV. Kopina on the financing of measures for the district's energy supply	12/20/2017	12/26/2017
46.	Bx-18247.HIII	Office of the Government of the Russian Federation	On the Source of Compensation for Falling Income of JSC "FEGC" on Gas for 2016	12/28/2017	12/29/2017

Appendix № 13. Information on companies controlled by the PJSC “RusHydro” that are significant important

Controlled company	The role for RusHydro Group and key activities	Mechanisms that ensure accountability and control within the Group	Information on the functional relationships between the key companies of the Group	Additional Information
1. Joint Stock Company "RAO Energy Systems of the East" (JSC "RAO ES of the East")	The company owns stakes in energy companies operating in the United Energy System of the East (Primorye, the Khabarovsk Territory, the Amur Region, the JAP and the south of Yakutia), as well as in isolated power systems (Yakutia, Sakhalin Oblast, Magadan Oblast, Kamchatka Gray), and also implements investment projects of the RusHydro group in the Far Eastern Federal District (Vostochnaya cogeneration station, off-site facilities of Yakutsk-SDPP-2, Sakhalinskaya SDPP-2, TPP in Sovetskaya Gavan and others).	<ul style="list-style-type: none"> PJSC RusHydro owns 84.39% of the voting shares of RAO ES Of the East, 99.98% of the voting shares are in the possession of the RusHydro Group; the authority of the sole executive body of JSC RAO ES of the East is exercised by PJSC RusHydro; the board of directors of JSC "RAO ES of the East" is fully formed from representatives of the RusHydro group. 	In its activities, RAO ES of the East, JSC interacts with JSC RusHydro, with JSC RusHydro Management Company (which renders JSC RAO ES of the East agency services for the implementation of investment projects), energy companies of the group in the Far Eastern Federal District.	In the IFRS of RusHydro, the Company is classified as "Subgroup of RAO ES of the East".
2. Public Joint-Stock Company "Far Eastern Energy Company" (PJSC "FEEC")	<p>The share of PJSC "FEEC" in the consolidated revenue of RusHydro Group is 20.56%.</p> <p>The company is the main Guaranteeing electric power supplier for the population and enterprises of the 2nd non-price zone of the wholesale electricity market, and also has the status of the Single Purchaser performing the function of buying and selling electricity (capacity) to participants in the wholesale market of the second non-price zone.</p>	<ul style="list-style-type: none"> PJSC RusHydro controls PJSC "FEEC" through an affiliated organization - JSC "RAO ES of the East". JSC "RAO ES of the East" owns 51.03% of the voting shares of PJSC "FEEC", in the possession of the RusHydro Group, 52.16% of the voting shares are consolidated. The authority of the sole executive body of the Company is exercised by JSC ESC RusHydro, 100% of the voting shares of which belong to the RusHydro group. 9 members of the Board of Directors of PJSC "FEEC" out of 15 were elected by the votes of RusHydro Group. 	In its activities, PJSC "FEEC" interacts with the energy companies of the group in the Far Eastern Federal District.	In the IFRS of RusHydro, the Company is classified as "Subgroup of RAO ES of the East".
3. Joint Stock Company "Far Eastern Generating	The share of JSC "FGC" in the consolidated revenues of the RusHydro Group is 7.64%.	<ul style="list-style-type: none"> PJSC RusHydro controls JSC FGC through an affiliated organization - 	In its activities, JSC "FGC" interacts with energy	In the IFRS of RusHydro, the Company is classified

Company" (JSC "FGC")	The company produces heat and electric energy, and also provides centralized heat supply to consumers in the areas of power plants located in the Khabarovsk and Primorsky Krai, the Amur Region, the Jewish Autonomous Region and the southern region of the Republic of Sakha (Yakutia). JSC "FGC" also has the function of selling thermal energy to end users	<p>PJSC " FEEC".</p> <ul style="list-style-type: none"> • PJSC " FEEC" owns 100% minus one share of voting shares of JSC " FGC", 100% of voting shares are consolidated in the ownership of RusHydro Group. • The Board of Directors of JSC " FGC" is fully formed from the representatives of the RusHydro group. 	companies of the group in the Far Eastern Federal District.	as "Subgroup of RAO ES of the East".
4. Public Joint Stock Company "Yakutskenergo" (PJSC "Yakutskenergo")	<p>The share of PJSC "Yakutskenergo" in the consolidated revenues of RusHydro Group is 7.08%.</p> <p>The company carries out the production of electric and heat energy and provides the functions of a guaranteeing supplier of electric power in the Republic of Sakha (Yakutia).</p>	<ul style="list-style-type: none"> • JSC "RAO ES of the East" owns 49.37% of the voting shares of PJSC "Yakutskenergo". • PJSC RusHydro owns 27.80% of the voting shares of PJSC Yakutskenergo. • 77.17% of the voting shares are in the possession of the RusHydro Group. • The Board of Directors of PJSC "Yakutskenergo" is fully formed from representatives of the RusHydro group. 	In its activity, PJSC "Yakutskenergo" cooperates with the energy companies of the group in the Far Eastern Federal District.	In the IFRS of RusHydro, the Company is classified as "Subgroup of RAO ES of the East".
5. Public Joint-Stock Company "Krasnoyarskenergosbyt" (PJSC "Krasnoyarskenergosbyt")	<p>The share of PJSC "Krasnoyarskenergosbyt" in the consolidated revenues of the RusHydro Group is 9.15%.</p> <p>The company is the main Guaranteeing electricity supplier for the population and enterprises in the territory of the Krasnoyarsk Territory.</p> <p>Also, PJSC "Krasnoyarskenergosbyt" provides services for the sale, maintenance and repair of electricity metering devices, high-voltage testing of electrical equipment; energy audit of objects; renders services under agency contracts.</p> <p>Starting from December 1, 2009, the company renders services for the management of multi-apartment buildings.</p>	<ul style="list-style-type: none"> • PJSC RusHydro controls PJSC Krasnoyarskenergosbyt through its affiliated companies - JSC ESC RusHydro and JSC Hydroinvest. • JSC ESC RusHydro holds 51.75% of the voting shares of PJSC Krasnoyarskenergosbyt, 65.81% of the voting shares in the holding of the RusHydro Group are consolidated. • The authority of the sole executive body of the Company is exercised by JSC ESC RusHydro, 100% of the voting shares of which belong to the RusHydro group. • 7 members of the Board of Directors of PJSC "Krasnoyarskenergosbyt" out of 9 are elected by the votes of 	In its activities, Krasnoyarskenergosbyt cooperates with energy companies of the group, including JSC ESC RusHydro, which organizes energy sales business in the RusHydro group.	In the IFRS of RusHydro, the Company is classified as JSC "ESC RusHydro".

		RusHydro Group.		
6. Joint-stock company "Zagorsk HPSPP-2" (JSC "Zagorsk HPSPP-2")	<p>The share of JSC Zagorsk HPSPP-2 from the value of the consolidated assets of RusHydro Group is 6.13%.</p> <p>The company carries out measures to organize the construction of the Zagorsk HPSPP-2.</p>	<ul style="list-style-type: none"> • PJSC "RusHydro" owns 100% of the voting shares of JSC "Zagorsk HPSPP-2"; • authority of the sole executive body is exercised by JSC "RusHydro MC", 100% of voting shares of which belongs to PJSC RusHydro; • The Board of Directors of JSC Zagorsk HPSPP-2 is fully formed from representatives of the RusHydro Group. 	In its activities JSC Zagorsk HPSPP-2 interacts with JSC "RusHydro MC", which performs the functions of the sole executive bodies of the majority of RusHydro's controlled companies that are customers of construction, as well as with the project organizations of the RusHydro group.	In the IFRS of RusHydro's JSC Zagorsk HPSPP-2 is classified as "Other segments".

Appendix № 14. List of the most significant transactions executed by the Company and other significant controlled entities during the last year

The Statute of PJSC RusHydro does not determine criteria for significance of transactions of controlled entities.

At the same time there are regulations on disclosure by issuers in quarterly reports of major transactions, transactions in fulfillment of which there is an interest, as well as significant transactions - transactions, the amount of obligations under which is 10 and more percent of the balance value of the stock company assets. As the most significant transactions carried out in 2017 by controlled entities that have significant significance for PJSC RusHydro, the review (excluding intragroup transactions) of major transactions, interested party transactions and approval of which is taken by the General Meeting of Shareholders of the relevant controlled organization, as well as transactions, the amount of obligations for which is 10 or more percent of the book value of the assets of the respective controlled entity and.

Major transactions, transactions, the amount of obligations for which is 10 or more percent of the book value of assets, were not committed by PJSC RusHydro.

Controlled by the PJSC RusHydro of the organization, having substantial significance for it as of 31.12.2017

1. Full corporate name: **Stock company «Zagorsk Hydroelectric Pumped Storage Power Plant-2»**
Abbreviated company name: **SC «Zagorsk HPSPP-2»**
2. Full corporate name: **Public Joint-Stock Company «RAO Energy Systems of the East»**
Abbreviated company name: **PJSC «RAO ES of the East»**
3. Full corporate name: **Public Joint-Stock Company «Far Eastern Energy Company»**
Abbreviated company name: **PJSC «FEEC»**
4. Full corporate name: **Stock company «Far Eastern Generating Company»**
Abbreviated company name: **SC «FEGC»**
5. Full corporate name: **Public Joint-Stock Company «Krasnoyarskenergosbyt»**
Abbreviated company name: **PJSC «Krasnoyarskenergosbyt»**
6. Full corporate name: **Public Joint-Stock Company «Yakutskenergo»**
Abbreviated company name: **PJSC «Yakutskenergo»**

No.	Type and subject of a transaction	Transaction Parties	Content of a transaction, including civil rights and obligations, on establishment, or termination of which a transaction is directed	Deadline for the fulfillment of the obligation under the transaction, parties and beneficiaries under the transaction, the amount of the transaction in money terms and in percentage of the value of the issuer's assets	The value of assets of the controlled company that has substantial significance for PJSC RusHydro as at the end date of accounting period (quarter, year), that preceded making the transaction (date of contract) and concerning which book-keeping (financial) report is composed in accordance with legislation of the Russian Federation	Transaction closing date (date of contract)	Data on transaction approval PJSC RusHydro	Category of transaction in relation to a controlled entity that has substantial significance for PJSC RusHydro	Regulatory body of a controlled entity that has substantial significance for PJSC RusHydro, having taken decision about transaction approval	Date of taking decision about transaction approval	Date of composing and number of Minutes of Meeting (proceedings) of authorized regulatory body of a controlled entity that has substantial significance for PJSC RusHydro, where the decision about transaction approval was taken
1	Supplementary agreement No. 3 to the Free Sale and Purchase Agreement No. 1224164230170-KP-BOGUCHAN-KRASNOEN-S-SDEMO-ATS15 dd. 12/30/2015	The seller - PJSC "Boguchanskaya HPP", the buyer - PJSC "Krasnoyarsk-energosbyt"	By agreement of the Parties: 1) The Seller and the Buyer extend the validity of the Agreement until 31.12.2017. 2) Establish a contractual volume of supplied capacity: for 2016 - 16,200 MW, for 2017 - 15 850 MW. 3) Provide for the procedure for settlements under the Agreement in a new version.	Period of execution obligations from 00:00 hours. 01/01/2016 to 24:00 hours. 12/31/2017; Transaction size 6 656 715 120 rubles 00 kopecks, which is 131% of the book value of assets as of December 31, 2016.	5,094,485 thousand rubles. as of December 31, 2016.	05/26/2016	-	A significant transaction, the subject of which is the purchase and sale of capacity, the value of which exceeds 10% of the book value of the assets of the controlled company	The Board of Directors	05/16/2016	05/25/2017 Minutes No. 146

Appendix № 15. Internal Audit Committee conclusion of the PJSC RusHydro based on the results of the audit of financial and economic activities for 2017

Moscow

April, 14, 2018

In accordance with the PJSC RusHydro Audit Commission decision (minutes of the meeting of the Audit Commission No. 1 dated August 16, 2017) financial and economic activities audit PJSC RusHydro (hereinafter - the Company) for the period from January 1, 2017 to December 31, 2017 has carried out.

The audit was carried out by the members of the Audit Committee of PJSC RusHydro exercising their powers on the basis of the decision of the General Meeting of Shareholders from June 26, 2017, consisting of:

1. Repin Igor Nikolayevich (Chairman),
2. Annikova Natalia Nikolaevna,
3. Zobkova Tatyana Valentinovna,
4. Kostina Marina Alexandrovna,
5. Simochkin Dmitry Igorevich. (secretary).

The Commission carries out its activities in accordance with the Russia legislation norms, PJSC RusHydro Charter and Audit Commission Regulation. PJSC RusHydro Audit Commission Members do not own shares in the Company, they do not hold positions in the Company's management bodies.

The main objectives of the audit were to obtain reasonable assurance that:

- the data contained in the reports and other financial documents of the Company are reliable;
- accounting and presentation of financial statements were carried out in compliance with the requirements of the current legislation and local regulations of the Company;
- financial and economic activities were conducted in compliance with the interests of the Company and its shareholders (participants).

Executive body of the Company is responsible for compliance with the Russian Federation legislation in the conduct of financial and business operations, conduct of activities taking into account the interests of the Company and its shareholders and the presentation of reliable financial statements.

The audit was carried out on a selective basis and included the examination on the basis of testing of evidence supporting the importance and disclosure in the financial statements of information on the financial and economic activities of the Company in order to obtain reasonable assurance that the annual report and accounting (financial) statements for 2017 does not contain significant distortion.

During the audit, the following issues were also analyzed.

I. SHAREHOLDER CONTROL TASKS

Audit of the Company's Annual Report for 2017

The Group's Annual report contains all the main points required in the resolutions of the Government of the Russian Federation on this document and recommended by the Code of Corporate Governance.

The disclosure of information in the Group's Annual Report for 2017 is much more than required by Russian regulations and recommendations. For example, the Annual Report includes such sections as the system of prevention and liquidation of natural disasters and emergencies, social and environmental responsibility, interaction with stakeholders.

The analysis of the Annual report is given in the Act of the Audit Commission.

1. Verification of the fulfillment of instructions of the President and the Government of the Russian Federation on the issue of import substitution in the procurement of the Company

- The Directive of the Government of the Russian Federation No. 1346-P13 of 05.03.2015 on the development of a corporate import substitution plan (the Roadmap for import substitution under the Long-Term Development Program) for the period 2015-2020 is basically implemented by the Company. However, the Company has not developed a set of measures aimed at a planned and phased replacement of purchases

of foreign products (works, services), purchase of Russian products (works, services) equivalent for technical characteristics and consumer properties for the period from 2016 to 2017.

- The actual value of the share of purchases of imported equipment in the total volume of purchases for 2017 (22%) is well below the target level (52%) and 14% less than the same indicator for 2016 (36%). Moreover, the target level of the purchase share was sustained for all equipment groups (maximum value of 35.3% for hydro turbine, hydromechanical, auxiliary equipment), except for software (93%).

- The breakdown of the actual share of the purchase of imported equipment into two components (the Company itself - a legal entity and its subsidiaries and affiliated companies) is not provided for checking the volumes of imported equipment purchased by the Company.

- In the activities of the Group on import substitution, the Ministry's recommendations are mainly taken into account. However, the Strategic Risk Management Plan of the Company for 2016-2017 does not consider the risk of dependence on foreign products, implemented in the event of the adoption of appropriate sanctions against the Russian Federation. The Coordination Body that manages the process of import substitution is absent in the Company. The integral indicator of the evaluation of the results of the implementation of the activities of the Import-Substitution Plan is not applied. The Company's website does not separately publish a list of imported products (works, services) recommended to Russian companies for development.

The analysis of import substitution in procurement of the Company is given in the Act of the Audit Commission.

2. Verification of the implementation of the directives of the Government of the Russian Federation, instructions of the President and the Government of the Russian Federation

Based on the analysis of the materials submitted during the audit, the Audit Commission concluded that, in general, the Company developed measures aimed at the implementation of the directives of the Government of the Russian Federation, instructions of the President of the Russian Federation and the Government of the Russian Federation, and work was carried out properly to implement them.

A selective analysis of the implementation of the directives of the Government of the Russian Federation, instructions of the President and the Government of the Russian Federation by the Company is given in the Act of the Audit Commission.

3. Verification of the report on transactions with interest

In our opinion, the data contained in the Report on PJSC RusHydro in 2017 in terms of interested party transactions are reliable.

4. Accounts receivable and payable of the Company

The Audit Commission verified the dynamics of accounts receivable and accounts payable. Violations and facts of providing false information were not revealed. The study of accounts receivable and payable is considered in more detail in the Act of the Audit Commission.

5. Implementation of corporate governance principles (implementation of the Corporate Governance Program)

The Audit Commission examined the Report on Observance of the Principles and Recommendations of the Corporate Governance Code and internal documents of the Company for their compliance with the best practices of corporate governance and the provisions of the Corporate Governance Code (hereinafter - the Code) recommended by the Bank of Russia.

It can be stated that, in practice, the recommendations of the Code recommended by the Central Bank of Russia are largely implemented. In comparison with 2016 the level of implementation of recommendations has increased.

A number of criteria with an assessment of implementation are "not respected", "partially observed" has passed into the category of "respected".

The Company plans to conduct corporate actions that will increase the level of implementation of the Code's recommendations, in particular, the Company's internal documents will be amended.

The introduction of the principles of corporate governance is considered in more detail in the Act of the Audit Commission.

II. VERIFY FINANCIALLY-ECONOMIC ACTIVITIES OF THE COMPANY AND ITS ANNUAL ACCOUNTS FOR 2017

Report on financial and economic activities

The results of the Company's activity for the year 2017 demonstrate a decrease in the efficiency of the management's work to reduce costs from conventional activities, compared to the previous year. Thus, with revenue growth of 26%, the cost price increased by 49%, which led to an increase in gross profit by 4%, to 60.9 billion rubles. At the same time, profitability on gross profit was 42% (in 2016 this figure was 51%).

Revenues from sales of electricity increased by 2% (to 78.9 billion rubles), capacity - by 78% (to 65.4 billion rubles), thermal energy decreased by -7% (to 0.015 billion rubles).

The total amount of management costs in 2017 amounted to 7,567 million rubles. (in 2016 - 6,004 million rubles). Those. growth was 26%.

Net profit in 2017 amounted to 36,149 million rubles, which is 13.7% less than in the previous year.

Profitability for net profit was 25%. In 2016, this figure was 36%.

Conclusions/Recommendations

Violations of regulatory acts of the Russian Federation of an order of conducting accounting and submission of financial statements, and also legal acts of the Russian Federation when conducting financial and economic activities, which could materially affect the results of activities of PJSC RusHydro for 2017, is not revealed.

In our opinion, the Annual report and Annual accounting (financial) statements for 2017 in the Report of PJSC RusHydro for 2017, as well as interested party transactions, the financial position and results of financial-economic activities of the company for the period from 01/01/2017 to 12/31/2017 are reliable.

However, the Company is advised, according to Accounting Rule 10/99, to disclose information on administrative costs in public statements.

The Audit Commission analyzed other aspects of the Company's activities, in particular, the Audit Commission examined the relationship between PJSC RusHydro and JSC TC RusHydro (100% subsidiary of the Company). The cost of services rendered to the Company amounted to 1,433 million rubles. (2017). Contracts concluded between JSC RusHydro and JSC RusHydro were checked, the prices for services were compared with the ones on the market. The competitive documentation of competitions on rendering of services was studied. Conversations were held with contest participants who lost the contest, in order to identify shortcomings and violations. There are no violations, at present the terms of cooperation can be recognized as market and profitable for the Company.

The Audit Commission is recommended to the new composition of the Audit Commission of PJSC RusHydro approved by the annual general meeting of shareholders PJSC RusHydro following the results of 2017, during the audit of financial and economic activities of PJSC RusHydro, including an analysis of the fulfillment of the requirements of the Audit Commission of PJSC RusHydro, internal and external auditors, analysis of the implementation of the alienation plan for non-core assets of PJSC RusHydro.

Member of the Audit Commission
PJSC RusHydro

Kostina M.A.

Member of the Audit Commission
PJSC RusHydro

Annikova N.N.

Member of the Audit Commission
PJSC RusHydro

Zobkova T.V.

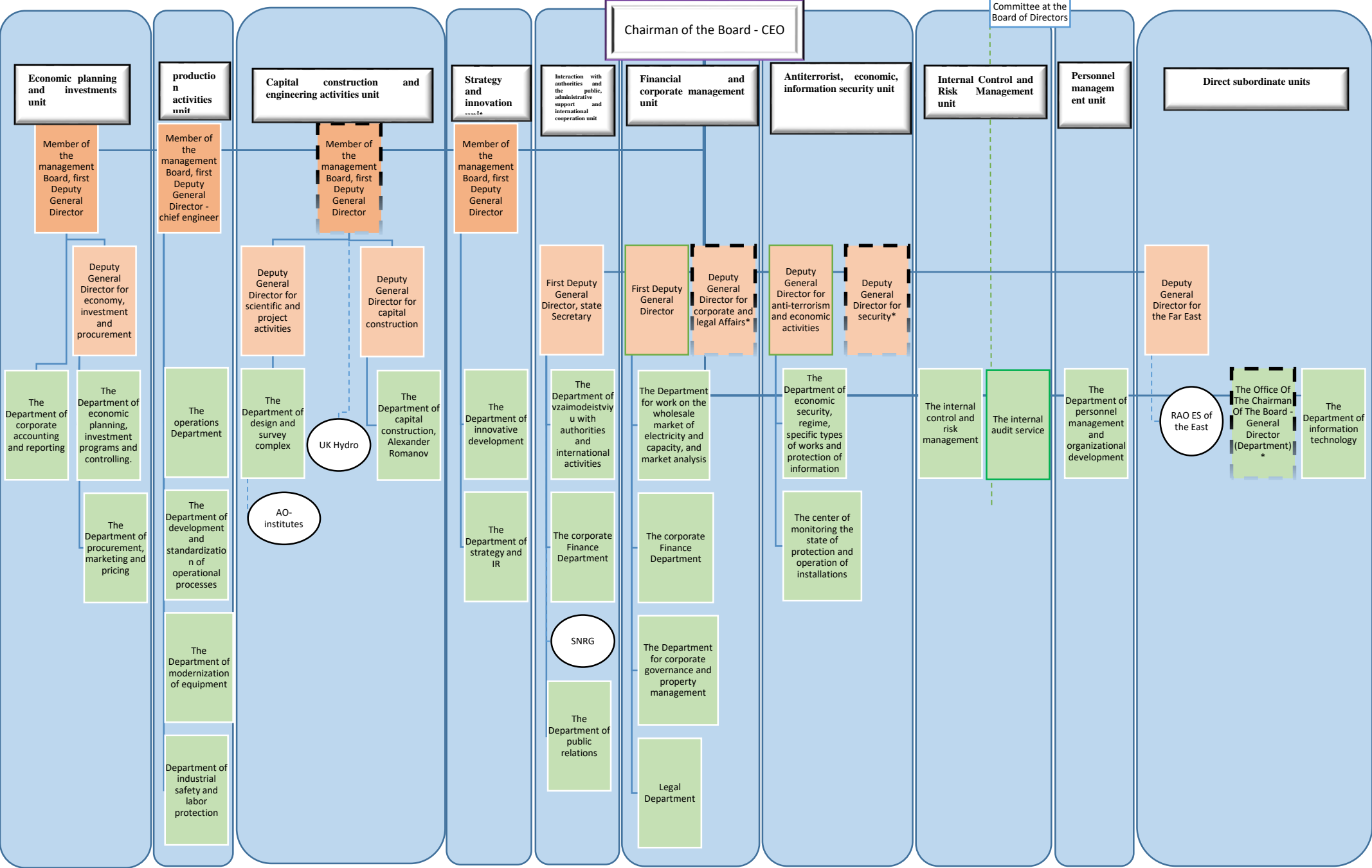
Secretary of the Audit Commission
PJSC RusHydro

Simochkin D. I.

Chairman of the Audit Commission
PJSC RusHydro

Repin I.N.

Appendix № 16. Organizational structure of PJSC RusHydro



Appendix № 17. Accounting statements and the Independent Auditor's audit report as of December 31, 2017 (in accordance with RAS)

Appendix № 18. Consolidated financial statements prepared in accordance with IFRS and an audit opinion for the year ended December 31, 2017 and as of that date



PJSC «RusHydro»

Financial statements and
Independent Auditor's report

31 December 2017

Translation from Russian original

Content

INDEPENDENT AUDITOR'S REPORT

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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 2017, 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 2017;
- 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 3.1.2 Long-term investments (balance sheet line 1170) to the balance sheet and statement of financial results which describes the reasons for 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 2017 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 6,702 million, as of 31 December 2016 – RUB 6,614 million. Our opinion is not modified in respect of this matter.

AO PricewaterhouseCoopers Audit

White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru

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 | <ul style="list-style-type: none"> Overall materiality: Russian Roubles ("RUB") 2,390 million, which represents 5% of the average profit before tax for the last three years. |
| Key audit matters | <ul style="list-style-type: none"> Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties |

We designed our audit by determining materiality and assessing 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. 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.

Overall materiality	RUB 2,390 million
How we determined it	5% of the average profit before tax for the last three years
Rationale for the materiality benchmark applied	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 u 3.2.3 of the explanatory notes to the balance sheet and income statement.</i></p> <p>At 31 December 2017, the Company's aggregate carrying amount of investments was RUB 324,599 million (net of the impairment provision of RUB 27,725 million), or 33% of the total value of Company's assets. Investments primarily include investments of the Company in equity and debt securities of its subsidiaries and other related parties.</p> <p>At 31 December 2017, the carrying amount of accounts receivable from related parties was RUB 140,726 million (net of the doubtful debt provision of RUB 4,123 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>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</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 impairment provisions for investments and doubtful debts;

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Key audit matter	How our audit addressed the Key audit matter
<p>management's judgements, and impairment provisions for investments and doubtful debts can be significant.</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 и 3.2.3 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 2017 and Issuer's Report of PJSC RusHydro for Q1 2018, but does not include the financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2017 and Issuer's Report of PJSC RusHydro for Q1 2018 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.

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.

26 March 2018
Moscow, Russian Federation

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

Audited entity: PJSC RusHydro

Certificate of inclusion in the Unified State Register of Legal Entities issued on 26 December 2004 under registration № 1042401810494

Krasnoyarsk, Krasnoyarsk Region, Russian Federation, 660017

Independent auditor:
AO PricewaterhouseCoopers Audit

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

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

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

ORNZ 11603050547 in the register of auditors and audit organizations

BALANCE SHEET

as at 31 December 2017

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PAO 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)

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Note	Narrative	Line code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
1	2	3	4	5	6
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	1,267	1,324	893
	Results of research and development	1120	920	1,077	1,091
3.1.1	Property, plant and equipment, incl.:	1150	419,635	409,109	392,723
	fixed assets	1151	382,007	372,514	344,986
	construction in process	1152	37,628	36,595	47,737
3.1.1	Income-bearing investments in tangible assets	1160	-	-	7,065
3.1.2	Financial investments, incl.:	1170	312,149	292,273	320,097
	investments in subsidiaries, associates and other entities	1171	256,730	264,587	267,664
	loans issued	1172	55,419	27,085	51,832
	promissory notes	1173	-	601	601
3.1.3	Other non-current assets	1190	4,222	4,703	3,287
	Total Section I	1100	738,193	708,486	725,156
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	4,258	4,252	4,115
3.9	Value added tax on goods purchased	1220	30	51	40
3.2.2	Accounts receivable, incl.:	1230	177,308	149,614	129,291
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	54,713	62,615	62,549
	buyers and customers	1231.1	34	178	976
	advances issued	1231.2	19,819	20,004	28,524
	promissory notes	1231.3	29,931	29,312	28,578
	loans issued	1231.4	2,600	11,258	3,447
	other debtors	1231.5	2,329	1,863	1,024
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	122,595	86,999	66,742
	buyers and customers	1232.1	6,726	7,120	6,741
	advances issued	1232.2	4,276	10,206	14,495
	promissory notes	1232.3	2,385	5,459	20,809
	loans issued	1232.4	64,331	30,792	12,925
	other debtors	1232.5	44,877	33,422	11,772
3.2.3	Financial investments (excl. cash equivalents), incl.:	1240	12,450	5,305	15,879
	bank deposits	1241	163	4,075	10,609
	loans issued	1242	11,686	1,230	5,270
	promissory notes	1243	601	-	-
3.2.4	Cash and cash equivalents	1250	50,929	40,954	18,139
	Other current assets	1260	11	11	11
	Total Section II	1200	244,986	200,187	167,475
	TOTAL	1600	983,179	908,673	892,631

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Note	Narrative	Line code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
1	2	3	4	5	6
	EQUITY AND LIABILITIES				
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	426,289	386,255	386,255
3.3.2	Revaluation of non-current assets	1340	52,606	52,705	52,928
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	58,424
3.3.4	Reserve capital	1360	13,371	11,278	9,776
	Retained earnings (loss), incl.:	1370	274,994	260,674	235,086
	undistributed profit of previous years	1371	238,845	218,797	205,064
	undistributed profit of the current year	1372	36,149	41,877	30,022
	Total Section III	1300	825,684	769,336	742,469
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	71,698	94,848	105,070
3.9	Deferred tax liabilities	1420	17,113	13,676	12,402
3.4.2	Other liabilities	1450	4,264	3,746	2,195
	Total Section IV	1400	93,075	112,270	119,667
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	50,258	14,025	18,940
3.5.2	Accounts payable, incl.:	1520	10,563	9,681	9,822
	suppliers and contractors	1521	4,040	4,190	5,492
	payables to employees	1522	244	24	669
	payables to state non-budgetary funds	1523	134	14	135
	taxes payable	1524	5,242	4,697	3,103
	dividends payable	1525	141	122	67
	payables in respect of shares issued	1526	-	33	-
	other creditors	1527	762	601	356
	Income of future periods	1530	67	73	70
3.5.3	Estimated liabilities	1540	2,976	2,447	601
	Other liabilities	1550	556	841	1,062
	Total Section V	1500	64,420	27,067	30,495
	TOTAL	1700	983,179	908,673	892,631

Chairman of Management Board – General Director

N. G. Shulginov

(clarification of signature)

Chief accountant

Y. G. Medvedeva

(clarification of signature)

26 March 2018

STATEMENT OF FINANCIAL RESULTS

for the year ended 31 December 2017

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PAO 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)

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2017/12/31

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Note	Narrative	Line code	Year ended 31 December 2017	Year ended 31 December 2016
1	2	3	4	5
3.7.1	Revenue	2110	144,697	115,033
3.7.2	Cost of sales	2120	(83,807)	(56,356)
	Gross profit	2100	60,890	58,677
	Profit from sales	2200	60,890	58,677
3.12.7	Income from participation in other companies	2310	2,563	9,481
	Interest income	2320	8,759	8,777
	Interest expense	2330	(8,280)	(7,592)
3.8	Other income	2340	7,895	23,754
3.8	Other expense	2350	(22,349)	(38,336)
	Profit before tax	2300	49,478	54,761
3.9	Current income tax, incl.:	2410	(9,868)	(11,188)
	permanent tax liabilities	2421	3,088	1,776
	Change in deferred tax liabilities	2430	(3,232)	(2,658)
	Change in deferred tax assets	2450	(205)	1,384
	Other	2460	(24)	(422)
	Net profit	2400	36,149	41,877
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	36,149	41,877
3.11	Basic earnings per share, RR	2900	0,08898	0,10842

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

Y. G. Medvedeva
(clarification of signature)

26 March 2018

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STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PAO 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)
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I. Changes in equity

Narrative	Line code	Share capital	Additional capital	Reserve capital	Retained earnings	Total
1	2	3	4	5	6	7
Equity as of 31 December 2015 for 2016	3100	386,255	111,352	9,776	235,086	742,469
Increase of equity, including:	3210	-	-	-	41,877	41,877
net profit	3211	x	x	x	41,877	41,877
additional shares issue	3214	-	-	x	x	-
Decrease of equity, including:	3220	-	-	-	(15,010)	(15,010)
Dividends	3227	x	x	x	(15,010)	(15,010)
Other	3228	-	-	x	-	-
Additional capital change	3230	x	(223)	x	223	x
Reserve capital change	3240	x	x	1,502	(1,502)	x
Equity as of 31 December 2016 for 2017	3200	386,255	111,129	11,278	260,674	769,336
Increase of equity, including:	3310	40,034	-	-	36,149	76,183
net profit	3311	-	-	-	36,149	36,149
additional shares issue	3314	40,034	-	x	x	40,034
Decrease of equity, including:	3320	-	-	-	(19,835)	(19,835)
Dividends	3327	x	x	x	(19,835)	(19,835)
Other	3328	-	-	x	-	-
Additional capital change	3330	x	(99)	x	99	x
Reserve capital change	3340	x	x	2,093	(2,093)	x
Equity as of 31 December 2017	3300	426,289	111,030	13,371	274,994	825,684

III. Net assets

Narrative	Line code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
1	2	3	4	5
Net assets	3600	825,745	769,399	742,536

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

Y. G. Medvedeva
(clarification of signature)

26 March 2018

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STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PAO 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**

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Note	Narrative	Line code	For 2017	For 2016
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	145,899	118,301
	sales of products, goods, work and services	4111	143,005	113,249
	lease payments, license payments, royalties, commissions and other payments	4112	680	843
3.2.4	other receipts	4119	2,214	4,209
	Payments including:	4120	(91,517)	(59,326)
	to suppliers (contractors) – raw materials, works and services	4121	(47,352)	(22,137)
	wages and salaries	4122	(6,855)	(6,471)
	interest on debt liabilities	4123	(7,890)	(7,788)
	corporate income tax	4124	(12,521)	(10,864)
3.2.4	other payments	4129	(16,899)	(12,066)
	Net cash flows from operating activities	4100	54,382	58,975
	Cash flows from investing activities			
	Receipts, including:	4210	39,893	49,554
	sale of non-current assets (except for investments)	4211	267	9,382
	sale of shares of other organisations (ownership interest)	4212	90	44
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	27,396	22,459
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	8,206	9,091
3.2.4	other receipts	4219	3,934	8,578
	Payments, including:	4220	(117,042)	(58,435)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(21,679)	(20,580)
	related to purchase of shares of other organisations (ownership interest)	4222	(7,591)	(23,951)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(85,860)	(10,893)
	borrowing costs included in the cost of the investment assets	4224	(1,912)	(3,011)
	Net cash flows from investing activities	4200	(77,149)	(8,881)

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Note	Narrative	Line code	For 2017	For 2016
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	70,675	15,750
	borrowings and bank loans	4311	20,676	719
	issue of shares, increase in ownership interest	4313	40,000	33
	issue of bonds, promissory notes and other debt securities, etc.	4314	9,999	14,998
	Payments, including:	4320	(37,912)	(42,934)
	dividends and other distributions to owners	4322	(19,771)	(14,977)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(18,135)	(27,949)
3.2.4	other payments	4329	(6)	(8)
	Net cash flows from financing activities	4300	32,763	(27,184)
	Net cash flows for the reporting period	4400	9,996	22,910
3.2.4	Cash and cash equivalents at the beginning of the reporting period	4450	40,954	18,139
3.2.4	Cash and cash equivalents at the end of the reporting period	4500	50,929	40,954
	Foreign exchange rate difference	4490	(21)	(95)

Chairman of Management Board – General Director

N. G. Shulginov

(clarification of signature)

Chief accountant

Y. G. Medvedeva

(clarification of signature)

26 March 2018

I. General information

1.1 Information about the Company

Principal activities of public joint stock company Federal Hydro Generating Company - RusHydro (PAO 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 2017 the Company employed 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 2017 the ownership share of the Russian Federation in the Company's share capital amounted to 60.56% (as of 31 December 2016 – 66.84%).

As of 31 December 2017 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 2017 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, Managing director, Member of the board of directors of LLC Energetic Russian Company;
- 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, Director General of PJSC "Polyus";
- Kravchenko Vyacheslav Mikhailovich, Deputy Minister of Energy of the Russian Federation;
- Pivovarov Vyacheslav Victorovich, Chief Executive Officer, LLC Altera Capital;
- Podguzov Nikolay Radievich, Director General of FGUP "Russian Post";
- Rogalev Nikolay Dmitrievich, rector of the Federal State Budget Educational Institution of Higher Education "National Research University "MEI";
- Chekunkov Aleksey Olegovich, CEO of AO "Fund of development of Far East and Baikal region";
- Shishin Sergey Vladimirovich, Senior Vice-President, PJSC VTB Bank;
- Shishkin Andrey Nikolaevich, Vice President for power and localisation PJSC Rosneft;
- Shulginov Nikolay Grigoryevich, Chairman of Management Board, General Director, PAO RusHydro.

In 2017 there was no change in the composition of the Company's Board of directors.

As of 31 December 2017 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.

By the decision of the Company's Board of Directors dated 18 January 2017 (protocol No.247), Markin Vladimir Ivanovich was elected member of the Management Board.

As of 31 December 2017 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 General Meeting of Shareholders dated 26 June 2017 (protocol No.16).

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 was growing in 2017, after overcoming the economic recession of 2015 and 2016. However, the economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. Such economic environment has considerable influence on Company's operations and financial position. Future economic and regulatory situation, internal and external business environment are hard to forecast and may differ from Company management's current expectations.

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, GOST R ISO 31000-2010, 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.

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 position by decreasing its net profit.

Legal risks in external market related to currency and customs regulation are insignificant due to insignificant volume of foreign trade transactions the Company participates in, which are managed through legal support and control of these transactions and liability insurance.

The Company manages its industry risks by developing a Company-friendly legal framework for operations on the electricity and capacity market.

To manage the industry risks the Company actively participates as expert in development of energy legislation made by Ministry of Energy of Russian Federation, NP "Market council" and Federal Antimonopoly Service; monitors legislation and makes amendments in the regulatory base.

Country and regional risks

The reasons for country and regional risks are associated with political and economic situation, the geographic features of the country or the region where the entity operates and (or) is registered as a taxpayer.

Exposure to 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 2017, Russia's foreign currency obligations were rates as follows: BB+ (Standard & Poor's), Ba1 (Moody's) и 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 2017 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 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 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.

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 57.6002 as of 31 December 2017 (31 December 2016: USD 1 = RUB 60.6569, 31 December 2015: USD 1 = 72.8827), EUR 1 = RUB 68.8668 as of 31 December 2017 (31 December 2016: EUR 1 = RUB 63.8111, 31 December 2015: EUR 1 = RUB 79.6972).

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 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 which were initially recognised after 1 January 2011 are accounted for within inventories; property, plant and equipment which were initially recognised before 1 January 2011 were accounted for within inventories, if their historical cost did not exceed RUB 20 thousand per unit.

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within property, plant and equipment in a separate line.

Property, plant and equipment are recognised on the balance sheet at cost less depreciation accumulated from the date of their independent valuation for merging subsidiaries and associates into the Company in 2008 or over the whole period of their operation, if they were put into operation after merging subsidiaries and associates into the Company.

The Company does not perform the revaluation of property, plant and equipment items.

Useful lives of the acquired property, plant and equipment including those which had been in operation before the acquisition, received as a contribution to the share capital or under legal succession in connection with restructuring, are established by the review committee for commissioning of a facility based on the Classification of the Company's property, plant and equipment when PP&E item is initially recognised. Useful lives of assets which were in use in prior periods are determined with consideration to the number of years (months) they were used by the previous owner.

The adopted standard useful lives by groups of property, plant and equipment in accordance with the Classification of the Company's property, plant and equipment are presented below.

Property, plant and equipment group	Useful lives of property, plant and equipment (years) on the balance sheet
Facilities and transmission equipment	3 to 100
Machinery and equipment	1 to 40
Buildings	7 to 75
Other	1 to 20

Depreciation of property, plant and equipment is accrued on a straight-line basis proceeding from their historical values and depreciation rates calculated based on their useful lives.

Depreciation is not accrued on:

- land plots and natural resources;
- fully depreciated assets that are still on the balance sheet.
- assets that are temporarily shutdown for more than three months and during the restoration period which exceeds twelve months.

Gains and losses on disposal of property, plant and equipment are recorded in the statement of financial results within other income and expenses.

Construction-in-progress includes real estate assets under construction, which have not been put into operation, equipment to be installed and other investments in non-current assets which are not included in PP&E. Equipment which does not require installation, stored in the warehouse and intended for assets under construction are recorded within construction-in-progress in a separate line.

These items are recognised in the balance sheet line 1150 "Property, plant and equipment".

Interest on borrowings raised for the purposes directly related to acquisition, construction and/or manufacture of investment assets, accrued prior to initial recognition of the assets is included in their historical cost; that accrued after the initial recognition of the assets are recognised in the statement of financial results within other expenses.

Interest on borrowings raised for the purposes not related to acquisition, construction and/or manufacture of investment assets, but actually used to purchase the investment assets are included in the cost of investment assets in proportion to the share of the above borrowings in total amount of borrowings raised for the purposes not related to acquisition, construction, manufacture of investment assets.

Income-bearing investments in tangible assets represent PP&E items acquired for leasing out to generate income.

These assets are recognised at their historical cost determined under the procedure used for general PP&E items.

Leased PP&E items are recognised in off-balance-sheet accounts at cost specified in the lease agreement/determined based on the acceptance certificate. If the lease agreement and acceptance certificate do not specify the cost of these assets, property, plant and equipment are recorded in the off-balance-sheet accounts at the following values:

- land plots having the cadastral value - at their cadastral value;
- other PP&E items - in the amount of lease payments inclusive of VAT under lease agreement including the repurchase price of the leasing item.

2.5 Investments

Investments are accounted for in accordance with the Russian Accounting Regulation "Accounting for investments" (RAR 19/02).

Investments include:

- contributions to the share capital of other entities (including subsidiaries);
- debt securities (including bonds, promissory notes);
- deposits in credit institutions except for short-term deposits classified as cash equivalents (paragraph 2.9 of the Explanatory Notes);
- interest-bearing loans issued to other entities;
- government and municipal securities and other investments.

Investments are initially recognised at their actual cost of acquisition.

The Company's actual costs to purchase investments represent the historical cost of investments purchased at a charge.

The historical cost of investments in the Company's share capital is presented by their monetary value agreed by the Company's founders, if not specified otherwise by the Russian legislation.

Investments, the current market value of which can be determined under the established procedure, are recognised on the balance sheet at their current market value as of the end of each reporting period (on a quarterly basis). The difference between the value of these investments as of the current reporting date and their prior value is recorded within other income and expenses.

At the same time, contributions to the charter capitals of subsidiaries and associates (irrespective of the availability of current exchange quotations on them) refer to financial investments for which revaluation at current market value is not made.

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 are tested for their impairment once a year as of 31 December of the reporting year, if there are indications of impairment.

The Company accrues the impairment provision for the amount of difference between carrying (book) value and estimated value of the investments with regard to investments for which significant

and constant impairment indicators are proved by impairment test. The estimated value of investments is determined based on the data about net assets, revenue, composition of expenses, schedule of projects financing and other factors.

Despite of the fact that well-grounded judgements are applied to determine the estimated value of investments, there are unavoidable limitations as in any valuation technique. Therefore, the estimated value represents the Company management's best estimate based on all the information available as of the reporting date. Future events will also have impact on determining the estimated value and impact of such events can be significant for the Company's financial statements.

Difference between the historical cost and nominal value of debt securities for which current market value is not determinable, is recorded on a straight-line basis during the period of their circulation and is recognised in the Company's financial results within other income (expenses). When investments for which current market value is not determinable are disposed, they are carried at book value of each unit of these investments except for issuance securities (shares, bonds) which are disposed under FIFO; when investments for which current market value is determinable under the established procedure are disposed - based on the latest valuation.

The Company discloses information about measurement at discounted value, the amount of the discounted value of debt securities of other related parties and loans issued to them.

Income and expenses associated with investments are reported within other income or expenses. Interest on loans issued and other income from investments are recognised in the balance sheet line 1230 "Accounts receivable".

2.6 Inventories

Inventories are accounted for in accordance with the Russian Accounting Regulation "Accounting for inventories" (RAR 5/01).

Inventories are accounted for at their actual cost of acquisition (production).

If market value of inventories as of the end of the reporting year is below their historical cost including due to on-going (long-term) price reduction, Company makes a provision in the amount of inventory impairment which is charged against increase in other expenses. Such inventories are recognised on the balance sheet net of the inventories' impairment provision.

The average cost method is applied to determine the material expenses when writing-off inventories used to produce goods (provide services).

2.7 Expenses of future periods

Expenses incurred by the Company in the reporting period but related to future reporting periods (payments under voluntary and mandatory insurance of property and employees, one-off payments to purchase licenses and other expenses) are recorded as expenses of future periods. These expenses are written-off for the purpose intended on a straight-line basis during the periods which they relate to.

Expenses of future periods to be written-off during the period exceeding twelve months are recognised on the balance sheet as non-current assets in line 1190 "Other non-current assets"; those to be written-off during twelve months - in line 1210 "Inventories".

2.8 Accounts receivable

Trade receivables are accounted for in the amount of services provided, works performed, good dispatched at justified prices and established tariffs. Settlements with other debtors are recognised for accounting and reporting purposes based on the contractual prices. Accounts receivable 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.

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 2017 and 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), income-bearing investments in tangible assets (line 1160 of the balance sheet)

PP&E group	Net book value		
	31 December 2017	31 December 2016	31 December 2015
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	189,107	192,240	189,819
Machinery and equipment	153,576	140,215	120,251
Buildings	38,903	39,539	34,274
Motor vehicles	6	6	23
Production and maintenance tools	220	293	412
Land plots	4	4	4
Other types of property, plant and equipment	191	217	203
Total line 1151 "Property, plant and equipment"	382,007	372,514	344,986
Line 1160 Income-bearing investments in tangible assets, including:			
Facilities and transmission equipment	-	-	7,065
Total in line 1160 "Income-bearing investments in tangible assets"	-	-	7,065

As of 31 December 2017 there are no income-bearing investments in tangible assets (as of 31 December 2016 – no, as of 31 December 2015 – RUB 7,065 million). In November 2016, the complex of dams of the Angarsk cascade in the Irkutsk region was sold under the contract of sale of OOO "Telmamskaya HPP" at a price 9, 280 mln RUB without VAT.

PAO RusHydro
Explanatory Notes to the 2017 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Availability and movement of property, plant and equipment and income-bearing tangible assets

Narrative	Period	At the beginning of the year		Changes for the period				At the end of the year	
		Cost	Accumulated depreciation	Additions*	Disposals		Depreciation accrued*	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment including:	2016	428,500	(83,514)	43,735	(1,291)	890	(15,806)	470,944	(98,430)
	2017	470,944	(98,430)	27,220	(1,075)	743	(17,395)	497,089	(115,082)
Facilities and transmission equipment	2016	219,357	(29,538)	6,783	(63)	11	(4,310)	226,077	(33,837)
	2017	226,077	(33,837)	1,428	(59)	47	(4,549)	227,446	(38,339)
Machinery and equipment	2016	168,408	(48,157)	30,786	(1,081)	824	(10,565)	198,113	(57,898)
	2017	198,113	(57,898)	25,391	(841)	652	(11,841)	222,663	(69,087)
Buildings	2016	39,234	(4,960)	6,106	(96)	20	(765)	45,244	(5,705)
	2017	45,244	(5,705)	366	(141)	20	(881)	45,469	(6,566)
Motor vehicles	2016	50	(27)	-	(37)	21	(1)	13	(7)
	2017	13	(7)	-	-	-	-	13	(7)
Production and maintenance tools	2016	1,066	(654)	18	(9)	9	(137)	1,075	(782)
	2017	1,075	(782)	31	(22)	12	(94)	1,084	(864)
Land plots	2016	4	-	-	-	-	-	4	-
	2017	4	-	-	-	-	-	4	-
Other types of property, plant and equipment	2016	381	(178)	42	(5)	5	(28)	418	(201)
	2017	418	(201)	4	(12)	12	(30)	410	(219)
Income-bearing investments in tangible assets including:	2016	7,592	(527)	-	(7,592)	641	(114)	-	-
	2017	-	-	-	-	-	-	-	-
Facilities and transmission equipment	2016	7,592	(527)	-	(7,592)	641	(114)	-	-
	2017	-	-	-	-	-	-	-	-

* 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 (for 2016: RUB 1,063 million) and accumulated depreciation of RUB 998 million (for 2016: RUB 1,063 million). Exposure of leased property, plant and equipment is described in paragraph 3.6.1 of the Explanatory Notes.

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

Narrative	2017	2016
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	14,885	23,345
Machinery and equipment	13,472	15,969
Facilities and transmission equipment	1,099	1,784
Buildings	314	5,592
Decrease in value of property, plant and equipment as a result of partial liquidation including:	85	160
Machinery and equipment	77	151
Other types of property, plant and equipment	8	9

Other use of property, plant and equipment

Narrative	31 December 2017	31 December 2016	31 December 2015
Leased out PP&E recognised on the balance sheet	1,308	1,451	1,604
Leased PP&E recognised in the off-balance-sheet accounts	35,760	33,862	38,490
Real estate assets which were put into operation and actually used but are in the process of state registration	1,178	5,924	2,552
PP&E that have been temporarily shut down	71	80	89

Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets

Narrative	Period	At the beginning of the year	Changes for the period				At the end of the year
			Costs for the period	Written off	Other movement*	Recognised as PP&E or uplifted	
Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:	2016	47,737	31,778	(252)	4	(42,672)	36,595
	2017	36,595	27,209	(58)	29	(26,147)	37,628
Construction-in-progress	2016	42,928	15,900	(234)	16,997	(42,353)	33,238
	2017	33,238	13,171	(58)	11,539	(25,676)	32,214
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2016	45	282	(17)	33	(319)	24
	2017	24	471	-	(2)	(471)	22
Equipment for installation	2016	4,764	15,596	(1)	(17,026)	-	3,333
	2017	3,333	13,567	-	(11,508)	-	5,392

* 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 2017	31 December 2016	31 December 2015
Investments in subsidiaries	237,257	244,104	252,713
Investments in associates	11,110	11,110	11,110
Investments in other entities	8,363	9,373	3,841
Long-term loans issued	55,419	27,085	51,832
Debt securities	-	601	601
Total line 1170 "Financial investments"	312,149	292,273	320,097

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

Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
Long-term investments including:	2016	338,881	(18,784)	11,239	5,532	(29,207)	-	(15,388)	320,913	(28,640)
	2017	320,913	(28,640)	56,192	(893)	(27,692)	16	(7,747)	349,412	(37,263)
Investments in subsidiaries	2016	255,163	(2,450)	8,787	-	(2,017)	-	(15,379)	261,933	(17,829)
	2017	261,933	(17,829)	900	-	-	-	(7,747)	262,833	(25,576)
Investments in associates	2016	11,126	(16)	-	-	-	-	-	11,126	(16)
	2017	11,126	(16)	-	-	(16)	16	-	11,110	-
Investments in other entities	2016	13,260	(9,419)	9	5,532	-	-	(9)	13,269	(3,896)
	2017	13,269	(3,896)	-	(893)	(117)	-	-	13,151	(4,788)
Long-term loans issued	2016	51,832	-	2,443	-	(27,190)	-	-	27,085	-
	2017	27,085	-	55,292	-	(26,958)	-	-	55,419	-
Debt securities	2016	7,500	(6,899)	-	-	-	-	-	7,500	(6,899)
	2017	7,500	(6,899)	-	-	(601)	-	-	6,899	(6,899)

* Accumulated adjustment includes difference between original and current market value of investments for which current market value can be determined; difference between original and current market value of investments for which current market value is not determinable; provision for impairment of investments.

** Other movements include changes in provision for impairment of investments, accrual of discount on debt securities and reclassification within the balance sheet line 1170 "Investments".

(a) Investments in subsidiaries, associates and other entities

The balance sheet line 1170 "Investments" includes the below investments in subsidiaries, associates and other organisations:

Subsidiaries and associates and other entities	31 December 2017		31 December 2016		31 December 2015	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	237,257		244,104		252,713	
AO Zagorskaya GAES-2	60,691	100.00%	60,691	100.00%	60,691	100.00%
AO Ust-Srednekanskaya GES	23,111	67.82%	23,111	67.82%	23,111	67.82%
AO RAO ES of East	18,495	84.39%	18,495	84.39%	18,495	84.39%
AO Zaramagskie GES	17,216	84.39%	17,216	99.75%	17,216	99.75%
AO Yakutskaya GRES-2	16,862	100.00%	16,862	100.00%	16,862	100.00%
AO Sakhalinskaya GRES-2	15,012	100.00%	15,012	100.00%	12,996	100.00%
AO Nizhne-Bureiskaya GES	14,611	100.00%	14,611	100.00%	14,611	100.00%
AO CCGT in the City of Sovetskaya Gavan	13,844	100.00%	13,844	100.00%	7,345	100.00%
PAO Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
AO Sulakskiy Hydrocascade	10,094	100.00%	10,094	100.00%	10,094	100.00%
AO Malaya Dmitrovka	6,394	100.00%	6,394	100.00%	6,394	100.00%
AO Blagoveschenskaya TEC	4,285	100.00%	4,285	100.00%	6,302	100.00%
AO ESK RusHydro	3,358	100.00% - 1 share	3,420	100.00% - 1 share	11,832	100.00% - 1 share
AO Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
AO Hidroinvest	3,255	100.00%	5,422	100.00%	9,550	100.00%
AO Yuzhno-Yakutskiy GEK	2,993	100.00%	3,005	100.00%	3,255	100.00%
AO Geoterm	2,425	99.65%	2,425	99.65%	2,425	99.65%
AO Leningradskaya GAES	1,987	100.00%	4,994	100.00%	4,994	100.00%
PAO Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
AO NIIES	1,067	100.00%	1,067	100.00%	983	100.00%
OOO 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%
PAO Kamchatsky gas and energy complex	531	96.58%	531	96.58%	531	96.58%
AO "Vedeneev VNIIG"	448	100.00%	448	100.00%	448	100.00%
AO Hydro-Engineering Siberia	108	100.00%	256	100.00%	990	100.00%
AO GVTS Energetiki	21	100.00%	74	100.00%	653	100.00%
HydroOGK Power Company Ltd	-	100.00%	1,171	100.00%	1,171	100.00%
AO Renewable Energy Engineering Centre	-	100.00%	-	100.00%	694	100.00%
Other	805		1,032		1,425	
Associates:	11,110		11,110		11,110	
OA O Irkutsk Electric Grid Company	8,543	42.75%	8,543	42.75%	8,543	42.75%
OA O Sakhalin energy company	2,567	26.94%	2,567	28.09%	2,567	28.09%
Other entities:	8,363		9,373		3,841	
PAO Inter RAO	6,809	1.94%	7,709	1.94%	2,217	1.94%
PAO Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
Other	473		583		543	
Total:	256,730		264,587		267,664	

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

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2017 are as follows:

- creating an investment impairment provision of RUB 7,747 million, including RUB 3,907 million for AO Leningradskaya GAES, RUB 2,168 million for AO Gidroinvest, RUB 1,171 million for Power Company Limited and RUB 501 million for other companies;
- valuation of investments which have a current market value and related recording of a loss for the total of RUB 893 million (see paragraph 3.15 of the Notes), including the loss of RUB 900 million on the shares of OAO Inter RAO UES.

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

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

As of 31 December 2017, 31 December 2016 and 31 December 2015, investments included shares of the Company's subsidiaries, i.e. AO RAO ES of East, PAO Yakutskenergo and PAO 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 20,204 million as of 31 December 2017 (as of 31 December 2016: 20,204 million; as of 31 December 2015: 20,204 million). This valuation exceeds the current market value of the shares (for AO RAO ES of East - the cost of the last valuation at the current market value) as of 31 December 2017, 31 December 2016 and 31 December 2015 by RUB 6,702 million, RUB 6,614 million and RUB 5,047 million, respectively.

The Company's management plans to get benefits from investments in AO RAO ES of East, PAO Yakutskenergo and PAO DEK by controlling their business operations rather than as a result of fluctuations in their market value. Thus, according to the Company's management, current market quotes do not fairly reflect the fair value of the controlling shareholdings in these companies as the number of shares traded in the market is not representative; not more than 1% of total shares issued are in circulation on a daily basis.

Also since the end of the 2015 year the process of AO RAO ES of East shares' consolidation in RusHydro Group (RusHydro Group includes the Company and subsidiaries which are controlled by the Company directly or indirectly via other subsidiaries) by buying from minority and bringing the stake to 100% has started. In 2016, as part of the voluntary offer and then the forced repurchase of shares of AO RAO ES of East, carried out by one of the subsidiaries of the RusHydro Group, RusHydro's stake in AO RAO ES of East grew from 86.20% to 99.98%. From the middle of September 2016 the current market value of the shares of PAO RAO ES of East is not determined. As of 31 December 2017, and to date, delisting of shares from the Moscow stock exchange took place, the shares were excluded from the quotation lists, also the indication of the public status was excluded from the name of the company.

In view of these circumstances and considering that the Company has no plans to sell these investments, in accordance with paragraph 6 of the Russian Accounting Regulation "Accounting reports of an organisation" (RAR 4/99), approved by order No. 43n of the Russian Ministry of Finance of 6 July 1999, the Company decided against performing revaluation of its investments in shares of AO RAO ES of East, PAO Yakutskenergo and PAO DEK at the current market value from acquisition date.

The Company's management analysed the models of expected cash flows and factors that may show that there are indications of impairment of investments and came to a decision that these assets are not impaired as of 31 December 2017.

Therefore, the valuation approach to these investments applied by the Company allows avoiding inappropriate presentation of the Company's financial position, financial performance and cash flows.

The amount of unrecognised change in the market value as compared to the carrying amount as of 31 December 2017 is RUB 6,702 million (as of 31 December 2016: RUB 6,614 million; as of

31 December 2015: RUB 5,047 million). With account of the above unrecorded value change the figures in these financial statements would have been as follows:

- net assets – RUB 819,046 million (as of 31 December 2016: RUB 762,785 million, as of 31 December 2015: RUB 737,489 million);
- financial investments – RUB 305,447 million (as of 31.12.2016: RUB 285,659 million, as of 31.12.2015: RUB 315,050 million) and retained earnings – RUB 268,292 million (as of 31.12.2016: RUB 254,060 million, as of 31.12.2015: RUB 230,039 million);
- other expense – RUB 22,437 million (as of 31.12.2016 – RUB 39,903 million), net profit – RUB 36,061 million (as of 31.12.2016 – RUB 40,310 million) and basic earnings per share – RUB 0,08876 (as of 31.12.2016 – RUB 0,10436).

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 7,747 million.

The amount of provision for impairment of investments for which the current market value is not determined as of 31 December 2017 is RUB 25,576 million (as of 31.12.2016 – RUB 17,855 million, as of 31.12.2015 – RUB 2,466 million). The initial value of long-term financial investments in respect of which a provision for impairment of financial investments was created is RUB 37,166 million as of 31.12.2017 (as of 31.12.2016 – RUB 35,096 million, as of 31.12.2015 – RUB 8,453 million).

AO Zagorskaya GAES-2. In September 2013, Zagorskaya GAES-2 which is currently under construction suffered from the flooding of a section of the GAES building from the lower reservoir. Due to the technical complexity of identifying the losses as a result of the accident, management are not able to estimate the amount of expenses needed to rectify the accident consequences and write off the damaged items of construction in progress.

Assets in relation to AO Zagorskaya GAES-2 on the balance sheet of the Company as of 31 December 2017 are as follows:

- within long-term investments: shares of AO Zagorskaya GAES-2 for the amount of RUB 60,691 million;
- within other accounts receivable: receivable, incurred from the partial payment of stock as part of additional issue of shares of AO Zagorskaya GAES-2, but before the passing of Company ownership of issue shares for the amount of RUB 6 647 million.

The analysis of recoverability of these assets performed by the Company as of 31 December 2017 was based on the following key factors:

- Construction works and the assets are insured. As at 31 December 2017 all insurance companies PIJSC Ingosstrakh, JSC AlfaStrakhovanie and JSC SOGAZ have recognized the technical incident at Zagorskaya GAES-2 as an insured event and paid insurance indemnity.
- Management plans to perform recovery work and complete construction of Zagorskaya GAES-2. As of 31 December 2017 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.

- Following the decision of the regulatory body NP Market Council of 22 November 2016 the commissioning of the first stage of the Zagorskaya PSPP-2 and the first date of the beginning of the fulfillment of the obligations for the delivery of capacity were postponed until 1 January 2019, with respect to the second stage - until 1 January 2020. As a result of the adjustment of the terms, AO Zagorskaya PSPP-2 has no penalties for the shortage of capacity to the market under the said contracts.

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 2017.

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

(b) Long-term loans issued

Loan recipient's name	31 December 2017	31 December 2016	31 December 2015	Annual rate,%
Long-term loans issued to related parties, including:				
AO Far East Generating Company	35,608	4,538	11,838	4,15%-6,40%
AO RAO ES Vostoka	8,523	-	-	4,15%-6,40%
PAO Yakutsenrgo	2,400	-	-	4,15%-6,40%
PAO Kamchatskenrgo	2,004	-	-	4,15%-6,40%
AO Sakhaenergo	1,950	3,476	3,476	4,15%-6,40%
PAO Magadanenergo	1,618	-	-	4,15%-6,40%
PAO Sakhalinenergo	1,345	-	-	4,15%-6,40%
PAO Chukotenergo	965	-	-	4,15%-6,40%
AO Teploenergoservice	588	929	929	4,15%-6,40%
AO ESK RusHydro	120	1,030	3,305	9,55%-10,095%
AO Hydroinvest	-	12,137	14,181	
AO Far East Distribution Grid Company	-	4,846	5,023	
AO Zagorskaya GAES-2	-	-	5,562	
AO Nizhne-Bureiskaya GES	-	-	4,653	
AO Ust-Srednekanskaya GES	-	-	2,111	
Other	298	129	754	
Total long-term loans issued	55,419	27,085	51,832	

As of 31 December 2017 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- the loan of RUB 35,608 million provided to AO DGK for refinancing its debt, with maturity on 27 March 2022;
- the loan of RUB 8,523 million provided to AO RAO ES Vostoka for refinancing its debt, with maturity on 20 March 2022;
- the loan of RUB 2,400 million provided to PAO Yakutsenrgo for refinancing its debt, with maturity on 31 March 2022;
- the loan of RUB 2,004 million provided to PAO Kamchatskenrgo for refinancing its debt, with maturity on 20 March 2022;
- the loan of RUB 1,950 million provided to AO Sakhaenergo for refinancing its debt, with maturity on 22 March 2022;
- the loan of RUB 1,618 million provided to PAO Magadanenergo for refinancing its debt, with maturity on 28 March 2022;

- the loan of RUB 1,345 million provided to PAO Sakhalinenergo for refinancing its debt, with maturity on 29 March 2022;

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 2017	31 December 2016	31 December 2015
Zelenchukskaya GAES connections to the grid	1,817	1,931	-
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	1,620	1,620	1,620
Software and licenses	734	984	1,153
Borrowing costs	232	891	1,083
Other	431	150	476
Total expenses of future periods, including:	4,834	5,576	4,332
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)	4,222	4,703	3,287
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)	612	873	1,045

As a result of works performed to uplift the level of Cheboksary water reservoir it is planned to increase the production capacity of Cheboksary GES and eliminate the increased depreciation of equipment and hydraulic engineering installations. If the Company becomes aware that it won't obtain the expected additional economic benefits, the above expenses of future periods will be written-off against other expenses.

3.2 Current assets (Section II of the balance sheet)

3.2.1 Inventories (line 1210 the balance sheet)

Narrative	31 December 2017	31 December 2016	31 December 2015
Spare parts, materials and other inventories	3,614	3,328	3,046
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)	612	873	1,045
Other	32	51	24
Total line 1210 "Inventories"	4,258	4,252	4,115

Spare parts, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2017 the provision for their impairment amounted to RUB 155 million (31 December 2016: RUB 157 million, 31 December 2015: RUB 156 million).

3.2.2 Accounts receivable (line 1230 of the balance sheet)

(a) Long-term accounts receivable (payments expected beyond 12 months of the reporting date)

Total long-term accounts receivable were RUB 54,713 million, 62,615 million and 62,549 million as of 31 December 2017, 2016 and 2015, respectively.

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

Type of long-term accounts receivable	31 December 2017	31 December 2016	31 December 2015
Interest-free promissory notes received	29,931	29,312	28,578
Advances issued to suppliers of equipment and capital construction contractors	19,697	19,676	28,176
Interest-free loans issued	2,600	11,258	3,447
Buyers and customers	34	178	976
Lease receivables	-	152	241
Other long-term accounts receivable	2,451	2,039	1,131
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	54,713	62,615	62,549

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

Counterparty	31 December 2017	31 December 2016	31 December 2015
Subsidiaries, including:	782	645	2,897
AO Hydroremont-VKK	747	616	2,859
Other	35	29	38
Other related parties, including:	-	325	-
OOO VolgaHydro	-	325	-
Total advances issued to related parties	782	970	2,897
Voith Hydro GmbH & Co KG	10,537	9,371	5,289
PAO Silovye Mashiny	7,990	9,220	14,271
OOO Siemens	266	-	-
OOO Corporation «Spechdroproject»	-	-	5,491
Other	122	115	228
Total advances issued to other counterparties	18,915	18,706	25,279
Total advances issued to suppliers of equipment and capital construction contractors	19,697	19,676	28,176

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2018 are included within short-term advances issued.

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

Issuer	31 December 2017	31 December 2016	31 December 2015
Other related parties, including:	25,689	25,689	25,689
PAO Boguchanskaya GES	21,027	21,027	21,027
ZAO Boguchansky Aluminium Plant	4,662	4,662	4,662
Total interest-free promissory notes received from related parties	25,689	25,689	25,689
PAO «ROSBANK»	1,491	1,491	1,491
AO «Alfa-Bank»	1,280	1,280	1,298
Bank VTB (PAO)	1,361	742	-
OAO Ulyanovskenergo	110	110	100
Total interest-free promissory notes received from other counterparties	4,242	3,623	2,889
Total long-term interest-free promissory notes receivable	29,931	29,312	28,578

As of 31 December 2017, 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:

- PAO 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 2017 is RUB 6,880 million);
- ZAO 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 2017 is RUB 2,390 million);

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

Counterparty	31 December 2017	31 December 2016	31 December 2015
Subsidiaries, including:	2,232	10,890	3,078
AO Nizhne-Bureiskaya GES	1,198	4,653	-
AO ESK RusHydro	1,034	1,034	1,034
AO CCGT in the City of Sovetskaya Gavan	-	2,355	631
AO Ust-Srednekanskaya GES	-	2,111	-
AO MGES Kabardino-Balkarii	-	407	-
AO Sakhalinskaya GRES-2	-	330	330
AO Yakutskaya GRES-2	-	-	1,003
Other	-	-	80
Other related parties	2	7	21
Total interest-free loans issued to related parties	2,234	10,897	3,099
Other	366	361	348
Total interest-free loans issued to other counterparties	366	361	348
Total long-term interest-free loans issued	2,600	11,258	3,447

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

Counterparty	31 December 2017	31 December 2016	31 December 2015
Interest receivable accrued on loans issued and promissory notes received, including:	2,243	1,702	690
Subsidiaries	2,243	1,702	690
Other accounts receivable	208	337	441
Total other long-term accounts receivable	2,451	2,039	1,131

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:	2016	3,023	-	-	-	(144)	2,879
	2017	2,879	-	-	-	(144)	2,735
Trade receivables	2016	288	-	-	-	(144)	144
	2017	144	-	-	-	(144)	-
Other	2016	2,735	-	-	-	-	2,735
	2017	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 122,595 million, RUB 86,999 million and RUB 66,742 million as of 31 December 2017, 2016 and 2015, respectively.

Type of short-term accounts receivable	31 December 2017	31 December 2016	31 December 2015
Buyers and Customers, including:	6,726	7,120	6,741
Accounts receivable for electricity and capacity	6,649	6,214	5,752
Other	77	906	989
Advances issued, including:	4,276	10,206	14,495

Type of short-term accounts receivable	31 December 2017	31 December 2016	31 December 2015
Advances issued to suppliers of equipment and capital construction contractors	3,754	9,641	13,286
Other advances issued	522	565	1,209
Other debtors, including:	111,593	69,673	45,506
Interest-free promissory notes received	2,385	5,459	20,809
Interest-free loans issued	64,331	30,792	12,925
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	29,621	22,997	7,951
Indebtedness under assignment agreement (paragraph 3.12.7 of the Explanatory Notes)	9,962	8,257	-
Taxes receivable	3,322	676	1,322
Lease receivables	-	95	220
Other	1,972	1,397	2,279
Total line 1232 "Accounts receivable" (payments expected within 12 months of the reporting date)	122,595	86,999	66,742

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 2017	31 December 2016	31 December 2015
Subsidiaries, including:	1,013	1,207	1,764
AO Hydroremont – VKK	582	838	1,017
AO Lenhydroproject	211	171	170
AO Zagorskaya GAES-2	117	77	98
AO ChirkeiGESstroy	17	-	418
Other	86	121	61
Other related parties, including:	3	475	-
OOO VolgaHydro	3	475	-
Total advances issued to related parties	1,016	1,682	1,764
Voith Hydro GmbH & Co KG	1,118	22	739
PAO Silovye Mashiny	903	6,538	6,817
AO VNIIR Hydroelectroautomatics	420	111	167
ZAO «Technoserv A/C»	16	3	821
OOO Corporation «Spechhydroproject»	-	-	986
Other	281	1,285	1,992
Total advances issued to other counterparties	2,738	7,959	11,522
Total advances issued to suppliers of equipment and capital construction contractors	3,754	9,641	13,286

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

Issuer	31 December 2017	31 December 2016	31 December 2015
Subsidiaries, including:	2,142	5,457	20,767
AO MGES Kabardino-Balkarii	2,142	2,142	1,839
AO Zaramagskie GES	-	3,090	2,524
AO Karachaeve-Cherkesskaya Hydrogenerating Company	-	84	244
OOO Index energetiki – HydroOGK	-	-	13,621
HydroOGK Aluminium Company Ltd	-	-	2,142
AO Hydroinvest	-	-	256
Other	-	141	141
Total interest-free promissory notes from related parties	2,142	5,457	20,767
Other	243	2	42
Total interest-free promissory notes from other counterparties	243	2	42

Issuer	31 December 2017	31 December 2016	31 December 2015
Total short-term interest-free promissory notes received	2,385	5,459	20,809

As of 31 December 2017, 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 2017	31 December 2016	31 December 2015
Subsidiaries, including:	64,253	30,700	12,858
OOO Index energetiki – HydroOGK	13,014	13,521	-
AO Ust-Srednekanskaya GES	11,551	6,303	3,300
AO Zaramagskie GES	8,769	-	-
AO RAO ES Vostoka	7,745	-	-
AO Yakutskaya GRES-2	6,463	1,353	-
AO Nizhne-Bureyskaya GES	3,779	-	-
AO CCGT in the City of Sovetskaya Gavan	2,355	-	-
OOO Vostok-finans	2,246	2,337	-
AO Sakhalinskaya GRES-2	2,020	-	-
AO Hydroinvest	1,896	-	-
AO MGES Kabardino-Balkarii	1,444	851	780
OOO Malye GES Stavropolya and KChR	816	31	2
OOO Verkhnebalkarskaya MGES	641	165	165
AO Sulaksky Hydrocascade	538	1,559	1,166
AO ChirkeiGESstroi	436	450	-
AO Tekhnopark Rumyantsevo	176	183	183
AO Holding company BoGES	167	3	2
AO MGES Altaya	78	251	248
OOO EZOP	-	2,902	5,265
AO Leningradskaya GAES	-	377	189
AO Blagoveschenskaya TEC	-	370	1,473
Other	119	44	85
Other related parties, including:	4	7	21
Loans issued to the Company's key management	4	7	21
Total interest-free loans issued to related parties	64,257	30,707	12,879
Total short-term interest-free loans issued to other counterparties	74	85	46
Total short-term interest-free loans issued	64,331	30,792	12,925

As of 31 December 2017, short-term interest-free loans issued include:

- the loan of RUB 13,014 million payable on demand, provided to OOO Index Energetiki – HidroOGK to novate the obligation to settle interest-free bills presented for payment;
- at call loans of RUB 11,551 million provided to OAO Ust-Srednekanskaya GES to finance expenditures under the investment project Ust-Srednekanskaya GES;
- at call loans of RUB 8,769 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 incurred earlier (payables related to promissory notes issued by the Company);
- at call loans of RUB 7,745 million provided to AO RAO ES Vostoka to finance its investment program and other projects as well as to refinance bank loans payable.

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 2017	31 December 2016	31 December 2015
AO Nizhne-Bureyskaya GES	21,279	16,128	6,416
AO Zagorskaya GAES-2	6,647	5,473	-

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.

Counterparty	31 December 2017	31 December 2016	31 December 2015
AO Sulaksky Hydrocascade	1,386	1,386	863
AO CCGT in the City of Sovetskaya Gavan	-	-	400
Other	309	10	272
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	29,621	22,997	7,951

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

Item	31 December 2017	31 December 2016	31 December 2015
Income tax	2,905	438	945
Other taxes and levies	417	238	377
Total tax receivables	3,322	676	1,322

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	2016	6,539	8,283	(2,368)	(179)	854	13,129
	2017	13,129	3,508	(3,965)	(97)	144	12,719
Trade receivables	2016	4,801	2,464	(1,707)	(162)	144	5,539
	2017	5,539	1,970	(1,141)	(23)	144	6,489
Advances issued	2016	109	9	(26)	(5)	-	87
	2017	87	307	(1)	(54)	-	339
Other	2016	1,629	5,811	(635)	(12)	710	7,503
	2017	7,503	1,231	(2,823)	(20)	-	5,891

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

Overdue accounts receivable

Item	31 December 2017		31 December 2016		31 December 2015	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	9,098	810	8,594	1,721	7,819	1,387
Buyers and customers	6,127	126	5,423	320	4,978	258
Advances issued	556	217	1,332	1,246	1,232	1,124
Other debtors	2,415	467	1,839	155	1,609	5

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 2017	31 December 2016	31 December 2015
Bank deposits	163	4,075	10,609
Loans issued	11,686	1,230	5,270
Promissory notes	601	-	-
Total line 1240 "Investments" (excluding cash equivalents)	12,450	5,305	15,879

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PAO RusHydro
Explanatory Notes to the 2017 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Short-term investments and their movements

Item	Period	Opening balance		Changes for the period*				Closing balance	
		Historical cost	Accumulated adjustment	Additions*	Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2016	16,589	(710)	58,168	(67,196)	710	(2,256)	7,561	(2,256)
	2017	7,561	(2,256)	50,589	(43,551)	-	107	14,599	(2,149)
Bank deposits	2016	10,609	-	40,792	(47,326)	-	-	4,075	-
	2017	4,075	-	21,966	(25,878)	-	-	163	-
ILoans issued	2016	5,980	(710)	17,376	(19,870)	710	(2,256)	3,486	(2,256)
	2017	3,486	(2,256)	28,022	(17,673)	-	107	13,835	(2,149)
Promissory notes	2016	-	-	-	-	-	-	-	-
	2017	-	-	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.

(a) Bank deposits

As of 31 December 2017, bank deposits include a short-term deposit of RUB 163 million placed with PAO Sberbank of Russia maturing from 15.01.2018 (as of 31 December 2016 – RUB 4,075 million maturing from 23.01.2017 till 01.03.2017). These funds represent interest income from the placement of funds that were received by the Company in 2013 during an additional issue and are intended to finance the construction of four thermal stations in the Far East.

(b) Short-term loans issued

Loan recipient's name	31 December 2017	31 December 2016	31 December 2015	Annual rate, %
Short-term loans issued to related parties, including:				
AO Far East Distribution Company	4,538	-	200	8,00%
AO Sakhaenergo	3,476	-	-	8,00%
AO Hydroinvest	1,748	-	-	9,55%-10,08%
AO Teploenergосervice	929	-	-	8,00%
AO Yakutskaya GRES-2	495	231	-	10,139%
AO ESK RusHydro	420	446	-	10,095%
AO Transport company RusHydro	-	369	72	
AO Far East Distribution Grid Company	-	177	1,607	
ZAO Verkhne-Narynskie GES	-	-	2,711	
AO Nizhne-Bureyskaya GES	-	-	509	
Other	80	7	171	
Total short-term loans issued	11,686	1,230	5,270	

As of 31 December 2017 there was provision for impairment of short-term loans issued in the total amount of RUB 2,149 million (31 December 2016: RUB 2,256 million; 31 December 2015: RUB 710 million). As of 31 December 2017 provision was made RUB 2,149 million for ZAO Verkhne-Narynskie GES. 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 2017	31 December 2016	31 December 2015
Cash in bank	2,194	7,206	898
Cash equivalents	47,836	32,849	17,241
Cash at accounts in the Office of the Federal Treasury	899	899	-
Total line 1250 "Cash and cash equivalents"	50,929	40,954	18,139

As of 31 December 2017, 2016 and 2015, 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 2017 is placed on special accounts in the Office of the Federal Treasury for Moscow. 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.

As of 31 December 2017, 2016 and 2015, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2017 there were cash balances denominated in US dollars equivalent to RUB 477 million (31 December 2016: RUB 312 million; 31 December 2015: RUB 0 million).

As of 31 December 2017, interest rates on Rouble deposits were 5.55% – 7.50% p.a. (31 December 2016: 9.55% – 10.41%, 31 December 2015: 8.64% – 11.65%).

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

Credit institution	Rating on 31 December 2017	Rating agency	31 December 2017	31 December 2016	31 December 2015
Bank deposits, including:					
Bank VTB (PAO)	BB+	Standard & Poor's	32,034	20,430	2,277
Bank GPB (AO)	Ba2	Moody's	15,329	12,107	-
PAO Sberbank	Ba1	Moody's	472	312	1,728
PAO Bank FK Otkrytie			-	-	7,644
PAO AKB Svyaz-Bank			-	-	2,718
AO SMP Bank			-	-	1,874
AO Globeksbank			-	-	1,000
Total cash equivalents			47,835	32,849	17,241
Cash in banks, including:					
AO «AB Russia»	ruAA	RAEX	1,811	4	22
PAO Sberbank	Ba1	Moody's	313	479	581
Bank VTB (PAO)	BB+	Standard & Poor's	47	1,803	8
Bank GPB (AO)	Ba2	Moody's	20	4,918	245
Other			3	2	42
Total cash in bank			2,194	7,206	898

Notes to the statement of cash flows

Cash flows required for the purposes of supporting the existing scope of the Company's operations are presented within current operations. Cash flows related to expansion of the Company's business are included in investing activities.

Cash flows spent on investments and received on repayment of cash equivalents (excluding accrued interest) are not included in the cash flow statement.

Cash flows spent on investments and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period, are recorded on a net basis in line 4219 "Other receipts" or line 4229 "Other payments" of the cash flow statement.

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

Item	2017	2016
Other receipts from operating activities (line 4119), including:	2,214	4,209
Value added tax	1,625	3,508
Penalties, interest and fines recognised or for which court rulings on collection have been received	237	385
GDR	219	277
Other receipts from operating activities	133	39
Other payments related to operating activities (line 4129), including:	(16,899)	(12,066)
Taxes and levies	(7,831)	(7,821)
Non-budget funds	(1,783)	(1,717)
Charity payments	(1,726)	(434)
Business trip expenses	(225)	(175)
Water usage expenses	(1,401)	(1,183)
Payments of non-deliverable forward contract for shares	(3,243)	-
Payment of corporate expenses	-	(194)
Other payments related to operating activities	(690)	(542)
Other payments related to investing activities (line 4219), including:	3,934	8,578

Item	2017	2016
Cash placement on a short-term deposit other than cash equivalent	3,918	6,537
Proceeds from the conversion of shares of the subsidiary by reducing the nominal value	-	2,017
Other payments related to investing activities	16	24
Other payments related to financing activities (line 4329), including:	(6)	(8)
Settlement of finance lease obligations (payments under lease contracts)	(2)	(5)
Other payments related to financing activities	(4)	(3)

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 2017, 2016 and 2015, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2017	Number of shares at 31 December 2016	Number of shares at 31 December 2015
Ordinary shares with nominal value of RUB 1 per share	426,288,813,551	386,255,464,890	386,255,464,890

As of 31 December 2017, 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 AO National Settlement Depository	nominee holder	157,755,858,118	37.01%
Other		10,371,419,827	2.43%
Total		426,288,813,551	100.00%

The members of the Management Board of the Company hold 71 million shares of the total number of ordinary shares as of 31 December 2017 (as of 31.12.2016 - 71 million units, as of 31.12.2015 - 71 million units). Subsidiaries and associates own 3,852 million shares of the Company (as of 31.12.2016 - 18,852 million shares, as of 31.12.2015 - 21,787 million shares).

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 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.

In March 2017, the Company and PJSC Bank VTB 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 PJSC Bank VTB 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 April 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 2017, the amount of accumulated revaluation of non-current assets is RUB 52,606 million (31 December 2016: RUB 52,705 million, 31 December 2015: RUB 52,928 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 99 million in 2017 due to disposal of items of property, plant and equipment revalued earlier (2016: RUB 223 million,).

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

As of 31 December 2017, 2016 and 2015, 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 2017, 2016 and 2015, the Company's reserve capital was RUB 13,371 million, RUB 11,278 million and RUB 9,776 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 26.06.2017 (Minutes No. 16), the Company allocated 5% of its net profit for 2016 in the amount of RUB 2,093 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 2017	31 December 2016	31 December 2015
PAO Sberbank	20,000	33,389	33,389
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	20 000	-	-
Russian bonds issued in April 2016	15,000	15 000	-
Russian bonds issued in June 2017	10.000	-	-
UniCredit Bank Austria AG	4,749	4,951	6,871
AO Malaya Dmitrovka	932	652	-
Russian bonds issued in April 2015	767	-	10,000
Russian bonds issued in April 2011	250	250	-
Russian bonds issued in February 2013	-	20,000	20,000
Russian bonds issued in July 2015	-	15,000	15,000
Crédit Agricole Corporate and Investment Bank Deutschland	-	5,552	6,933
AO GVTS Energetiki	-	54	1,099
European Bank for Reconstruction and Development	-	-	10,653
Bayerische Landesbank (BayernLB)	-	-	1,125
Total line 1410 "Borrowings"	71,698	94,848	105,070

In June 2017 the Company placed non-convertible interest bearing market bonds of series BO-P05 with a nominal amount of RUB 10,000 million. The term of the offer is 3 years, coupon rate is 8,20% per annum.

Also October 2017, holders of Russian bonds issued in April 2015 partially presented securities for early repayment under the offer, as a result of which the Company purchased bonds with a nominal value of RUB 9,233 million. Bonds that were not presented by the holders for early redemption, with a nominal value of RUB 767 million will apply until maturity in 2023 with a coupon rate of 7.50%.

In 2017 the Company prepaid in full the credits of RUB 2,776 million received from PAO Sberbank and the credits of Euro 87 million received from Crédit Agricole Corporate and Investment Bank Deutschland.

28 September 2017 the Company finalized the placement of eurobonds issued by RusHydro Capital Markets DAC, a special purpose vehicle. Proceeds from the eurobonds were used to finance a loan to PAO RusHydro that will be used to refinance its debt liabilities, to finance the investment programme and operating expenses of the Issuer. The issue totalled RUB 20 billion. The eurobonds are maturing in 2022 and have a coupon of 8.125% p.a. paid twice a year.

As of 31 December 2017 terms of material received long-term borrowings were the following:

Lender / creditor	Agreement effective year	Redemption year	Amount in million units (in the currency of the loan)	Currency	Loan interest rate
UniCredit Bank Austria AG	2011	2026	78	Euro	3,35%
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	2017	2022	20,000	RUB	8,13%
Russian bonds issued in April 2016	2016	2019	15,000	RUB	10,35%
Russian bonds issued in June 2017	2017	2020	10,000	RUB	8,20%
PAO Sberbank	2011	2020	20,000	RUB	8,30% / 9,30%*

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

As of 31 December 2017, the total amount of long-term loans to be repaid within 12 months of the reporting date and reclassified to short-term category was RUB 45.683 million (31 December 2016: RUB 10,619 million) (see paragraph 3.5.1 of the Explanatory Notes).

As of 31 December 2017, the Company has opportunity to raise funds in the total amount 96 000 million RUB on credit agreements with Bank VTB (PAO) in the amount of RUB 30 000 million maturing at 2020 and with PAO Sberbank in the amount of RUB 40,000 million maturing at 2026, with Bank GPB (AO) in the amount of RUB 20,000 maturing at 2026 and with AB Rossia (AO) in the amount up to RUB 6,000 million maturing at 2019.

Ageing analysis:

Due for repayment	31 December 2017	31 December 2016	31 December 2015
From 1 to 2 years	16,526	46,495	11,396
From 2 to 3 years	30,594	16,480	48,455
From 3 to 4 years	844	21,105	1,743
From 4 to 5 years	20,594	1,355	22,090
Over five years	3,140	9,413	21,386
Total line 1410 "Borrowings"	71,698	94,848	105,070

Interest on borrowings included into the cost of investment assets

In 2017, the amount of interest on borrowings included into the cost of investment assets was RUB 1,699 million (2016: RUB 3,262 million), of which RUB 1,476 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2016: RUB 2,900 million).

3.4.2 Other non-current liabilities (line 1450 of the balance sheet)

Line 1450 "Other liabilities" includes long-term VAT on advances issued in the amount of RUB 1,153 million as of 31 December 2017 (31 December 2016: RUB 1,289 million, 31 December 2015: RUB 1,827 million) and trade payables in the amount of RUB 3,111 million as of 31 December 2017 (31 December 2016: RUB 2,457 million, 31 December 2015: RUB 368 million).

3.5. Current liabilities (Section V of the balance sheet)**3.5.1 Short-term borrowings (line 1510 of the Balance sheet)**

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
Borrowings, including:	2016	16,250	23,371	(28,254)	11,367
	2017	11,367	54,948	(18,903)	47,412
Russian bonds issued in April 2015	2016	-	10,000	-	10,000
	2017	10,000	-	(10 000)	-
OOO AlstomRusHydroEnergy	2016	750	-	-	750
	2017	750	-	-	750
UniCredit Bank Austria AG	2016	-	550	-	550
	2017	550	611	(568)	593
Russian bonds issued in February 2013	2016	-	-	-	-
	2017	-	20,000	-	20,000
Russian bonds issued in July 2015	2016	-	-	-	-
	2017	-	15,000	-	15,000
Russian bonds issued in April 2011	2016	15,000	-	(15,000)	-
	2017	-	-	-	-
Credit Agricole Corporate and Investment Bank Deutschland before	2016	-	-	-	-
	2017	-	5 552	(5 552)	-
European Bank for Reconstruction and Development (EBRD)	2016	377	10,653	(11,030)	-
	2017	-	-	-	-
AO Leningradskaya GAES	2016	-	-	-	-
	2017	-	396	(7)	389
PAO Sberbank	2016	-	-	-	-
	2017	-	13,389	(2,776)	10,613
Other	2016	123	2,168	(2,224)	67
	2017	67	-	-	67
Interest on borrowings, including:	2016	2,690	10,779	(10,811)	2,658
	2017	2,658	9,863	(9,675)	2,846
Russian bonds issued in July 2015	2016	858	1,782	(1,773)	867
	2017	867	1,778	(1,773)	872
Russian bonds issued in February 2013	2016	652	1,704	(1,695)	661
	2017	661	1,700	(1,695)	666
PAO Sberbank	2016	528	2,882	(2,888)	522
	2017	522	2,633	(2,708)	447
Russian bonds issued in April 2016	2016	-	1,157	(786)	371
	2017	371	1,553	(1,554)	370
Russian bonds issued in June 2017	2016	-	-	-	-
	2017	-	445	(409)	36
Russian bonds issued in April 2015	2016	227	1,279	(1,272)	234
	2017	234	1,055	(1,278)	11
Russian bonds issued in April 2011	2016	240	374	(614)	-
	2017	-	29	(24)	5
European Bank for Reconstruction and Development (EBRD)	2016	180	1,338	(1,518)	-
	2017	-	-	-	-
Eurobonds (RusHydro Capital Markets DAC), issued in September 2017	2016	-	-	-	-
	2017	-	423	-	423
Other	2016	5	263	(265)	3

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.

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
	2017	3	247	(234)	16
	2016	18,940	34,150	(39,065)	14,025
Total line 1510 "Borrowings"	2017	14,025	64,811	(28,578)	50,258

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts receivable were RUB 10,563 million, RUB 9,681 million and RUB 9,822 million as of 31 December 2017, 2016 and 2015, respectively:

Type of payables	31 December 2017	31 December 2016	31 December 2015
Trade payables	4,040	4,190	5,492
Settlements with personnel	244	24	669
Payables to state off-budget funds	134	14	135
Tax payables	5,242	4,697	3,103
Settlements with participants (founders) in payment of income	141	122	67
Settlements for the payment of own shares before the change of the charter capital in the constituent documents	-	33	-
Other	762	601	356
Total line 1520 "Accounts payable"	10,563	9,681	9,822

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

Type of payables	31 December 2017	31 December 2016	31 December 2015
Payables to capital construction contractors	705	773	1,499
Payables to suppliers of equipment and other non-current assets	1,842	1,801	2,071
Payables for purchase of electricity and capacity	427	432	774
Payables to suppliers of repair and maintenance services	381	322	405
Other	685	862	743
Total line 1521 "Trade accounts payable"	4,040	4,190	5,492

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

Tax	31 December 2017	31 December 2016	31 December 2015
Property tax payable	1,291	1,338	1,494
VAT payable	3,902	3,113	1,480
Income tax payable	-	239	-
Other taxes payable	49	7	129
Total line 1524 "Taxes payable"	5,242	4,697	3,103

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2017 the total estimated liabilities are RUB 2,976 million (31 December 2016: RUB 2,447 million, 31 December 2015: RUB 601 million).

The estimated liabilities have a short-term nature.

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2016	601	3,057	(958)	(253)	2,447
	2017	2,447	3,201	(2,381)	(291)	2,976
for remuneration payments	2016	-	1,364	-	-	1,364
	2017	1,364	1,876	(1,321)	(43)	1,876
for litigation	2016	61	627	(61)	-	627
	2017	627	181	(125)	-	683
for forthcoming payment of earned but	2016	540	1,066	(897)	(253)	456

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
unused employee vacations	2017	456	1,144	(935)	(248)	417

3.6. Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2017, the total rented property, plant and equipment are RUB 35 760 million (31 December 2016: RUB 33,862 million, 31 December 2015: RUB 38,490 million). In 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 2017	31 December 2016	31 December 2015
AO Sulakskiy HydroKaskad	10 478	9,463	9,721
Ministry of Property Relations of Moscow region	4 956	4,956	4,956
AO Zaramagskie GES	4 927	4,927	5,042
AO Malye GES Kabardino-Balkarii	3 567	-	-
AO Malaya Dmitrovka	3 394	3,381	3,391
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	2 771	3,185	2,549
Novosibirsk Department of Land and Property Relations	777	777	779
Territorial Office of Federal Property Management Agency in the Volgograd region	604	604	260
Territorial Office of Federal Property Management Agency in the Nizhny Novgorod region	569	569	569
Perm Department of Land and Property Relations	502	1,307	1,350
Other	3,215	4,659	4,703
Total rent of property, plant and equipment	35,760	32,671	36,221
OOO Leasefinance	-	1,022	1,022
ZAO Business Alliance	-	169	321
OOO RB-Leasing	-	-	829
Other	-	-	97
Total lease of property, plant and equipment under lease contracts	-	1,191	2,269
Total rent and lease of property, plant and equipment	35,760	33,862	38,490

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2017	31 December 2016	31 December 2015
PAO Silovye Mashiny	7,878	8,780	8,655
Voith Hydro GmbH & Co KG	4,809	5,433	7,041
OOO EZOP	3,214	5,428	5,428
OOO Vostok-finans	2,106	2,106	-
AO VNIIR Hydroelectroavtomatika	857	429	424
AO Hydroelectromontazh	453	453	453
OOO «Simens»	364	-	-
AO TEK Mosenergo	272	392	405
AO Trest Hydromontazh	121	390	-
ZAO A-security	56	194	294
AO Hydroinvest	-	984	3,919
AO Transport company RusHydro	-	511	511
Other	1,545	1,953	2,488

Counterparty	31 December 2017	31 December 2016	31 December 2015
Total collateral for liabilities and payments received	21,675	27,053	29,618

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, PAO Silovye Mashiny, AO Hydroelectromontazh, AO VNIIR Hydroelectroavtomatika, AO TEK Mosenergo 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 2017	31 December 2016	31 December 2015
GC Vnesheconombank	PAO Boguchanskaya GES	46,962	47,777	48,426
PAO Sberbank	PAO Far East Energy Company	7,460	-	5,531
PAO Sberbank	PAO Far East Generating Company	5,400	10,760	7,102
PAO Sberbank	PAO Kamchatskenergo	4,768	3,978	3,978
GC Vnesheconombank	ZAO Boguchansky Aluminium Smelter	4,615	4,615	4,615
PAO VTB Bank	AO Far East Generating Company	4,521	11,556	4,522
Rosbank AKB PAO	AO Far East Generating Company	2,395	2,704	851
European Bank for Reconstruction and Development (EBRD)	ZAO International Energy Corporation	1,367	1,538	1,845
Asian Development Bank, ADB	ZAO International Energy Corporation	1,367	1,538	1,845
PAO Sberbank	PAO Magadanenergo	1,248	500	-
PAO Sberbank	PAO Sakhalinenergo	651	651	651
ZAO International Energy Corporation	RusHydro International AG	523	-	-
PAO VTB Bank	PAO Magadanenergo	492	-	-
IFTS №4 Russia in Moscow	PAO Far East Energy Company	335	-	-
Rosbank AKB PAO	PAO Far East Energy Company	-	3,313	-
European Bank for Reconstruction and Development (EBRD)	AO RAO ES of East	-	3,276	3,695
PAO Sberbank	AO RAO ES of East	-	2,878	2,095
PAO VTB Bank	AO RAO ES of East	-	1,831	-
Bank GPB (AO)	AO RAO ES of East	-	1,323	-
Bank GPB (AO)	AO Magadanenergo	-	1,012	401
AO Russian Regional Development Bank	AO Magadanenergo	-	900	-
PAO Sberbank	AO Chukotenergo	-	860	-
European Investment Bank	AO RAO ES of East	-	-	4,012
Bank GPB (AO)	AO Far East Generating Company	-	-	1,002
Bank GPB (AO)	PAO Far East Energy Company	-	-	762
Other	Other	812	916	1,424
Total collateral for liabilities and payments issued		82,916	101,926	92,757

In 2017 the Company issued guarantees:

- Guarantees provided for liabilities of AO DGK under its loan agreements with PAO Sberbank and PAO ROSBANK cover the principle amount and interest. The guarantees expire in 2019.
- Guarantees provided for liabilities of PAO DEK under its loan agreements with PAO Sberbank cover the principle amount and interest. The guarantees expire in 2019, 2021 and 2022.
- Guarantees provided for liabilities of PAO Kamchatskenergo under its loan agreements with PAO Sberbank and Bank VTB (PAO) cover the principle amount and interest. The guarantees expire in 2021 and 2022.
- Guarantees provided for liabilities of PAO Magadanenergo under its loan agreements with PAO Sberbank and Bank VTB (PAO) cover the principle amount and interest. The guarantees expire in 2021 and 2022.

Guarantees issued by the Company for liabilities of PAO Boguchanskaya GES under its loan agreement with GC Vnesheconombank include:

- total liabilities of PAO Boguchanskaya GES under the loan agreement, including accumulated interest in the amount of RUB 25 935 million as of 31 December 2017 (31 December 2016: RUB 26 750 million);
- pledge of PAO Boguchanskaya GES's interest-free promissory notes for the total of RUB 21,027 million (see Note 3.2.2 of the Explanatory Notes) and pledge of shares for the total of RUB 14 thousand.

RUSAL Group undertakes to reimburse the Company for 50 percent of liabilities settled under this guarantee by the Company for PAO Boguchanskaya GES. In February 2018, an agreement on the termination of the guarantee contract was signed. The parties agreed to terminate the guarantee contract starting from the date of signing.

3.6.4 Non-deliverable forward contract for shares

In March 2017 the Company signed a contract with Bank VTB (PAO) (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 AO 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 2017 the fair value of the liability under the non-deliverable equity forward calculates in accordance with IFRS was RUB 20,716 million.

As at 31 December 2017 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 3,243 million made under the non-deliverable forward contract in 2017 are recognised within other expenses (see paragraph 3.3 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 (99,7%).

Item	2017	2016
Sale of electricity	78,900	77,338
Sale of capacity	65,393	36,833
Sale of heat	157	168
Other	247	694
Total line 2110 "Revenue"	144,697	115,033

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	2017	2016
Fees for administering the wholesale market of electricity and capacity (AO SO UES, AO ARS, AO CFR), incl.:	26,947	2,813
Earmarked contributions to the budget of constituent entities of the Russian Federation	23,995	-
Depreciation and amortisation	16,680	15,213
Wages and social insurance contributions	10,444	9,408
Purchased electricity and capacity	7,015	7,023
Property tax	6,744	6,771
Third party services	4,286	3,720
Repairs and maintenance	3,729	3,724
Lease expenses	1,933	1,579
Fire and other security services	1,712	1,730
Insurance expenses	1,660	1,710
Water usage expenses, water tax	1,464	1,267
Lease of power equipment	58	186
Other expenses	1,135	1,212
Total line 2120 "Cost of sales"	83,807	56,356

The cost of sales include administrative expenses. In 2017, administrative expenses totalled RUB 7,567 million (2016: RUB 6,004 million). Administrative expenses include expenses on the maintenance of subdivisions and premises of the Executive Body and the branch "Corporative 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 23,995 million of special-purpose contributions to the budgets of Russian constituent regions in 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.

Operating expenses broken down by cost elements are as follows:

Item	2017	2016
Material expenses	17,389	17,122
Payroll expenses	8,422	7,570
Social contributions	2,318	2,142
Depreciation and amortisation	16,680	15,213
Other costs	38,998	14,309
Total for elements of costs	83,807	56,356
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	83,807	56,356

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

Item	2017		2016	
	Income	Expenses	Income	Expenses
Doubtful debt provision	3,965	(3,508)	2,368	(8,283)
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	1,661	(2,080)	4,789	(2,306)
Income and expenses from sales, write-off and other transactions with assets	540	(754)	9,847	(7,987)
Gains / (losses) from revaluation of investments measured at current market value	531	(1,424)	5,544	(12)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	125	(133)	-	-
Provision for impairment of investments	16	(7,755)	14	(17,658)
Charity donations	-	(1,667)	-	(462)
Expenses for social events	-	(425)	-	(457)
Expenses on operations with derivatives	-	(3,243)	-	-
Other income and expenses	1,057	(1,360)	1,192	(1,171)
Total line 2340 "Other income" and 2350 "Other expenses"	7,895	(22,349)	23,754	(38,336)

3.9 Taxes

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 38,350 million in the reporting year (2016: RUB 35,173 million), including:

- VAT calculated on sales of goods (work, services) is RUB 26,053 million (2016: RUB 22,396 million);

- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be delivered in the future is RUB 10,501 million (2016: RUB 10,652 million);
- recoverable amount of tax is RUB 1,796 million (2016: RUB 2,125 million).

Total VAT recoverable in the reporting period was RUB 20,393 million (2016: RUB 21,383 million), including:

- VAT recoverable invoiced to the taxpayer on acquisition of goods (work, services), property rights in Russia was RUB 7,917 million (2016: RUB 8,839 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be deducted from their delivery date was RUB 10,501 million (2016: RUB 10,652 million);
- VAT calculated on the amounts of payment or partial payment for goods (work, services) to be delivered in the future was RUB 1,372 million (2016: RUB 1,352 million);
- VAT recovered in 2017 which was paid earlier when the goods were imported to the Russian customs territory was RUB 565 million (2016: RUB 539 million);
- other recoverable VAT was RUB 38 million (2016: RUB 1 million).

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

Corporate income tax

Income tax calculated on the basis of the accounting profit (theoretical income tax charge) for the reporting year was RUB 9,921 million (2016: RUB 10,877 million).

The Company applied tax rate of 20% in the calculation of income tax based on accounting profit received by the Company's branches (excluding profits received by branches Kamskysa GES and Votkinskaya GES that apply 17% rate).

According to the tax accounting data, the taxable profit for 2017 was RUB 49,399 million (2016: RUB 56,327 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 15,458 million (2016: RUB 8,949 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 3,190 million for 2017 (2016: 15,124 million), including:

- income from participation in other entities (dividends) in the amount of RUB 2,563 for 2017 (2016: RUB 9,367 million);
- increase in value of financial placements determined in fair value in the amount of RUB 531 million (2016: RUB 5,532 million);
- other non-temporary differences in the amount of RUB 96 million (2016: RUB 225 million).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 18,648 million for 2017 (2016: 24,073 million), including:

- depreciation of RUB 3,209 million (2016: RUB 3,254 million);
- charges to doubtful debt provision in the amount of RUB 31 million (2016: RUB 894 million);
- charity donations in the amount of RUB 1,644 million (2016: RUB 462 million);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 253 million (2016: RUB 531 million);
- provision for impairment of financial investments in the amount of RUB 7,755 million (2016: RUB 17,658 million);
- loss on transactions in derivative financial instruments not traded on the organized financial market, RUB 3,230 million (2016: RUB 0 million);
- decrease in the value of financial investments, which determine the current market value, in the amount of RUB 1,424 million (2016: RUB 12 million);
- other non-temporary differences in the amount of RUB 1,102 million (2016: RUB 1,274 million).

The total amount of deductible temporary differences, which affected the adjustment of the theoretical income tax charge for the purpose of the current income tax calculated for tax accounting purposes, was RUB 1,041 million (2016: RUB 6,934 million), including those originated – RUB 11,981 million (2016: RUB 11,724 million) and settled – RUB 13,022 million (2016: RUB 4,790 million).

Total amount of taxable temporary differences that affected the theoretical income tax expense adjustment for the purpose of the income tax calculation for tax accounting purposes, was RUB 15,585 million (2016: RUB 13,080 million), including those originated – RUB 22,011 million (2016: RUB 21,776 million) and settled – RUB 6,426 million (2016: RUB 8,696 million).

In 2017, movement in deductible and taxable temporary differences was mainly due to:

- different useful lives of property, plant and equipment for accounting and income tax purposes;
- recognition of depreciation premium on items of property, plant and equipment for income tax purposes;
- application of multiplying factor for accrual of depreciation charges on property, plant and equipment used in operations in a hostile environment with a high turnover for tax accounting purposes in prior periods;
- capitalisation of interest on borrowings in the cost of investment assets for accounting purposes;
- including the costs of insurance in the value of investment assets in the accounting records of the Company.

Deferred tax assets and deferred tax liabilities were:

Item	31 December 2017	31 December 2016	31 December 2015
Deferred income tax assets	(3,043)	(3,248)	(1,864)
Deferred tax liabilities	20,156	16,924	14,266
Total line 1420 "Deferred tax liabilities"	17,113	13,676	12,402

Line 2430 "Change in deferred tax liabilities" includes increase of deferred tax liabilities in amount of 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 211 million with no effect on current income tax.

Other taxes and levies

In 2017, operating expenses include other taxes and levies in the amount of RUB 8,457 million (2016: RUB 8,384 million), including:

- property tax in the amount of RUB 6,744 million (2016: RUB 6,771 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 1,704 million (2016: RUB 1,596 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 9 million (2016: RUB 17 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 substantiates this position may be challenged by tax authorities. The tax control in Russian Federation gets stringent resulting in increase of tax inspections risk. These inspections may cover 3 calendar years preceding the year when the decision about inspection was made. In some cases the earlier periods may be examined.

As of 31 December 2017, 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.

3.10 Dividends

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

The Company's annual general meeting of shareholders held on 27 June 2016 (Minutes No. 15) made the decision to pay dividends on the Company's ordinary shares for 2015 in the amount of RUB 0,038863 per 1 share for the total of RUB 15,011 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	2017	2016
Basic profit for the reporting year (RUB million)	36,149	41,877
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	406,272,139,221	386,255,464,890
Basic earnings per share (RUB)	0,08898	0,10842

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

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
Item	2016
Number of ordinary shares outstanding as of 1 January 2016 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 1 December 2016 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2016 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2016 (shares) (386,255,464,890 * 12 month) / 12 months	386,255,464,890

In 2017 and 2016, the Company had no debt securities potentially convertible to shares.

3.12 Related Parties

The Company's related parties are its subsidiaries and associates and other entities where the Company has indirect control or significant influence through its subsidiaries and associates.

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

3.12.1 Controlling entity

As of 31 December 2017 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

Total revenue from sales to related parties was:

Name of the buyer	2017	2016
Revenue from sales to subsidiaries, including:		
PAO Far East Energy Company	6,557	6,148
PAO Krasnoyarskenergosbyt	919	854
AO Chuvashskaya Energy Sales Company	742	634
AO ESK RusHydro	583	197
PAO Ryazanskaya Energy Sales Company	249	234
OOO ESK Bashkortostana*	-	2,018
Other subsidiaries	106	117
Revenue from sales to related parties, including:		
PAO Boguchanskaya GES	112	110
ZAO Boguchanskiy Alluminievy zavod	54	668
Total sales to related parties	9,322	10,980

* OOO ESK Bashkortostana was the related party until 01 December 2016

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	2017	2016
Construction-and-assembling operations, survey and design works, research and development, including:		
Subsidiaries		
AO Hydroremont-VKK	1 559	2 194
AO Institut Hydroproject	309	388
AO Lenhydroproject	240	538
AO Mosoblhydroproject	228	400
AO VNIIG im. B.E.Vedeneyeva	192	110
AO ChirkeyGESstroy	28	602
Other	107	148
Other related parties		
OOO VolgaHydro	-	900
Total construction-and-assembling operations, survey and design works, research and development:	2 663	5 280
Services rendered by related parties, including:		
Subsidiary company:		
AO Hydroremont-VKK	2 925	2 863
AO Transport company Rushydro	1 433	1 563
AO Sulaksky HydroKaskad	527	428
AO Malaya Dmitrovka	514	514
OOO RusHydro IT Servis	416	316
OOO SNRG	260	248

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Name of the supplier	2017	2016
AO Zaramagskiye GES	249	253
AO VNIIG im. B.E.Vedeneyeva	182	250
AO Malye GES Kabardino-Balkarskoy Respubliki	181	-
Other	279	198
Other related parties	7	30
Services rendered by related parties, total	6 973	6 663
Purchased electricity	2	1
Total purchases from related parties	9 638	11,944

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 total amount of contributions to the pension fund was RUB 265 million and RUB 275 million for 2017 and 2016, respectively.

3.12.5 Settlements with related parties

As of 31 December 2017, 2016 and 2015, 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 2017	31 December 2016	31 December 2015
Short-term interest-free promissory notes received	2,142	5,457	20,767
Short-term interest-free loans issued	64,257	30,700	12,879
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	29,621	22,997	7,951
Indebtedness under the assignment agreement	9,962	8,257	-
Long-term interest-free loans issued	2,234	10,897	3,099
Accounts receivable related to other sales	952	1,217	1,574
Other settlements with related parties	5,869	5,673	8,213
Total accounts receivable from related parties	140,726	110,887	80,172

Terms and conditions of settlements with related parties provide for the Company to make advance payments on transactions with individual related parties. As of 31 December 2017 balances include advances issued for the amount of RUB 2 240 million (31 December 2016: RUB 3,334 million, 31 December 2015: RUB 5,926 million).

Doubtful debt provision for related parties' accounts receivables as of 31 December 2017 was RUB 4 123 million (31 December 2016: RUB 5,904 million; 31 December 2015: RUB 291 million).

As of 31 December 2017, 2016 and 2015, the Company's accounts payable to the related parties were:

	31 December 2017	31 December 2016	31 December 2015
Subsidiaries	1,001	1,164	2,707
Other related parties	18	81	750
Total accounts payable to related parties	1,019	1,245	3,457

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

3.12.6 Related parties' debt within investments

As of 31 December 2017, 2016 and 2015, 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 2017	31 December 2016	31 December 2015
Loans issued to related parties	67,105	28,315	57,102

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Type of financial investments	31 December 2017	31 December 2016	31 December 2015
Other investments	601	601	601
Total related parties' debt within investments	67,706	28,916	57,703
Total debt within long-term investments (Line 1170 of the Balance sheet)	55,419	27,686	52,433
Total debt within short-term investments (Line 1240 of the Balance sheet)	12,287	1,230	5,270

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

Entity	2017	2016
Subsidiaries, including:	3,689	4,986
AO Far East Generating Company	1,797	1,372
AO Sakhaenergo	358	278
AO RAO Energy Systems of the East	339	-
AO Hydroinvest	312	1,031
AO Far East Distribution Grid Company	212	697
AO Teploenergосervis	98	74
PAO Yakutskenergo	97	-
AO ESK RusHydro	80	315
AO Nizhne-Bureyskaya GES	-	424
AO Zagorskaya GAES-2	-	355
AO Sakhaenergo	-	278
AO Ust-Srednekanskaya GES	-	163
Other	396	277
Other subsidiaries	63	61
Total interest income	3,752	5,047

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 2,303 million for 2017 (2016: RUB 9,447 million):

Entity	2017	2016
HydroOGK Power Company Ltd	1,706	8 257
AO Blagoveschenskaya TETS	176	-
AO Hydroremont-VKK	154	191
AO Lenhydroproject	101	114
AO GVTS Energetiki	4	698
Other	162	187
Total income from investments in subsidiaries	2,303	9,447

In 2017 and 2016, dividends were received from HydroOGK Power Company Ltd in the amount of RUB 1,706 million and 8,257 million in non-monetary form by way of assignment of accounts receivable of the subsidiary company of HC Boguchanskaya HPP classified as part of other short-term accounts receivable of the Company as of December 31, 2017 (see paragraph 3.2.2 of the Explanatory Note).

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 PAO RusHydro's directors* approved by the Annual General Meeting of Shareholders held on 27 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 2017 and 2016, the Company remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,141 million and RUB 666 million, respectively. The insurance contributions amounted to RUB 190 million for 2017 (2016: RUB 146 million). In addition, in 2017, an appraisal obligation was established for premiums to key management personnel in the amount of RUB 400 million (2016: RUB 165 million). In calculation of the estimated liability for remuneration payments includes the expected remuneration for 2017 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	2017	2016
Cash flows from operating activities			
Receipts, including:	4110	8,126	8,896
sales of products, goods, work and services	4111	8,026	8,818
lease payments, licence payments, royalties, commission and other payments	4112	67	62
other receipts	4119	33	16
Payments, including:	4120	(7,237)	(6,447)
suppliers (contractors) – raw materials, work and services	4121	(7,095)	(6,329)
interest on debt liabilities	4123	(39)	(17)
other payments	4129	(103)	(101)
Net cash flows from operating activities	4100	889	2,449
Cash flows from investing activities			
Receipts, including:	4210	30,667	29,886
sale of non-current assets (except for investments)	4211	241	95
sale of shares of other organisations (ownership interest)	4212	9	-
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	27,384	22,400
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	3,017	5,351
other receipts	4219	16	2,040
Payments, including:	4220	(96,487)	(40,108)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(3,103)	(6,256)
purchase of shares (interest) in other entities	4222	(7,524)	(23,829)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(85,860)	(10,023)
Net cash flows from investing activities	4200	(65,821)	(10,222)
Cash flows from financing activities			
Receipts, including:	4310	676	719
borrowings and bank loans	4311	676	719
Payments, including:	4320	(22)	(1,090)
dividends and other payments on distribution of profit in favor of owners (participants)	4322	(15)	-
redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(7)	(1,090)
Net cash flows from financing activities	4300	654	(371)
Net cash flows for the reporting period	4400	(64,277)	(8,144)

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 99,7%. 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 2017, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 82,916 million (31 December 2016: RUB 101,926 million, 31 December 2015: RUB 92,757 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.

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. 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.

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. 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 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)
31 December 2015			
US Dollars	3,096	-	3,096
Euro	-	(15,426)	(15,426)
Total	3,096	(15,426)	(12,330)

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 also receives loans with floating interest rates based on MOSPRIME, Euribor rates, which leads to risk of changes in interest rates. At the same time, the share of borrowed funds with a fixed interest rate is 91% of the Company's loan portfolio. The influence of changes in these rates on the Company's profit is insignificant.

The Company monitors interest rate risk for its financial instruments. Effective interest rates as of the end of the period are presented in paragraph 3.4.1 of the Explanatory Notes.

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 2017 didn't change significantly in comparison with an indicator of 2016.

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.

The price risk determines the possible changes / fluctuations in the fair value or future cash flows due to changes in market prices (excluding changes leading to interest rate or currency risk).

The table below includes the Company's investments exposed to the price risk.

Category of investments	31 December 2017	31 December 2016	31 December 2015
Equity investments for which current market value can be determined, including:	6,809	7,818	2,286
PAO Inter RAO	6,809	7,709	2,217
PAO Irkutskenergo	-	65	36

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Category of investments	31 December 2017	31 December 2016	31 December 2015
PAO Krasnoyarskaya GES	-	44	33
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	1 709	20,204	20,204
Equity investments for which current market value cannot be determined	248,212	236,565	245,174
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	256,730	264,587	267,664

* As of 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 and 31.12.2015 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 PAO 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 difficulty in meeting obligations associated with financial liabilities.

Efficient liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of additional funding through an adequate amount of committed credit facilities. The Group follows the balanced model of working capital financing when both long-term and short-term sources of finance are used. The Company places available cash to short-term financial instruments, mainly, bank deposits and short-term bank promissory notes. Short-term liabilities are represented mainly by trade accounts payable.

The Company has implemented controls over the contracting process by using standard financial procedures that include standard payment structure, standard payment time, standard correlation between the advance and final settlement amounts, etc. This way the Company controls the maturity structure of capital.

The ageing analysis for long term borrowings is presented in paragraph 3.4.1 of the Explanatory Notes.

3.16 Subsequent events

In February 2018, the Group signed an agreement on the termination of the surety agreement with SC Vnesheconombank with regard to performance by PAO Boguchanskaya GES of its obligations under the credit agreement (see paragraph 3.6.3 of the Explanatory Note).

Chairman of Management Board - General Director
of PAO RusHydro

N.G.Shulginov

Chief Accountant of PAO RusHydro

Y. G. Medvedeva

26 March 2018



RUSHYDRO GROUP

**Consolidated Financial Statements
prepared in accordance with IFRS
with independent auditor's report**

As at and for the year ended 31 December 2017

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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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC RusHydro and its subsidiaries (together – the “Group”) as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 Consolidated 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 Group 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 consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

PJSC RusHydro's shares are listed on the Moscow Exchange. The Group's principal business operations are generation and sales of electricity, capacity and heat energy in the Russian wholesale and retail markets. The Group companies are also involved in other operations, including electricity transmission and distribution, construction, repairs and provision of other services.



- Overall group materiality: Russian Roubles ("RUB") 3,800 million, which represents 1% of total revenues and government grants.
- We conducted audit procedures in respect of those companies of the Group that were considered significant components based on their individual share in the Group's revenue, which exceeds 15%: PJSC RusHydro, PJSC DEK, JSC DGK.
- Our audit scope covered *inter alia* 74% of the Group's revenues and 81% of the Group's total carrying value of property, plant and equipment.

Key audit matters

- Assessment of impairment of property, plant and equipment
- Assessment of impairment of accounts receivable
- Recognition of the non-deliverable forward contract for shares

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated 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. 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.

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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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 consolidated financial statements as a whole.

Overall group materiality	RUB 3,800 million
How we determined it	1% of total revenues and government grants
Rationale for the materiality benchmark applied	We chose total revenues and government grants as the benchmark because, in our view, it is the benchmark which best represents the Group's performance. We chose 1% as the materiality level, which falls within the range of quantitative materiality thresholds used for 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 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated 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>Assessment of impairment of property, plant and equipment</p> <p><i>For matters requiring disclosure and related significant accounting policies, judgements and accounting estimates see Notes 2, 7 and 32 to the consolidated financial statements.</i></p> <p>At 31 December 2017, the Group's aggregate carrying amount of property, plant and equipment was RUB 799,855 million. This is the most significant asset on the Group's balance sheet, accounting for 78% of the total assets.</p> <p>The Group management performed an analysis of the business performance, industry outlook and operational plans and then assessed the recoverable value of property, plant and equipment by cash generating unit for the purpose of impairment testing. Impairment arises when the recoverable amount, which is determined as the higher of the fair value less costs of disposal and its value in use, is below the carrying amount of the analysed assets.</p> <p>Management's testing identified impairment of a number of cash generating units, and the Group accrued an impairment loss of RUB 24,000 million in the consolidated income statement for the year ended 31 December 2017.</p>	<p>We obtained and examined the financial models that management used for assessing impairment of property, plant and equipment. We engaged our valuation experts to form our conclusion on the assumptions and methodology that were used in the impairment assessment.</p> <p>Our audit procedures related to the management's assessment of impairment of property, plant and equipment, included the following:</p> <ul style="list-style-type: none"> • assessment of the methodology used by the Group management for the impairment test; • examination, on a test basis, of key assumptions used in financial models and whether they are in line with the approved budgets and business plans, available reliable external sources (including macroeconomic forecasts, information on regulated and market electricity and capacity prices, etc.) and our industry-specific expertise; • assessment of competence, skills, experience and objectivity of the management's experts; • examination, on a test basis, of accuracy and relevance of inputs that management incorporated in the financial models for

Key audit matter	How our audit addressed the Key audit matter
<p>The recognition of additional loss also led to a decrease of RUB 1,043 million (net of tax) in the property, plant and equipment revaluation reserve in the consolidated statement of comprehensive income. There was no basis for accrual of impairment loss for those cash generating units for which management concluded, based on its assessment, that their recoverable amount is higher than or equals their carrying amount.</p> <p>We focused on the property, plant and equipment impairment assessment as this process is complicated, requires significant management's judgements and is based on assumptions that are affected by the projected future market and economic conditions that are inherently uncertain.</p> <p>The impairment test is sensitive to reasonably possible changes in assumptions. The most significant judgements are related to the applied discount rate together with the assumptions supporting the relevant forecast cash flows, in particular those concerning the electricity and capacity tariff rates and volumes of investments.</p>	<p>assessing the impairment of property, plant and equipment;</p> <ul style="list-style-type: none"> • examination, on a test basis, of mathematical accuracy of financial models used by management to assess the impairment of property, plant and equipment ; • consideration of potential impact of reasonably possible changes in key assumptions; • obtaining and reviewing management's written representations related to their property, plant and equipment impairment test. <p>As a result of the above procedures, we believe that the key assumptions used by the management are acceptable for the purposes of preparing the accompanying consolidated financial statements.</p> <p>Acceptability of management's current estimates regarding the property, plant and equipment impairment for the purpose of preparing 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>We note that the management's financial models are to a significant extent sensitive to the changes in key assumptions. It could reasonably be expected, that if actual results differ from assumptions made, accordingly, there could arise either additional losses from impairment in the future or gains from the release of previously recognised impairment charges.</p> <p>We also assessed the compliance of disclosures in Notes 2, 7 and 32 to the consolidated financial statements with the disclosure requirements of IAS 36 'Impairment of Assets'.</p> <p>As a result of our procedures, we have not identified any evidence that would require significant adjustments to the recorded amount of impairment of property, plant and equipment or to the respective disclosures in the consolidated financial statements.</p>

Key audit matter	How our audit addressed the Key audit matter
<p><i>Assessment of impairment of accounts receivable</i></p> <p><i>For matters requiring disclosure, and related significant accounting policies, judgements and accounting estimates see Notes 2, 12 and 32 to the consolidated financial statements.</i></p> <p>At 31 December 2017, the carrying amount of the Group's trade receivables was RUB 34,708 million (RUB 61,279 million less an impairment provision of RUB 26,571 million). Thus, the receivables that are assessed by the Group management as doubtful, account for a significant portion within the structure of trade receivables (at 31 December 2017, the Group accrued an impairment provision amounting to 43% of the total trade receivables).</p> <p>The Group management establishes a provision for doubtful debts based on the assessment of deterioration of the specific customer's solvency position, their individual specifics, payment dynamics, subsequent payments after the end of the reporting period as well as future cash inflow forecast analysis by reference to the conditions existing at the reporting date. The degree of accuracy of the management's estimate will be confirmed or rebutted depending on the future developments that are inherently uncertain.</p> <p>We focused on receivables impairment assessment as this process is complicated and requires significant management's judgements, and the amount of impairment is significant.</p>	<p>Our audit procedures related to management's assessment of trade receivables impairment included:</p> <ul style="list-style-type: none"> • review of management's collectability analysis taking into account counterparty solvency analysis and its deterioration as of the reporting date, intention, if any, to allow payment by instalments, subsequent payments after the end of the reporting period, existence of security and its quality, as well as other factors considered by management; • analysis of the receivables turnover the results of which were used inter alia to examine the management's collectability analysis; • sample testing of past due but not impaired trade receivables for assessing the management's conclusion that there is no impairment considering the prospects and timing of collection of such receivables; • sample testing of underlying documents for management's assessment of the probability of collection of receivables, such as payment orders supporting payments received in 2018; • review of external information from the regulators of the wholesale electricity (capacity) market, including the Supervisory Board of NP Market Council, which regularly takes decisions on excluding companies from the register of participants in the wholesale electricity (capacity) market; among those there are the Group's customers of its electricity (capacity) , with deteriorated solvency as expected; • obtaining and reviewing management's written representations related to receivables impairment test.

Key audit matter	How our audit addressed the Key audit matter
	<p>We also assessed the compliance of disclosures in Notes 2, 12 and 32 to the consolidated financial statements with the disclosure requirements of IFRS 7 'Financial Instruments: Disclosures'.</p> <p>Acceptability of management's current estimates regarding the receivables impairment for the purpose of preparing the consolidated financial statements for the year ended 31 December 2017 does not guarantee that future events that are inherently uncertain would not lead to significant changes in these estimates.</p> <p>As a result of our procedures, we have not identified any evidence that would require significant adjustments to the amount of impairment of accounts receivable or to the respective disclosures in the accompanying consolidated financial statements.</p>
<p><i>Recognition of the non-deliverable forward contract for shares</i></p> <p><i>For matters requiring disclosure, and related significant accounting policies, judgements and accounting estimates see Notes 2, 19 and 32 to the consolidated financial statements.</i></p> <p>In March 2017, PAO RusHydro simultaneously signed a contract with Bank VTB (PAO) under which the Bank acquired 55 billion ordinary shares of PAO RusHydro, and a non-deliverable forward contract for these shares for a five-year period.</p> <p>Following the analysis performed, the Group management decided to treat the above transactions separately and to recognise the sale of shares in equity and a derivative financial instrument.</p> <p>As at 31 December 2017, the liability under the forward contract of RUB 20,716 million is recorded as a long-term derivative financial instrument at fair value through profit or loss. At the initial recognition date (3 March 2017) the fair value of this non-deliverable forward contract amounted to RUB 10,013 million and was recorded within equity as it arose on the transaction with shareholders.</p>	<p>We obtained and reviewed the models that were used to measure the fair value of the non-deliverable forward contract at its initial recognition date and at 31 December 2017. We engaged valuation experts in order to form our conclusion on the assumptions and the methodology used in the fair value assessment.</p> <p>Our audit procedures in respect of the recognition of the non-deliverable forward contract for shares included:</p> <ul style="list-style-type: none"> • assessing reasonableness of the assumptions that the Group management applied to determine the treatment of the non-deliverable forward contract in the consolidated financial statements; • assessing validity and appropriateness of the methodology used by the Group management to develop fair value models for the non-deliverable forward contract; • testing accuracy and relevance of the key assumptions and source data used in the models, and their consistency with other information obtained during the audit, with

Key audit matter	How our audit addressed the Key audit matter
<p>We focused on the treatment of this non-deliverable forward contract in the consolidated financial statements of the Group due to the complexity of its accounting treatment and of the assessment of the instrument's fair value, which requires management to exercise professional judgement, and because the liability recognised under the forward contract and the corresponding effects on the consolidated statement of profits and losses and on equity are material.</p>	<p>available reliable external information and our expert knowledge of industry specifics;</p> <ul style="list-style-type: none"> • assessing competence, skills, experience and objectivity of the management's experts; • testing the mathematical accuracy of financial instrument's fair value calculation; • considering and assessing potential impact of reasonably possible changes in key assumptions; • obtaining and analysing management's written representations related to the treatment of the non-deliverable forward contract. <p>Following the results of our procedures, we believe that the estimates and judgements made by management with regard to the recognition of the non-deliverable forward contract are appropriate for the purposes of preparation of the accompanying consolidated financial statements.</p> <p>In addition we assessed compliance of the disclosures in Notes 2, 19 and 32 to the consolidated financial statements with the presentation and disclosure requirements of IAS 39 'Financial Instruments: Recognition and Measurements', IFRS 7 'Financial Instruments: Disclosures' and IFRS 13 'Fair Value Measurement'.</p> <p>As a result of our procedures, we have not identified any evidence that would require significant adjustments in respect of recognition of the non-deliverable forward contract or the respective disclosures in the accompanying consolidated financial statements.</p>

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls as well as the specific nature of the industry in which the Group operates.



The Group's consolidated financial statements are prepared based on the financial information of its components, i.e. individual companies of the Group. If we considered a component to be significant, we audited its financial information based on the materiality level established for each such component.

Similar to the determination of the overall materiality, significance of components was assessed based on the component's individual share in the Group's revenue. We determined the following significant components, which individually account for more than 15% of the Group's total revenue: PJSC RusHydro, PJSC DEK, JSC DGK.

If we did not consider that the procedures performed at the level of significant components provided adequate audit evidence for expressing our opinion on the consolidated financial statements as a whole, we performed analytical procedures at the Group level and audit procedures in respect of individual balances and types of operations for other components of the Group.

We chose other components of the Group for audit procedures in respect of individual balances and types of operations separately for each financial statement line item included in the scope of our audit, and our choice depended inter alia on the following factors: level of audit evidence obtained from the audit of significant components and level of concentration of balances and types of operations in the Group's structure. We also change our selection of a number of other components on a rotation basis.

On the whole, our audit procedures that were performed at the level of significant and other components of the Group and included, in particular, detailed testing and testing of controls on a sample basis, in our opinion, provided adequate coverage of individual line items in the consolidated financial statements. Thus, for example, our procedures covered 74% of the Group's revenue and 81% of the total carrying value of the Group's property, plant and equipment.

When performing the audit procedures the audit team engaged specialists in taxation, IFRS methodology, as well as experts in valuation of property, plant and equipment and pension liabilities.

We believe that the results of procedures performed on a sample basis at the level of the Group's components, analytical procedures at the Group's level and procedures over the consolidated financial reporting have provided sufficient and appropriate audit evidence for expressing our opinion on the Group's consolidated financial statements as a whole.

Other information

Management is responsible for the other information. Other information includes PJSC RusHydro's Annual Report for 2017 and Issuer's Report of PJSC RusHydro for Q1 2018, but does not include the consolidated financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2017 and Issuer's Report of PJSC RusHydro for Q1 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

AO Pricewaterhouse Coopers Audit

26 March 2018
Moscow, Russian Federation

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

Audited entity: PJSC RusHydro

Certificate of inclusion in the Unified State Register of Legal Entities
issued on 26 December 2004 under registration № 1042401810494

Krasnovarsk. Krasnovarsk Region. Russian Federation. 660017

Independent auditor:
AO PricewaterhouseCoopers Audit

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

Certificate of inclusion in the Unified State Register of Legal Entities
issued on 22 August 2002 under registration № 1027700148431

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

ORNZ 11603050547 in the register of auditors and audit organizations

RusHydro Group
Consolidated Statement of Financial Position
(in millions of Russian Rubles unless noted otherwise)



	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	799,855	765,047
Investments in associates and joint ventures	8	20,097	20,278
Available-for-sale financial assets	9	18,495	21,181
Deferred income tax assets	16	9,354	6,640
Other non-current assets	10	25,331	21,847
Total non-current assets		873,132	834,993
Current assets			
Cash and cash equivalents	11	70,156	67,354
Income tax receivable		3,839	889
Accounts receivable and prepayments	12	51,201	47,076
Inventories	13	25,523	24,037
Other current assets	14	4,400	9,097
Total current assets		155,119	148,453
TOTAL ASSETS		1,028,251	983,446
EQUITY AND LIABILITIES			
Equity			
Share capital	15	426,289	386,255
Treasury shares	15	(4,613)	(22,578)
Share premium		39,202	39,202
Retained earnings and other reserves		231,967	243,790
Equity attributable to the shareholders of PJSC RusHydro		692,845	646,669
Non-controlling interest		2,719	4,263
TOTAL EQUITY		695,564	650,932
Non-current liabilities			
Deferred income tax liabilities	16	41,695	39,086
Non-current debt	18	90,912	158,046
Non-deliverable forward contract for shares	19	20,716	-
Other non-current liabilities	20	28,116	18,726
Total non-current liabilities		181,439	215,858
Current liabilities			
Current debt and current portion of non-current debt	18	78,613	41,757
Accounts payable and accruals	21	55,625	58,784
Current income tax payable		976	858
Other taxes payable	22	16,034	15,257
Total current liabilities		151,248	116,656
TOTAL LIABILITIES		332,687	332,514
TOTAL EQUITY AND LIABILITIES		1,028,251	983,446

Chairman of Management Board – General Director

N. G. Shulginov

Chief Accountant

Y. G. Medvedeva

26 March 2018



RusHydro Group
Consolidated Income Statement
(in millions of Russian Rubles unless noted otherwise)



	Note	Year ended 31 December 2017	Year ended 31 December 2016
Revenue	23	348,119	374,072
Government grants	24	32,745	17,250
Other operating income	4, 7, 9, 10	690	12,422
Operating expenses (excluding impairment losses)	25	(303,805)	(315,705)
Operating profit excluding impairment losses		77,749	88,039
Impairment of property, plant and equipment	7	(24,000)	(26,525)
Impairment of accounts receivable, net		(5,957)	(7,133)
Impairment of financial assets	10	-	(4,464)
Impairment of loans issued	14	-	(2,378)
Operating profit		47,792	47,539
Finance income	26	8,443	9,943
Finance costs	26	(21,133)	(9,041)
Share of results of associates and joint ventures	8	417	6,682
Profit before income tax		35,519	55,123
Income tax expense	16	(13,068)	(15,372)
Profit for the year		22,451	39,751
Attributable to:			
Shareholders of PJSC RusHydro		24,013	40,205
Non-controlling interest		(1,562)	(454)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)			
	27	0.0596	0.1095
Weighted average number of shares outstanding – basic and diluted (thousands of shares)			
	27	402,655,108	367,138,482

RusHydro Group
Consolidated Statement of Comprehensive Income
(in millions of Russian Rubles unless noted otherwise)



	Note	Year ended 31 December 2017	Year ended 31 December 2016
Profit for the year		22,451	39,751
Other comprehensive income, net of tax:			
<i>Items that will not be reclassified to profit or loss</i>			
Impairment of revalued property, plant and equipment	7	(1,043)	(4,920)
Remeasurement of pension benefit obligations	17	344	(274)
Total items that will not be reclassified to profit or loss		(699)	(5,194)
<i>Items that may be reclassified subsequently to profit or loss</i>			
(Loss) / profit arising on available-for-sale financial assets	9	(2,561)	15,050
Reclassification of accumulated loss on available-for-sale financial assets to profit or loss	9	(19)	-
Other comprehensive (loss) / income		(8)	5
Total items that may be reclassified subsequently to profit or loss		(2,588)	15,055
Other comprehensive (loss) / income		(3,287)	9,861
Total comprehensive income for the year		19,164	49,612
Attributable to:			
Shareholders of PJSC RusHydro		20,809	50,082
Non-controlling interest		(1,645)	(470)



	Note	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		35,519	55,123
Depreciation of property, plant and equipment and amortisation of intangible assets	7, 25	25,023	24,130
Loss on disposal of property, plant and equipment, net	25	1,006	555
Share of results of associates and joint ventures	8	(417)	(6,682)
Other operating income	4, 7, 9, 10	(690)	(12,422)
Finance income	26	(8,443)	(9,943)
Finance costs	26	21,133	9,041
Impairment of property, plant and equipment	7	24,000	26,525
Impairment of accounts receivable, net		5,957	7,133
Impairment of financial assets		-	4,464
Impairment of loans issued		-	2,378
Other loss / (income)		468	(758)
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		103,556	99,544
Working capital changes:			
Increase in accounts receivable and prepayments		(13,483)	(9,243)
Decrease / (increase) in other current assets		859	(3,403)
Increase in inventories		(1,604)	(28)
(Decrease) / increase in accounts payable and accruals		(2,236)	1,013
Increase / (decrease) in other taxes payable		891	(199)
Increase in other non-current assets		(1,592)	(7,083)
Increase in other non-current liabilities		7,674	3,549
Income tax paid		(15,940)	(12,777)
Net cash generated by operating activities		78,125	71,373
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(71,693)	(60,957)
Proceeds from sale of property, plant and equipment		213	266
Investment in bank deposits and purchase of other investments		(19,837)	(9,993)
Redemption of bank deposits and proceeds from sale of other investments		23,428	25,477
Proceeds from sale of subsidiaries, net of disposed cash		28	3,559
Proceeds from sale of dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs		-	10,950
Placement of special funds on special accounts		-	(6,998)
Return of special funds from special accounts		-	6,098
Purchase of shares of subsidiary		-	(414)
Interest and dividends received		7,848	7,094
Net cash used in investing activities		(60,013)	(24,918)



	Note	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share issue	15	40,000	33
Proceeds from sale of treasury shares	15	15,000	-
Payments for non-deliverable forward for shares	19	(3,243)	-
Proceeds from current debt	18	55,773	64,855
Proceeds from non-current debt	18	63,499	71,829
Repayment of debt	18	(149,976)	(128,291)
Interest paid		(15,794)	(20,271)
Dividends paid to the shareholders of PJSC RusHydro		(19,673)	(14,228)
Dividends paid by subsidiaries to non-controlling interest holders		(127)	(234)
Finance lease payments		(523)	(530)
Net cash used in financing activities		(15,064)	(26,837)
Effect of foreign exchange differences on cash and cash equivalents balances		(246)	(289)
Increase in cash and cash equivalents		2,802	19,329
Cash and cash equivalents at the beginning of the year		67,354	48,025
Cash and cash equivalents at the end of the year	11	70,156	67,354

RusHydro Group
Consolidated Statement of Changes in Equity

(in millions of Russian Rubles unless noted otherwise)



	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve on property, plant and equipment	Revaluation reserve on available-for-sale financial assets	Reserve for remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2016		386,255	(26,092)	39,202	(135,075)	(474)	188,552	1,952	689	147,470	602,479	11,440	613,919
Profit for the year		-	-	-	-	-	-	-	-	40,205	40,205	(454)	39,751
Profit arising on available-for-sale financial assets	9	-	-	-	-	-	-	14,957	-	-	14,957	93	15,050
Remeasurement of pension benefit obligations	17	-	-	-	-	-	-	-	(230)	-	(230)	(44)	(274)
Impairment of revalued property, plant and equipment	7	-	-	-	-	-	(4,822)	-	-	-	(4,822)	(98)	(4,920)
Other comprehensive income		-	-	-	-	(64)	34	-	-	2	(28)	33	5
Total other comprehensive income		-	-	-	-	(64)	(4,788)	14,957	(230)	2	9,877	(16)	9,861
Total comprehensive income		-	-	-	-	(64)	(4,788)	14,957	(230)	40,207	50,082	(470)	49,612
Dividends	15	-	-	-	-	-	-	-	-	(14,278)	(14,278)	(234)	(14,512)
Offer for shares of JSC RAO ES East	15	-	3,514	-	-	-	-	-	-	4,872	8,386	(6,694)	1,692
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(796)	-	-	796	-	-	-
Effect of changes in non-controlling interest	15	-	-	-	-	-	-	-	-	-	-	213	213
Other movements		-	-	-	-	-	-	-	-	-	-	8	8
As at 31 December 2016		386,255	(22,578)	39,202	(135,075)	(538)	182,968	16,909	459	179,067	646,669	4,263	650,932

The accompanying notes are an integral part of these Consolidated Financial Statements

RusHydro Group
Consolidated Statement of Changes in Equity

(in millions of Russian Rubles unless noted otherwise)



	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve on property, plant and equipment	Revaluation reserve on available-for-sale financial assets	Reserve for remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2017		386,255	(22,578)	39,202	(135,075)	(538)	182,968	16,909	459	179,067	646,669	4,263	650,932
Profit for the year		-	-	-	-	-	-	-	-	24,013	24,013	(1,562)	22,451
Loss arising on available-for-sale financial assets	9	-	-	-	-	-	-	(2,534)	-	-	(2,534)	(27)	(2,561)
Accumulated loss on available for-sale financial assets recycled to the Income Statement	9	-	-	-	-	-	-	(19)	-	-	(19)	-	(19)
Remeasurement of pension benefit obligations	17	-	-	-	-	-	-	-	188	-	188	156	344
Impairment of revalued property, plant and equipment		-	-	-	-	-	(831)	-	-	-	(831)	(212)	(1,043)
Other comprehensive loss		-	-	-	-	(9)	-	-	-	1	(8)	-	(8)
Total other comprehensive loss		-	-	-	-	(9)	(831)	(2,553)	188	1	(3,204)	(83)	(3,287)
Total comprehensive income		-	-	-	-	(9)	(831)	(2,553)	188	24,014	20,809	(1,645)	19,164
Share issue	15	40,034	-	-	-	-	-	-	-	-	40,034	-	40,034
Sale of treasury shares	15	-	17,965	-	-	-	-	-	-	(2,965)	15,000	-	15,000
Dividends	15	-	-	-	-	-	-	-	-	(19,696)	(19,696)	(127)	(19,823)
Non-deliverable forward contract for shares	19	-	-	-	-	-	-	-	-	(10,013)	(10,013)	-	(10,013)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(974)	-	-	974	-	-	-
Effect of changes in non-controlling interest	15	-	-	-	-	-	-	-	-	-	-	228	228
Other movements		-	-	-	-	-	-	-	-	42	42	-	42
As at 31 December 2017		426,289	(4,613)	39,202	(135,075)	(547)	181,163	14,356	647	171,423	692,845	2,719	695,564

The accompanying notes are an integral part of these Consolidated Financial Statements



Note 1. The Group and its operations

PJSC RusHydro (hereinafter referred to as “the Company”) was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by value of shares and was set up in accordance with Russian regulations.

The primary activities of the Company and its subsidiaries (hereinafter together referred to as “the Group”) are generation and sale of electricity and capacity on the Russian wholesale and retail markets, as well as generation and sale of heat energy.

Economic environment in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The tax, currency and customs legislation continue to develop and are subject to frequent changes and varying interpretations. The Russian economy showed signs of recovery in 2017, after the economic downturn of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile.

This economic environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

Relations with the Government and current regulation. As at 31 December 2017 the Russian Federation owned 60.56 percent of the total voting ordinary shares of the Company (31 December 2016: 66.84 percent). The Russian Federation’s participatory interest in the Company’s equity decreased following the additional issue of shares in favour of PJSC Bank VTB that is also controlled by the Russian Federation (Note 15). As at 31 December 2017, PJSC Bank VTB owned 13.34 percent of the Company’s shares.

The Group’s major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group’s fuel and other suppliers (Note 6).

In addition, the Government influences the Group’s operations through:

- participation of its representatives in the Company’s Board of Directors;
- regulation of tariffs for electricity, capacity and heating;
- approval and monitoring of the Group’s investment programme, including volume and sources of financing.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

Overview of the electricity and capacity market. In 2017 the following significant changes were made to the rules of electricity and capacity wholesale and retail markets, their operation procedures and pricing mechanisms:

- Russian Government Resolution No. 895 “On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region” provides for a premium to the price of capacity sold by the Company in the price zones for the wholesale electricity and capacity market, with subsequent transfer of the amounts collected to the constituent budgets of the Far East Federal region in the form of free-of-charge targeted contributions (Note 2).
- Federal Law No.451-FZ of 29 December 2017 establishes the obligation to carry out electricity sales activity only on the basis of relevant licenses, and the administrative responsibility for violating license terms or performing electricity sales without a license.
- Russian Government Resolution No. 624 of 24 May 2017 introduced changes to the Rules for full and (or) partial limitation of electricity consumption that make implementation of power supply limitation much easier and provide an option of imposing a full limitation of power consumption on so called ‘non-disconnectable’ consumers.
- Russian Government Resolution No. 863 of 21 July 2017 establishes the regulator’s duty to set up sales mark-ups for guaranteeing suppliers using a method of compared analogues (the method of standard costs). The Guidelines for Calculating Guaranteeing Suppliers’ Sales Markup were approved by FAS Order No.1554/17 of 21 November 2017.



- Under Russian Government Resolution No.1365 of 11 November 2017, a guaranteeing supplier can be deprived of this status because of its debts to grid companies.
- Federal Law No. 279-FZ of 29 July 2017 introduces changes to the Federal Law “On Heat Supply”. These changes allow to include cities and districts into heat supply price zones in which prices for heat (capacity) provided to consumers by a single heat supplier are capped by the maximum level of heat (capacity) prices for consumers (the Law “On Alternative Boiler Plant”). In the maximum price level framework, a single heat supplier provides heat energy (capacity) to its consumers at prices agreed by the parties.
- The Rules of establishing maximum price levels for heat (capacity) in these price zones were approved on 15 December 2017 under Russian Government Resolution No.1562.

Note 2. Summary of significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the financial instruments initially recognised at fair value, revaluation of property, plant and equipment and available-for-sale financial assets. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Each company of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with Russian standards of accounting (hereinafter referred to as “RSA”). These consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency. The functional currency of the Company and its subsidiaries, and the presentation currency for these consolidated financial statements is the national currency of the Russian Federation, the Russian Ruble.

Foreign currency translation. Monetary assets and liabilities, which are held by the Group’s entities and denominated in foreign currencies at the end of the reporting period, are translated into Russian Rubles at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

As at 31 December 2017, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between Russian Ruble and US Dollar (hereinafter referred to as “USD”) was RR 57.60: USD 1.00 (31 December 2016: RR 60.66: USD 1.00), between Russian Ruble and Euro was RR 68.87: EUR 1.00 (31 December 2016: RR 63.81: EUR 1.00).

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest’s proportionate share of net assets of the acquiree.



Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between the Group's entities are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest, that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Acquisition of subsidiaries from parties under common control. Acquisitions of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or the date when the combining entities were first brought under common control if later. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to merger reserve within equity. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented, i.e. retrospectively except for acquisition of subsidiaries acquired exclusively with a view for resale which are accounted for using predecessor values method prospectively from the acquisition date.

Investments in associates and joint ventures. Investments in associates and joint ventures are accounted for using the equity method of accounting, based upon the percentage of ownership held by the Group. Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as profit or loss in respect of associates and joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, and (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the profit or loss in respect of associates and joint ventures.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.



A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is defined by the making of decisions about the relevant activities requiring the unanimous consent of the parties sharing control.

The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence on joint ventures and associates.

Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity, unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Property, plant and equipment. Property, plant and equipment in the statement of financial position includes assets under construction for future use as property, plant and equipment. Property, plant and equipment except for office buildings, land and assets under construction are stated at revalued amounts less accumulated depreciation and provision for impairment (where required). Office buildings owned by the Group are stated at historical cost less accumulated depreciation and accumulated impairment; land and assets under construction are stated at historical cost less accumulated impairment.

Property, plant and equipment except for office buildings, land and assets under construction are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the asset.

The revaluation surplus included in equity is transferred directly to retained earnings when the revaluation surplus is realised on disposal of the asset.

The Group charges deferred tax liabilities in respect of revaluation of property, plant and equipment directly to other comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is highly probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Social assets are not capitalised if they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation. Depreciation on items of property, plant and equipment (except for land and assets under construction) is calculated using the straight-line method over their estimated useful lives.

The useful lives of property, plant and equipment are subject to annual assessment by management and if expectations differ from previous estimates, the changes of useful lives are accounted for as a change in an accounting estimate prospectively.



The average useful lives of property, plant and equipment by type of facility, in years, were as follows:

Type of facility	Average useful lives
Production buildings	25–80
Facilities	10–100
Plant and equipment	5–40
Other	3–30

Depreciation is charged once an asset is available for use. Land and assets under construction are not depreciated.

Impairment of property, plant and equipment. Impairment reviews for property, plant and equipment are carried out when there is an indication that impairment may have occurred, or where it is otherwise required to ensure that property, plant and equipment are not carried above their estimated recoverable amounts (Note 7). If such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs of disposal and its value in use. Fair value less costs of disposal represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the cash-generating unit.

The carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a positive change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Intangible assets and goodwill. The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software. Intangible assets are amortised using the straight-line method over their useful lives. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. The Group uses such valuation techniques of fair value which are the most acceptable in the circumstances and as much as possible use the observable basic data.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

For disclosure of information on fair value the Group classified assets and liabilities on the basis of an appropriate level of hierarchy of fair value as it is stated above (Note 32).



Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have the following categories: (i) loans and receivables; (ii) available-for-sale financial assets; (iii) financial assets held to maturity and (iv) financial assets at fair value through profit or loss. The description of categories of financial assets of the Group is given below.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments.

Financial assets at fair value through profit or loss. This category is presented by derivative financial instruments which are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

All other financial assets are included in the *available-for-sale* category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (i) financial liabilities at fair value through profit or loss and (ii) other financial liabilities. All financial liabilities of the Group including loans are categorised as other and carried at amortized cost.

Initial recognition of financial instruments. Trading investments, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale financial assets. Available-for-sale financial assets are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is



established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses on available-for-sale investments are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale financial assets. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred: (i) any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems; (ii) the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains; (iii) the counterparty considers bankruptcy or a financial reorganisation; (iv) there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or (v) the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the



Group has obtained control of the asset and it is highly probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Cost of inventory that is expensed is determined on the weighted average basis.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantially enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is highly probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Debt. Debt is recognised initially at its fair value, less transaction costs. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective interest method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement as an interest expense over the period of the debt obligation.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.



The commencement date for capitalisation is when (i) the Group incurs expenditures for the qualifying asset; (ii) it incurs borrowing costs; and (iii) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Interest payments capitalised as part of the cost of an assets are classified as cash outflows from financing activities in Consolidated Statement of Cash Flows.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Defined benefit plans. The Group operates defined benefit plans that cover the majority of its employees. Defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, minimum tariff rate of remuneration and others.

The net liability recognised in the statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the end of the reporting period less fair value of plan assets.

The defined benefit obligations are calculated by independent actuary using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from remeasurement of pension benefit obligations are recognised in other comprehensive income. Past service cost is immediately recognised in profit or loss within operating expenses.

Defined contribution plans. For defined contribution plans, the Group pays contributions and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in the consolidated income statement.

Other post-employment benefit obligations. The Group pays a one-off financial aid on occasion of an employee's jubilee. The amount of the benefit depends on one or more factors, such as the age, length of service in the company, salary and others.

For the purpose of calculating benefit obligations of these types, actuarial gains and losses arising as a result of adjustments or changes in actuarial assumptions are recognised within profit or loss in the consolidated statement of income in the period when they arise. All other aspects of accounting for these obligations are similar to those of accounting for defined benefit obligations.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.



Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Environmental liabilities. Liabilities for environmental remediation are recorded where there is a present obligation, the payment is highly probable and reliable estimates exist.

Revenue recognition. Revenue is recognised on the delivery of electricity and heat, provision of capacity, supply of services and on the dispatch of goods during the period. Revenue from retail operations is recognised on delivery of electricity and heat to the customer. Revenue amounts are presented exclusive of value added tax.

Revenue transactions under free bilateral contracts are shown net of related purchases of equivalent electricity volumes which the market participant is obliged to make in accordance with the industry regulations. For the year ended 31 December 2017 additional resale turnover in the amount of RR 244 million was shown net for presentation purposes to reflect the economic substance of transactions. For the year ended 31 December 2016 there was no additional turnover.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets. Government grants are included in cash flows from operating activities.

Earnings per share. The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, excluding the average number of treasury shares held by the Group.

Share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the placement value over the par value of shares issued is recorded as share premium in equity.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. In case the consideration paid is non-cash asset, the treasury shares received are recognised at the fair value of this asset. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing of amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Social expenditure. To the extent that the Group's contributions to social programmes benefit the community at large without creating constructive obligations to provide such benefits in the future and are not restricted to the Group's employees, they are recognised in the income statement as incurred.



Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition, and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Sale of shares subject to entering into a non-deliverable forward contract for the shares. The management treats the transaction on acquisition by PJSC Bank VTB (the "Bank") of 55 billion of the Company's ordinary shares – 40 billion of additionally issued shares and 15 billion of treasury shares carried on the Group subsidiaries' balance sheet (Note 15) and entering into a non-deliverable forward contract for these shares (Note 19) in March 2017 as two separate transactions. The sale of shares is recorded in equity and a derivative financial instrument is recognised.

The terms and conditions of the share sale imply transfer of risks and rewards in connection with these shares, such as dividend payments received by the Bank and participation in the Company's management. No obligations for their repurchase and conversion into a different financial instrument, guarantees or binding agreements arise for the Company. Given the above and the fact that the international financial reporting standards do not prescribe accounting treatment for the risks and rewards transfer procedure for treasury shares, the Group management concluded that the transaction should be presented on the basis that the Bank is the beneficial owner of the Company's shares.

In the Group management's opinion, the decrease in the prepaid forward value by the amounts equivalent to dividends received by the Bank does not directly represent return of dividends, and, therefore, does not limit the Bank in terms of obtaining rewards from share ownership. According to the forward contract, there will be significant delays in the offset of cash flows (for a period exceeding three months from the date when dividends are received by the Bank), and the Bank will be able to place the received dividends not only in cash and cash equivalents but other instruments for the period exceeding three months as well, and it will be able to receive income and subsequently reinvest it multiple times.

As the issue of shares is recorded in equity and also as both the issue of shares and the conclusion of the non-deliverable forward contract are carried out by decision and in the interests of the state as the ultimate controlling party, the initial recognition of the non-deliverable forward contract for these shares is also recorded in equity as a shareholder transaction.

Recognition of a premium to the price of capacity with subsequent transfer of the collected amounts to the budgets of the respective regions. In July 2017 the Resolution of the Russian Government No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region" became effective. This Resolution stipulates the application of a premium to the price of capacity provided by the Company in the price zones of the wholesale electricity and capacity market with subsequent transfer of the amounts collected to the constituent budgets of the Far East Federal region in the form of free-of-charge targeted contributions.

Constituent regions are obliged to use these contributions to compensate the guaranteeing suppliers of the Far East Federal region for the reduction in tariffs which were made consistent with the basic level. According to the Resolution tariffs were reduced retrospectively starting from 1 January 2017.



The amount of the premium that should be transferred to the budgets of the Far East Federal region in the form of free-of-charge targeted contributions is stipulated by the Resolution of the Russian Government and for the year ended 31 December 2017 was RR 23 995 million. Taking into account that the Group collects the premium and subsequently transfers it to the respective budgets on behalf of the Russian Government, the management of the Group concluded that revenue from the sales of capacity in the amount of the premium should be presented in the consolidated income statement net of related free-of-charge targeted contributions.

Government subsidies receivable by the Group's companies – guaranteeing suppliers under the rules of the Resolution of the Russian Government No. 895 are recognised in government grants (Note 24). Government grants are recognised when there is a reasonable assurance that the grant will be received and the Group will be able to comply with all attached conditions (Note 12).

Impairment of non-financial assets. Accounting for impairment of non-financial assets includes impairment of property, plant and equipment and impairment of investments in associates.

The effect of these critical accounting estimates and assumptions is disclosed in Notes 7 and 8.

Recognition of deferred tax assets. At each reporting date management assesses recoverability of deferred tax assets arising from operating losses and asset impairments in the context of the current economic environment, particularly when current and expected future profits have been adversely affected by market conditions. Management considers first the future reversal of existing deferred tax liabilities and then considers future taxable profits when evaluating deferred tax assets. The assessment is made on a taxpayer basis. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plans of the Group companies prepared by management and extrapolated results thereafter.

Management considered the recoverability of recognised deferred tax assets, including those on tax losses carried forward, as probable due to existence of taxable temporary differences which recoverability is expected in future and of high probability of deferred tax assets being recoverable by the future taxable profits (Note 16).

Useful life of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets and other factors. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear, warranty terms as well as the environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates which can affect the reported income.

Reclassifications. Certain reclassifications have been made to prior year data to conform to the current year presentation. These reclassifications are not material.

Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective from 1 January 2017 but did not have any material impact on the Group's consolidated financial statements:

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The new disclosures are included in Note 18.
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

Note 3. New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Group has not early adopted. These standards and interpretations have been approved for adoption in the Russian Federation unless noted otherwise.

IFRS 9, Financial Instruments: Classification and Measurement (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).



- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the Group expects the adoption of the new standard will not have a significant impact on the consolidated financial statements from the adoption of the new standard on 1 January 2018 and will result in the following changes in the consolidated financial statements for the year ending 31 December 2018:

- As a result of the recalculation of the provision for impairment of the Group's accounts receivable in accordance with the expected credit losses (ECL) model, the provision for impairment of accounts receivable as at January 1, 2018 will be reduced by RR 705 million according to preliminary estimates and, accordingly, accounts receivable will increase by the same amount.
- No significant changes are expected for financial liabilities, other than changes in the fair value of financial liabilities designated at FVTPL in the consolidated financial statements for the year ending 31 December 2018 that are attributable to changes in the instrument's credit risk, which will be presented in other comprehensive income.

IFRS 15, Revenue from Contracts with Customers (amended in April 2016 and effective for the periods beginning on or after 1 January 2018). The new standard replaces all existing IFRS requirements for revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

In accordance with the transition provisions in IFRS 15 the Group management intends to apply the simplified transition method with the effect of the transition to be recognised as at 1 January 2018 in the consolidated financial statements for the year ending 31 December 2018 which will be the first year when the Group will apply IFRS 15.

The Group plans to apply the practical expedient available for the simplified transition method. IFRS 15 will be applied retrospectively only to contracts that are outstanding at the date of initial recognition (1 January 2018).



In accordance with the current accounting policies, the Group recognises revenue upon delivery of electricity, heat and provision of capacity and upon sale of other goods and provision of services during the period. Revenue is recognised at the fair value of the consideration receivable. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. In accordance with IFRS 15, revenue is recognised in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for the transfer of goods or services promised to the customer.

Based on the analysis of the Group's recurrent inflows for the year ended 31 December 2017, terms of individual contracts, and facts and circumstances that exist at that date, the Group expects that adoption of IFRS 15 will not have a significant impact on its consolidated financial statements as at 1 January 2018 and will result in the following changes in the accounting policies and the following adjustments in the consolidated financial statements for the year ending 31 December 2018:

Received compensation of losses in grids. The Group currently recognises revenue from compensation of transmission losses and expenses on power distribution under contracts with grid companies on a gross basis. Compensation of transmission losses that the Group receives from grid companies are not treated as separate performance obligations in accordance with IFRS 15. Therefore, this compensation cannot be recognised within revenues as the contract on compensation of losses is not a contract with customers in the context of IFRS 15 and is beyond the scope of IFRS 15.

The compensation of transmission losses that entities of the Group received in the year ended 31 December 2017 amounted to RR 4,237 million. Expenses on power distribution under contracts with grid companies totalled RR 47,719 million for the year ended 31 December 2017.

Purchase of electricity for own needs. The wholesale electricity and capacity market (WEM) has a number of sectors varying in their contractual terms and conditions and delivery timeframes: sector of regulated contracts, day-ahead market, sector of unregulated bilateral contracts and the balancing market. Under the WEM rules, the Group does not have direct contracts with final customers in the day-ahead and balancing markets and sells electricity under contracts with JSC Centre of Financial Settlements (CFS), who further sells it to final customers. At the same time, the Group has contracts with CFS for the purchase of electricity based on the results of the competitive selection of price bids on the day-ahead market and for the purposes of balancing the system.

The Group treats electricity supply contracts with CFS as contracts with a customer (represented by the whole market) covered by IFRS 15. Therefore, an electricity supply contract with CFS and an electricity purchase contract with CFS are treated as contracts signed with one customer - the wholesale electricity and capacity market.

The Group is unable to function normally without ensuring power supply to its production facilities. This indicates direct interrelation between the purchased volume of electricity and its generation and delivery to WEM. The fact that the Group buys electricity at WEM does not mean that the Group is a customer in the context of IFRS 15. Consequently, the cost of electricity that the Group buys at WEM to support the work process and for own needs, in accordance with IFRS 15 represents compensation to be paid to the customer. This compensation should be recognised as a reduction of the transaction price and, therefore, of revenue, unless the payment to the customer is in exchange for distinct goods or services that the customer transfers to the entity.

The cost of electricity purchased to support the work process and for other own needs totalled RR 583 million for the year ended 31 December 2017.

Given that management of the Group has not finalised its analysis of the impact of the adoption of IFRS 15, the above disclosure is preliminary and it is possible that the impact on the consolidated financial statements may differ from the above. The Group expects to finalise the IFRS 15 adoption by the date of issue of the condensed consolidated interim financial information for the three months ended 31 March 2018.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16



substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 17, Insurance Contracts (issued in May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRIC 22, Foreign currency transactions and advance consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from advance consideration in foreign currency. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances where an entity recognises the non-monetary asset or non-monetary liability arising from an advance consideration in foreign currency. IFRIC 22 does not contain any practical guidance on identifying an accounting item as monetary or non-monetary. Generally, a payment or receipt of consideration made as advance payment would result in recognition of a non-monetary asset or non-monetary liability. However, they can also give rise to a monetary asset or liability. An entity may require professional judgement to determine if a specific accounting item is monetary or non-monetary. The Group is currently assessing the impact of the Interpretation on its consolidated financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.



The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

Note 4. Principal subsidiaries

All principal subsidiaries are incorporated and operate in the Russian Federation. Differences between the ownership interest and voting interest held by some subsidiaries represent the effect of preference shares and / or effects of indirect ownership, or shares of limited liability companies (LLC).

The Group operates in the three main reportable segments one of which is represented by the Group's parent company – PJSC RusHydro (Note 5). The principal subsidiaries are presented below according to their allocation to the reportable segments as at 31 December 2017 and 31 December 2016.

ESC RusHydro subgroup segment

ESC RusHydro subgroup segment includes the Group's subsidiaries which sell electricity to final customers. All the entities included in this segment with the exception of JSC ESC RusHydro have the guaranteeing supplier status and are obliged to sign contracts on supplies with all final consumers of their region upon their request.

	31 December 2017		31 December 2016	
	% of ownership	% of voting	% of ownership	% of voting
JSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
PJSC Krasnoyarskenergosbyt	65.81%	69.40%	65.81%	69.40%
PJSC Ryazanenergosbyt	90.52%	90.52%	90.52%	90.52%
JSC Chuvashskaya Electricity Sales Company	100.00%	100.00%	100.00%	100.00%

In December 2016 the Group completed the sale transaction of 100 percent shares of LLC ESC Bashkortostan (electricity sales company, guaranteeing supplier of electricity in the Republic of Bashkortostan) to Inter RAO Group. Profit from the sale of LLC ESC Bashkortostan in the amount of RR 3,048 million is included in other operating income for the year ended 31 December 2016.



RAO ES East subgroup segment

RAO ES East subgroup segment consists of JSC RAO ES East and its subsidiaries that generate distribute and sell electricity and heat in the Far East region of the Russian Federation and render transportation, construction, repair and other services.

Principal subsidiaries of this segment are presented below:

	31 December 2017		31 December 2016	
	% of ownership	% of voting	% of ownership	% of voting
JSC RAO ES East*	99.98%	99.98%	99.98%	99.98%
PJSC DEK	52.11%	52.17%	52.11%	52.17%
JSC DGK	52.11%	100.00%	52.11%	100.00%
JSC DRSK	52.11%	100.00%	52.11%	100.00%
PJSC Kamchatskenergo	98.72%	98.74%	98.72%	98.74%
PJSC Magadanenergo**	48.99%	49.00%	48.99%	49.00%
PJSC Sakhalinenergo	57.80%	57.82%	57.80%	57.82%
PJSC Yakutskenergo	79.15%	79.16%	79.15%	79.16%

* In October 2017 shares of RAO Energy Systems of the East were de-listed on the Moscow Exchange. In December 2017 changes to the Charter were registered that eliminated indication of the company's public status in the company's name. Voting and ownership percent interests in JSC RAO ES East as at 31 December 2016 include 15.59 percent interest held by the Group's subsidiary LLC Vostok-Finance.

** Control over PJSC Magadanenergo is achieved by the majority of votes on the shareholders meeting because the remaining part of the shares not owned by the Group are distributed among a large number of shareholders the individual stakes of which are insignificant.

Other segments

Other segments include:

- the Group's subsidiaries engaged in production and sale of electricity and capacity;
- the Group's subsidiaries primarily engaged in research and development related to the utilities industry and construction of hydropower facilities;
- the Group's subsidiaries engaged in repair, upgrade and reconstruction of equipment and hydropower facilities;
- the Group's subsidiaries engaged primarily in hydropower plants construction;
- minor segments which do not have similar economic characteristics.

Principal subsidiaries included in other segments are presented below:

	31 December 2017		31 December 2016	
	% of ownership	% of voting	% of ownership	% of voting
JSC Blagoveschensk TPP	100.00%	100.00%	100.00%	100.00%
JSC VNIIG named after B. E. Vedeneev	100.00%	100.00%	100.00%	100.00%
JSC Geotherm	99.65%	99.65%	99.65%	99.65%
JSC Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
JSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
JSC Zaramag HS	99.75%	99.75%	99.75%	99.75%
JSC Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
PJSC Kolimaenergo	98.76%	98.76%	98.76%	98.76%
JSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
JSC NIIES	100.00%	100.00%	100.00%	100.00%
JSC Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
JSC Sakhalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC TPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
JSC Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
JSC Ust'-Srednekanskaya HPP named after A. F. Dyakov	99.63%	100.00%	99.63%	100.00%
JSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
JSC Yakutskaya GRES-2	100.00%	100.00%	100.00%	100.00%



Non-controlling interest

Summarised financial information related to subsidiaries with significant amount of non-controlling interest before elimination of operations between the Group's subsidiaries is presented below:

	RAO ES East subgroup		including DEK subgroup	
Financial position	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Share of non-controlling interest	0.02%	0.02%	47.89%	47.89%
Share of voting rights, attributable to non-controlling interest	0.02%	0.02%	47.83%	47.83%
Non-current assets	121,463	114,628	69,998	65,407
Current assets	64,971	57,587	28,470	25,645
Non-current liabilities	(89,872)	(87,668)	(63,069)	(61,392)
Current liabilities	(89,500)	(74,421)	(40,998)	(33,433)
Net assets / (liabilities)	7,062	10,126	(5,599)	(3,773)
Carrying value of non-controlling interest	5,778	3,014	1,686	(421)
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Financial results				
Revenue	168,714	175,545	123,406	119,179
(Loss) / profit for the year	(13,403)	(6,184)	(7,491)	1,573
Total comprehensive (loss) / income for the year	(14,149)	(6,397)	(7,297)	1,744
(Loss)/ profit for the year, attributable to non-controlling interest	(1,690)	(221)	(1,576)	1,641
Changes in other comprehensive income / (loss), attributable to non-controlling interest	56	(110)	3,459	114
Cash flows				
Cash generated by operating activities	13,815	12,982	6,844	11,397
Cash used in investing activities	(18,904)	(17,632)	(8,077)	(6,093)
Cash generated by / (used in) financing activities	7,922	(355)	2,579	(4,980)
Increase / (decrease) in cash and cash equivalents	2,833	(5,005)	1,346	324

The rights of the non-controlling shareholders of the presented subgroups are determined by the Federal Law "On Joint Stock Companies" and the charter documents of JSC RAO ES East and PJSC DEK.

Note 5. Segment information

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the operating segments, which based on the same principles as the present consolidated financial statements, is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated to the segments and the performance of the segments' operating activities.

The CODM analyses the information concerning the Group by the groups of operations which are aggregated in operating segments presented by the following separate reportable segments: PJSC RusHydro (the Group's parent company), ESC RusHydro subgroup, RAO ES East subgroup and other segments (Note 4). Transactions of other segments are not disclosed as reportable segments based on quantitative indicators for the periods presented.

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



The segments' operational results are assessed on the basis of EBITDA, which is calculated as operating profit / loss excluding insurance compensation, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property, plant and equipment, impairment of financial assets, impairment of loans issued and accounts receivable, gain / loss on disposal of property, plant and equipment, gain / loss on disposal of subsidiaries and associates, profit on disposal of other non-current assets and other non-monetary items of operating expenses. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of the above charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt's balances are excluded.

Other information provided to the CODM complies with the information presented in the consolidated financial statements.

Intersegment sales are carried out at market prices.

Segment information for the years ended 31 December 2017 and 31 December 2016 and as at 31 December 2017 and 31 December 2016 is presented below:

RusHydro Group
Notes to the Consolidated Financial Statements as at and for the year ended
31 December 2017

(in millions of Russian Rubles unless noted otherwise)



						Unallocated adjustments and intercompany operations	
Year ended 31 December 2017	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments		TOTAL
Revenue	120,493	61,817	168,714	29,039	380,063	(31,944)	348,119
<i>including:</i>							
<i>from external companies</i>	111,091	61,799	168,398	6,831	348,119	-	348,119
<i>sales of electricity</i>	77,059	60,657	102,867	826	241,409	-	241,409
<i>sales of heat and hot water sales</i>	158	-	38,747	2	38,907	-	38,907
<i>sales of capacity</i>	33,723	-	6,856	302	40,881	-	40,881
<i>other revenue</i>	151	1,142	19,928	5,701	26,922	-	26,922
<i>from intercompany operations</i>	9,402	18	316	22,208	31,944	(31,944)	-
Government grants	-	-	32,567	178	32,745	-	32,745
Other operating income (excluding non-monetary items)	259	-	-	431	690	-	690
Operating expenses (excluding depreciation and other non-monetary items)	(44,026)	(60,239)	(177,959)	(27,174)	(309,398)	31,882	(277,516)
EBITDA	76,726	1,578	23,322	2,474	104,100	(62)	104,038
Depreciation of property, plant and equipment and amortisation of intangible assets	(14,656)	(221)	(7,964)	(2,393)	(25,234)	211	(25,023)
Other non-monetary items of operating income and expenses	(3,946)	(1,017)	(13,293)	(12,961)	(31,217)	(6)	(31,223)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(2,394)	-	(8,950)	(12,656)	(24,000)	-	(24,000)
<i>impairment of accounts receivable, net</i>	(1,324)	(1,011)	(3,385)	(237)	(5,957)	-	(5,957)
<i>loss on disposal of property, plant and equipment, net</i>	(268)	(6)	(647)	(79)	(1,000)	(6)	(1,006)
<i>gain / (loss) on disposal of subsidiaries and associates</i>	40	-	(311)	11	(260)	-	(260)
Operating profit / (loss)	58,124	340	2,065	(12,880)	47,649	143	47,792
Finance income							8,443
Finance costs							(21,133)
Share of results of associates and joint ventures							417
Profit before income tax							35,519
Income tax expense							(13,068)
Profit for the year							22,451
Capital expenditure	25,661	156	23,133	38,492	87,442	(175)	87,267
31 December 2017							
Non-current and current debt	120,070	1,268	43,348	4,839	169,525	-	169,525

RusHydro Group
Notes to the Consolidated Financial Statements as at and for the year ended
31 December 2017

(in millions of Russian Rubles unless noted otherwise)



						Unallocated adjustments and intercompany operations	
Year ended 31 December 2016	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments		TOTAL
Revenue	115,037	88,748	175,545	29,502	408,832	(34,760)	374,072
<i>including:</i>							
<i>from external companies</i>	104,441	88,715	174,716	6,200	374,072	-	374,072
<i>sales of electricity</i>	74,802	87,595	109,586	599	272,582	-	272,582
<i>sales of heat and hot water sales</i>	168	-	38,681	-	38,849	-	38,849
<i>sales of capacity</i>	28,881	-	7,795	392	37,068	-	37,068
<i>other revenue</i>	590	1,120	18,654	5,209	25,573	-	25,573
<i>from intercompany operations</i>	10,596	33	829	23,302	34,760	(34,760)	-
Government grants	-	-	17,184	66	17,250	-	17,250
Other operating income (excluding non-monetary items)	29	1	82	340	452	(17)	435
Operating expenses (excluding depreciation and other non-monetary items)	(41,857)	(85,869)	(168,917)	(29,788)	(326,431)	35,015	(291,416)
EBITDA	73,209	2,880	23,894	120	100,103	238	100,341
Insurance indemnity	-	-	-	1,737	1,737	-	1,737
Depreciation of property, plant and equipment and amortisation of intangible assets	(13,641)	(752)	(7,747)	(2,247)	(24,387)	257	(24,130)
Other non-monetary items of operating income and expenses	(3,078)	881	(12,501)	(15,711)	(30,409)	-	(30,409)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(6,743)	-	(5,581)	(14,201)	(26,525)	-	(26,525)
<i>profit on disposal of other non-current assets</i>	7,202	-	-	-	7,202	-	7,202
<i>impairment of financial assets</i>	-	(243)	(3,120)	(1,101)	(4,464)	-	(4,464)
<i>impairment of loans issued</i>	(2,378)	-	-	-	(2,378)	-	(2,378)
<i>impairment of accounts receivable, net</i>	(1,014)	(1,911)	(3,968)	(240)	(7,133)	-	(7,133)
<i>loss on disposal of property, plant and equipment, net</i>	(145)	(13)	(228)	(169)	(555)	-	(555)
<i>gain on disposal of subsidiaries and associates</i>	-	3,048	396	-	3,444	-	3,444
Operating profit / (loss)	56,490	3,009	3,646	(16,101)	47,044	495	47,539
Finance income							9,943
Finance costs							(9,041)
Share of results of associates and joint ventures							6,682
Profit before income tax							55,123
Income tax expense							(15,372)
Profit for the year							39,751
Capital expenditure	29,987	210	20,809	30,132	81,138	(73)	81,065
31 December 2016							
Non-current and current debt	107,274	550	86,912	5,067	199,803	-	199,803



Note 6. Related party transactions

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

The Group's principal related parties for the years ended 31 December 2017 and 31 December 2016 were joint ventures, associates of the Group (Note 8) and government-related entities.

Joint ventures

The Group had the following balances with its joint ventures:

	Note	31 December 2017	31 December 2016
Promissory notes	10	6,880	6,269
Advances to suppliers		172	800
Loans issued		8	15
Loans received		750	750

The Group had the following transactions with its joint ventures:

	Year ended 31 December 2017	Year ended 31 December 2016
Sales of electricity and capacity	337	931
Other revenue	622	648
Purchased electricity and capacity	2,835	2,811

Associates

The Group had the following balances with its associates:

	31 December 2017	31 December 2016
Trade and other receivables	456	491
Accounts payable	1,277	781

The Group had the following transactions with its associates:

	Year ended 31 December 2017	Year ended 31 December 2016
Sales of electricity and capacity	2,673	2,679
Other revenue	153	137
Rent	605	521
Purchased electricity and capacity	15	17

Government-related entities

In the normal course of business the Group enters into transactions with the entities related to the Government.

The Group had transactions during the years ended 31 December 2017 and 31 December 2016 and balances outstanding as at 31 December 2017 and 31 December 2016 with the following government-related banks: SC Vnesheconombank, PJSC Sberbank, JSC Rosselkhozbank, Bank GPB (JSC), PJSC VTB Bank, PJSC VTB24 (Notes 10, 11, 14, 18). All transactions are carried out at market rates. The Company had an additional issue of shares and sold treasury shares of its subsidiaries (Note 15). The Company also entered into a non-deliverable forward transaction of its treasury shares with PJSC VTB Bank (Note 19).

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 30 percent of total sales of electricity, capacity and heat for the year ended 31 December 2017 (for the year ended 31 December 2016: approximately 30 percent). Sales of electricity and capacity under the regulated contracts are conducted directly to the consumers, within the day-ahead market (DAM) – through commission agreements with JSC Centre of Financial Settlements (CFS). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants.



During the period the Group received government subsidies in amount of RR 32,745 million (in 2016 in the amount of RR 17,250 million) (Note 24).

Government subsidies receivable comprised RR 3,401 million as at 31 December 2017 (31 December 2016: RR 2,108 million) (Note 12). There were no accounts payable on free-of-charge targeted contributions of the Group as at 31 December 2017 and 31 December 2016.

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 30 percent of total expenses on purchased electricity, capacity and fuel for the year ended 31 December 2017 (for the year ended 31 December 2016: approximately 20 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 80 percent of total electricity distribution expenses for the year ended 31 December 2017 (for the year ended 31 December 2016: approximately 70 percent). The distribution of electricity is subject to tariff regulations.

Key management of the Group. Key management of the Group includes members of the Board of Directors of the Company, members of the Management Board of the Company, heads of the business subdivisions of the Company and their deputies, key management of subsidiaries of RAO ES East subgroup segment.

Remuneration to the members of the Board of Directors of the Company for their services in their capacity and for attending Board meetings is paid depending on the results for the year and is calculated based on specific remuneration policy approved by the Annual General Shareholders Meeting of the Company.

Remuneration to the members of the Management Board and to other key management of the Group is paid for their services in full time management positions and is made up of a contractual salary and performance bonuses depending on the results of the work for the period based on key performance indicators approved by the Board of Directors of the Company.

Main compensation for Key management of the Group generally is short-term excluding future payments under pension plans with defined benefits. Pension benefits for key management of the Group are provided on the same terms as for the rest of employees.

Short-term remuneration paid to the key management of the Group for the year ended 31 December 2017 comprised RR 1,877 million including an accrual for bonuses in the amount of RR 400 million (for the year ended 31 December 2016: RR 1,419 million including accrual for bonuses in the amount of RR 165 million). The accrual for bonuses for the year ended 31 December 2017 includes remuneration under the Company's key management long-term motivation Program as expected based on the 2017 results.



Note 7. Property, plant and equipment

Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2016	91,324	407,267	311,929	292,889	14,286	1,117,695
Impairment of revalued property, plant and equipment	(136)	(1,034)	(137)	-	-	(1,307)
Reclassification	539	4,782	(5,458)	245	(108)	-
Additions	112	17	1,326	84,849	963	87,267
Transfers	10,221	23,011	47,445	(80,755)	78	-
Disposals of subsidiaries	(272)	(87)	(176)	(27)	(127)	(689)
Disposals and write-offs	(312)	(1,432)	(1,635)	(639)	(615)	(4,633)
Balance as at 31 December 2017	101,476	432,524	353,294	296,562	14,477	1,198,333
Accumulated depreciation (including impairment)						
Balance as at 31 December 2016	(35,459)	(143,461)	(133,736)	(32,224)	(7,768)	(352,648)
Impairment charge	(4,068)	(7,877)	(8,699)	(3,830)	(109)	(24,583)
Reversal of impairment	-	-	-	597	-	597
Depreciation charge	(2,041)	(8,770)	(13,393)	-	(1,148)	(25,352)
Transfers	(430)	(3,524)	673	3,416	(135)	-
Disposals of subsidiaries	267	86	167	6	85	611
Disposals and write-offs	136	676	1,266	479	340	2,897
Balance as at 31 December 2017	(41,595)	(162,870)	(153,722)	(31,556)	(8,735)	(398,478)
Net book value as at 31 December 2017	59,881	269,654	199,572	265,006	5,742	799,855
Net book value as at 31 December 2016	55,865	263,806	178,193	260,665	6,518	765,047

Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2015	83,887	398,693	268,513	285,292	13,646	1,050,031
Impairment of revalued property, plant and equipment	(262)	(4,941)	(943)	-	(4)	(6,150)
Reclassification	(105)	(313)	(2,240)	2,790	(132)	-
Additions	71	1,307	1,591	76,876	1,220	81,065
Transfers	8,247	13,218	49,052	(70,675)	158	-
Disposals of subsidiaries	(352)	(129)	(452)	(34)	(125)	(1,092)
Disposals and write-offs	(162)	(568)	(3,592)	(1,360)	(477)	(6,159)
Balance as at 31 December 2016	91,324	407,267	311,929	292,889	14,286	1,117,695
Accumulated depreciation (including impairment)						
Balance as at 31 December 2015	(31,803)	(131,656)	(105,881)	(29,192)	(6,914)	(305,446)
Impairment charge	(1,729)	(6,227)	(13,317)	(11,692)	(134)	(33,099)
Reversal of impairment	786	3,284	2,433	70	9	6,582
Depreciation charge	(2,018)	(8,294)	(12,621)	-	(1,191)	(24,124)
Transfers	(794)	(719)	(6,554)	8,065	2	-
Disposals of subsidiaries	47	53	343	28	95	566
Disposals and write-offs	52	98	1,861	497	365	2,873
Balance as at 31 December 2016	(35,459)	(143,461)	(133,736)	(32,224)	(7,768)	(352,648)
Net book value as at 31 December 2016	55,865	263,806	178,193	260,665	6,518	765,047
Net book value as at 31 December 2015	52,084	267,037	162,632	256,100	6,732	744,585

As at 31 December 2017, included in the net book value of the property, plant and equipment are office buildings and plots of land owned by the Group in the amount of RR 7,486 million (31 December 2016: RR 7,745 million) which are stated at cost.

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including hydropower plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 31 December 2017 such advances amounted to RR 36,577 million (31 December 2016: RR 47,105 million).



Additions to assets under construction included capitalised borrowing costs in the amount of RR 11,584 million, the capitalisation rate was 9.50 percent (for the year ended 31 December 2016: RR 14,276 million, the capitalisation rate was 10.55 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 732 million (for the year ended 31 December 2016: RR 1,042 million).

Other property, plant and equipment include motor vehicles, land, office fixtures and other equipment.

Management of the Group considers that the carrying amount of property, plant and equipment as at 31 December 2017 and 31 December 2016 does not differ materially from their fair value at the end of the reporting period.

Assessment of fair value of property, plant and equipment

Management of the Group determines the fair value of property, plant and equipment as follows.

The Group's property, plant and equipment are mainly represented by specialised property: the Group's key assets are represented by unique hydro engineering structures and power equipment manufactured under certain technical specifications for each power plant; such equipment is rarely sold in the market.

The Group management determines the value of the specialised property on a regular basis, using the cost approach. The cost approach is based on the economic concept which implies that a buyer will pay no more for an asset than it would cost to develop or obtain another asset with the same functionality. The total costs of replacement or reproduction of the analysed asset resulting from such measurement are decreased by the amount of physical, functional and economic depreciation.

The replacement costs are determined based on specialised reference books, regulatory documents, construction rates, manufacturer's prices in effect as of the valuation date; physical and functional depreciation is measured based on the age of the assets, their actual condition and operating mode, etc.

To determine the economic depreciation of specialised assets, the Group management calculates the recoverable amount using the income approach. It is based on discounted cash flow method, and the Group uses certain assumptions when building the cash flow forecast. In particular, these assumptions are used to determine the expected cash flows, capital expenditures and discount rates for each cash generating unit. The Group management determines the forecast horizon, and net cash inflows from the asset's operation are calculated for each period of this horizon. The recoverable amount of the cash generating unit is determined by recalculating the discounted net cash flows. The Group management believes that the Group subsidiaries and Company's branches are separate cash generating units.

If the recoverable amount of the cash generating unit is higher than the replacement cost less physical and functional depreciation of property, plant and equipment included in this cash generating unit, it is concluded that there is no economic depreciation. If this is not the case and if the recoverable amount is less than the carrying amount of cash generating unit, the economic impairment is determined as the difference between the recoverable amount and the carrying amount.



Impairment of property, plant and equipment as at 31 December 2017 and 31 December 2016

The following key assumptions were used in the impairment testing for the years ended 31 December 2017 and 31 December 2016:

Key assumptions used in the impairment testing	Year ended 31 December 2017	Year ended 31 December 2016
Information used	Actual operating results for 2017 and business plans for 2018–2023	Actual operating results for 2016 and business plans for 2017–2022
Forecast period*	For existing plants 10 years (2018–2027) For plants under construction - 20 years after commissioning and before the completion of capacity sale contracts (2018–2041) For cash-generating units of the Far East - 11–25 years (2018–2042)	For existing plants 10 years (2017–2026) For plants under construction - 20 years after commissioning and before the completion of capacity sale contracts (2017–2040) For cash-generating units of the Far East - 11–25 years (2017–2041)
Forecasted growth rates in terminal period	4.22 percent	3.83 percent
Discount rate before tax (based on weighted average cost of capital)	12.7–15.4 percent (RR)	14.45–17.4 percent (RR)
Forecast of electricity and capacity tariffs in the isolated energy systems and in non-pricing zone of the Far East	Based on methodology of tariffs calculation adopted by regulatory authority	
Forecast of electricity and capacity prices in competitive market	Based on the forecast of JSC TSA and forecast rates on energy prices growth prepared by the Ministry of Economic Development of RF	
Forecast of capacity prices related to competitive capacity selection	For 2018–2021 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used For 2022 and after – adjusted on consumer index price and forecasts of JSC TSA	For 2017–2020 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used For 2021 and after – adjusted on consumer index price and forecasts of JSC TSA
Forecast of electricity and capacity volumes	Based on the Company's management assessment of future trends in the business	
Forecast of capital expenditures	Based on the management valuation of capital expenditures on modernisation and reconstruction programme	

* Management considers that a forecast period greater than five years is appropriate as the wholesale electricity and capacity market is expected to change significantly over the forecast period and cash flow projections will not be stabilised within five years. However a forecast period of cash flows was mainly defined by remaining useful life of assets tested. For hydroelectric power plants this period may amount up to 100 years due to the fact that key asset is a dam. In this regard the recoverable amount of assets was defined based on cash flows during the forecast period and terminal values.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

Management of the Group analysed the current economic situation, in which the Group operates, in order to detect the indicators of impairment of property, plant and equipment or indicators that an impairment loss recognised in prior periods no longer exists or decreased.

As a result of the impairment analysis of property, plant and equipment of the Group as at 31 December 2017 their carrying amount decreased by RR 25,890 million. As a result an impairment loss in the amount of RR 24,583 million was recognised in the Consolidated Income Statement and decrease of previously recognised revaluation reserve in the amount of RR 1,307 million (before income tax of RR 261 million) – in other comprehensive loss, the effects relate mainly to the following cash-generating units:

- Yakutskaya GRES-2 – impairment loss in the amount of RR 13,057 million;
- Yakutskenergo – impairment loss in the amount of RR 7,888 million and decrease of previous revaluation reserve in the amount of RR 1,277 million.

The sensitivity analysis of the recoverable amounts of cash-generating units for the key assumptions is presented in Note 32.



As a result of the impairment analysis of property, plant and equipment as at 31 December 2016 their carrying amount decreased by RR 32,667 million. As a result, impairment loss in the amount of RR 26,517 million was recognised in the Consolidated Income Statement and a decrease of previous revaluation reserve in the amount of RR 6,150 million (before income tax of RR 1,230 million) – in other comprehensive loss.

The carrying amount of each class of property, plant and equipment that would have been recognised had the assets been carried under the cost model is as follows:

	Production buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Net book value as at 31 December 2017	38,900	120,494	191,705	268,986	2,150	622,235
Net book value as at 31 December 2016	34,278	111,189	169,428	264,645	2,134	581,674

Events at Zagorskaya GAES-2. On 17 September 2013 there was a partial flooding at Zagorskaya GAES-2 which is under construction in the Moscow Region. The flooding originated from the lower reservoir via functional joints of the station block and a newly formed cavity in the right junction of the GAES-2 building foundation. Construction and assembly works as well as property, including equipment, were insured by PIJSC Ingosstrakh, JSC AlfaStrakhovanie and JSC SOGAZ. As at 31 December 2016 all insurance companies had made all payments on the insured event.

Other operating income for the year ended 31 December 2016 include insurance indemnity received from JSC SOGAZ and JSC AlfaStrakhovanie in the amount of RR 1,737 million.

For the year ended 31 December 2017 a loss on disposal of damaged equipment and assets under construction which are not recoverable and, as well as expenses on recovery works, were recognised in Operating expenses in the amount of RR 902 million (for the year ended 31 December 2016: RR 1,600 million).

At the consolidated financial statements signing date management of the Group cannot reliably estimate future expenses that may be necessary to eliminate consequences of the technical incident. However, these expenses may be material for the Group.

Management of the Group believes that property, plant and equipment at Zagorskaya GAES-2 is not impaired as at 31 December 2017 as there were capacity supply contracts concluded in respect of new power generation facilities of Zagorskaya GAES-2, that guarantee the payback period of 20 years for the total cost of construction for the period. The carrying amount of Zagorskaya GAES-2 property, plant and equipment is RR 61,235 million.

Leased equipment. As at 31 December 2017 the net book value of assets held under finance lease and included in property, plant and equipment was RR 1,372 million (31 December 2016: RR 1,964 million). Assets held under finance lease were mainly represented by plant and equipment.

Operating lease. The Group leases a number of land areas owned by local governments and production buildings under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The land areas leased by the Group are the territories on which the Group's hydropower plants and other assets are located. According to the Land Code of the Russian Federation such land areas are limited in their alienability and cannot become private property. The Group's operating leases typically run for an initial period of 5–49 years with an option to renew the lease after that date. Lease payments are reviewed regularly.

The future payments under non-cancellable operating leases in accordance with rates as at the reporting period end are as follows:

	31 December 2017	31 December 2016
Less than one year	2,115	2,175
Between one and five years	7,774	7,404
After five years	32,582	30,524
Total operating lease	42,471	40,103

Pledged assets. As at 31 December 2017 RR and 31 December 2016 no property, plant and equipment have been pledged as collateral for borrowings.



Note 8. Investments in associates and joint ventures

The Group's interests in associates and joint ventures and its carrying value were as follows:

	Place of business	% held		Carrying value	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
Associates					
OJSC Irkutsk Electronetwork Company (OJSC IENC)	Russia	42.75%	42.75%	7,656	7,528
OJSC Sakhalin Energy Company (OJSC SEC)	Russia	34.62%	36.09%	1,928	1,982
Other				145	193
Total associates				9,729	9,703
Joint ventures					
BoGES Group	Russia	50.00%	50.00%	8,990	9,230
BALP Group	Russia	50.00%	50.00%	-	-
Other				1,378	1,345
Total joint ventures				10,368	10,575
Total investments in associates and joint ventures				20,097	20,278

The amounts in respect of associates and joint ventures recognised in the Income Statement are as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Associates		
OJSC IENC	129	(249)
OJSC SEC	(53)	(1,447)
Other	(50)	24
Total associates	26	(1,672)
Joint ventures		
BoGES Group	357	8,546
BALP Group	-	-
Other	34	(192)
Total joint ventures	391	8,354
Share of results of associates and joint ventures	417	6,682

Associates

OJSC Irkutsk Electronetwork Company (OJSC IENC)

OJSC IENC maintains electric power transmission grids with voltage of 220-500 kV and distribution grids with voltage of 0.4-110 kV in the Irkutsk region. The total length of overhead and cable power lines is over 40,000 km. OJSC IENC also maintains and ensures operation of over 10,000 transforming substations of 6-500 kV in voltage and over 28,000 MVA in total capacity. The core activities of OJSC IENC include provision of services in the area of electric power transmission and distribution, technological connection of consumers to power grids and maintenance of power grids' operating capacity. OJSC IENC's controlling shareholder is EN+ Group.

The Group's investment in OJSC IENC is non-core and considered for sale.

OJSC Sakhalin Energy Company (OJSC SEC)

OJSC SEC is a special project developer company involved in construction of a number of new power sector assets in the Sakhalin region to be financed from the federal and regional budgets. OJSC SEC's major project was construction of Power Generating Unit No. 4 (with total capacity of 139 MWt) at Yuzhno-Sakhalinsk Thermal Power Plant-1 (that was put into operation in the fourth quarter of 2013). OJSC SEC also built a number of power supply network facilities. The above units of generation and power supply network are operated by PJSC Sakhalinenergo, the Group's subsidiary, under a lease agreement. Other OJSC SEC's shareholders, in addition to the Group, are the Russian Government represented by the Federal Agency for State Property Management, and the Sakhalin region represented by the Ministry of Land and Property Affairs of the Sakhalin region. As at 31 December 2017 the Group's participatory interest in the equity of OJSC SEC is 34.62 percent (31 December 2016: 36.09 percent).

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The Group's investments in OJSC SEC are of strategic nature and are considered to be used in the project aimed at consolidating key energy assets of the Sakhalin region on the basis of the core vertically integrated entity PJSC Sakhalinenergo.

Summarised financial information for significant associates for the years ended 31 December 2017 and 31 December 2016 and as at 31 December 2017 and 31 December 2016:

	OJSC SEC		OJSC IENC	
As at 31 December	2017	2016	2017	2016
Non-current assets	7,058	7,407	22,960	24,169
Current assets	1,540	1,066	1,151	1,151
Non-current liabilities	-	-	(2,580)	(1,814)
Current liabilities	(59)	(543)	(5,835)	(8,111)
Net assets	8,539	7,930	15,696	15,395
For the year ended 31 December	2017	2016	2017	2016
Revenue	605	535	20,632	18,809
Impairment of property, plant and equipment	-	(4,921)	-	-
Profit / (loss) for the year	79	(4,007)	301	(583)
Total comprehensive income / (loss) for the year	79	(4,007)	301	(583)

Reconciliation of the summarised financial information presented to the carrying value of interest in associates:

	OJSC SEC	OJSC IENC	Others	Total
Net assets as at 31 December 2015	11,937	15,978	611	28,526
(Loss) / profit for the year	(4,007)	(583)	90	(4,500)
Net assets as at 31 December 2016	7,930	15,395	701	24,026
Interest in associates	2,861	6,582	193	9,636
Goodwill	-	946	-	946
Additional share issues	(879)	-	-	(879)
Carrying value as at 31 December 2016	1,982	7,528	193	9,703
Net assets as at 31 December 2016	7,930	15,395	701	24,026
Profit / (loss) for the year	79	301	(202)	178
Additional share issues	530	-	-	530
Net assets as at 31 December 2017	8,539	15,696	499	24,734
Interest in associates	2,956	6,710	145	9,811
Goodwill	-	946	-	946
Additional share issues	(1,028)	-	-	(1,028)
Carrying value as at 31 December 2017	1,928	7,656	145	9,729

Joint ventures

BoGES Group and BALP Group

Starting from 2006 the Company and RUSAL Group have been jointly implementing the BEMA project based on an agreement for mutual financing, completion and subsequent operation of Boguchanskaya HPP and Boguchansky aluminium plant. Within the BEMA project on parity basis joint ventures BoGES Ltd (Cyprus) and BALP Ltd (Cyprus) were formed, which have controlling interests in PJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant.

BoGES Ltd and PJSC Boguchanskaya HPP together form BoGES Group. BALP Ltd and CJSC Boguchansky Aluminium Plant together form BALP Group.

BoGES Ltd and BALP Ltd provide corporate governance of Boguchanskaya HPP and Boguchansky Aluminium Plant in line with the parity of interests of the investors and are not engaged in other operations.

Starting from November 2012 Boguchanskaya HPP sells electricity and capacity to large consumers and utilities companies. An installed capacity of Boguchanskaya HPP is 2,997 MW, long-term average project production – 17 600 million kWh.

Project capacity of Boguchansky Aluminium Plant is almost 600 thousand tonnes of aluminium per annum. Manufacturing plant complex consists of two series with a capacity of 296 thousand tonnes each. The

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construction of 1-st series of Boguchansky Aluminium Plant is ongoing. The decision about construction of 2-nd series of the plant is not made by Investors. Boguchansky Aluminium Plant will become the key consumer of energy generated by Boguchanskaya HPP.

Summarised financial information for significant joint ventures for the years ended 31 December 2017 and 31 December 2016 and as at 31 December 2017 and 31 December 2016:

	BoGES Group		BALP Group	
As at 31 December	2017	2016	2017	2016
Non-current assets	65,961	66,472	34,411	27,476
Current assets including:	3,393	3,140	7,796	6,208
<i>Cash and cash equivalents</i>	815	898	1,260	1,141
Non-current liabilities including:	(43,932)	(43,932)	(103,832)	(93,907)
<i>Non-current financial liabilities (excluding trade payables)</i>	(38,147)	(38,021)	(103,827)	(93,907)
Current liabilities including:	(7,459)	(7,236)	(2,258)	(2,172)
<i>Current financial liabilities (excluding trade payables)</i>	(1,110)	(835)	(17)	(16)
Net assets	17,963	18,444	(63,883)	(62,395)
For the year ended 31 December	2017	2016	2017	2016
Revenue	15,724	16,141	17,081	23,155
Depreciation of property, plant and equipment	(1,855)	(1,192)	(1,191)	(1,717)
Impairment on financing of CJSC Boguchansky Aluminium Plant	(5,180)	(11,000)	-	-
Interest income	134	877	19	-
Interest expense	(2,893)	(3,412)	(6,230)	(7,901)
Foreign exchange differences	(4)	(2)	3,951	14,713
Reversal of property, plant and equipment	-	25,390	-	23,402
(Loss) / profit before income tax	(400)	19,484	(1,489)	30,564
Income tax expense	(81)	(3,467)	-	-
(Loss) / profit for the year	(481)	16,017	(1,489)	30,564
Total comprehensive (loss) / income for the year	(481)	16,017	(1,489)	30,564

Reconciliation of the summarised financial information presented to the carrying value of interest in joint ventures:

	BoGES Group	BALP Group	Others	Total
Net assets as at 31 December 2015	2,427	(92,959)	2,485	(88,047)
Profit for the year	16,017	30,564	44	46,625
Net assets as at 31 December 2016	18,444	(62,395)	2,529	(41,422)
Interest in joint ventures	9,222	(31,198)	1,146	(20,830)
Non-controlling interest	8	-	-	8
Accumulated losses	-	31,198	199	31,397
Carrying value as at 31 December 2016	9,230	-	1,345	10,575
Net assets as at 31 December 2016	18,444	(62,395)	2,529	(41,422)
(Loss) / profit for the year	(481)	(1,489)	102	(1,868)
Net assets as at 31 December 2017	17,963	(63,884)	2,631	(43,290)
Interest in joint ventures	8,982	(31,942)	1,173	(21,787)
Non-controlling interest	8	-	-	8
Accumulated losses	-	31,942	205	32,147
Carrying value as at 31 December 2017	8,990	-	1,378	10,368

The Group has issued guarantees for PJSC Boguchanskaya HPP for the loan facility in favour of the State Corporation Vnesheconombank (Note 29, 34).



Note 9. Available-for-sale financial assets

	31 December 2017		31 December 2016	
	% of ownership	Fair value	% of ownership	Fair value
PJSC Inter RAO	4.92%	17,219	4.92%	19,495
PJSC Russian Grids	0.23%	462	0.23%	638
PJSC Boguchanskaya HPP	2.89%	461	2.89%	505
PJSC FGC UES	0.13%	269	0.13%	338
Other	-	84	-	205
Total available-for-sale financial assets		18,495		21,181

The fair values of available-for-sale financial assets were calculated based on quoted market prices; for those which are not publicly traded, fair values were estimated by reference to the discounted cash flows of the investees (Note 32).

Loss arising on available-for-sale financial assets for the year ended 31 December 2017 totalled RR 2,580 million (net of tax), including revaluation of PJSC Inter RAO – RR 2,276 million, was recorded within other comprehensive income (for the year ended 31 December 2016 profit arising on available-for-sale financial assets totalled RR 15,050 million).

For the year ended 31 December 2017, the Group received dividends from PJSC Inter RAO and PJSC Russian Grids in the amount of RR 690 million and recognised them as other operating income (for the year ended 31 December 2016: RR 95 million).

Note 10. Other non-current assets

	31 December 2017	31 December 2016
Long-term promissory notes	39,549	38,931
Discount	(15,662)	(16,415)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	9,862	8,491
Long-term advances to suppliers	5,024	3,173
VAT recoverable	2,957	2,036
Goodwill	481	481
Other non-current assets	7,007	7,666
Total other non-current assets	25,331	21,847

Other non-current assets in the amount of RR 7,007 million (31 December 2016: RR 7,666 million) mainly include intangible assets, research and development costs and long-term accounts receivable.

	Rating	Rating agency	Effective interest rate	Maturity date	31 December 2017	31 December 2016
Interest-free long-term promissory notes						
PJSC Boguchanskaya HPP	-	-	9.75%	2029	6,880	6,269
PJSC Bank VTB	Ba1	Moody's	9.74–11.82%	2019–2021	1,044	511
PJSC ROSBANK	Ba1	Moody's	10.90–14.58%	2020–2022	1,005	888
JSC Alfa Bank	BB+	Fitch Ratings	11.90–16.35%	2020–2022	860	761
Other					73	62
Total long-term promissory notes					9,862	8,491

Promissory notes of PJSC Boguchanskaya HPP. As at 31 December 2017 the amortised cost of interest-free long-term promissory notes of PJSC Boguchanskaya HPP (payable not earlier than 31 December 2029 with total nominal value of RR 21,027 million) pledged as collateral to the SC Vnesheconombank amounted to RR 6,880 million (31 December 2016: RR 6,269 million) (Note 8).



Goodwill of JSC Institute Hydroproject. As at 31 December 2017 and 31 December 2016, the Group tested goodwill related to JSC Institute Hydroproject for its potential impairment. As a result the recoverable amount of JSC Institute Hydroproject as a cash generating asset was higher than the carrying amount - there is no economic impairment.

Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs. In November 2016 the Group completed the transaction to sell dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs to EuroSibEnergogroup. These dams are part of technological complex of EuroSibEnergogroup's cascade of hydropower plants located on the Angara river.). Profit from the dams' sale in the amount of RR 7 202 million is included in other operating income for the year ended 31 December 2016.

Peresvet Bank. As at 31 December 2017 the other non-current assets included the amortised value of subordinated bonds of Peresvet Bank of RR 254 million. As at 31 December 2016 the other non-current assets included the amortised value of cash and deposits placed with Peresvet Bank of RR 217 million. The amortised value of these assets was determined using the discounted cash flows with recognition of income on discounting in the amount of RR 37 million for the year ended 31 December 2017 and impairment of financial assets in the amount of RR 4,464 million for the year ended 31 December 2016.

Note 11. Cash and cash equivalents

	31 December 2017	31 December 2016
Cash equivalents (contractual interest rate: 4.75-8.37%)	59,029	52,594
Cash at bank	11,106	14,738
Cash in hand	21	22
Total cash and cash equivalents	70,156	67,354

Cash equivalents held as at 31 December 2017 and 31 December 2016 comprised short-term bank deposits with original maturities of three months or less.

Cash and cash equivalents balances denominated in US Dollars as at 31 December 2017 were RR 576 million (31 December 2016: RR 736 million). Cash and cash equivalents balances denominated in Euros as at 31 December 2017 were RR 63 million (31 December 2016: RR 67 million).

Cash and cash equivalents are deposited in several institutions as follows:

	Rating	Rating agency	31 December 2017	31 December 2016
Cash at banks				
PJSC Sberbank	Ba1	Moody's	4,372	4,281
Bank GPB (JSC)	BB+	Fitch Ratings	3,347	7,255
BANK ROSSIYA	ruAA	Эксперт ПА	1,888	17
PJSC ROSBANK	Ba1	Moody's	1,011	387
PJSC Bank VTB	Ba1	Moody's	190	2,047
PJSC VTB24	Ba1	Moody's	160	67
CJSC ARDSHINBANK	B+	Fitch Ratings	15	157
PJSC Bank FK Otkritie	-	-	-	169
Other	-	-	123	358
Total cash at banks			11,106	14,738
Bank deposits				
PJSC Bank VTB	Ba1	Moody's	35,394	23,152
Bank GPB (JSC)	BB+	Fitch Ratings	16,720	13,922
PJSC Sberbank	Ba1	Moody's	6,025	13,283
JSC Rosselkhozbank	BB+	Fitch Ratings	760	838
PJSC VTB24	Ba1	Moody's	127	322
PJSC Promsvyazbank	-	-	-	536
PJSC Bank FK Otkritie	-	-	-	525
Other	-	-	3	16
Total cash equivalents			59,029	52,594



Note 12. Accounts receivable and prepayments

	31 December 2017	31 December 2016
Trade receivables	61,279	56,647
Provision for impairment of trade receivables	(26,571)	(23,900)
Trade receivables, net	34,708	32,747
VAT recoverable	7,841	7,329
Advances to suppliers and other prepayments	2,944	2,617
Provision for impairment of advances to suppliers and other prepayments	(837)	(629)
Advances to suppliers and other prepayments, net	2,107	1,988
Other receivables	7,959	6,666
Provision for impairment of other receivables	(4,815)	(3,762)
Other receivables, net	3,144	2,904
Government grants receivables	3,401	2,108
Total accounts receivable and prepayments	51,201	47,076

Included in accounts receivable are government subsidies receivable from the constituent budgets of the Far East Federal region including those for compensation of the tariffs reduction under Resolution of the Russian Government No. 895 as at 31 December 2017 (Note 2).

The provision for impairment of accounts receivable has been determined based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analysis of expected future cash flows (Note 2). Management believes that the Group's subsidiaries will be able to realise the net receivable amount through direct collections and other non-cash settlements, and the carrying value approximates their fair value.

Movements in the impairment provision for trade and other accounts receivables are as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
As at 1 January	27,662	23,352
Charge for the year	7,261	8,541
Reversal of impairment	(1,626)	(1,304)
Trade receivables written-off as uncollectible	(1,902)	(1,678)
Disposal of impairment provision due to disposal of subsidiaries	(9)	(1,249)
As at 31 December	31,386	27,662

The ageing analysis of trade and other finance accounts receivable is as follows:

	31 December 2017	Provision as at 31 December 2017	31 December 2016	Provision as at 31 December 2016
Not past due	26,802	(1,215)	27,557	(1,652)
Past due for less than 3 months	8,410	(2,112)	5,980	(1,378)
Past due for 3 months to 1 year	10,326	(5,271)	9,343	(5,228)
Past due for more than 1 year	23,213	(22,788)	20,052	(19,404)
Total	68,751	(31,386)	62,932	(27,662)

The majority of trade debtors which are neither past due nor impaired could be aggregated in several groups based on similarities in their credit quality: large industrial consumers – participants of the wholesale and retail electricity and capacity market as well as public sector entities and population.

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



Note 13. Inventories

	31 December 2017	31 December 2016
Fuel	16,162	14,825
Materials and supplies	6,782	6,402
Spare parts	2,466	2,539
Other materials	386	565
Total inventories before provision for impairment	25,796	24,331
Provision for impairment of inventories	(273)	(294)
Total inventories	25,523	24,037

There are no inventories pledged as collateral for borrowings as at 31 December 2017 and as at 31 December 2016.

Note 14. Other current assets

	31 December 2017	31 December 2016
Special funds	3,429	3,507
Deposits	790	4,292
Restricted cash	-	826
Loans issued	2,472	2,808
Provision for loans issued	(2,447)	(2,498)
Loans issued, net	25	310
Other short-term investments	156	162
Total other current assets	4,400	9,097

As at 31 December 2017 the balance of special funds in the amount of RR 3,429 million received by the Group to fund construction of generating facilities, is placed to the special accounts of the Federal Treasury of Russia (as at 31 December 2016: RR 3,507 million). These special funds may be used by the Group only upon approval by the Federal Treasury of Russia according to the procedure prescribed by the Order of the Ministry of Finance of the Russian Federation No. 213n dated 25 December 2015.

Provision for loans issued includes provision on loans issued to ZAO Verkhne-Narynskye HPPs in the amount of RR 2,328 million as at 31 December 2017 (as at 31 December 2016: RR 2,378 million) due to denouncement of agreements between Russian Government and Kyrgyzstan Republic on construction of upper Naryn cascade of hydropower plants.

	Rating	Rating agency	Effective interest rate	31 December 2017	31 December 2016
Deposits					
PJSC Sberbank	Ba1	Moody's	4.94–8.78%	642	4,140
Other	-	-	-	148	152
Total deposits				790	4,292

Note 15. Equity

	Number of issued and fully paid ordinary shares (Par value of RR 1.00)
As at 31 December 2017	426,288,813,551
As at 31 December 2016	386,255,464,890
As at 31 December 2015	386,255,464,890

Additional share issue 2016–2017. On 22 November 2016 the Board of Directors of the Company adopted a resolution to make a placement of 40,429,000,000 ordinary shares by open subscription. The placement price of the additional shares was determined at RR 1.00 per share. On 7 December 2016 the share issue was registered with the Bank of Russia.

In January 2017, as a result of certain shareholders exercising their pre-emptive right, the Company placed 33,348,661 additional shares, which were paid in December 2016.



In March 2017 PJSC Bank VTB purchased 40 billion additional shares under the agreement related to the purchase of 55 billion ordinary shares of the Company for a total amount of RR 55 billion (Note 2). The other 15 billion shares of quasi-treasury stock were sold to the bank by the Group's subsidiaries. The full amount of cash received by the Group was used to repay the debts of RAO ES East subgroup.

On 11 May 2017 the placement of ordinary shares of the Company under the additional share issue 2016–2017 was completed.

On 5 June 2017 the results of the additional share issue were registered. 40,033,348,661 shares were placed as a result of the additional issue which represents 99.02 percent of the additional issue's total number of shares registered. The shares issued were fully paid for in cash.

Treasury shares. As at 31 December 2017 treasury shares were represented by 3,852,267,925 ordinary shares in the amount of RR 4,613 million (31 December 2016: 18,852,353,167 ordinary shares in the amount of RR 22,578 million).

In March 2017, 15 billion treasury shares were sold to PJSC Bank VTB at the price of RR 1.00 per share in accordance with the agreement described above. Weighted average cost of these treasury shares was RR 17,965 million; the loss on disposal of RR 2,965 million was accounted for within equity.

Voluntary and obligatory offers to purchase shares of JSC RAO ES East. During 2016 the shareholders of JSC RAO ES East that accepted the terms of the voluntary offer, transferred 4,715,738,904 ordinary shares and 346,195,762 preference shares of JSC RAO ES East to LLC Vostok-Finance for a cash consideration of RR 34 million and in exchange for 2,934,258,766 shares of the Company in the amount of RR 3,514 million. Under the obligatory offer to purchase shares, LLC Vostok-Finance repurchased 887,217,472 ordinary shares and 312,687,580 preference shares of JSC RAO ES East for a cash consideration of RR 380 million.

Effect of changes in non-controlling interest of subsidiaries. During 2016 as a result of the voluntary and obligatory offers to purchase shares of JSC RAO ES East as described above, non-controlling interest decreased by RR 6,694 million and retained earnings of the Group increased by RR 4,872 million as a result of the treasury shares disposal, decrease in non-controlling interest and derecognition of the remaining obligation to purchase shares after they were partly purchased for cash.

In October 2017 the Group's share in subsidiaries JSC SK Agroenergo was sold, as a result non-controlling interest increased by RR 228 million..

During 2016 Group's subsidiaries LLC Dom-21 century and JSC HRSK went bankrupt, also in December 2016 JSC SO UPS was liquidated. As a result non-controlling interest increased by RR 213 million due to decrease of share in losses of these subsidiaries previously absorbed by shareholders of the Group.

Dividends. On 26 June 2017 the Company declared dividends for the year ended 31 December 2016 of RR 0.0466 per share in the total amount of RR 19,876 million (RR 19,696 million excluding dividends to subsidiaries).

On 27 June 2016 the Company declared dividends for the year ended 31 December 2015 of RR 0.0389 per share in the total amount of RR 15,011 million (RR 14,278 million excluding dividends to subsidiaries).

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to RR 127 million for the year ended 31 December 2017 (for the year ended 31 December 2016: RR 234 million).



Note 16. Income tax

Income tax expense is as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax expense	12,985	13,258
Deferred income tax expense	83	2,114
Total income tax expense	13,068	15,372

The income tax rate applicable to the majority of the Group's entities for the year ended 31 December 2017 is 20 percent (for the year ended 31 December 2016: 20 percent).

A reconciliation between the expected and actual income tax expense is provided below:

	Year ended 31 December 2017	Year ended 31 December 2016
Profit before income tax	35,519	55,123
Theoretical tax expense at a statutory rate of 20 percent	(7,104)	(11,025)
Tax effect of items which are not deductible or assessable for taxation purposes	(2,344)	(1,827)
Increase in other unrecognised deferred tax assets	(3,227)	(4,003)
Change in unrecognised deferred tax assets in respect of associates and joint ventures	83	1,336
Tax effects of previous periods	(737)	-
Other	261	147
Total income tax expense	(13,068)	(15,372)

The total amount of deductible temporary differences for which deferred income tax assets have not been recognised by the Group as at 31 December 2017 was RR 97,127 million (31 December 2016: RR 80,055 million). These temporary differences mainly relate to accumulated impairment of property, plant and equipment, assets under construction, changes in the fair value of the non-deliverable forward contract for shares and pension liabilities of several Group's subsidiaries.

Deferred income tax. Differences between IFRS and statutory taxation regulations in the Russian Federation give rise to temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20 percent (for the year ended 31 December 2016: 20 percent).

	31 December 2016	Income tax charge	Charged directly to other comprehensive income	31 December 2017
Deferred income tax assets	6,640	2,761	(47)	9,354
Property, plant and equipment	4,697	1,882	-	6,579
Accounts receivable	6,444	(85)	-	6,359
Losses carried forward	980	44	-	1,024
Other	3,177	464	(47)	3,594
<i>Deferred tax offset</i>	<i>(8,658)</i>	<i>456</i>	<i>-</i>	<i>(8,202)</i>
Deferred income tax liabilities	(39,086)	(2,844)	235	(41,695)
Property, plant and equipment	(47,210)	(2,306)	261	(49,255)
Accounts receivable	(57)	(58)	-	(115)
Loans and borrowings	(351)	26	-	(325)
Other	(126)	(50)	(26)	(202)
<i>Deferred tax offset</i>	<i>8,658</i>	<i>(456)</i>	<i>-</i>	<i>8,202</i>

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	31 December 2015	Income tax charge	Charged directly to other comprehensive income	Reclassification of discontinued operations and disposal of subsidiaries	31 December 2016
Deferred income tax assets	5,486	1,144	53	(43)	6,640
Property, plant and equipment	3,516	1,181	-	-	4,697
Accounts receivable	6,509	(57)	-	(8)	6,444
Losses carried forward	1,350	(370)	-	-	980
Other	3,795	(636)	53	(35)	3,177
<i>Deferred tax offset</i>	<i>(9,684)</i>	<i>1,026</i>	<i>-</i>	<i>-</i>	<i>(8,658)</i>
Deferred income tax liabilities	(37,034)	(3,258)	1,189	17	(39,086)
Property, plant and equipment	(46,041)	(2,398)	1,212	17	(47,210)
Accounts receivable	(59)	2	-	-	(57)
Loans and borrowings	(378)	27	-	-	(351)
Other	(240)	137	(23)	-	(126)
<i>Deferred tax offset</i>	<i>9,684</i>	<i>(1,026)</i>	<i>-</i>	<i>-</i>	<i>8,658</i>

Under the existing Group structure tax losses and current income tax assets of different Group entities may not be offset against current income tax liabilities and taxable profits of other Group entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has legal rights to offset it.

Note 17. Pension benefit obligations

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2017 and 31 December 2016.

Amounts recognised in the Group's Consolidated Statement of Financial Position among other non-current liabilities (Note 20):

	31 December 2017	31 December 2016
Fair value of plan assets	(1,111)	(1,090)
Present value of defined benefit obligations	9,745	9,894
Net liability	8,634	8,804

The movements in the defined benefit liability for the years ended 31 December 2017 and 31 December 2016 are presented in the tables below:

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2017	9,894	(1,090)	8,804
Current service cost	428	-	428
Interest expense / (income)	788	(89)	699
Past service cost	(167)	-	(167)
Remeasurement effects (for other long-term benefits):			
Actuarial loss - changes in actuarial assumptions	18	-	18
Actuarial loss - experience adjustment	1	-	1
Recognised in profit or loss for the year ended 31 December 2017	1,068	(89)	979
Remeasurements (for post-employment benefits):			
Actuarial gain - change in demographic assumptions	(36)	-	(36)
Actuarial gain - change in financial assumptions	(289)	-	(289)
Actuarial (gain) / loss - experience adjustments	(124)	19	(105)
Recognised other comprehensive income for the year ended 31 December 2017 before income tax charge of RR 86 million	(449)	19	(430)
Employer contributions for funded pension plan	-	(233)	(233)
Benefit payments (Funding NSPF pensions)	(489)	282	(207)
Benefit payments (Non-funded pension plan)	(279)	-	(279)
At 31 December 2017	9,745	(1,111)	8,634

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	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2016	9,470	(1,084)	8,386
Decrease in liabilities related to LLC ESC Bashkortostan sale (Note 4)	(181)	10	(171)
Change in liabilities as a result of changes in the scope of valuation	17	-	17
Current service cost	403	-	403
Interest expense / (income)	875	(106)	769
Past service cost	(143)	-	(143)
Decrease in liabilities as a result of curtailments	(101)	-	(101)
Remeasurement effects (for other long-term benefits):			
Actuarial gain - changes in actuarial assumptions	(4)	-	(4)
Actuarial gain - experience adjustment	(29)	-	(29)
Recognised in profit or loss for the year ended 31 December 2016	1,001	(106)	895
Remeasurements (for post-employment benefits):			
Actuarial loss - change in demographic assumptions	18	-	18
Actuarial loss - change in financial assumptions	459	-	459
Actuarial (gain) / loss - experience adjustments	(196)	62	(134)
Recognised other comprehensive income for the year ended 31 December 2016 before income tax charge of RR 69 million	281	62	343
Employer contributions for funded pension plan	-	(236)	(236)
Benefit payments (Funding NSPF pensions)	(439)	264	(175)
Benefit payments (Non-funded pension plan)	(255)	-	(255)
At 31 December 2016	9,894	(1,090)	8,804

Principal actuarial assumptions for the Group are as follows:

	31 December 2017	31 December 2016
Nominal discount rate	7.50%	8.20%
Inflation rate	4.00%	5.00%
Wage growth rate	5.50%	6.50%
Staff turnover	Depending on length of service based on statistical data	
Mortality table	Russia-2014*	Russia-2014*

* Taking into account the pull down adjustment calculated based on statistical data of mortality for employees of the Group of age till 60 years old for years 2012–2017 (31 December 2016: 2012–2016)

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2016 is presented below:

	Change in assumption	Effect on net liability	Effect on net liability, %
Nominal discount rate	+ 1%	(781)	-8%
	- 1%	921	9%
Inflation rate	+ 1%	491	5%
	- 1%	(429)	-4%
Wage growth rate	+ 1%	461	5%
	- 1%	(389)	-4%
Staff turnover	+ 3%	(960)	-10%
	- 3%	1,418	15%
Mortality Rates	+ 10%	(142)	-1%
	- 10%	154	2%

The Group expects to contribute RR 637 million to the defined benefit plans in 2018.

The weighted average duration of the defined benefit obligation of the Group is 9 years.



Retirement benefit plan parameters and related risks. The Group has liabilities under retirement benefit plans in Russia. The retirement benefit plan includes benefits of the following types: lump sum payment upon retirement, jubilee benefits paid at certain age or upon completion of a certain number of years of service, financial aid and compensation to cover funeral expenses in the event of an employee's or pensioner's death, financial aid provided to pensioners, pension benefits paid to former employees through the non-state pension fund (hereinafter referred to as the "NPF").

The amount of benefits depends on the period of the employees' service (years of service), salary level over the recent years preceding retirement, predetermined fixed amount or minimum tariff rate of remuneration or salary or a combination of these factors.

As a rule, the above benefits are indexed according to the inflation rate and salary growth for benefits that depend on the salary level, excluding the retirement benefits paid through NPF, which are not indexed for the inflation rate at the time the payment is made (following the retirement of employees, all risks are borne by NPF).

In addition to the inflation risk, all retirement benefit plans of the Group are exposed to mortality and survival risks.

Plan assets held on NPF's accounts are governed in accordance with the local legislation and regulatory practices.

The Group and NPF are severally liable for plans management, including investments decisions and the contribution schedule.

NPF invests the Group's funds in a diversified portfolio. When investing pension savings and placing the pension reserves, NPF is guided by the Russian legislation that provides a strict regulation with respect to the possible list of financial instruments and restricts their utilisation, which also leads to diversification and reduces investment risks.

The Group transfers the obligation to pay lifelong non-state pension benefits to the Group's former employees to NPF and funds these obligations when awarding the pension. Therefore, the Group insures the risks related to payment of non-state pensions (investment risks and survival risks).

Note 18. Current and non-current debt

Non-current debt

	Effective interest rate	Due date	31 December 2017	31 December 2016
PJSC Sberbank	7.99–10.75%	2018–2028	54,790	56,491
Russian bonds (PJSC RusHydro) issued in February 2013	8.50%	2018*	20,650	20,645
Eurobonds (RusHydro Capital Markets DAC), issued in September 2017	8.13%	2022	20,235	-
Russian bonds (PJSC RusHydro) issued in July 2015	11.85%	2018	15,868	15,857
Russian bonds (PJSC RusHydro) issued in April 2016	10.35%	2019	15,357	15,347
Russian bonds (PJSC RusHydro) issued in June 2017	8.20%	2020	10,016	-
UniCredit Bank Austria AG	3.35%	2018–2026	5,113	5,242
PJSC Bank VTB	8.39–9.77%	2018–2019	5,046	29,516
PJSC ROSBANK	8.24–9.72%	2018–2019	4,520	8,136
Bank GPB (JSC)	8.50–9.50%	2018–2027	1,794	6,171
Municipal authority of Kamchatka region	8.57%	2018–2034	1,560	1,561
EBRD	LIBOR 6M+3.45%	2018–2027	1,350	4,791
ASIAN Development bank	LIBOR 6M+3.45%	2018–2026	1,310	1,474
Russian bonds (PJSC RusHydro) issued in April 2015	7.50%	2025**	767	10,222
Russian bonds (PJSC RusHydro) issued in April 2011	9.50%	2021	250	250
Crédit Agricole Corporate and Investment Bank Deutschland	-	-	-	4,920
Other long-term debt	-	-	836	1,776
Finance lease liabilities	-	-	1,586	1,973
Total			161,048	184,372
Less current portion of non-current			(69,877)	(25,758)
Less current portion of finance lease liabilities			(259)	(568)
Total non-current debt			90,912	158,046

* The bonds mature in 10 years with a put option to redeem them in 2018.

** In October 2017 holders of the bonds issued in April 2015 partly redeemed the bonds under the put option. The rest of the bonds with nominal amount of RR 767 million will mature in 2025 year.



Bonds issue. In June 2017 the Group placed non-convertible interest bearing market bonds of series BO-P05 with a nominal amount of RR 10,000 million. The term of the bonds is 3 years, the coupon rate is 8.2 percent per annum.

Eurobond issue. In September 2017 the Group placed Eurobonds, issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue was RR 20,000 million. The term of the bonds is 5 years, the coupon rate is 8.125 percent per annum. VTB Capital, JP Morgan, Gazprombank and Sberbank CIB acted as joint lead managers of the issue. The placement and listing of the Eurobonds took place on the Irish Stock Exchange under Reg S rule. Eurobonds could have been partly purchased by government-related entities.

Current debt

	Effective interest rate	31 December 2017	31 December 2016
PJSC Sberbank	7.75–10%	5,428	5,854
PJSC ROSBANK	8.21–8.51%	930	4,755
LLC AlstomRusHydroEnergy	-*	750	750
Bank GPB (JSC)	8.50–10.19%	334	3,031
Current portion of non-current debt	-	69,877	25,758
Current portion of finance lease liabilities	-	259	568
Other current debt	-	1,035	1,041
Total current debt and current portion of non-current debt		78,613	41,757
<i>Reference:</i>			
Interest payable		3,012	3,044

* The loan received from a related party, the joint venture of the Group (Note 6), the interest rate on this loan - 0.00 percent per annum.

Compliance with covenants. The Group is subject to certain covenants related primarily to its debt. As at 31 December 2017 and 31 December 2016 and during the reporting period the Group met all required covenant clauses of the credit agreements.

Finance lease liabilities. Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 1 and 5 years	Due after 5 years	Total
Minimum lease payments as at 31 December 2017	275	797	4,154	5,226
Less future finance charges	(16)	(316)	(3,308)	(3,640)
Present value of minimum lease payments as at 31 December 2017	259	481	846	1,586
Minimum lease payments as at 31 December 2016	601	855	4,287	5,743
Less future finance charges	(33)	(373)	(3,364)	(3,770)
Present value of minimum lease payments as at 31 December 2016	568	482	923	1,973

Reconciliation of liabilities from financing activities. The table below sets out an analysis of movements in the Group's liabilities from financing activities for the year ended 31 December 2017:

	Current and non-current debt	Non-deliverable forward contract for shares	Finance lease liabilities	Total
Liabilities from financing activities as at 31 December 2016	197,830	-	1,973	199,803
Cash flows	(46,498)	(3,243)	(523)	(50,264)
Interest accrued	15,405	-	221	15,626
Recognition and change in fair value of non-deliverable forward contract for shares	-	23,959	-	23,959
Other changes	1,202	-	(85)	1,117
Liabilities from financing activities as at 31 December 2017	167,939	20,716	1,586	190,241



Note 19. Non-deliverable forward contract for shares

In March 2017 the Company entered into a non-deliverable forward transaction for 55 billion shares with PJSC Bank VTB for 5 years.

According to the forward contract, the forward value is determined as the purchase consideration paid by the Bank for the shares plus the amount of quarterly payments made by the Company to the Bank. The amounts of these interim payments are determined using a certain formula that *inter alia* reduces the payments by the amounts equivalent to the dividends received by the Bank over the 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 consideration received for the shares by the Bank, the Company will reimburse the difference to the Bank and, vice versa, if the proceeds from the sale of shares exceed the forward value, the difference will be paid by the Bank to the Company. If, for any reason, the shares will not be sold by the Bank, 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.

Note 2 describes the key estimates and judgements made by the Group management in respect of recognition and recording of this derivative financial instrument.

At 31 December 2017, the liability under the forward contract is recorded as a long-term derivative financial instrument at fair value through profit or loss in the amount of RR 20,716 million. The fair value of the forward contract at the initial recognition of the instrument was RR 10,013 million and it was recorded within equity as the result of a shareholder transaction. Deferred tax asset was not recognised based on management's probability estimate of its recoverability. Subsequent changes in the fair value of the non-deliverable forward contract is recorded within profit or loss.

A reconciliation of movements in the fair value of forward contract for the year ended 31 December 2017 is as follows:

	The fair value of the forward contract
As at the initial recognition date (as at 03 March 2017)	10,013
Increase in the fair value of the non-deliverable forward contract (Note 26)	13,946
Interim payments	(3,243)
As at 31 December 2017	20,716

The table below includes key assumptions made to determine the forward contract's fair value using the Monte-Carlo model:

Key assumptions made to assess the forward contract's fair value	As at 31 December 2017	At the instrument's initial recognition date (as at 03 March 2017)
Expected term of the forward transaction	4.17 years	5 years
Market value of the share	RR 0.7264	RR 0.9752
CB RF key refinancing rate	7.75 percent	10.00 percent
Volatility of shares	34.85 percent	35.25 percent
Risk-free rate	7.01 percent	8.39 percent
Discount rate	7.84 percent	12.11 percent
Expected dividend yield	5.10 percent	5.10 percent

The sensitivity analysis of the fair value of the forward contract to the key assumptions is presented in Note 32.



Note 20. Other non-current liabilities

	31 December 2017	31 December 2016
Non-current advances received	10,766	4,176
Other non-current liabilities	8,716	5,746
Pension benefit obligations (Note 17)	8,634	8,804
Total other non-current liabilities	28,116	18,726

Note 21. Accounts payable and accruals

	31 December 2017	31 December 2016
Trade payables	30,949	31,451
Advances received	11,664	9,712
Settlements with personnel	8,880	8,245
Accounts payable under factoring agreements	258	2,957
Dividends payable	159	136
Other accounts payable	3,714	6,283
Total accounts payable and accruals	55,624	58,784

All accounts payable and accruals are denominated in Russian Rubles.

Note 22. Other taxes payable

	31 December 2017	31 December 2016
VAT	10,236	9,833
Insurance contributions	3,160	2,925
Property tax	2,038	1,941
Other taxes	600	558
Total other taxes payable	16,034	15,257

Note 23. Revenue

	Year ended 31 December 2017	Year ended 31 December 2016
Sales of electricity	241,409	272,582
Sales of capacity	40,881	37,068
Sales of heat and hot water	38,907	38,849
Other revenue	26,922	25,573
Total revenue	348,119	374,072

Other revenue includes revenue earned from transportation of electricity and heat, connections to the grid, rendering of construction, repairs and other services.

Note 24. Government grants

In accordance with legislation of the Russian Federation, several companies of the Group are entitled to government subsidies for compensation of the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel, purchased electricity and capacity.

During the year ended 31 December 2017, the Group received government subsidies of RR 32,745 million (for the year ended 31 December 2016: RR 17,250 million). The subsidies were received in the following territories: Kamchatsky territory, Sakha Republic (Yakutia), Magadan Region, Chukotka Autonomous Area and other Far East regions.

The total amount of government grants received by the Group's companies – guaranteeing suppliers, under the Resolution of the Russian Government No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region" (Note 2), for the year ended 31 December 2017 amounted to RR 17,254 million.



Note 25. Operating expenses (excluding impairment losses)

	Year ended 31 December 2017	Year ended 31 December 2016
Employee benefit expenses (including payroll taxes and pension benefit expenses)	74,390	71,768
Fuel expenses	58,098	54,561
Electricity distribution expenses	43,482	46,722
Purchased electricity and capacity	40,747	57,610
Depreciation of property, plant and equipment and amortisation of intangible assets	25,023	24,130
Taxes other than on income	10,681	10,233
Other materials	10,170	9,115
Third parties services, including:		
Repairs and maintenance	4,634	4,507
Provision of functioning of electricity and capacity market	3,639	3,642
Purchase and transportation of heat power	3,513	3,442
Security expenses	3,391	3,369
Consulting, legal and information expenses	2,222	1,911
Rent	2,081	2,155
Services of subcontracting companies	1,982	2,465
Insurance cost	1,940	1,983
Transportation expenses	1,185	1,213
Other third parties services	8,051	8,052
Water usage expenses	3,370	3,202
Social charges	1,098	1,319
Travel expenses	843	804
Purchase of oil products for sale	642	1,065
Loss on disposal of property, plant and equipment, net	1,006	555
Other expenses	1,617	1,882
Total operating expenses (excluding impairment losses)	303,805	315,705

Note 26. Finance income, costs

	Year ended 31 December 2017	Year ended 31 December 2016
<i>Finance income</i>		
Interest income	7,150	6,779
Foreign exchange gain	599	2,782
Income on discounting	389	118
Other income	305	264
Total finance income	8,443	9,943
<i>Finance costs</i>		
Change of fair value of non-deliverable forward contract for shares (Note 19)	(13,946)	-
Interest expense	(4,019)	(6,813)
Foreign exchange loss	(1,218)	(454)
Expense on discounting	(363)	(407)
Finance lease expense	(221)	(295)
Other costs	(1,366)	(1,072)
Total finance costs	(21,133)	(9,041)



Note 27. Earnings per share

	Year ended 31 December 2017	Year ended 31 December 2016
Weighted average number of ordinary shares issued (thousands of shares)	402,655,108	367,138,482
Profit for the period attributable to the shareholders of PJSC RusHydro	24,013	40,205
Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.0596	0.1095

Note 28. Capital commitments

In accordance with investment programme of the Company and separate investment programmes of the subsidiaries, the Group has to invest RR 209,820 million in the period 2018-2020 for reconstruction of the existing and construction of new power plants, including RR 106,676 million for 2018, RR 60,059 million for 2019, RR 43,085 for 2020 (31 December 2016: RR 243,975 million for the period 2017-2019).

Future capital expenditures are mainly related to reconstruction of equipment of power plants: Volzhskaya HPP in the amount of RR 9,965 million, Saratovskaya HPP in the amount of RR 8,681 million, Votkinskaya HPP in the amount of RR 8,643 million; and to construction of power plants: Zaramagskie HPP in the amount of RR 17,223 million, Sakhalin GRES-2 in the amount of RR 13,824 million, Ust'-Srednekanskaya HPP in the amount of RR 6,954 million, Nizhne-Bureiskaya HPP in the amount of RR 6,642 million.

Note 29. Contingencies

Social commitments. The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services and other social needs in the geographical areas in which it operates.

Insurance. The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed to those risks for which it does not have insurance.

Legal proceedings. The Group's subsidiaries are parties to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position and results of the Group.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. The impact of this course of events cannot be assessed with sufficient reliability, but it can be significant in terms of the financial situation and / or the business of the Group. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions with related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

During the year ended 31 December 2017, the Group's subsidiaries had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the period. Management has implemented internal controls to be in compliance with this transfer pricing legislation. In case of receipt of a request from tax authorities, the management of the Group will provide documentation meeting the requirements of Art. 105.15 of the Tax Code.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.



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, a concept of tax residency for foreign persons and taxation of indirect sale of Russian real estate assets.

The Group is currently assessing the effects of new tax rules on the Group's operations and takes necessary steps to comply with the new requirements of the Russian tax legislation. However, in view of the recent introduction of the above provisions and insufficient related administrative and court practice, at present the probability of claims from Russian tax authorities and probability of favourable outcome of tax disputes (if they arise) cannot be reliably estimated. Tax disputes (if any) may have an impact on the Group's financial position and results.

Management believes that as at 31 December 2017, its interpretation of the relevant legislation was appropriate and the Group's tax positions would be sustained.

Environmental matters. The Group's subsidiaries and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group's subsidiaries periodically evaluate their obligations under environmental regulations. Group accrued assets retirement obligation for ash dumps used by the Group which is included in other non-current liabilities and other accounts payable and comprised RR 1 348 million as at 31 December 2017 (31 December 2016: RR 1 048 million).

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Guarantees. The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries and for PJSC Boguchanskaya HPP in favour of the State Corporation Vnesheconombank for the loan facility:

Counterparty	31 December 2017	31 December 2016
<i>for PJSC Boguchanskaya HPP:</i>		
State Corporation Vnesheconombank	25,935	26,749
<i>for CJSC Boguchansky Aluminium Plant:</i>		
ALSTOM Grid SAS	-	31
Total guarantees issued	25,935	26,780

On February 2018 the guarantee was terminated (Note 34).

Note 30. Financial risk management

The risk management function within the Group is carried out in respect of financial and operational risks. Financial risk comprise market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to provide reasonable assurance for achievement of the Group's objectives by establishing Group's overall framework, identifying, analyzing and evaluating risks, establishing risk limits, and then ensuring that exposure to risks stays within these limits and in case of exceeding these limits to impact on the risks.

In order to optimise the Group's exposure to risks, the Company constantly works on their identification, assessment and monitoring, as well as the development and implementation of activities which impact on the risks, business continuity management and insurance, seeks to comply with international and national standards of advanced risk management (COSO ERM 2004, ISO 31000 and others), increases the culture of risk management and continuously improves risk management.

Credit risk. Credit risk is the risk of financial loss for the Group in the case of non-fulfillment by the Contractor of the obligations on the financial instrument under the proper contract. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the Note 32.



Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

There is no independent rating for the Group's customers and therefore the Group considers the credit quality of customers at the contract execution stage. The Group considers their financial position and credit history. The Group monitors the existing receivables on a continuous basis and takes actions regularly to ensure collection or to minimise losses.

To reduce the credit risk in the wholesale electricity and capacity markets the Group has introduced marketing policy and procedure to calculate internal ratings of counterparties in the unregulated market, based on the frequency of default, and to establish limits based on the rating of the customers' portfolio.

The Group management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide past due accounts receivable and other information about credit risk as disclosed in Note 12.

Cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. Management of the Group approved the list of banks for deposits, as well as rules for their placement. Moreover, management constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors of such banks.

The tables in Notes 10, 11 and 14 show deposits with banks and other financial institutions and their ratings at the end of the reporting period.

Credit risk for financial guarantees is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for other financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The Group's maximum exposure to credit risk for financial guarantees was RR 25,935 million as at 31 December 2017 (31 December 2016: RR 26,780 million) (Note 29).

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (i) foreign currencies, (ii) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated.

Currency risk. Electricity and capacity produced by the Group is sold on the domestic market of the Russian Federation at the prices fixed in Russian Rubles. Hence, the Group does not have significant foreign currency exchange risk. The financial condition of the Group, its liquidity, financing sources and the results of operations do not considerably depend on currency rates as the Group operations are planned to be performed in such a way that its assets and liabilities are to be denominated in the national currency.

The table below summarises the Group's monetary financial assets and liabilities exposed to foreign currency exchange rate risk:

	31 December 2017			31 December 2016		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
USD	663	(2,748)	(2,085)	840	(3,088)	(2,248)
EUR	63	(5,482)	(5,419)	67	(10,477)	(10,410)
Other	8	-	8	31	-	31
Total	734	(8,230)	(7,496)	938	(13,565)	(12,627)

The above analysis includes only monetary assets and liabilities. Equity investments and non-monetary assets are not considered to give rise to any material currency risk.

There is no significant effect of the changes of foreign currency rates on the Group's financial position.

Interest rate risk. The Group's operating profits and cash flows from operating activities are not dependent largely on the changes in the market interest rates. Borrowings issued at variable rates (Note 18) slightly expose the Group to cash flow interest rate risk.



As at 31 December 2017 the Group has debt financing with floating rates, which are established on the basis of the Libor rates (31 December 2017: debt financing with floating rates, which are established on the basis of the Libor, Euribor, MOSPRIME rates).

If as at 31 December 2017 and 31 December 2016 had interest rates at that date been 2 percent higher with all other variables held constant profit for the year ended 31 December 2017 and the amount of capital that the Group managed as at 31 December 2017 would have been RR 58 million (31 December 2016: RR 327 million) lower mainly as a result of higher interest expense.

The Group monitors interest rates for its financial instruments. Effective interest rates are disclosed in Note 18.

For the purpose of interest risk reduction the Group makes the following arrangements:

- credit market monitoring to identify favourable credit conditions,
- diversification of credit portfolio by raising of borrowings with fixed rates and, if necessary, floating rates.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding from an adequate amount of committed credit facilities. The Group adheres to the balanced model of financing of working capital – both at the expense of short-term sources and long-term sources. Temporarily free funds are placed into short-term financial instruments, mainly bank deposits and short-term bank promissory notes. Current liabilities are represented mainly by the accounts payable to suppliers and contractors.

The Group has implemented a control system under its contract conclusion process by introducing and applying typical financial arrangements which include standardised payment structure, payment deadlines, percentage ratio between advance and final settlement, etc. In such a manner the Group controls capital maturity.

The table below shows liabilities as at 31 December 2017 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the Consolidated Statement of Financial Position because this amount is based on the discounted cash flows.

The maturity analysis of financial liabilities as at 31 December 2017 is as follows:

	2018 year	2019 year	2020 year	2021 year	2022 year	Starting from year 2023
Liabilities						
Current and non-current debt	85,762	36,103	34,882	3,234	22,555	9,407
Trade payables (Note 21)	30,949	-	-	-	-	-
Accounts payable under factoring agreements (Note 21)	258	-	-	-	-	-
Financial guarantees (Note 29)	747	977	1,230	1,489	1,737	19,755
Obligation to JSC RAO ES East shares purchase	3	-	-	-	-	-
Dividends payable (Note 21)	159	-	-	-	-	-
Non-deliverable forward contract for shares	2,874	2,795	2,362	1,615	10,516	-
Finance lease liabilities (Note 18)	275	199	199	199	199	4,154
Total future payments, including principal and interest payments	121,027	40,074	38,673	6,537	35,008	33,316

During 2018 the maturity date for loans and borrowings totaling RR 85,762 million (Note 18). The Group's management plans to repay these borrowings both from the Group's own funds and through new financing. The group has a positive credit history, works with large credit institutions, including those controlled by the state, and also has access to public borrowings in the capital market



The maturity analysis of financial liabilities as at 31 December 2016 is as follows:

	2017 year	2018 year	2019 year	2020 year	2021 year	Starting from year 2022
Liabilities						
Current and non-current debt	55,373	102,732	28,490	24,992	3,600	20,210
Trade payables (Note 21)	31,451	-	-	-	-	-
Accounts payable under factoring agreements (Note 21)	2,957	-	-	-	-	-
Obligation to JSC RAO ES East shares purchase	3	-	-	-	-	-
Financial guarantees (Note 29)	800	1,008	1,269	1,536	1,791	20,376
Dividends payable (Note 21)	136	-	-	-	-	-
Finance lease liabilities (Note 18)	601	267	196	196	196	4,287
Net settled derivatives	9	8	5	2	-	-
Total future payments, including principal and interest payments	91,330	104,015	29,960	26,726	5,587	44,873

Note 31. Management of capital

Compliance with Russian legislation requirements and capital cost reduction are key objectives of the Group's capital risk management.

As at 31 December 2017 and 31 December 2016 the Company was in compliance with the share capital requirements as established under legislation.

The Group's objectives in respect of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The amount of capital that the Group managed as at 31 December 2017 was RR 695,564 million (31 December 2016: RR 650,932million).

Consistent with others in the energy industry, the Group monitors the gearing ratio, that is calculated as the total debt divided by the total capital. Debt is calculated as a sum of non-current and current debt, as shown in the Consolidated Statement of Financial Position. Total capital is equal to the total equity, as shown in the Consolidated Statement of Financial Position. The gearing ratio was 0.24 as at 31 December 2017 (31 December 2016: 0.31).

Note 32. Fair value of assets and liabilities

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

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	18,022	-	473	18,495
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	527,363	527,363
Total assets recurring fair value measurements	18,022	-	527,836	545,858
Financial liabilities				
Non-deliverable forward contract for shares	-	-	20,716	20,716
Total liabilities recurring fair value measurements	-	-	20,716	20,716

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31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	20,619	-	562	21,181
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	496,637	496,637
Total assets recurring fair value measurements	20,619	-	497,199	517,818

There were no changes in the valuation techniques, inputs and assumptions for recurring fair value measurements during the year ended 31 December 2017.

Fair value of available-for-sale financial assets mainly consists of the market value of PJSC Inter RAO shares. Profit or loss arising on available-for-sale financial assets recorded within other comprehensive income was mainly affected by the change in market quotes of this company's shares (Note 9).

At 31 December 2017 the fair value of the forward contract in line "Non-deliverable forward contract for shares" is determined based on the Monte-Carlo model, taking into account adjustments and using unobservable inputs, and included in Level 3 of fair value hierarchy (Note 19).

The valuation of the Level 3 financial liability and the related sensitivity to reasonably possible changes in unobservable inputs are as follows at 31 December 2017:

	Fair value	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity of fair value measurement
Non-financial assets					
Property, plant and equipment (except for construction in progress, office buildings and land)	527,363	Discounted cash flows	Electricity and capacity prices	-10%	(30,405)
			Discount rate	+1%	(21,734)
			Capital expenditures	+10%	(15,549)

The above tables disclose sensitivity to valuation inputs for property, plant and equipment as changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly.

The valuation of the Level 3 financial liability and the related sensitivity to reasonably possible changes in unobservable inputs are as follows at 31 December 2017:

	Fair value	Valuation technique	Significant unobservable inputs	Reasonable possible change	Reasonable possible values	Sensitivity of fair value measurement
Financial liability						
Non-deliverable forward contract for 20,716 shares	Monte-Carlo model		Dividend yield	-2%	3.10 percent	(472)
				+2%	7.10 percent	618
			Market value of the share	-20%	RR 0.5811	7,502
				+20%	RR 0.8717	(7,504)

Based on management's estimate, the possible changes of unobservable inputs do not have a significant impact on the fair value of the non-deliverable forward contract.

The fair value estimate of the non-deliverable forward contract is significantly influenced by observable inputs, in particular, by the market value of the shares which was RR 0.7264 as at 31 December 2017 (Note 19).

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets carried at amortised cost. The Group considers that the fair value of cash (Level 1 of the fair value hierarchy), cash equivalents and short-term deposits (Level 2 of the fair value hierarchy), short-term accounts receivable (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value of long-term accounts receivable, other non-current and current assets is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy); the fair value of these assets approximates their carrying value.



Liabilities carried at amortised cost. The fair value of floating rate liabilities approximates their carrying value. The fair value of bonds is based on quoted market prices (Level 1 of the fair value hierarchy). Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy).

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

As at 31 December 2017 fair value of bonds exceeded their carrying value by RR 1,073 million. As at 31 December 2016 fair value of bonds exceeded their carrying value by RR 92 million.

As at 31 December 2017 the carrying value of non-current fixed rate debt was RR 39,396 million and exceeded their fair value by RR 925 million. As at 31 December 2016 the carrying value of non-current fixed rate debt was RR 103,817 million and exceeded their fair value by RR 4,705 million.

Note 33. Presentation of financial instruments by measurement category

The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39 Financial instruments: Recognition and Measurement and information about the rest of special funds on the accounts of the Federal Treasury as at 31 December 2017 and 31 December 2016:

As at 31 December 2017	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 10)	10,392	-	10,392
Promissory notes	9,860	-	9,860
Long-term loans issued	532	-	532
Available-for-sale financial assets	-	18,495	18,495
Trade and other receivables (Note 12)	37,369	-	37,369
Trade receivables	34,707	-	34,707
Other financial receivables	2,662	-	2,662
Other current assets (Note 14)	4,244	-	4,244
Special funds	3,429	-	3,429
Deposits	790	-	790
Short-term loans issued	25	-	25
Cash and cash equivalents (Note 11)	70,156	-	70,156
Total financial assets	122,161	18,495	140,656
Non-financial assets	-	-	887,595
Total assets	-	-	1,028,251

As at 31 December 2016	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 10)	8,838	-	8,838
Promissory notes	8,491	-	8,491
Long-term loans issued	332	-	332
Net settled derivatives	15	-	15
Available-for-sale financial assets	-	21,181	21,181
Trade and other receivables (Note 12)	35,268	-	35,268
Trade receivables	32,747	-	32,747
Other financial receivables	2,521	-	2,521
Other current assets (Note 14)	8,118	-	8,118
Special funds	3,507	-	3,507
Deposits and promissory notes	4,292	-	4,292
Short-term loans issued	310	-	310
Net settled derivatives	9	-	9
Cash and cash equivalents (Note 11)	67,354	-	67,354
Total financial assets	119,578	21,181	140,759
Non-financial assets	-	-	842,687
Total assets	-	-	983,446



As at 31 December 2017 financial liabilities of the Group valued at fair value are represented by the non-deliverable forward contract for shares in the amount of RR 20,716 million (Note 19) (31 December 2016: there were no liabilities represented by a non-deliverable forward).

All other financial liabilities of the Group are carried at amortised cost and are represented mainly by the current and non-current debt (Note 18), trade payables, accounts payable under factoring agreements and other accounts payable (Note 21).

Note 34. Subsequent events

Eurobond issue. In February 2018 the Group placed Eurobonds, issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue was RR 20,000 million. The term of the bonds is 3 years, the coupon rate is 7.4 percent per annum. VTB Capital, JP Morgan, Gazprombank and Sberbank CIB acted as joint lead managers of the issue. The placement and listing of the Eurobonds took place on the Irish Stock Exchange under Reg S rule. Eurobonds could have been partly purchased by government-related entities.

Termination of guarantees. In February 2018 the Group signed an agreement on the termination of the surety agreement with SC Vnesheconombank with regard to performance by PJSC Boguchanskaya HPP of its obligations under the loan agreement (Note 29).