



RusHydro

APPENDICES

TO 2017 ANNUAL REPORT



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Appendix No 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.	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. 2. During the reporting period the Board of Directors reviewed matters related to the indicated policy (policies).	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	With regard to items 1,2, the Company provides the following explanations: 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. 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.
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.	1. The Board of Directors plays a key role in prevention, detection and resolution of internal conflicts 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.	<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.	1. The Board of Directors has approved a regulation on information policy. 2. The company has appointed persons in charge of the implementation (enforcement) of the information policy.	<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.	1. The annual report of the company for the reporting period contains information regarding the directors' attendance at Board and committee meetings. 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.	<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.	1. The performance assessment procedure for the Board of Directors adopted in the company includes the evaluation of professional qualifications of Board members. 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.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	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

				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 <input type="checkbox"/> partially observed <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	<p>Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.</p>	<p>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.</p>	<p><input type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input checked="" type="checkbox"/> not observed</p>	<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	<p>The chairperson of the Board of Directors should help it carry out the functions imposed thereon in a most efficient manner.</p>			
2.5.1	<p>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>	<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>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<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/)</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>

2.6.4	<p>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>	<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>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>P.1 and P.2 are partially observed.</p> <p>With regard to paragraph 1, the Company provides the following explanations:</p> <p>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:</p> <p>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.	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. 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	<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	With regard to paragraph 1, the Company provides the following explanations: In addition to the audit and staffing committees and remunerations (nominations), the Company has the following committees: - on strategy; - on investments; - Reliability, energy efficiency and innovation; - on the development of energy in the Far East. 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.
2.8.5	The composition of the committees should be determined in such a way that it would allow a	1. Board committees are chaired by independent directors. 2. Given the specific nature of issues considered by the	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	P.1 is partially observed. P.2 is fully observed. With regard to paragraph 1, the Company provides the

	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	1. The company has a corruption prevention policy in place. 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.	<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 GRES facilities, 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> <p>- 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:</p> <p>a) on reorganization, liquidation of a subsidiary company;</p> <p>b) determination of the quantity, par value, category (type) of the declared shares in the subsidiary company and the rights granted by these shares;</p> <p>c) to increase the authorized capital of the subsidiary by increasing the nominal value of shares or by placing additional shares;</p> <p>d) on placement of securities of the subsidiary, convertible into ordinary shares;</p> <p>e) on the fragmentation, consolidation of the shares of the subsidiary;</p> <p>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;</p> <p>g) consent to the completion or subsequent approval of major transactions by the subsidiary;</p> <p>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 GRESs, 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;</p> <p>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 ;</p>
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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. With regard to paragraph 1, the Company provides the following explanations: 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. 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: 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. 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.	<p>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.</p>	<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: 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.</p> <p>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 No 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 PJSC 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:

	<p>between JSC "RusHydro" and JSC "RAO ES of the East"</p>	<p>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.</p>	<p>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:</p> <table border="1" data-bbox="640 528 1626 1353"> <thead> <tr> <th data-bbox="640 528 757 592">Period</th> <th data-bbox="757 528 887 592">Calendar period</th> <th data-bbox="887 528 1626 592">The formula for calculating interest</th> </tr> </thead> <tbody> <tr> <td data-bbox="640 592 757 979">1</td> <td data-bbox="757 592 887 979">From the date of issue of the loan until 12/31/2017</td> <td data-bbox="887 592 1626 979"> $K(n) = K_{CB} + 1,5\% - \frac{Divn(n)}{55\,000\,000\,000} * 100\%, \text{ where}$ <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. 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 data-bbox="640 979 757 1353">2, 3 ..., n</td> <td data-bbox="757 979 887 1353">Since January 1 to December 31 of the corresponding year, starting from 2018</td> <td data-bbox="887 979 1626 1353"> $K(n) = K_{CB} + 1,5\% - \frac{Divn(n) - Divn(n-1) + Div\,fact(n-1)}{55\,000\,000\,000} * 100\%, \text{ where}$ <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> </tbody> </table> <p>The Lender shall notify the Borrower of the value of the interest rate</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. 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>	<p>- Chairman of the Management Board - General Director of PJSC 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 PJSC RusHydro Kazachenkov AV, who is also a member of the Board of Directors of JSC RAO ES of the East.</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. 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>											

			<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 No 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 Vedeneev"	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 PSP, 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	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 GRES-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 GRES
JSC "Yakutsk GRES-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 GRES
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 "Fiagdonskaya 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				297,926,617.85	diversified holding, which includes the generation and sale of electricity in domestic and foreign markets
PJSC "DEK"	Strategic, financial investments	Participation in the company's statutory capital	178,714,322.00					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					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	-					banking activities
JSC "NPF of Electric Power Industry" *	Strategic, financial investments	Participation in the company's statutory capital	730,906.14					investment activities
				0.000186	-	-	0.00	
				0.609	-	-	0.00	

* 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	Association NP Market Council	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 Association	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 Energostroyalians 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 No 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 GRES-2 (1st stage), Phase 2 of Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, Sakhalinskaya GRES-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 GRES-2 (1st stage)," Construction of Sakhalinskaya GRES-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 GRESs 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 GRESs 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 GRESs 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 GRES-2": On the agreement for a major transaction - the conclusion of JSC "Yakutsk GRES-2" of the Supplementary Agreement to

	the General Contract for the construction of the Yakutsk GRES-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 PJSC 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 No 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 GRES-2 (1st stage), Phase 2 of Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, Sakhalinskaya GRES -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 PJSC RusHydro (representatives of PJSC 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 GRES-2 (1st stage), TPP in Sovetskaya Gavan, Sakhalinskaya GRES-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 GRES-2: On the agreement for a major transaction - the conclusion of JSC Yakutskaya GRES-2 Additional of the agreement to the General Contract for the construction of the Yakutsk GRES-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 GRES-2 (1st stage), Phase 2 of Blagoveshchenskaya TPP , TPP in Sovetskaya Gavan, Sakhalinskaya GRES-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 GRESs of the technological connection of the BJI 220kV Orotukan-Palatka-Tsentrlnaya.
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-П9.
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 PJSC RusHydro)

	on the agenda of the General Meeting of Shareholders of JSC Yakutskaya GRES-2: Approval of a major transaction - Supplementary Agreement No. 1 dated 12/01/2017 to the Property Lease Agreement No. YAGRES-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 PJSC RusHydro (representatives of PJSC 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 GRES-2 (1), "Construction of Sakhalinskaya GRES-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 PJSC 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	<ol style="list-style-type: none"> 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 ". 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". 3. On recommendations to the Board of Directors of PJSC RusHydro on the issue: "Determination of the position of PJSC RusHydro (representatives of PJSC 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".
No. 89 of April 3, 2017	<ol style="list-style-type: none"> 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). " 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." 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>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	<ol style="list-style-type: none"> 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". 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 ". 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". 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 ".
No. 91 of April 17, 2017	<ol style="list-style-type: none"> 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 GRESs of construction of Zagorskaya PSHPP-2 "(Minutes No. 231 of 20.02.2016, Minutes No. 10.10 .2016 No. 242). "
No. 92 of May 22, 2017	<ol style="list-style-type: none"> 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 ". 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".
No. 93 of June 20, 2017	<ol style="list-style-type: none"> 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) " 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." 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".

	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 GRESs 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 Number	Date and	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 GRESs 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 No 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.

No	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 PJSC 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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	10301010000003710000 10301010000003720000 10301010000003730000 10301010000003740000 10301010000003760000 10301010000003770000 10301010000003780000 10301010000003790000 10301010000003800000 10301010000003810000 10301010000003830000 10301010000003840000 10301010000003850000 10301010000003860000 10301010000003870000 10301010000003880000 10301010000003890000 10301010000003900000 10301010000003910000 10301010000003920000 10301010000003930000 10301010000003940000 10301010000003960000 10301010000003970000 10301010000003980000 10301010000004000000 10301010000004010000 10301010000004020000 10301010000004030000 10301010000004060000 10301010000004070000 10301010000004080000 10301010000004090000 10301010000004100000 10301010000004110000 10301010000004120000 10301010000004130000 10301010000004140000 10301010000004150000 10301010000004160000 10301010000004170000 10301010000004180000 10301010000004200000					
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		10301010000004210000 10301010000004220000 10301010000004230000 10301010000004240000 10301010000004250000 10301010000004260000 10301010000004270000 10301010000004280000 10301010000004290000 10301010000004300000 10301010000003680000 10301010000005960000 10301010000005980000						
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 No 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 No 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 GRES -2 (1st stage) – 3,038.5 million rubles,
- Yakutsk GRES-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 No 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 LTDP") 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 LTDP 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 LTDP 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 LTDP is carried out annually in accordance with the Standard for carrying out an audit of the implementation of the LTDP⁵ and the Terms of Reference for carrying out an audit of the implementation of the LTDP⁶, 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 LTDP⁹ 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 LTDP, 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	<i>115,109</i>	<i>120,752</i>	<i>5,643</i>	<i>4.9%</i>
	<i>29.0%</i>	<i>31.6%</i>		
Including revenues of the Holding subgroup "RAO ES of the East", with share in total revenues	<i>206,435</i>	<i>201,281</i>	<i>-5,154</i>	<i>-2.5%</i>
	<i>52.1%</i>	<i>52.8%</i>		

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 net 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 "DGK"), heat supply from the collectors (JSC "DGK"), the increase in fuel prices, including on coal in connection with the additional generation of electricity from the stations of JSC "DGK" (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 GRES-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 "DEK", JSC "DGK", JSC "DRSK", 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 "DEK", JSC "DGK", JSC "DRSK", optimization of the functions of branches and executive offices of PJSC "DEK", JSC "DGK", JSC "DRSK"; 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).

¹⁵ Volumes 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 PJSC 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 SSHP: 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 GRES-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 LTDP 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 GRESs 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 GRESs 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 DRSK (-) 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 "DRSK" (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 "DRSK" (Minutes No. 11 of August 22, 2017), JSC "DGK" (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 DRSK, 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 DRSK, PJSC Yakutskenergo, PJSC Magadanenergo, JSC DGK).
4. Savings based on the results of procurement procedures (-) 371.9 million rubles. (JSC "DGK").
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-Kangalasskiy 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 "DGK": No. 9 and No. 11 of Vladiof the Eastskaya CHPP-2, No. 9 and No. 13 of Artemovskaya CHPP, No. 4 of Partizanskaya GRES, 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 "DGK".
- 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 GRES, art. No. 1 of Khabarovsk CHP Plant No. 3, Station No. 1 of Komsomolskaya CHPP-3, Station No. 2 of Neryungrinskaya GRES of JSC "DGK";
- 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 GRES, station No. 1 of Blagoveshchenskaya CHPP of JSC "DGK"; Station No. 2 of Kamchatka CHPP-2 of PJSC "Kamchatskenergo"; Art. No. 8 of Magadan Thermal Power Plant, Art. No. 5 of Arcagalinskaya GRES of PJSC "Magadanenergo"; Art. No. 2 of the Yuzhno-Sakhalinskaya CHP Plant, Art. No. 5 of Sakhalinskaya GRES 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 GRES, Station No. 11 of Artemovskaya CHP Plant, Station No. 3 of Nikolaevskaya CHPP of JSC "DGK"; Art. № 6 of Magadanskaya TPP of PJSC "Magadanenergo"; Station No. 4.1 of Yuzhno-Sakhalinskaya CHP Plant, Station No. 2 of Sakhalinskaya GRES PJSC "Sakhalinenergo"; Station No. 3 of Chaunskaya CHP Plant, Station No. 3 of Egvekinotskaya GRES of Chukotenergo JSC.

In 2017, 4 086 km of electric and 57 km of heating networks were repaired.

The LTDP 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), Teploenergoservis 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 PJSC 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 PJSC 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 PJSC 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 "DRSK" (Minutes No. 11 of August 22, 2017), JSC "DGK" (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 PJSC 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, PJSC 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 "DEK", JSC "DGK", PJSC "Yakutskenergo", PJSC "Kamchatskenergo", 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 "DGK" 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 "DEK" 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 "DEK" 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 GRES, Sakhalinskaya GRES- 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 "DGK" - 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-Uralelectrotyazhmash", 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 GRES-2 (1st stage), Yakutsk GRES-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 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 PJSC 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 Mosoblhidroproekt, 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 "Mosoblhidroproekt", 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 PJSC 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 PJSC 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 PJSC 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 PJSC 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 PJSC 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 occurred 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 PJSC 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 PJSC RusHydro dated June 26, 2017 No. 407 On approval of the Policy for processing personal data of PJSC RusHydro;

– Order of PJSC 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 controlled companies 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 PJSC 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 PJSC 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 DEK, PJSC Yakutskenergo, PJSC Kamchatskenergo, JSC SENK, PJSC Magadanenergo, PJSC Sakhalinenergo, JSC DGK, JSC DRSK, PJSC Peredvizhnaya Energetika, Chukotenergo JSC, Sakhaenergo JSC, Teploenergosservis JSC, ESC RusHydro JSC, Krasnoyarskenergossbyt 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 PJSC 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 Moscow 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*

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).

Appendix No 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 Vneshaudit.

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 No 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 No 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 GRESs 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 GRESs 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 "DEK" (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 "DGK" on Gas for 2016	12/28/2017	12/29/2017

Appendix No 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-GRES-2, Sakhalinskaya GRES-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 PJSC RusHydro, with PJSC 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 "DEK")	<p>The share of PJSC "DEK" 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 " DEK " 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 "DEK", 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 " DEK " out of 15 were elected by the votes of RusHydro Group. 	In its activities, PJSC " DEK" 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 Company" (JSC "FGC")	<p>The share of JSC " FGC " in the consolidated revenues of the RusHydro Group is 7.64%.</p> <p>The company produces heat and electric</p>	<ul style="list-style-type: none"> • PJSC RusHydro controls JSC FGC through an affiliated organization - PJSC " DEK". • PJSC " DEK" owns 100% minus 	In its activities, JSC " FGC" interacts with 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".

	energy, and also provides centralized heat supply to consumers in the areas of power plants located in the Khabarovsk and Primorsky Krajs, 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>one share of voting shares of JSC "FGC", 100% of voting shares are consolidated in the ownership of RusHydro Group.</p> <ul style="list-style-type: none"> The Board of Directors of JSC "FGC" is fully formed from the representatives of the RusHydro group. 		
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 RusHydro Group. 	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".
6. Joint-stock company	The share of JSC Zagorsk HPSPP-2 from the	<ul style="list-style-type: none"> PJSC "RusHydro" owns 100% of 	In its activities JSC Zagorsk	In the IFRS of

<p>"Zagorsk HPSPP-2" (JSC "Zagorsk HPSPP-2")</p>	<p>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>	<p>the voting shares of JSC "Zagorsk HPSPP-2";</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p>	<p>RusHydro's JSC Zagorsk HPSPP-2 is classified as "Other segments".</p>
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Appendix No 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 «DEK»**
4. Full corporate name: **Stock company «Far Eastern Generating Company»**
Abbreviated company name: **SC «DGK»**
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 Meetings (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 No 15. Accounting statements and the Independent Auditor's
audit report as of December 31, 2017 (in accordance with RAS)**



PJSC «RusHydro»

Financial statements and
Independent Auditor's report

31 December 2017

Translation from Russian original

Content

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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

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TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Our audit approach

Overview

- Materiality**
- Overall materiality: Russian Roubles (“RUB”) 2,390 million, which represents 5% of the average profit before tax for the last three years.

-
- Key audit matters**
- 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.

<i>Overall materiality</i>	RUB 2,390 million
<i>How we determined it</i>	5% of the average profit before tax for the last three years
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the accompanying financial statements. These matters were addressed in the context of



our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
------------------	--

Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties

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.

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.

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.

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.

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.

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

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:

- 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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 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES	
Form on OKUD	0710002
Date (year, month, day)	2017/12/31
OKPO	75782411
INN	2460066195
OKVED	35.11.2
OKOPF/OKFC	12247 / 41
OKEI	385

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**

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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:						
net profit	3211	x	x	x	41,877	41,877
additional shares issue	3214	-	-	x	x	-
Decrease of equity, including:						
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:						
net profit	3311	-	-	-	36,149	36,149
additional shares issue	3314	40,034	-	x	x	40,034
Decrease of equity, including:						
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 (chosed 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 (chosed 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		Additions*	Changes for the period		Depreciation accrued*	At the end of the year	
		Cost	Accumulated depreciation		Disposals			Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment	2016	428,500	(83,514)	43,735	(1,291)	890	(15,806)	470,944	(98,430)
including:	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	2016	7,592	(527)	-	(7,592)	641	(114)	-	-
including:	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.

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Explanatory Notes to the 2017 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

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".

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(a) Investments in subsidiaries, associates and other entities

The balance sheet line 1170 "Investments" includes the below investments in subsidiaries, associates and other organisations:

Subsidiaries and associates and other entities	31 December 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 Hidroinvest, 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 Teploenergосervice	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;

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- 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);

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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

TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Type of 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 «Spechydroproject»	-	-	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	-

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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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Short-term investments and their movements

Item	Period	Opening balance		Additions*	Changes for the period*			Closing balance	
		Historical cost	Accumulated adjustment		Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	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	-
lLoans 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.

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(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%).

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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

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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

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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
	2016	16,250	23,371	(28,254)	11,367
Borrowings, including:	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

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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 payable 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

PAO RusHydro

Explanatory Notes to the 2017 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

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 Hydroelectroavtomatica, 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

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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 Kamsksya 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 substantiated 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

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 Teploenergoserwis	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:

	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:			
PAO Inter RAO	6,809	7,818	2,286
PAO Irkutskenergo	6,809	7,709	2,217
	-	65	36

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.

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

Appendix No 16. Consolidated financial statements prepared in accordance with IFRS and an audit opinion for the year ended December 31, 2017 and as of that date



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
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Assessment of impairment of property, plant and equipment

For matters requiring disclosure and related significant accounting policies, judgements and accounting estimates see Notes 2, 7 and 32 to the consolidated financial statements.

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.

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.

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.

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.

Our audit procedures related to the management's assessment of impairment of property, plant and equipment, included the following:

- 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>Recognition of the non-deliverable forward contract for shares</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 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>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 PricewaterhouseCoopers 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

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

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)

RusHydro Group
Consolidated Statement of Cash Flows
(in millions of Russian Rubles unless noted otherwise)



	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)

The accompanying notes are an integral part of these Consolidated Financial Statements

RusHydro Group
Consolidated Statement of Cash Flows
(in millions of Russian Rubles unless noted otherwise)



	Note	Year ended 31 December 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.



(in millions of Russian Rubles unless noted otherwise)

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 Hidroremont-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 HidroKaskad	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%



(in millions of Russian Rubles unless noted otherwise)

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	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial position				
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)

Year ended 31 December 2017	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	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)

	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Year ended 31 December 2016							
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.



(in millions of Russian Rubles unless noted otherwise)

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.



(in millions of Russian Rubles unless noted otherwise)

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.



(in millions of Russian Rubles unless noted otherwise)

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	
	2017	2016	2017	2016
As at 31 December				
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:

As at 31 December	BoGES Group		BALP Group	
	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).



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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).



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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.



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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.



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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).



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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>(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>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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(in millions of Russian Rubles unless noted otherwise)

	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.



(in millions of Russian Rubles unless noted otherwise)

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.



(in millions of Russian Rubles unless noted otherwise)

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.



(in millions of Russian Rubles unless noted otherwise)

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.



(in millions of Russian Rubles unless noted otherwise)

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.



(in millions of Russian Rubles unless noted otherwise)

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.



(in millions of Russian Rubles unless noted otherwise)

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

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)

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
				-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
<hr/>			
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	-	37,747
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).

Appendix No 17. 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 PJSC RusHydro and PJSC 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 No 18. Independent Limited Assurance Report, providing limited confidence in the qualitative and quantitative information in the PJSC RusHydro's Annual report for 2017



Independent Limited Assurance Report to the Directors of Public Joint Stock Company Federal Hydro-Generating Company – RusHydro (PJSC RusHydro)

Introduction

We have been engaged by management of PJSC RusHydro to provide limited assurance on the selected information described below and included in the Annual report (including information on Sustainable Development) of PJSC RusHydro (“Report”) for the year ended 31 December 2017.

The selected subsidiaries (“RusHydro Group”ⁱ) are listed in the Group structure section of the Report.

Selected Information

We assessed the qualitative and quantitative information that is included in the «GRI Standards Compliance Table» for standard disclosures in environmental, workforce, safety and socio-economic areas in the reporting scope (the “Selected Information”). The scope of our limited assurance procedures was limited to Selected Information for the year ended 31 December 2017.

Reporting Criteria

We assessed the Selected Information using Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and GRI Electric Utilities Sector Supplement (collectively, GRI Standards). We believe that these criteria are appropriate given the purpose of our limited assurance engagement.

PJSC RusHydro responsibilities

Management of PJSC RusHydro is responsible for:

- designing, implementing and maintaining internal systems, processes and controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective reporting criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the reporting criteria; and
- the accuracy, completeness and presentation of the Selected Information.

ⁱ The term “RusHydro Group” in this Report relates only to PJSC RusHydro and its selected subsidiaries included in the Report and is not equivalent to the similar term used in the Consolidated IFRS financial statements.

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TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management of PJSC RusHydro.

This report, including our conclusions, has been prepared solely for management of PJSC RusHydro in accordance with the agreement between us, to assist management in reporting on RusHydro Group sustainability performance and activities. We permit this report to be disclosed in the Report for the year ended 31 December 2017, to assist management in responding to their government responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than management of PJSC RusHydro for our work or this report except where terms are expressly agreed in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our assurance procedures in the Russian Federation.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of RusHydro Group management;
- conducted interviews of personnel responsible for sustainability reporting and data collection (interviews were held in Moscow);
- performed analysis of the relevant policies and basic reporting principles and gaining an understanding of the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;



- performed limited substantive testing of the selected information on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- reviewed the Selected Information for compliance of the disclosures with the requirements of GRI Standards.

Reporting and measurement methodologies

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The reporting criteria used as a basis of RusHydro Group sustainability reporting should therefore be read in conjunction with the Selected Information and associated statements reported on PJSC RusHydro's websiteⁱⁱ.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained:

- nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2017 has not been prepared, in all material respects, in accordance with the requirements of GRI Standards; and
- nothing has come to our attention that causes us to believe that the Selected Information does not meet the Core requirements in accordance with the Guidelines of GRI Standards.

28 April 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

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

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the 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

ⁱⁱ The maintenance and integrity of the PJSC RusHydro website is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any differences between the selected information on which the assurance report was issued or the assurance report that was issued and the information presented on the PJSC RusHydro website.

Appendix No 19. Consideration of stakeholders' recommendations given at the Public Hearings in 2017

№	Stakeholders' recommendations	PJSC RusHydro's response
1	Disclose information on RusHydro's interaction with trade union organizations in more detail.	It is considered in section Personnel policy.
2	Supplement the Report with information on RusHydro's participation in the sectoral electricity tariff agreement, including the conduct of a social dialogue with the Company's employees on the implementation of the agreement, as well as the impact of this dialogue on social policy in the Group.	It is considered in section Collective agreements.
3	To disclose information on RusHydro participation in the national qualification system reform and in the development of professional standards in the electric power industry.	Due to the fact that the Company participated in the development of professional standards from 2013 to 2016 inclusive, the inclusion of information on this in the text of this Report seems inadvisable.
4	To disclose information on the PJSC RusHydro participation in supporting the WorldSkills professional championship taking into account the upcoming WorldSkills World Cup in Kazan in 2019.	It is considered in section Plans for the development of the personnel management system for 2018.
5	Consider the issue of conducting a public (stakeholder) assurance report in the next reporting cycle.	The issue of holding a public (stakeholder) assurance will be considered when developing the report for 2018 concept.
6	Disclose information about the charitable activities and projects of RusHydro in more detail, in particular, the support of the Charitable Foundation Vera, as well as RusHydro's plans for charity for 2017.	It is partially considered. Within the charitable activities, the Company implements more than a hundred different charity projects with charitable foundations and non-commercial organisations. Allocate one of the funds is inappropriate. In the report for 2018 the Company plans to disclose plans for charity for the next reporting period.
7	Describe the Company's activities aimed at reducing greenhouse gas emissions within the overall strategy in more detail, including in the Far East, in the Report, and to indicate which measures are used to reduce emissions (for example, installation of solar panels, switching from coal to gas and so on).	It is considered in section Emissions.
8	Link the Company's investment plans and projects and the results of reducing greenhouse gas emissions.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
9	Provide a brief overview of RusHydro's plans to implement an overall strategy for reducing greenhouse gases.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
10	Add information about RusHydro's key investment projects, especially those being implemented in the Far Eastern region.	It is considered in section Construction of production facilities, Investment activity.
11	Disclose information on investment plans and the expected impact of RusHydro's key investment projects on regions of presence (taxes, new jobs, etc.).	It is considered in section Construction of production facilities.
12	Disclose information on the environmental impact and investment activities of the Company in more detail.	It is considered in section Investment activity, Environmental impact.
13	Identify the reasons for the reduction in the number of personnel in the Company, to clarify whether there are programmes for conversion (retraining, employment) for the released workers who were affected by the optimization program.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
14	Provide information on RusHydro's long-term plans to develop alternative renewable energy and increase the share of RES in the overall electricity production structure of the	It is considered in section Renewable energy sources.

	Group.	
15	Consider the issue of preparing a video for the preparation of the report, which provides basic information on the Sustainable Development Report.	It is not considered. The company additionally prepares an interactive (electronic) version of the report, so, preparation of the video is superfluous.
16	Disclose information about the results and activities on the anti-corruption activities of RusHydro in more detail.	It is considered in section Anti-Corruption Efforts.
17	Identify the link between general corporate KPIs and KPIs of the CEO and top management of RusHydro.	It is considered. For the KPI system of the Company, the term general corporate KPIs is not applicable. Earlier in 2017, the KPI system provided for the existence of KPIs of the Company, which extended to all employees, including the Chairman of the Management Board - CEO and members of the Management Board of the Company. Since 2017, KPIs of the Long-term Development Program and KPI of top management have been linked (the information is disclosed in the section Key Performance Indicators).
18	Add an external auditor's opinion on the Report.	It is considered – the Report includes the conclusion of an independent auditor of JSC PricewaterhouseCoopers Audit.
19	Disclose information on plans for the corporate governance system development and to increase the evaluation within the corporate governance rating.	It is considered in section Corporate governance.
20	Disclose information on the Company's planned activities for the development of internal audit and risk management systems.	It is considered in section Improvement of internal control and risk management system.
21	Describe in the Report how cost reduction affects the key risks and performance of the Company.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
22	Describe the impact of R & D development and R & D on the Company's key risks.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
23	Specify the goals of RusHydro's activities in the field of labour protection and industrial safety, charitable activities.	It is considered at the beginning of the relevant sections
24	Specify the payback period for projects in the field of energy efficiency.	It is not considered. There is no methodology for separate cost accounting and evaluation of the recoupment of energy efficiency program activities with an indirect effect. The issue will be considered when developing the report for 2018 concept.
25	Describe the effects in terms of sustainable development that the implementation of the Company's innovative projects (for example, projects on the use of ash-and-slag disposal) brings.	It is considered in sections Construction of production facilities, Investment activities, Environmental measures.
26	To specify international conventions, standards, international regulatory requirements in the field of environmental protection, which are guided by the Company in its activities. Including, how the development of the Environmental Policy of PJSC RusHydro was taken into account the recommendations of the EBRD on hydropower, issued in 2016.	It is partially considered in section Environmental responsibility. Information on the EBRD recommendations consideration will be disclosed in the report for 2018.
27	Explain the Company's impact on the environment not only through the indication of the impact of reservoirs, but also dams. Including, pay attention to the problems of transformation of the water regime, temperature pollution, generation of greenhouse gas emissions (including methane). Provide information on the assessment of this impact and measures to reduce it.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
28	Describe the results of the work of the RusHydro Working Group on Global Climate Change.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
29	To display in the report plans for the further development of energy in the Republic of Sakha (Yakutia).	It is partially considered in sections Investment activity, Renewable energy sources.

30	Give more details about the Company's activities in the fight against terrorism.	It is considered in section Risks and opportunities.
31	Specify data on the ecological footprint of the HPP, as well as on the change in the ecological footprint based on the results of increasing the HPP's productivity.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
32	Provide additional quantitative and qualitative indicators of the Company's performance in a number of areas that are included in the detailed table on environmental costs: sewage treatment, rehabilitation of lands, surface and groundwater, noise and vibration effects.	It is partially considered in section Environmental measures.
33	Provide information on the ratio of the negative impact of RusHydro on biodiversity and measures for replenishing biodiversity, as well as on the ratio of invested funds and the effectiveness of biodiversity conservation project.	It is considered in section Biodiversity conservation activities.
34	Clearly formulate long-term goals for each area of charitable activity, calculate the effectiveness of charitable activities of RusHydro.	It is not considered. The purposes of charitable activities in the report are shown. In some areas of charitable activities, goals are not set. There is no recognized methodology for calculating the effectiveness of charitable activities.
35	Indicate whether minority shareholders / representatives of minority shareholders are involved in sustainable development and CSR activities and whether the Company receives feedback from them in this part.	It is partially considered. Feedback to shareholders is carried out by interviewing their opinions on the report when it is disclosed on the website on the Internet. Since the Annual Report is subject to approval at the Annual General Meeting of Shareholders, feedback will be additionally received during the AGM.
36	Take into account the recommendations on corporate governance, including information disclosure, from the study of the Association of Professional Investors Evaluation of corporate governance in public joint-stock companies with participation of the Russian Federation, whose shares are traded on the organized securities market, issued in 2017.	It is partially considered in section Corporate governance.
37	To provide more complete information about the impact of charitable projects on the support of educational institutions on the development of the staff potential of the Group (for example, the share of graduates of partner universities and departments employed in RusHydro).	It is partially considered in section Social responsibility. The full information will be disclosed in the report for 2018.
38	Provide more complete information on the Company's participation in the projects of the Association of Hydropower of Russia, including projects in ecology and environmental protection field.	This will be fully considered when preparing report for 2018.

Appendix No 20. Consideration of stakeholders' recommendations given at the Public Hearings in 2018 (Report for 2017 Draft)

№	Stakeholders' recommendations	PJSC RusHydro's response
1	Eliminate information on corporate governance duplication.	It is partially considered in Chapter 3 "Corporate Governance". In preparing the report for 2018, the structure and volume of the section on corporate governance will be analyzed in order to disclose only the essential information and information required by regulators.
2	In the next reports, for even better disclosure of the topic of remuneration of management bodies, it makes sense to focus on global research on this topic and directives, in particular - the second directive on the rights of shareholders	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.

	in the European Union.	
3	In the next reports it is proposed to disclose in details information on procedures for recognizing the Board of Directors members independence (independent directors).	It will be considered when preparing the report for 2018.
4	To disclose in the next reports information on utility connection of small and medium-sized businesses, including the cost of utility connection and the prospects for reducing this cost.	It will be considered when preparing the report for 2018.
5	Give more detailed description of the plan for the development of renewable energy in the Far Eastern Federal District.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
6	Show the connection between the Group's ongoing activities with the universities and the Company's staffing.	It will be considered when preparing the report for 2018.
7	Add to the Report information on professional standards development in the power industry and RusHydro Group's participation in this activity.	Regarding to the fact that the Company participated in standards development from 2013 to 2016 inclusive, inclusion information on this in the Annual report for 2017 seems to be inexpedient.
8	Give more details on the work with RES, including within the framework of the R & D programmes, and also - how this affects the specialised training of personnel.	It will be considered when preparing the report for 2018.
9	Include in the report information on the conclusion of agreements between employers and trade unions, as well as on the qualification centers establishment and operation.	It is partially considered in Chapter 2.4.3 "Social policy" and will be fully considered when preparing the report for 2018.
10	Add to the report information on social partnership and work on the implementation of collective agreements.	It is considered in Chapter 2.4.3 "Social policy".
11	Add information about the ongoing scientific and technological developments in the Group for the development of the grid infrastructure of the Far East, related to the specific climate of this region.	It will be considered when preparing the report for 2018.
12	Give the report an interpretation of understanding human rights in the Company's activities framework.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods.
13	In prospect, when disclosing the theme of sustainable development, the Company should also focus on the methodology for disclosing indicators of sustainable development, which Federal State Statistics Service began to develop to describe Russia's progress in achieving the UN Sustainable Development Goals.	This recommendation will be possibly taken into account when preparing reports in the next reporting periods. (after the development of these indicators by Federal State Statistics Service).
14	Include in the report information on an independent evaluation of the Board of Directors results.	It is considered in Chapter 3 "Corporate Governance".
15	Show in the report information on the amendment of the Regulation on the payment of members of the Board of Directors remuneration, which was adopted in view of the independent expert evaluation.	It is considered in Chapter 3 "Corporate Governance".
16	To provide more information on cooperation with international organizations - the international hydropower association, etc.	It will be considered when preparing the report for 2018.
17	In more detail, in the next report, the information on the Value Growth Plan, including the results of its implementation.	It will be considered when preparing the report for 2018.
18	Provide information on the LDP implementation.	It is considered. The information is provided in Appendix 9 to this Annual report, the audit assurance of the LDP implementation in 2017 is provided in Appendix 10.

Appendix No 21. Certificate of Public Certification of the Report by the RUIE Council on Non-Financial Reporting



Российский союз промышленников и предпринимателей

СВИДЕТЕЛЬСТВО

об общественном заверении
корпоративного нефинансового отчета

**Годовой отчет ПАО «РусГидро»
(включая информацию об устойчивом развитии)
за 2017 год**

прошел общественное заверение в Совете РСПП
по нефинансовой отчетности

Развернутое заключение Совета РСПП об общественном заверении Годового отчета ПАО «РусГидро» (включая информацию об устойчивом развитии) за 2017 год направлено в Компанию, которая может публиковать его без каких-либо изменений и использовать как для внутрикорпоративных целей, так и в целях коммуникаций с заинтересованными сторонами.

Регистрационный номер 117.04.021.02.17

Президент РСПП



А.Шохин

Москва, 2018

The Conclusion of RSPP Non-Financial Reporting Council on the results of consideration of PJSC RusHydro Annual Report for 2017 with a view to public certification

Non-financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (RUIE) (hereinafter – the Council), established in accordance with the resolution of the Administrative Office (Resolution dated 06/28/2007), considered upon an initiative of PJSC RusHydro (hereinafter - the Company, RusHydro Group, RusHydro) PJSC Federal hydrogenerating company – RusHydro Annual Report for 2017 (hereinafter - Report).

The Company appealed to the RUIE with a request to organize the Council’s public endorsement, which forms an opinion on the relevance and completeness of the disclosure statement in the non-financial information about the Company’s achievements from the perspective of the Social Charter of the Russian business, containing the principles of responsible business practices and comply with the UN Global Compact provisions, Russian and international standards of social responsibility.

During the period from May, 4 to May, 21, 2018 the Council members studied the Report’s content presented by PJSC RusHydro and made the present Judgment, in accordance with the Regulations of public certification of corporate non-financial reports, approved by the Council.

The Council members have the necessary competence in the field of corporate responsibility, sustainable development and non-financial reporting, they work in compliance with the ethical requirements of independence and objectivity of the evaluations, express their personal expert’s opinion and not the opinion of organizations they represent.

The Report was assessed based on the following criteria for completeness and relevance of the information contained therein:

Information is considered relevant as it reflects the activity of RusHydro Group as for the principles of responsible business practices implementation disclosed in the Social Charter of Russian Business (<http://eng.rspp.ru/>).

Completeness implies that the company specifies its operations in the Report- values and strategic guidelines, underlying systems and management structure, key achievements and results of operations, principles of interaction with stakeholders.

The Company’s use of international reporting system is taken into consideration in the framework of public certification proceedings. However, confirmation of compliance with the reports of international reporting systems is beyond the scope of this Conclusion.

RusHydro shall be liable for the information and statements contained in the Report. The reliability of the evidence contained in the report is not a matter of public endorsement.

This Conclusion is made for PJSC RusHydro, the Company may use this Opinion as for its internal purposes and for the purpose of communications with stakeholders by publishing it without any changes.

Conclusions

In terms of the analysis of the Report, as well as public information on the official corporate website of the Company, and collective discussion of the results of an independent Report assessment, drawn by the RUIE members of Non-Financial Reporting Council, the Council confirms the following:

PJSC Federal hydrogenerating company – RusHydro Annual Report for 2017 contains essential information, covers key areas of responsible business practices in accordance with the principles of the Social Charter of the Russian business, and completely enough discloses information about the Company’s activities in these areas.

The RUIE Council’s recommendations on the basis of public certification of the Corporate social responsibility and sustainability report by RusHydro Group for 2016 are reflected in the Report for 2017. The Report includes a brief description of the KPI management system, which contains a number of indicators for sustainable development, as well as information on the results of its implementation. The content and results of the Company's interaction with organizations, including international ones, on issues of sustainable development are more fully covered, information on the Company's purchases with the participation of SMEs has been supplemented.

The Company’s Report for 2017 contains important information regarding the following aspects of responsible business practices:

As for economic freedom and responsibility. The Report covers the RusHydro Group Strategy, the mechanisms and main results of its implementation, including key financial and operating performance indicators. It is reported the completion of significant projects and the commissioning of generating facilities, the construction of power plants in the Far East, the implementation of measures to reduce costs and improve operational efficiency. The mission, corporate values and business model are reflected. The implementation of production, investment and innovation programs is described, as part of the Company's Long-Term Development Program implementation in the reporting year. RusHydro's corporate governance system was characterized and measures for its improvement in the reporting year included information on an external assessment of compliance with the principles of the Corporate Governance Code, as well as the Board of Directors activities. It is reported on the formation of a unified anti-corruption policy and approval of the new edition of the Trust Line rules. The information on the risk management system and its

regulatory documents is presented. The KPI management system is described in detail. The approach of management to the issues of safety, reliability and safety of hydraulic structures is highlighted, the key projects in this area and plans for 2018 are listed. A measures system for the prevention and elimination of emergency situations is also described. Information on the directions of sustainable development is presented, information is provided on the participation of the Board of Directors and the Management Board of the Company in the consideration of key issues in this area. There are listed UN Sustainable Development Goals-2030, which are especially significant for the Company's activities. The main goals, objectives, corporate programs and activities of the Group to achieve these goals are reported.

As for business partnership. The Report reflects the mechanisms of interaction with interested parties, a map of its main stakeholders, updated on the basis of a survey of the Company's management, is presented. Within the framework of interaction with the investment community and participants of the stock market to improve disclosure of information the activities are described. Interaction with federal executive bodies, including development of normative acts, participation of Company specialists in parliamentary hearings and other events on topics related to the activities and prospects of the Company development is covered. It is noted that interaction with regional authorities was carried out on the basis of agreements and memorandums. The main agreements with potential energy-intensive industrial consumers are listed. It is reported on the formation on the corporate site of a special section for potential consumers. Information on interaction with suppliers on the basis of the partnership program between RusHydro and SMEs in procurement activities is presented. It is stated that the provisions of the Company's Environmental Policy are included in the system of business relations with partners. International cooperation and partnership with electric power companies and power equipment manufacturers are covered. Information on the Company's membership in Russian and international industry organizations, as well as participation in the work of international governmental and public organizations on topics related to the Company's activities are presented. Information on the current system of continuous training of personnel, on programs for employees in the field of voluntary medical insurance, non-state pension provision, improvement of housing conditions, health maintenance, sanatorium treatment and recreation for employees and their children. Channels of information exchange within the organization, including the Trust Line, are described, statistics of the receipt and consideration of applications for it are presented. It is reported that, as part of the preparation of the Report, public hearings on the draft report with the participation of major stakeholder groups representatives were reported.

As for human rights. The Report informs about the Company's strivings to the principles of the UN Global Compact in the field of human rights, labour relations, environmental protection and combating corruption. It is reported on compliance with the requirements of Russian legislation with regard to the social and economic rights of workers, ensuring their material stability and social guarantees. Issues of observance of labour rights, including ensuring decent wages of employees at a level higher than the average by regions of presence, are covered. It is reported on the possibilities of exercising the right to freedom of association, the trade unions operating at most enterprises and collective agreements that cover practically all employees of the Company.

As for environmental conservation. The Report shows that environmental responsibility is the most important priority for the RusHydro Group. Information is provided on the development of a new version of the Environmental Policy and organization of public hearings by the Company for its discussion with stakeholders. The management of environmental impact on the environment, key environmental measures implemented within the framework of the Technical Rehabilitation and Modernisation Programme are described. Data on total expenditures on environmental protection are given. Environmental performance indicators for water use and impacts on water bodies, emissions and wastes are included. Some of the activities of the Biodiversity Conservation Group are highlighted. It is reported on the update of the Programme in the field of energy conservation and energy efficiency improvement for 2016-2020. The results of energy saving measures are presented, energy saving by types of energy resources and plans for increasing energy efficiency are shown. The Company's activities in the field of wind, solar and geothermal energy are covered. The projects in the field of renewable energy sources of low power are listed, the costs for their implementation are indicated. The indicators of the volume of own consumption by types of energy resources, including non-renewable and renewable sources, are presented. Information is provided on RusHydro's cooperation with international organizations on environmental protection and biodiversity conservation, supporting sectoral and international initiatives to reduce the anthropogenic load on the environment. It reports on the Company's efforts in shaping the lean model of consumer behaviour and projects implemented for this purpose.

As for the Company's participation in local community development. The Report highlights RusHydro's contribution to the development of presence regions through the construction and social infrastructure facilities financing, the cities modernisation, and participation in solving the problems of finding employment for the local population. Data on the payment of taxes to budgets of different levels in the dynamics are given. The indirect positive influence of the Company's energy infrastructure on the growth of the population's welfare due to the new consumers connected to the grids is also shown. It is reported on the existing agreements signed with the authorities of 12 regions. It is reported that the Company carries out charitable activities, guided by the Company's policy in this field.

Named the main charitable projects in various areas, including the long-term charitable programme — Clean Energy. It is reported on the development of corporate volunteering, the Company's support for the individual participation of employees in various social projects. Information on expenses for charitable activities is also included.

Final provisions

In general, the 2017 Report of the RusHydro Group reflects the scale and strategy of the Company's operations, its contribution to the development of the country's electric power and economy, management system, including sustainable development, priorities in the field of corporate social responsibility. There is implemented an integrated approach to the disclosure of information on economic, environmental and social aspects of activities. The practice of interaction with stakeholders is presented, including one during the preparation of the Report.

The report is prepared using the standards of Russian and international practice of reporting in the field of sustainable development (GRI Standards), as well as the energy industry protocol GRI, which ensures continuity of data and comparability with other companies in the country and abroad. The disclosed material topics are identified using the procedures described in the report.

The inclusion of expanded information on sustainable development key aspects in the PJSC RusHydro Annual Report for 2017 reflects the Company's commitment to the principles of openness and transparency.

There are used various forms of independent evaluation of the Report (professional audit and public certification), which demonstrates RusHydro's responsible attitude to the quality of the disclosed information.

Recommendations

Noting the advantages of PJSC Federal hydrogenerating company – RusHydro Annual Report for 2017, the Council draw the Company's attention to a number of significant stakeholder issues and the importance of full disclosure of information and recommend considering them in the next reporting cycle. The Council notes that the recommendations made on the analysis of previous reports RusHydro may be used in the further practice of the Company's financial statements.

The report includes a comparison of the Company's activities with the UN Sustainable Development Goals until 2030. It is recommended to further develop this topic and more fully describe the relationship of the Group results to progress towards global goals. In particular, this refers to the coverage of the Company's participation in the development of local communities.

The RUIE Non-Financial Reporting Council's assesses the report positively, supporting the Company's commitment to the principles of responsible business practices and noting the sequence in the development of the reporting process, and hereby confirms that the RusHydro Group's Corporate Social Responsibility and Sustainability Report for 2016 has successfully completed public certification.

The report contains the indicators presented in the dynamics, which characterize the financial and operational results of the Company. It is recommended that this approach be more consistently applied to staff-related indicators. It should also pay attention to the importance of including clear comments on the dynamics of indicators, especially in the case of significant changes, including indicators reflecting issues of reducing the environmental burden.

Noting a significant amount of information in the Environmental Performance Report of the Company, it is recommended to pay attention also to the specifics of the environmental impacts of hydropower and the assessment of the energy efficiency of hydropower plants generating energy from the water flow.

The Report contains information on the procedures used by the Company in the process of identifying significant topics, including taking into account the opinions of stakeholders on the results of the questionnaire during the preparation of the Report. It is recommended to further describe these procedures in full in order to better understand the approaches to the selection of participants in the process, and to expand the range of tools used to identify significant topics and include relevant information in the reports. In particular, this may include issues and topics identified in the course of regular interaction with stakeholders in various areas during the reporting period. It is also useful to use as a guideline the basic documents in the field of sustainable development and social responsibility (the Social Charter of Russian Business, the UN Global Compact, ISO 26000), as well as the priority themes of the national and global agenda (for example, climate change and environment, increase in labour productivity, development of human potential, etc.). This will ensure greater objectivity in selecting the material topics and priority issues covered in the reports.

The Report provides information on the implementation of projects in various areas of the Company's activities within the annual Charity and Sponsorship Programme. In the following reports, it is recommended to pay attention also to the issues of the effectiveness of the projects being implemented, to evaluate their effectiveness and contribution to the presence regions development.

Further attention should be paid to ensuring that the financial and non-financial aspects and the results of the Group's activities are balanced in the reports, reflecting the key aspects of responsible business practices with sufficient completeness.

Appendix No 22. Organizational structure of PJSC RusHydro

