

APPENDICES

TO

2016 ANNUAL REPORT

PJSC RusHydro

(Translation from Russian original)

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1. Information on compliance with the Russian Corporate Governance Code and Report on compliance with the principles of UK Corporate Governance Code

Report on compliance with the principles of UK Corporate Governance Code

		Mandate	Compliance
		SECTION A: LEADERSHIP	
A.1	The Role of the Board	Every company should be headed by an effective board which is collectively responsible for the longterm success of the company	Complies
A.2	Division of Responsibilities	There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision	Complies
A.3	The Chairman	The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role	Complies
A.4	Non-executive Directors	As part of their role as members of a unitary board, non- executive directors should constructively challenge and help develop proposals on strategy	Complies
		SECTION B: EFFECTIVENESS	
B.1	The Composition of the Board	The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively	Complies*
B.2	Appointments to the Board	There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board	Complies
B.3	Commitment	All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively	Complies
B.4	Development	All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge	Partially complies
B.5	Information and Support	The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties	Complies
B.6	Evaluation	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors	Partially complies
B.7	Re-election	All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance	Complies
		SECTION C: ACCOUNTABILITY	
C.1	Financial And Business Reporting	The board should present a balanced and understandable assessment of the company's position and prospects	Complies
C.2	Risk Management and Internal Control	The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems	Complies
C.3	Audit Committee and Auditors	The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor	Complies
		SECTION D: REMUNERATION	
D.1	The Level and Components of Remuneration	Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance	Complies
D.2	Procedure	There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration	Complies
		SECTION E: RELATIONS WITH SHAREHOLDERS	

E.1	Dialogue with Shareholders	There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place	Complies
E.2	Constructive Use of the AGM	The board should use the AGM to communicate with investors and to encourage their participation	Complies

* Despite the fact that the members of the Board of Directors M. S. Bystrov, P. S. Grachev, V. V. Pivovarov and S. N. Ivanov are proposed for the block of shares owned by the Russian Federation, they are not a party of any agreements with the Russian Federation, which subject might be a special voting procedure in accordance with instructions/directives of the Russian Federation. Moreover, the Russian Federation nominated these candidates as independent. The members of the Board of Directors M. S. Bystrov and S. N. Ivanov recognized as an independent Directors of the Board of Directors.

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 non compliance or incomplete compliance with the individual principles of the Code of corporate governance

Information on compliance with the Russian Corporate Governance Code

N	Principles of corporate governance	Criteria used to evaluate whether the principle is observed	The status <u><1></u> of compliance with the principle of corporate governance.	Explanations <u><2></u> of deviations from the evaluation criteria compliance with the principle of corporate governance
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>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
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	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.	<input checked="" type="checkbox"/> observed	

	therein.	<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 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 <input type="checkbox"/> observed <input type="checkbox"/> not <input type="checkbox"/> observed	
1.1.6	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>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>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially <input type="checkbox"/> observed	<p>In respect of paragraphs 2 and 3, the Society gives the following explanation:</p> <p>Not all candidates to the Board of Directors were unable to attend the annual General meeting of shareholders in 2016, however, the questions asked by shareholders is not affected candidates.</p> <p>The procedure for remote access of the shareholders by means of telecommunication broadcasts developed and it is assumed that when preparing to the annual General meeting of shareholders in 2018 the matter will be considered by the Board of Directors.</p>

			<input type="checkbox"/> not observed	
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	<p>The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.</p>	<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	<p>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.</p>	<p>1. The dividend policy of the company should contain clear indications of financial/economic circumstances which prohibit the company from paying dividends.</p>	<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="checked" type="checkbox"/> observed <input type="checkbox"/> partially <input type="checkbox"/> observed <input type="checkbox"/> not <input type="checkbox"/> 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 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>In respect of paragraph 1, the Society gives the following explanation: For 2016, the Society had two significant shareholders: - The Russian Federation (controlling shareholder) and Gazprombank (Joint stock company) – the shareholder holding over 5 % shares of the company. In April 2017 Gazprombank has reduced the stake below 5 % and has ceased to be a substantial shareholder.</p> <p>The company has established practices for identifying conflicts of interests when entering into contracts. There are also set the LDF Companies in mechanisms for the disclosure of the beneficiaries of counterparties when entering into contracts. In addition, the conclusion of contracts by Society and controlled by the societies is in accordance with the regulated</p>

			<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>purchasing procedures.</p> <p>Despite the fact that the company believes that existing practices and regulations are sufficient to prevent the facts of the individual shareholders of "other ways of receiving profit (income) at the expense of society" the company plans to consider the introduction of additional rules in the internal documents in the 2017-2018 year.</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	Society 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.	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p>	

			<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 type="checkbox"/> observed	<p>In respect of paragraph 1, the Society gives the following explanation:</p> <p>1) quasi-concave shares in the Group RusHydro are a temporary phenomenon and associated with the preparations for the privatization of Companies;</p> <p>2) The Society recognizes the undesirability of quasi-canonical stock, but considers that the efforts of Companies to minimize unintended consequences from the availability of such shares is most correctly addressed by quasi-canonical disposal of the shares. Such Disposals, according to the company, must be exercised with the greatest for the company and its shareholders benefit.</p> <p>3) In March 2017 15 billion pieces of Treasury shares (owned by the Group companies RusHydro JSC Hydroinvest, LLC EZOP was sold to VTB Bank (PJSC) as part of the financing for refinancing of debt on credits and loans companies of the Holding «RAO ES of the East».</p>

			<input type="checkbox"/> partially observed <input checked="" 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 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. The quality and reliability of the work performed by the registrar of the company answers the requirements of the company and its shareholders.	<input checked="" type="checkbox"/> observed <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	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. 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		In respect of paragraph 1, the Society gives the following explanation: In accordance with the Charter of the company the terms of the contract of the sole Executive body are determined by the Board of Directors or a person

	approved development strategy and the main business goals of the company.	company's strategy.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially <input type="checkbox"/> not observed	<p>authorized by the Board of Directors to sign the employment contract. While the competence of the Board of Directors assigned the authority to approve Policy on remuneration and compensation for members of Executive bodies. The terms of contracts with members of the management Board are determined by the sole Executive bodies on the basis of the policy on remuneration and reimbursement (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 <input type="checkbox"/> observed	

			<input type="checkbox"/> not observed	
2.1.3	<p>The Board of Directors should determine principles of and approaches to creation of the risk management and internal control system in the company.</p>	<p>1. The Board of Directors has determined the principles and approaches to creation of the risk management and internal control system in the company.</p> <p>2. The Board of Directors has evaluated the risk management and internal control system during the reporting period.</p>		<p>In respect of paragraph 2, the Society gives the following explanation:</p> <p>In accordance with clause 9.5 of the current edition of the Code of corporate governance, analysis and evaluation of the functioning of risk management and internal control organizes the Board of Directors or the audit Committee of the Board of Directors of the company; the results of such analysis and evaluation should be considered by the</p> <p>the meeting of the Board of Directors or the audit Committee of the Board of Directors.</p> <p>In 2016, the rating of the risk management system of the company carried out by the audit Committee under the Board of Directors. 28.04.2016 at the meeting of the audit Committee of the Board of Directors reviewed the report of the internal audit Service on the results of assessment of efficiency of functioning of the risk management system of the company.</p> <p>According to the work plan of the Board of Directors of the company for the first half of 2017 (approved. the decision of the Board of Directors, minutes</p>

			<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>28.02.2017 No. 248), the review by the Board of Directors report on the functioning of the corporate system of internal control and risk management is scheduled for June 2017.</p>
2.1.4	<p>The Board of Directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its Board members, members of its executive bodies and other key managers.</p>	<p>1. The company has developed and implemented a policy (policies) on remuneration and/or reimbursement of costs incurred by its Board members, members of executive bodies and other key managers. This policy (policies) was approved by the Board of Directors.</p> <p>2. During the reporting period the Board of Directors reviewed matters related to the indicated policy (policies).</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	<p>In respect of paragraphs 1 and 2, the Society gives the following explanation: Because the category "other key employees" is not defined and approved by the Board of Directors in respect of this category of workers, the Policy on remuneration and compensations have not been approved.</p>

			<input type="checkbox"/> not observed	
2.1.5	The Board of Directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	<p>1. The Board of Directors plays a key role in prevention, detection and resolution of internal conflicts</p> <p>2. The company has created a system of identification of transactions related to a conflict of interest and a system of measures intended to resolve such conflicts.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1.6	The Board of Directors should play a key role in ensuring that the company is transparent, discloses information in full and in due course, and provides its shareholders with unhindered access to its documents.	<p>1. The Board of Directors has approved a regulation on information policy.</p> <p>2. The company has appointed persons in charge of the implementation (enforcement) of the information policy.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1.7	The Board of Directors should monitor the company's corporate governance practices and play a key role in its material corporate events.	1. During the reporting period the Board of Directors reviewed the corporate governance practices in the company.		In respect of paragraph 1, the Society gives the following explanation: The society on an annual basis engages independent expert for

				<p>the evaluation of the Board of Directors. The events on comprehensive assessment of corporate governance practices is developed and is scheduled for implementation in the 2017-2018 year.</p> <p>In addition, in accordance with paragraph 2 of the schedule of control actions of service of internal audit (approved by the audit Committee at the Board of Directors of PJSC RusHydro) in the community assessment of the system of corporate governance during the reporting period. Also the work plan of the audit Committee are provided in the 1st half of 2017 a preliminary review of the results of the evaluation of corporate governance practices.</p>
			<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <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	1. The annual report of the company for the reporting period contains information regarding the directors' attendance at Board and committee	<input checked="" type="checkbox"/> observed	

	the shareholders.	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 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.		In respect of paragraph 2, the Society gives the following explanation: The evaluation procedure of candidates for the Board of Directors from the point of view of whether they have the necessary experience, knowledge, business reputation, lack of conflict of interest, etc., is developed and is scheduled for implementation in 2018..

			<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	
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	In respect of paragraph 1, the Society gives the following explanation: The evaluation procedure of candidates for the Board of Directors from the point of view of whether they have the necessary experience, knowledge, business reputation, lack of conflict of interest, etc., is developed and is scheduled for implementation in 2018..
2.3.3	The composition of the Board of Directors	1. During the procedure of assessment of the work of the Board of		

	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.	Directors conducted in the reporting period, the Board analyzed its composition in terms of qualifications and expertise of its members.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.3.4	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.	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.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.4	The Board of Directors should include a sufficient number of independent directors.			
2.4.1	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	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.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	

	<p>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>		<input type="checkbox"/> not observed	
2.4.2	<p>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>	<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 type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>In respect of paragraph 1, Society gives the following explanations: The evaluation procedure of candidates for the Board of Directors in developing and is scheduled for implementation in 2018..</p>

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>In respect of paragraph 1, the Society gives the following explanation:</p> <p>In the Society at the end of the reporting period there were 4 independent Directors meet the minimum requirements of the listing Rules of the Moscow Exchange.</p>
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (with no conflict of interest) should preliminarily review material corporate actions related to a potential conflict of interest and a document setting out the results of such evaluation should be made available as part of materials to be provided in connection with a Board meeting where a respective matter is to be considered.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed	<p>In respect of paragraph 1, the Society gives the following explanation:</p> <p>Procedural matters of the independent Directors in developing and is scheduled for implementation in 2018..</p>

			<input checked="" type="checkbox"/> not observed	
2.5	The chairperson of the Board of Directors should help it carry out the functions imposed thereon in a most efficient manner.			
2.5.1	<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 and liaise with the chairperson of the Board of 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 3.</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>In respect of paragraphs 1 and 2, the Society gives the following explanation:</p> <p>In accordance with the decree of the Government of the Russian Federation dated 23.01.2003 № 91-R, and in accordance with clause 17 of the Regulations on management of federally owned shares of joint stock companies and the use of special right for participation of Russian Federation in management of joint-stock companies ("Golden share") the representatives of the Russian Federation in the Board of Directors of PJSC RusHydro on the issue of election of the Chairman of the Board of Directors to vote in accordance with the Directive of the Government of the Russian Federation. Independent Director – Ivanov S. N. is Deputy Chairman of the Board of Directors.</p> <p>Despite this, the company plans to implement the recommendations of the corporate governance Code including, in 2018, in part of the Institute's Senior independent Director.</p>
			<input type="checkbox"/> observed	

			<input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	
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 checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
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>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>In respect of paragraph 1, the Society gives the following explanation: In the Code of corporate ethics stipulates the duty of the members of the Board of Directors to notify the company through the Board of Directors of a conflict of interest. The obligation to abstain from voting is not provided directly, though there is a duty to refrain from any action that would entail a conflict of interests. In the Annual report for the year 2016 contains the information about the occurred conflict of interest members of the Board of Directors, and indicated that a member of the Board of Directors, announced the presence of a Conflict of interest abstained from voting.</p>
2.6.2	Rights and duties of Board members	1. The company adopted and published an internal document whereby		

	<p>should be clearly stated and documented in the company's internal documents.</p>	<p>the rights and duties of Board members are clearly stated.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
<p>2.6.3</p>	<p>Board members should have sufficient time to perform their duties.</p>	<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>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>In respect of paragraph 1, the Society gives the following explanation: In the evaluation procedure of the Board of Directors in the reporting period conducted, by conducting a remote assessment of the Board of Directors by means of a questionnaire, took into account the participation of the members of the Board of Directors and committees of the Board of Directors, they prepare for the meetings. The company plans to apply this requirement in 2017-2018</p>

			observed	
2.6.4	All Board members should have equal opportunity to access the company's documents and information. Newly elected Board members should be provided with sufficient information about the company and work of its Board of directors as soon as possible.	<p>1. In accordance with internal documents of the company, Board members are given an opportunity to obtain any and all information required to perform their duties, including information on legal entities controlled by the company. The duty of the company's officials to provide the Board members with such information is set forth by the company's internal documents.</p> <p>2. The company has a formal induction program for newly elected Board members.</p>		<p>In respect of paragraph 1, the Society gives the following explanation: This right is not formalized in the internal documents in connection with the fact that paragraph 4 of article 65.3 of the civil code already provides for the right of members of the collegial body to obtain information about the activities of the Corporation. In the regulations on the procedure for convening and holding meetings of the Board of Directors provides for the right of members of the Board of Directors to request any information and documents necessary for making decisions on issues referred to the competence of the Board of Directors. Also provides for a period of 5 working days to all members of the Board of Directors such information.</p> <p>In respect of paragraph 2, the Society gives the following explanation: Not provided internal documents and practices of corporate governance. In Society the interaction between management and the Board of Directors, which allows to react promptly and provide necessary information to the newly elected members of the Board of Directors for the quick and</p>

			<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	informative introduction to activities of Companies. The Company plans to apply this requirement in 2017-2018
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	1. The company has an internal document in place regulating the procedure of preparation and holding of Board meetings which, inter	<input checked="" type="checkbox"/> observed	

	<p>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.</p>	<p>alia, requires that the notice of a meeting must be made, as a rule, at least 5 days before the date of the meeting.</p>	<p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
2.7.3	<p>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.</p>	<p>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.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>In respect of paragraph 1, the Society gives the following explanation: The company in practice seeks to examine the most important issues at the meetings. However, the inclusion of such standards in the regulations will make it impossible for the consideration of matters by correspondence, in an emergency, when necessary, cases.</p>
2.7.4	<p>Decisions on most important issues relating to the company's business should be made at a meeting of the Board of Directors by a qualified majority vote or by a majority</p>	<p>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 elected Board members.</p>		<p>In respect of paragraph 1, the Society gives the following explanation: Paragraph 15.6 of the Charter of</p>

	vote of all elected Board members.		<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	PJSC RusHydro for the adoption of the PP questions. 23-25, 31 p. 12.1. article 12 of the Charter by a two-thirds majority vote of the members of the Board of Directors participating in the meeting, helps to ensure maximum consideration of the views of members of the Board of Directors.
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.	1. The Board of Directors formed an audit committee comprised exclusively of independent directors. 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. 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. 4. Meetings of the audit committee were held at least once every quarter during the reporting period.		In respect of paragraph 3, the Society gives the following explanation: The composition of the Board of Directors of PJSC RusHydro was elected by the annual General meeting of shareholders. The company has the ability to affect the decision of shareholders, but is working on regular interaction with shareholders, including in the period of formation of the lists for nomination to the management bodies for election at the annual General meeting of

			<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially <input type="checkbox"/> observed <input type="checkbox"/> not	<p>the Board of Directors with an appropriate level of experience, knowledge, business reputation and the number of independent Directors.</p> <p>Elected members of the Board of Directors is balanced from the point of view of the presence among its members the key skills required for the effective operation of the Board of Directors.</p> <p>According to the company, a member of the Board of Directors, heads the audit Committee, has sufficient experience and knowledge to accomplish the Committee objectives.</p> <p>In addition, to the committees of the Board of Directors (including audit Committee) the possibility of engaging experts to advise on specific issues activities, as reflected in the relevant provisions governing the activities of the committees.</p>
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			observed	
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 directors and chaired by an independent director who should not concurrently be the Board chairperson.	<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 the objectives listed in recommendation 180 of the Code, are determined in the internal documents of the company.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the Board of Directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	<p>1. The Board of Directors formed a nominations committee (or its objectives indicated in recommendation 186 of the Code are implemented by a different committee 4), with a majority of its members being independent directors.</p> <p>2. The objectives of the nominations committee (or the relevant committee performing these functions) including the objectives indicated in recommendation 186 of the Code are determined in the internal documents of the company</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.8.4	Taking account of its scope of activities and levels of related risks, the company should form other committees with its Board of directors, in particular, a strategy committee, a corporate governance	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.		5 In respect of paragraph 1, the Society gives the following explanation: In the Society in addition to the

	<p>committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.</p>		<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>audit committees and nomination and remuneration established the following committees:</p> <ul style="list-style-type: none"> - strategy; - on investment; - in terms of reliability, energy efficiency and innovation; - on issues of energy development of the Far East.
2.8.5	<p>The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due consideration of differing opinions.</p>	<p>1. Board committees are chaired by independent directors.</p> <p>2. Given the specific nature of issues considered by the 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>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p>	<p>In respect of paragraph 1, the Society gives the following explanation:</p> <p>The audit Committee, the Committee for personnel and remuneration (categories) and the investment Committee are chaired by independent Directors.</p>

			<input type="checkbox"/> not observed	
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 more intensive and identifying areas of improvement.	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. 2. The results of the self-evaluation or external evaluation of the Board of Directors in the reporting period were reviewed by the Board of Directors at meetings held in person.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.9.2	Quality of work of the Board of Directors, its committees and Board members should	1. An external organization (consultant) was retained to evaluate the work of the Board of Directors at least once in the last three reporting	<input checked="" type="checkbox"/> observed	

	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	periods.	<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 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.	1. The company has adopted and disclosed an internal 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 checked="" type="checkbox"/> observed <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 <input type="checkbox"/> 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	<p>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.</p>	<p>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.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>In respect of paragraph 1, the Society gives the following explanation: Because the category "other key employees" is not defined and approved by the Board of Directors in respect of this category of employees Policy on remuneration was not approved</p>
4.1.2	<p>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 implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.</p>	<p>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.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	

			<input type="checkbox"/> not observed	
4.1.3	<p>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.</p>	<p>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.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>In respect of paragraph 1, the Society gives the following explanation: Because the category "other key employees" is not defined and approved by the Board of Directors in respect of this category of workers, the Policy on remuneration and compensations have not been approved</p>
4.1.4	<p>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.</p>	<p>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.</p>		<p>In respect of paragraph 1, the Society gives the following explanation: Because the category "other key employees" is not defined and approved by the Board of Directors in respect of this category of workers, the Policy on remuneration and compensations have not been approved</p>

			<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
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	<p>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 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.</p>	<p>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.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.2.2	<p>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</p>	<p>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.</p>	<input checked="" type="checkbox"/> observed	<p>In respect of paragraph 1, the Society gives the following explanation: Not applicable. In Society not provided by the practice of remuneration in securities.</p>

	part in the company's option plans.		<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
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.	<p>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.</p> <p>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.</p> <p>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</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	<p>In respect of paragraph 3, the Society gives the following explanation: All bonus payments to members of Executive bodies are performed in accordance with the approved Board of Directors policy on remuneration.</p> <p>In respect of paragraphs 1-3, the Society gives the following explanation: The category "other key employees" is not defined and</p>

			<input type="checkbox"/> not observed	approved by the Board of Directors.
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).	<p>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).</p> <p>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.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
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	
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	1. The functions of various governance bodies and divisions of the company in the risk management and internal control system are clearly	<input checked="" type="checkbox"/> observed	

	of the risk management and internal control system in the company	determined in the internal documents of the company/policy of the company approved by the Board of Directors.	<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.	1. The company's executive bodies ensured the distribution of functions and authority in relation to risk management and internal control among managers (heads) of divisions and departments subordinate to them.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <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	<p>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.</p>	<p>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.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>In respect of paragraph 1, the Society gives the following explanation:</p> <p>In accordance with clause 9.5 of the current edition of the Code of corporate governance, analysis and evaluation of the functioning of risk management and internal control organizes the Board of Directors or the audit Committee of the Board of Directors of the company; the results of such analysis and evaluation should be considered by the the meeting of the Board of Directors or the audit Committee of the Board of Directors.</p> <p>In 2016, the rating of the risk management system of the company carried out by the audit Committee under the Board of Directors. 28.04.2016 at the meeting of the audit Committee of the Board of Directors reviewed the report of the internal audit Service on the results of assessment of efficiency of functioning of the risk management system of the company.</p> <p>According to the work plan of the Board of Directors of the company for the first half of 2017 (approved. the decision of the Board of Directors, minutes 28.02.2017 No. 248), the review by the Board of Directors report on the functioning of the corporate system of internal control and risk management is scheduled for June 2017.</p>
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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 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.	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	
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.	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. 2. The company uses generally accepted approaches to internal control and risk management.	<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	1. The Board of Directors approved an information policy developed in compliance with the recommendations of the Code.	<input type="checkbox"/> observed	In respect of paragraph 1, the Society gives the following

	<p>the company to efficiently exchange information with its shareholders, investors, and other stakeholders.</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>	<p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>explanation: The new version of Information policy approved in early 2017. Report on observance of information policy will be presented to the audit Committee as envisaged Policies starting in 2017-2018.</p>
6.1.2	<p>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>	<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>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>In respect of paragraphs 2 and 3, the Society gives the following explanation: The new version of Information policy approved in early 2017 and will be implemented from 2017. The Memorandum of the controlling entity are not made..</p>

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 type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>In respect of paragraph 2, the Society gives the following explanation: The procedure of information disclosure on the share capital structure are being developed and planned to implementation in 2017-2018.</p>

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 not be unreasonably burdensome.	1. The procedure of information provision to shareholders (including information about the organizational controlled by the company) upon their request is not unreasonably burdensome.	<input type="checkbox"/> observed	<p>In respect of paragraph 1, the Society gives the following explanation:</p> <p>The company has a significant number of controlled companies. Partially data of the company disclose information about yourself.</p> <p>The company discloses information about the controlled information in the Financial consolidated financial statements under IFRS and the statement on corporate social responsibility and sustainable development, based on the Group (most significant controlled companies)</p>

			<input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	
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 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	1. The company's articles of association (charter) include 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 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.		In respect of paragraphs 1 and 2, the Society gives the following explanation: The company's Charter does not stipulate such category as a "major corporate activities". However, the company's Charter to the competence of the Board

	<p>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>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>of Directors related to the following issues:</p> <ul style="list-style-type: none"> - adoption of decisions on participation and termination of participation in other organizations (except organizations specified in clause 23 clause 10.2 of article 10 hereof); - preliminary approval of decisions on Commission by the Society: <ul style="list-style-type: none"> a) transactions involving non-current assets in the amount exceeding 10 (Ten) percent of the book value of these assets at the date of adoption of the decision on the execution of such transaction; b) transactions (several interrelated transactions) connected with alienation or possibility of alienation of property constituting fixed assets, intangible assets, construction in progress in cases (amounts) and in the manner determined by separate decisions of the Board of Directors of the company; c) transactions with shares and stakes of organizations which the company participates, in the cases (sizes) and the manner determined by the Board of Directors, or in all other cases when the procedure for the adoption of such decisions by the Board of Directors is not defined. - adoption of decisions on making deals related to
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				<p>gratuitous transfer of the company's property or property rights (claims) to itself or to a third person; transactions connected with release from property obligation before itself or before a third person; transactions connected with gratuitous services provided by the company (performance of works) to third parties in cases (sizes) defined by separate decisions of the Board of Directors;</p> <ul style="list-style-type: none">- approval of major transactions in cases stipulated by the Federal law "On joint-stock companies";- approval of transactions stipulated by the Federal law "On joint-stock companies";- recommendations of the company's voluntary or mandatory offer of acquisition of shares and other emission securities convertible into shares of the company;- defining the position of the company (representatives of the company), including instructions to take or not to take part in the voting on agenda issues, to vote on draft decisions "for", "against" or "abstained" on the following issues of agendas of management bodies of affiliated economic companies, unless otherwise determined by separate decisions of the Board of Directors of the company:<ul style="list-style-type: none">a) on reorganization, liquidation of subsidiary companies;b) on determination of quantity,
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				<p>nominal value, category (type) of declared shares of subsidiaries and rights granted by these shares;</p> <p>c) the increase of the share capital of a subsidiary of the company by increasing the nominal value of shares or by placing additional shares;</p> <p>g) on placement of securities of subsidiaries convertible into ordinary shares;</p> <p>d) on splitting and consolidation of shares of subsidiaries;</p> <p>f) the acquisition subsidiary of shares in the Charter capital) of other business companies, including in the establishment of societies, in the case that the price of such transaction is 15 or more percent of the book value of the assets of the subsidiary companies, defined according to its accounting (financial) statements for the last reporting date;</p> <p>g) on approval of major transactions made by the subsidiary company;</p> <p>s) on the execution by the subsidiary company of transactions (including several interrelated transactions) connected with alienation or possibility of alienation of property of the subsidiary company, constituting fixed assets, intangible assets, objects of incomplete construction, the purpose of which is production, transmission, dispatching, distribution of electric and heat</p>
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			<input data-bbox="1476 1358 1552 1417" type="checkbox"/>	<p>energy in cases (sizes) defined by separate decisions of the Board of Directors of the company;</p> <p>i) the Commission of an associated company of the transactions on alienation, transfer to pledge or other encumbrance (by making one or more related transactions) of stock and a share of societies a child of a subsidiary engaged in the production, transmission, dispatching, distribution and sale of electric and thermal energy;</p> <ul style="list-style-type: none"> - increase of the share capital of the company by placing additional shares within the quantity of declared shares given the limitations set by the Federal law "On joint stock companies" and this Charter; - deciding about the appeal with a statement about listing shares of the company and (or) equity securities convertible into shares, in cases stipulated by the Federal law "On joint stock companies" and other legal acts of the Russian Federation. <p>In cases where the implementation of these corporate actions directly attributed by the legislation to competence of the General meeting of shareholders, the Board of Directors provides shareholders with the relevant recommendations.</p>
				<p>observed</p>

			<input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	
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 type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	In respect of paragraph 1, the Society gives the following explanation: Procedure statements are developed independent Directors.
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	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. 2. During the reporting period all material corporate actions were subject to approval prior to their execution.		In respect of paragraph 2, the Society gives the following explanation: Internal documents of the company such responsibility is

	<p>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>		<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>not provided. In all cases the Society is guided by the relevant provisions of the Federal law "On joint-stock companies".</p>
7.2	<p>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>			
7.2.1	<p>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>	<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>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p>	<p>In respect of paragraph 1, the Society gives the following explanation: Procedures for reporting on significant corporate actions are developed and planned for implementation 2017-2018 year.</p>

			<input type="checkbox"/> not observed	
7.2.2	<p>Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.</p>	<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 society.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>In respect of paragraph 1, the Society gives the following explanation: In respect of transactions in which there is an interest, amendments to the legislation 01.01.2017, completely revising approaches to the approval of transactions in which the interest exists. Thus, it is required the revision of internal documents for new legislation. The company plans to evaluate the implementation of this rule in 2017.</p>

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 4 (Corporate governance), Section 2.6 (a Company in the market of securities) and Section 2.2 (risk Management).

<1> The Status of "observed" indicates only if the company meets all the criteria for the assessment of compliance with the principle of corporate governance. Otherwise, specify a status of "partially observed" or "not observed".

<2> Are provided for each criterion in the assessment of compliance with the principle of corporate management in the case, if the company matches only part of the criteria or does not meet either the criterion of observance of the principle. If the society has indicated the status "observed", the Ghost explanation is not required.

<3> Specify which of the two alternative approaches allowed by the principle, embedded in the society and explain the reasons for the chosen approach.

<4> If the tasks of the nominating Committee are implemented within the framework of a Committee, specify its name.

<5> Specify a list of additional committees.

2. Information on major transactions and interested party transactions 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 2016.

2. Information about performance of Companies in 2016 transactions in which there was interest:

№	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 SO UPS JSC.	Approved by the Board of Directors (Protocol № 232 dated 25.02.2016)	<p>The Agreement of rendering of services in regulation of jet capacity without manufacture of electric energy, concluded on the following essential conditions:</p> <p>Parties to the Agreement: The Provider: PJSC RusHydro; The Customer: SO UPS JSC.</p> <p>The subject of the Agreement: The Provider shall provide the Customer with the service on regulation of reactive power with the use of generating equipment of the Volzhskaya hydro power plant, Zagorskaya pumped storage plant, hydroelectric Hasminskii, Gizeldonskaya of hydro power plant, Zelenchukskaya hydropower plant operating in synchronous compensator mode (hereinafter services SCM), which during the period of service is not produced electrical energy, in the manner and on the terms stipulated in the Agreement and regulatory legal acts of the Russian Federation, and the Customer agrees to pay for services rendered at SCM in size, order and terms stipulated by the terms of the Agreement.</p> <p>Period of services: Beginning of performance by the Provider obligations under the Agreement related to the provision of services under SCM – 00:00 01.01.2016. The completion of performance by the Provider obligations under the Agreement related to the provision of services under SCM – 24:00 31.12.2016. The period of provision of services under SCM – the period of time during which generating equipment PJSC RusHydro must operate in synchronous compensator mode in accordance with control commands SO UPS JSC.</p> <p>Cost of Services: the price (monetary estimate) of services per calendar month under the Agreement of rendering of services on regulation of reactive capacity without electricity production using generating equipment of power plants (Volzhskaya hydro power plant, Zagorskaya pumped storage plant, hydroelectric Hasminskii, Gizeldonskaya of hydro power plant, Zelenchukskaya hydro) (hereinafter – Agreement), being a transaction in the interest is determined by the formula: $S_{act} = E_{scm} \times (1 + OR) + S_{actual\ capacity}$ (the cost of actually rendered per calendar month of services under</p>	<p>The interest of the Russian Federation, a shareholder owning over 20 % of the shares SO UPS PJSC RusHydro and PJSC, and members of the Board of Directors of PJSC RusHydro M. S. Bystrov and V. M. Kravchenko who are both members of the Board of Directors of SO UPS JSC.</p> <p>Dod E. V., recognized at the time of the transaction the dependent Director.</p>

			<p>the Agreement is determined for each of the generating equipment (hydrogenerator)).</p> <p>E_{scm}, rub – operating costs caused by participation of generating equipment (hydrogenerator) in the provision of services on regulation of reactive capacity without electricity production using generating equipment operating in synchronous compensator mode (hereinafter – services SCM), determined in accordance with the Order of determination of cost of services rendered at SCM, annexed to the Agreement;</p> <p>$S_{actual\ capacity}$, rub. – the cost of capacity purchased PJSC RusHydro on the wholesale market of electricity and capacity for participation in the provision of services under SCM, determined in accordance with the Order of determination of cost of services rendered at SCM, annexed to the Agreement;</p> <p>OR – operating ratio of products (services) shall be equal to the refinancing rate of the Central Bank of the Russian Federation at the time of conclusion of the Agreement, expressed as a decimal.</p> <p>In addition, pay the value added tax calculated in accordance with the current legislation.</p> <p>The marginal cost (the monetary estimate) of services under the Agreement is 200 000 000 (two hundred million) rubles, including VAT, does not exceed 2 (Two) % of balance cost of assets of PJSC RusHydro as of the last reporting date.</p> <p>The term of the Agreement:</p> <p>The Agreement shall enter into force upon its signing and is valid until the Parties fulfill their obligations under it. The conditions of the Agreement apply to the Parties effective from 01.01.2016.</p>	
2.	Additional agreement to the surety agreement between PJSC RusHydro and Sberbank PJSC.	Approved by the Board of Directors (Protocol № 232 dated 25.02.2016)	<p>Additional agreement No. 1 to the guarantee Agreement signed on the following essential terms:</p> <p>The Parties:</p> <p>The Bank – Sberbank PJSC (The Lender);</p> <p>The Guarantor – PJSC RusHydro;</p> <p>The Beneficiary – PJSC «RAO ES of East» (The Lender).</p> <p>Subject of the Additional agreement:</p> <p>Changing the terms of the Agreement, previously approved by the Board of Directors of PJSC RusHydro (minutes dated 11.12.2015 No. 228) in the part providing for the terms and conditions under which the Lender will pay interest on the loan at a floating interest rate, the amount of which is determined on the basis of the MosPrime 3M plus 3 % per annum.</p> <p>The price of the Loan agreement 1 concluded 30.09.2015 No. 900150013 emerging from the credit Limit in the amount of 5 602 331 000 (Five billion six hundred two million three hundred thirty-one thousand) rubles 00 kopecks and accrued over the life of the Loan agreement 1 (12) interest rate of not more than 13.1 per cent per annum, and also:</p> <p>a) the fee for the use of the credit line limit: no more than 0.83 % per annum, charged on undrawn loan amount;</p> <p>b) Commission for early repayment in the amount not exceeding 3 percent per annum of the repaid amount of the loan;</p> <p>c) one-time charges paid at the conclusion of Credit Agreement 1: not more than 0.5 percent of the credit limit;</p> <p>d) the amount of the liability of Borrower for breach of Loan Agreement 1.</p> <p>The Bank is entitled to unilaterally at its own discretion to produce an increase in the interest rate on the Loan agreement 1, including, but not exclusively, in connection with the adoption by the Bank of Russia of decisions on increase in the key rate and/or the refinancing rate (discount rate).</p> <p>Price Credit agreement 2 concluded 30.09.2015 No. 900150012, subject to Additional agreement No. 1 to</p>	<p>The interest of the Chairman of the Board - General Director of PJSC RusHydro Shulginov N. G., which is also a member of the Board of Directors of PJSC «RAO ES of East» - the beneficiary of the transaction.</p> <p>Dod E. V., recognized at the time of the transaction the dependent Director.</p>

			<p>the Loan agreement 2, the folding of the credit Limit in the amount of 5 602 331 000 (Five billion six hundred two million three hundred thirty-one thousand) rubles 00 kopecks and accrued over the life of the Credit agreement 2 (12) interest rate not exceeding the interest rate established on the date of the Loan agreement, 2 the Central Bank of the Russian Federation when granting the authorized banks to credit funds to refinance loans issued by banks to end-borrowers in accordance with the Program of support of investment projects implemented on the territory of the Russian Federation on the basis of project financing (hereinafter – the Program), plus 2.5 percent per annum, and also:</p> <p>a) the fee for the use of the credit line limit: no more than 0.83% per annum, charged on undrawn loan amount;</p> <p>b) Commission for early repayment in the amount not exceeding 3 % per annum of the repaid amount of the loan;</p> <p>c) the amount of the liability of Borrower for breach of Loan agreement 2.</p> <p>The Bank is entitled to unilaterally at its sole discretion to make the increase/decrease in the interest rate only if the increase/decrease by the Bank of Russia of Interest rates on specialized refinancing instrument and by the amount of its increase/decrease, with notice to the Borrower without execution of this change, an additional agreement to the Agreement.</p> <p>In the event of termination of the refinancing of the loan by the Bank of Russia on the Program under the Credit agreement 2 and the termination of the Agreement on granting state guarantees of the Russian Federation (the termination of the state guarantee of the Russian Federation) on any of the grounds stipulated by the current legislation of the Russian Federation and the state guarantee of the Russian Federation, the Borrower will pay interest on the loan for the period from the date of termination of the refinancing of the loan by the Bank of Russia on the Program until the date of full repayment of the loan at the rate of MosPrime 3M on the date of quotation (date, preceding the date of termination of the refinancing of the loan by the Bank of Russia on the Program for 1 (one) business day (inclusive)) plus 3 % per annum.</p> <p>In case of failure on the part of the Bank of Russia to provide the Bank credit facilities in order to refinance the loan, issued in accordance with the Program, and termination of the Agreement on granting state guarantees of the Russian Federation (the termination of the state guarantee of the Russian Federation) on any of the grounds stipulated by the current legislation of the Russian Federation and the state guarantee of the Russian Federation, as well as the termination by the Bank of Russia's refinancing of credit, issued in accordance with the Program and termination of the Agreement on granting state guarantees of the Russian Federation (the termination of the state guarantee of the Russian Federation) on any of the grounds stipulated by the current legislation of the Russian Federation and the state guarantee of the Russian Federation, the Bank is entitled to unilaterally make changes to the size, procedure and terms of determination of interest rate under the Credit agreement 2, entailing an increase/ decrease in interest rates, including but not exclusively a replacement for, MosPrime 3M MosPrime rate defined for other periods (due to the changing situation on the domestic and foreign financial markets compared with the situation prevailing at the date of the Loan agreement 2 (including in connection with an increase in the volatility of the one-day MosPrime 3M more than 10 percent within 30 calendar days).</p> <p>Sample of loan funds on the Loan agreement 1 is carried out until all of the conditions of issuance of credit funds under the Credit agreement 2 and, accordingly, prior to the issuance of credit funds under the Credit agreement 2. Disbursement of the loan funds under the Credit agreement 2 is in the amount of 5 602 331 000 (Five billion six hundred two million three hundred thirty-one thousand), reduced by the amount of</p>	
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			<p>credit issued under the Credit agreement 1.</p> <p>Total (cumulative amounts) of the obligations provided by guarantor under this decision, does not exceed 17 000 000 000 (Seventeen billion) rubles.</p> <p>Term of the Supplementary agreement: Supplementary agreement shall enter into force upon its signing. The guarantee is granted for a term until 29 September, 2030, inclusive.</p>	
3.	The agreement of immovable property between PJSC RusHydro and PJSC FGC UES.	Approved by the Board of Directors (Protocol № 233 dated 01.04.2016)	<p>A lease of immovable property concluded on the following essential conditions:</p> <p>Parties to the Agreement: The Landlord – PJSC RusHydro; The Tenant – PJSC FGC UES.</p> <p>The subject of the Agreement: Under the Agreement the Lessor shall transfer and the Lessee for the placing and maintenance of supports of overhead power lines with a voltage of 220 kV and 500 kV accepts the temporary use of part of the waterworks belonging to the Lessor by right of ownership (hereinafter – Structures), and the Lessee shall accept the Buildings and pay for their temporary use. The list and the size of the leased Facilities and the lease specified in Annex 7 to the Agreement. The rent under the Agreement: Monthly rent is 032 159 (one Hundred and fifty-nine thousand thirty two) rubles 70 kopecks, including 18 % VAT - 259 24 (Twenty-four thousand two hundred fifty nine) rubles 23 kopecks. The rent for the entire lease term is 1 749 359 (One million seven hundred forty-nine thousand three hundred fifty-nine) rubles 70 kopecks, including 18% VAT - 851 266 (two Hundred sixty-six thousand eight hundred and fifty-one) rubles 48 kopecks. The term of the Agreement: The agreement shall enter into force upon its signing and is valid till 29 Feb 2016. The parties agreed that the terms of the Agreement apply to relations arising from 01 April 2015.</p>	<p>The interest of the members of the Board of Directors of PJSC RusHydro M. S. Bystrov and V. M. Kravchenko, Chairman of the management Board - General Director of PJSC RusHydro Shulginov N. G., which are simultaneously members of the Board of Directors of PJSC FGC UES.</p> <p>Dod E. V., recognized at the time of the transaction the dependent Director.</p>
4.	The agreement between PJSC RusHydro and Development Fund of the Moscow power engineering Institute	Approved by the Board of Directors (Protocol № 239 dated 23.06.2016)	<p>A donation agreement is concluded on the following essential conditions:</p> <p>Parties to the Agreement: The Contributor – PJSC RusHydro; The Donee – Development Fund of the Moscow power engineering Institute;</p> <p>The subject of the Agreement: The donation of the Donor by the Donee in the amount of 6 500 000 (Six million five hundred thousand) rubles for financing of authorized activities to assist development of the Federal state budgetary educational institution of higher education «National research University «MPEI», including on payment of works and services associated with the improvement of laboratory facilities and implementation of the program of development of the Department «Hydropower and renewable energy» of the Federal state budgetary educational institution of higher education «National research University «MPEI».</p> <p>The price of the Agreement: 6 500 000 (Six million five hundred thousand) rubles.</p>	<p>Interest member of the Board of Directors of PJSC RusHydro V. M. Kravchenko and Chairman of the Board – General Director of PJSC RusHydro Shulginov N. G., which are simultaneously members of the Board of Trustees of the Federal state budgetary educational institution of higher education «National research University «MPEI» - the beneficiary of the transaction.</p> <p>Dod E. V., recognized at</p>

				the time of the transaction the dependent Director.
5.	The agreement between PJSC RusHydro and the Federal state budgetary educational institution of higher education «National research University «MPEI».	Approved by the Board of Directors (Protocol № 239 dated 23.06.2016)	A donation agreement is concluded on the following essential conditions: Parties to the Agreement: The Contributor – PJSC RusHydro; The Donee – The Federal state budgetary educational institution of higher education «National research University «MPEI»; The subject of the Agreement: The donation of the Donor by the Donee in the amount of 4 000 000 (Four million) rubles for financing of authorized activities of the Organization, as well as the acquisition of equipment for disciplines profile "Hydroelectric power", including the laboratory complex «Hydropower system turbine-generator», hydraulic tray (for students of the Federal state budgetary educational institution of higher education "National research University «MPEI» in Volzhsky). The price of the Agreement: 4 000 000 (four million) rubles.	Interest member of the Board of Directors of PJSC RusHydro Kravchenko V. M. and Chairman of the Board – General Director of PJSC RusHydro Shulginov N. G., which are simultaneously members of the Board of Trustees of the Federal state budgetary educational institution of higher professional education «National research University «MPEI» - the beneficiary of the transaction. Dod E. V., recognized at the time of the transaction the dependent Director.
6.	The agreement between PJSC RusHydro and the Endowment Fund of the Federal state Autonomous educational institution of higher professional education «Far Eastern Federal University».	Approved by the Board of Directors (Protocol № 239 dated 23.06.2016)	The donation agreement between PJSC RusHydro and the Endowment Fund of the Federal state Autonomous educational institution of higher professional education «Far Eastern Federal University» concluded on the following essential conditions: Parties to the Agreement: The Contributor – The Society; The Donee – The Federal state Autonomous educational institution of higher professional education «Far Eastern Federal University». The subject of the Agreement: The donation of the Donor by the Donee in the amount of 30 000 000 (Thirty million) rubles for financing of authorized activities of The Federal state Autonomous educational institution of higher professional education "Far Eastern Federal University". The donation is transferred to the endowment «Support and development of the far Eastern Federal University» in accordance with the Federal law from 30.12.2006 № 275-FZ «On procedure of formation and utilization of target capital of nonprofit organizations». The price of the Agreement: 30 000 000 (Thirty million) rubles.	The interest of the Chairman of the Board of Directors of PJSC RusHydro Yu. P. Trutnev, who is also a member of the Supervisory Board of The Federal state Autonomous educational institution of higher professional education «Far Eastern Federal University" is the beneficiary of the transaction. Dod E. V., recognized at the time of the transaction the dependent Director.
7.	The agreement	Approved by the	The Agreement on the target reception concluded on the following essential conditions:	Interest member of the

	between PJSC RusHydro and the Federal state budgetary educational institution of higher education "National research University «MPEI».	Board of Directors (Protocol № 240 dated 11.08.2016)	<p>Parties to the Agreement: The Customer: PJSC RusHydro; The Provider: The Federal state budgetary educational institution of higher education «National research University «MPEI».</p> <p>The subject of the Agreement: The Provider undertakes to organize in 2016 a target enrollment of nine (9) citizens who have concluded the Agreement on target training with the Customer, and the Customer agrees to organize the practice of citizens who have concluded the Agreement on target training, in accordance with the curriculum of the Provider.</p> <p>The reception is organized in the framework of the quota target enrolment for higher education allocated from the amount established for the next year targets acceptance of citizens for training at the expense of budgetary appropriations of the Federal budget, budgets of constituent entities of the Russian Federation or local budgets.</p> <p>Term of rendering services under the Agreement: From the date of signing of the Agreement by the Parties on 31.08.2018. The price of The Agreement is Not determined on the merits of the transaction.</p>	<p>Board of Directors of PJSC RusHydro Rogaleva N. D., at the same time being rector of The Federal state budgetary educational institution of higher education «National research University «MPEI», member of the Board of Directors of PJSC RusHydro Kravchenko V. M., and a member of the Board of Directors, the Chairman of the Board – General Director of PJSC RusHydro Shulginov N. G., which are simultaneously members of the Board of Trustees of The Federal state budgetary educational institution of higher education «National research University «MPEI».</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>
8.	Additional agreement of 18.07.2016 No. 3 to the Agreement dated 08.07.2014 No. UC-SCC-049/14 on the provision of services to ensure the User experience in the System transmit and receive	Approved by the Board of Directors (Protocol № 240 dated 11.08.2016)	<p>Additional agreement of 18.07.2016 No. 3 to the Agreement dated 08.07.2014 No. UC-SCC-049/14 on the provision of services to ensure the User experience in the System transmit and receive tax and accounting reporting in electronic form signed on the following essential terms:</p> <p>Parties to the Agreement: The Provider: JSC «GNIVC». The Customer – PJSC RusHydro.</p> <p>Subject of the Additional agreement: The change of essential conditions of the Agreement on rendering of services to ensure the User experience in the System transmit and receive tax and accounting reporting in electronic form, in particular: The extension of the term of the Agreement 12 (Twelve) months from the date of issue of the certificate of verification key of electronic signature instead of the certificate key of electronic signature verification, the</p>	<p>The interest of the Russian Federation represented by the Federal property management Agency, shareholder and JSC «GNIVC» owning more than 20 % of the shares of the parties in the transactions.</p> <p>Shulginov N. G., recognized at the time of</p>

	tax and accounting reporting in electronic form between JSC «GNIVC» and PJSC RusHydro.		<p>validity of which ended on 10 July 2016</p> <p>Establishing the cost of service for new term of the Agreement in the amount of 500 134 (one hundred thirty-four thousand five hundred) rubles 00 kopecks, including VAT (18 %) - 20 516 (twenty thousand five hundred sixteen) rubles 95 kopecks.</p> <p>Service cost for one block is 33 625 (thirty-three thousand six hundred twenty five) rubles 00 kopecks, including VAT (18 %) - 5 129 (five thousand one hundred twenty nine) rubles 24 kopecks.</p> <p>Validity period of Supplementary agreement: The supplementary agreement comes into force from the date of its signing and is valid until the Parties fulfill obligations under the Agreement.</p>	the transaction the dependent Director.
9.	The Agreement of compensated rendering of services between PJSC RusHydro and the All-Russia Association of employers «Russian Union of Industrialists and Entrepreneurs».	Approved by the Board of Directors (Protocol № 240 dated 11.08.2016)	<p>The Agreement of compensated rendering of services is concluded on the following essential conditions:</p> <p>Parties to the Agreement: The Customer: PJSC RusHydro; The Provider: The All-Russia Association of employers «Russian Union of Industrialists and Entrepreneurs». (AAE «RUIE»).</p> <p>The subject of the Agreement: The Provider shall provide the Customer with the services on organization and holding of public assurance the non-financial report on sustainable development of the RusHydro Group for 2015, and the Customer undertakes to pay these services.</p> <p>The term of rendering services: From the date of Agreement signing till 31.12.2016.</p> <p>The price of the Agreement: 230 000 (two hundred thirty thousand) rubles 00 kopecks, including VAT (18 %) - 084 35 (thirty-five thousand eighty-four) rubles 74 kopecks.</p>	<p>Interest member of the Board of Directors, the Chairman of the Board – General Director of PJSC RusHydro Shulginov N. G., who is also a Board member of AAE «RUIE».</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>
10.	The service Agreement for the production of qualified certificates of keys of electronic signature verification on the key media Rutoken Lite	Approved by the Board of Directors (Protocol № 240 dated 11.08.2016)	<p>The service Agreement for the production of qualified certificates of keys of electronic signature verification on the key media Rutoken Lite is concluded on the following essential conditions:</p> <p>Parties to the Agreement: The Provider: JSC «GNIVC». The Customer: PJSC RusHydro.</p> <p>The subject of the Agreement: The Provider shall on the request of the Customer at the key bearers Rutoken Lite to produce qualified certificates of keys of electronic signature verification (hereinafter – UPC) in the amount of 20 (twenty) pieces with the introduction of the UPC in the UPC register, and providing the Customer with access to the certificate revocation list (published on the website in the Internet), and the Customer undertakes to accept and pay the performed works on manufacturing of the UPC.</p> <p>Term of rendering of services/execution of works: The Provider after receipt on account of advance payment based on the request of the Customer, in the presence of the Customer makes the UPC certification center of the Provider and at the same time makes the UPC in the UPC register, not later than 15 days from the date of conclusion of the Agreement.</p> <p>Price of the agreement: 61 000 (Sixty-one thousand) rubles 00 kopecks, including VAT (18%) - 9 305 (Nine thousand three hundred and five) rubles 08 kopecks.</p> <p>The term of the Agreement:</p>	<p>The interest of the Russian Federation represented by the Federal property management Agency, shareholder and JSC «GNIVC» owning more than 20% of the shares of the parties in the transactions.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>

			The agreement shall enter into force on the date of its signing, extends to the relations of the parties arising from 25 July 2016 and is valid until the Parties fulfill obligations under the Agreement.	
11.	A guarantee agreement between PJSC RusHydro and the Bank «Russian regional development Bank» JSC	Approved by the Board of Directors (Protocol № 242 dated 10.10.2016)	<p>The guarantee agreement concluded on following essential terms:</p> <p>Parties to the Agreement: The Lender – The Bank «Russian regional development Bank» JSC; The Guarantor – PJSC RusHydro; The Beneficiary – PJSC «Magadanenergo».</p> <p>The subject of the Agreement: PJSC RusHydro surety for performance of the obligations of the Beneficiary to the Lender according to the Agreement about opening of credit line.</p> <p>The obligation secured by surety: the Agreement about opening credit line from 11.07.2016 No. 1010-K-16 between JSC «Magadanenergo» (Borrower) and The Bank «Russian regional development Bank» JSC.</p> <p>The maximum amount of the loan (Credit line limit): 500 000 000 (five hundred million) rubles 00 kopecks; Period full repayment of the loan: 21.01.2018; Interest on the loan: of 10.64 % per annum.</p> <p>The price of the Agreement: 581,398,907, 10 (five hundred and eighty-one million three hundred ninety-eight thousand nine hundred and seven) rubles 10 kopecks.</p> <p>The term of the Agreement: The agreement shall enter into force from the date of its signing by the Parties. Agreement and the obligation of the Surety (guarantee) valid from the date of signing the Agreement on 21.01.2021 inclusive.</p>	<p>Interest member of the Board of Directors Shishin S. V., which is also a member of the Supervisory Board of The Bank «Russian regional development Bank» JSC.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>
12.	A guarantee agreement between PJSC RusHydro and «Gazprombank» JSC.	Approved by the Board of Directors (Protocol № 242 dated 10.10.2016)	<p>The guarantee agreement concluded on following essential terms:</p> <p>Parties to the Agreement: The Lender – «Gazprombank» JSC; The Guarantor – PJSC RusHydro; The Beneficiary – PJSC «RAO ES of East».</p> <p>The subject of the Agreement: The guarantor undertakes with the Beneficiary jointly and severally liable to the Lender for the performance by Beneficiary of its obligations to the Lender arising from Loan agreements to open credit lines.</p> <p>The obligation provided by the guarantee: The credit agreement on opening of a credit line from 08.07.2016 No. 4016-016-KL between PJSC «RAO ES of East» and «Gazprombank» JSC: The maximum amount of the loan (Credit line limit) - 1 629 878 500 (One billion six hundred twenty nine million eight hundred seventy-eight thousand five hundred rubles 45 kopecks); The repayment period is 84 (Eighty four) months from the date of conclusion of the Credit agreement on opening credit line; Interest on the loan – of 11.09 % per annum; Commission for early repayment of the loan at 0.25 % per annum of the early repaid loan amount (or part thereof) within the first 30 (thirty) months from the date of conclusion of the Credit agreement on opening a credit line.</p> <p>The maximum amount of credit (Credit line limit)– 1 629 878 500 (One billion six hundred twenty nine</p>	<p>Interest due to the fact that a member of the Board of Directors, the Chairman of the Board – General Director of PJSC RusHydro Shulginov N. G. at the same time is a member of the Board of Directors of PJSC «RAO ES of East» - the beneficiary of the transaction.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>

			<p>million eight hundred seventy-eight thousand five hundred) rubles 45 kopecks; Price of the Agreement: 2 454 348 899 (two billion four hundred fifty four million three hundred forty eight thousand eight hundred ninety nine) rubles 54 kopecks. The term of the Agreement: The agreement shall enter into force from the date of its signing and is valid until 07.07.2026.</p>	
13.	<p>The agreement between RusHydro and Federal budgetary educational institution of higher education «National research Moscow state University of civil engineering» (NRU MSUCE).</p>	<p>Approved by the Board of Directors (Protocol № 242 dated 10.10.2016)</p>	<p>The Agreement is concluded on the following essential conditions: Parties to the Agreement: The Provider: NRU MSUCE; The Customer: PJSC RusHydro. The subject of the Agreement: The Provider undertakes on the instructions of the Customer at its own risk, using their materials and tools to provide services: "Participation in the work of the Commission for technical audit of JSC «Vilyuiskaya HPP-3» in assessing the technical condition of the main hydraulic structures" (hereinafter – the «Services»), and the Customer undertakes to create to the Provider specified in the Agreement conditions for the provision of Services, to accept and pay in accordance with the terms of the Agreement. The price of The Agreement: is 604 280 (two Hundred eighty thousand six hundred four) rubles 00 kopecks, including VAT (18 %) – 804 42 (Forty-two thousand eight hundred and four) rubles 00 kopecks. Terms of services: Beginning from the day following the day of conclusion of the Agreement; The end – 30.07.2016. The term of the Agreement: The agreement shall enter into force on the date of its approval by the Board of Directors of PJSC RusHydro. The agreement is valid until full execution by the Parties of their obligations. The terms of the Agreement apply to relations of the Parties arising from 20.06.2016.</p>	<p>Interest due to the fact that a member of the Board of Directors, the Chairman of the Board – General Director of PJSC RusHydro Shulginov N. G. at the same time is a member of the Board of Trustees NRU MSUCE.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>
14.	<p>Additional agreement No. 2 dated 19.09.2016 (hereinafter – Supplementary agreement) to the Agreement of 18.12.2012 № 01-08/827 on the provision of budget investments between PJSC RusHydro and Federal Agency for state property management and the Ministry of energy of the Russian Federation.</p>	<p>Approved by the Board of Directors (Protocol № 242 dated 10.10.2016)</p>	<p>Additional agreement No. 2 dated 19.09.2016 to the Agreement of 18.12.2012 № 01-08/827 on the provision of budget investments concluded on the following essential conditions: The parties of the additional agreement: PJSC RusHydro and The Federal Agency for state property management and the Ministry of energy of the Russian Federation. Subject of the Additional agreement: The performance by the company of requirements 359-FZ «On Federal budget for 2016» and the order of the RF Ministry of energy 27.06.2016 № 598 «About using in 2016, the balances, the source of which are not used in 2015, provided public joint stock company «RusHydro» investment budget in 2012» regarding the transfer to the personal account not parties in the budget process in the Federal Treasury Department in Moscow (UFC), the budget investments in the amount of 6,098 billion rubles for use in the construction of thermal power plants in Sovetskaya Gavan in accordance with the requirements of the Agreement and the rules of Treasury support in 2016, government Agreements, Agreements (agreements) and Agreements, agreements, agreements concluded within the framework of their implementation, approved by decree of the Government of the Russian Federation 04.02.2016 No. 70.</p>	<p>Interest due to the fact that the Russian Federation represented by Rosimushchestvo - the shareholder owns 66,84 % of the ordinary shares of the company.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>

15.	Additional agreement to the Agreement on granting of budgetary investments from 18.12.2012 № 01-08/827 between PJSC RusHydro and Federal Agency for state property management and the Ministry of energy of the Russian Federation.	Approved by the Board of Directors (Protocol № 242 dated 10.10.2016)	<p>Additional agreement to the Agreement on granting of budgetary investments from 18.12.2012 № 01-08/827 signed on the following essential terms:</p> <p>The construction of the 2nd stage of the Annunciation CHP</p> <p>Limits assessed value of property prices in the 3rd quarter of 2013 in accordance with the conclusion of the FAA «Glavgosexpertiza of Russia» dated 06.12.2013 No. 1196-13/GGE-8083/10 is 8 236 951 510 (Eight billion two hundred thirty six million nine hundred fifty-one thousand five hundred ten) rubles 00 kopecks, including VAT; the cost of additional volumes of works on construction of the object and reconstruction of the Blagoveshchensk thermal plant in the prices of the 3rd quarter of 2015 in accordance with the conclusion of the FAA «Glavgosexpertiza of Russia» on 02.12.2015 No. 1622-15/GGE-8083/10 is 1 217 548 500 (one billion two hundred seventeen million five hundred forty-eight thousand five hundred) rubles 00 kopecks, including VAT;</p> <p>I stage of construction: input power – 120 MW, 188 Gcal/h; the term of commissioning – 2015;</p> <p>II stage of construction of the object: the term of commissioning – 2016."</p> <p>The Society assumes no unconditional obligation to achieve the following indicators of efficiency of use of available budget investments, method of calculation of which is stipulated in the Annex to this Agreement:</p> <table border="1" data-bbox="656 683 1832 1141"> <thead> <tr> <th data-bbox="656 683 1227 758">Figure</th> <th data-bbox="1238 683 1832 758">The value of the index</th> </tr> </thead> <tbody> <tr> <td data-bbox="656 762 1227 853">The indicator of the financial stability coefficient financial leverage (Loan capital/Own capital)</td> <td data-bbox="1238 762 1832 853">≤ 1,5</td> </tr> <tr> <td data-bbox="656 858 1227 949">The indicator of current liquidity (Current assets/current liabilities)</td> <td data-bbox="1238 858 1832 949">≥ 1,5</td> </tr> <tr> <td data-bbox="656 954 1227 1045">The indicator of debt burden (Financial debt/EBITDA)</td> <td data-bbox="1238 954 1832 1045">≤ 5</td> </tr> <tr> <td data-bbox="656 1050 1227 1141">The return on equity (ROE) (Net profit/Average equity)*100 %</td> <td data-bbox="1238 1050 1832 1141">≥ 1,5 %</td> </tr> </tbody> </table> <p>The values of the performance indicators set for each reporting period (1 January to 31 December of the calendar year) for the entire period of the Agreement.</p> <p>The calculation of all performance indicators are based on data financial statements, formed in accordance with the Federal law of 06.12.2011 № 402-FZ "On accounting" (Russian accounting standards).</p> <p>The penalty for non-achievement of target values of performance indicators of the company under paragraph 3.2.10 of the Agreement Is 1 (One) % of the amount of funds stipulated by item 1.1. of the Agreement for failure of each performance indicator during the reporting period.</p> <p>The penalty for failure to the Society obligations for the commissioning of each object within the planned timeframe specified in clause 2.5 of the Agreement – 500 000 (five Hundred thousand) rubles multiplied</p>	Figure	The value of the index	The indicator of the financial stability coefficient financial leverage (Loan capital/Own capital)	≤ 1,5	The indicator of current liquidity (Current assets/current liabilities)	≥ 1,5	The indicator of debt burden (Financial debt/EBITDA)	≤ 5	The return on equity (ROE) (Net profit/Average equity)*100 %	≥ 1,5 %	<p>Interest due to the fact that the Russian Federation represented by Rosimushchestvo - the shareholder owns 66,84 % of the ordinary shares of the company.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>
Figure	The value of the index													
The indicator of the financial stability coefficient financial leverage (Loan capital/Own capital)	≤ 1,5													
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The return on equity (ROE) (Net profit/Average equity)*100 %	≥ 1,5 %													

			by the number of days equal to the number of days elapsed from the date of the planned term of commissioning of the object specified in paragraph 2.5 of the Agreement before the actual date of commissioning of the object.	
16.	A guarantee agreement between PJSC RusHydro and Sberbank PJSC	Approved by the Board of Directors (Protocol № 242 dated 10.10.2016)	<p>Agreement of guarantee concluded on the following essential conditions:</p> <p>Parties to the Agreement: The Bank – Sberbank PJSC; The Guarantor – PJSC RusHydro; The Beneficiary – PJSC «RAO ES of East» (the Borrower).</p> <p>The subject of the Agreement: Surety for performance of the obligations of the Borrower to the Bank under the Credit agreement to Finance the Project.</p> <p>The principal terms of the Credit agreement: The maximum amount of credit (credit line limit) – 6 077 780 556 (six billion seventy seven million seven hundred eighty thousand five hundred fifty six) rubles 04 kopecks. The repayment period of the loan -28 July 2028. Interest rate for credit use – of 10.83 % per annum. The interest rate may be changed by the Bank unilaterally, including in connection with a change in the Bank of Russia refinancing rate and/or the key rate. The fee for using the credit line limit is 0.5 % per annum of the free limit balance of the Credit agreement. Commission for early repayment of the loan in the amount not exceeding 3 % of repaid loan amount. The Commission for the reservation in the amount of 0.5 % of the maximum credit line limit – 30 388 902 (thirty million three hundred eighty eight thousand nine hundred two) rubles 78 kopecks. The price of the Agreement: Price of the Agreement: 10,349,424,963 (ten billion three hundred forty-nine million four hundred twenty-four thousand nine hundred and sixty-three rubles) 71 kopecks The term of the Agreement: The agreement shall enter into force upon its signing. The Agreement and surety valid until July 28, 2031.</p>	<p>Interest due to the fact that a member of the Board of Directors, the Chairman of the Board – General Director of PJSC RusHydro Shulginov N. G. at the same time is a member of the Board of Directors of PJSC «RAO ES of East» - the beneficiary of the transaction.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>
17.	A guarantee agreement between PJSC RusHydro and the Bank «Russian regional development Bank» JSC	Approved by the Board of Directors (Protocol № 242 dated 10.10.2016)	<p>Agreement of guarantee concluded on the following essential conditions:</p> <p>Parties to the Agreement: The Bank – the Bank «Russian regional development Bank» JSC; The Guarantor – The Society; The Beneficiary – PJSC «Magadanenergo» (The Borrower).</p> <p>The subject of the Agreement: The surety of the Company for performance of the obligations of PJSC «Magadanenergo» before the Bank under the Agreement on opening a line of credit from 20.09.2016 No. 1451-K-16. The maximum amount of the loan (Credit line limit): 400 000 000 (Four hundred million) rubles 00 kopecks. Full repayment of the term loan: December 31, 2017. Interest on the loan: of 10.33 % per annum. The interest rate may be increased/decreased by the Bank unilaterally, including, but not exclusively, in connection with the adoption by the Bank of Russia of decisions on increase in the key rate and/or the refinancing rate (discount rate). Price of the Agreement: 452,822,623 (four hundred and fifty-two million eight hundred two-thirty-two</p>	<p>Interest member of the Board of Directors Shishin S. V., who is also a member of the Supervisory Board of JSC «Russian regional development Bank».</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>

			<p>thousand six hundred twenty-three) rubles 03 kopecks.</p> <p>The term of the Agreement: The agreement shall enter into force from the date of its signing by the Parties. Agreement and the obligation of the Surety (guarantee) valid from the date of signing the Agreement to 31 December 2017.</p>	
18.	<p>A lease of immovable property concluded between PJSC RusHydro and PJSC FGC UES.</p>	<p>Approved by the Board of Directors (Protocol № 243 dated 14.11.2016)</p>	<p>A lease of immovable property concluded on the following essential conditions: Parties to the Agreement: The Landlord – PJSC RusHydro The Tenant – PJSC FGC UES The subject of the Agreement: Under the Agreement the Landlord transfers and the Tenant accepts for temporary use of part of the waterworks belonging to the Landlord by right of ownership (hereinafter – Structures), for placing and maintenance of supports of overhead power lines with a voltage of 220 kV and 500 kV and is obligated to pay for their temporary use. The list and the size of the leased Facilities and the lease specified in Annex 7 to the present decision. The rent under the Agreement: The monthly rent is 410 158 (one hundred fifty eight thousand four hundred ten) rubles 16 kopecks, including VAT 18 % - 24 164 (twenty-four thousand one hundred sixty four) rubles 26 kopecks. The rent for the entire lease term is 1 742 511 (one million seven hundred forty-two thousand five hundred eleven) rubles 76 kopecks, including 18% VAT - 265 806 (two hundred and sixty-five thousand eight hundred and six) rubles 88 kopecks. The term of the Agreement: The agreement shall enter into force upon its signing by Parties and is valid until 31.01.2017 and payments, until full execution of obligations on them. The parties agreed that the terms hereof shall apply to relations arising from 01.03.2016.</p>	<p>Interest due to the fact that a member of the Board of Directors of PJSC RusHydro P. S. Grachev, who is also a member of the Board of Directors of PJSC FGC UES.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>
19.	<p>Additional agreement to the Agreement of trust management between PJSC RusHydro and PJSC «RAO ES of East».</p>	<p>Approved by the Board of Directors (Protocol № 243 dated 14.11.2016)</p>	<p>Additional agreement to the Agreement of the Agreement of trust management of 23.12.2013 № OG-175-169-2013 signed on the following essential terms: The Trustor – PJSC RusHydro; The Trustee – PJSC «RAO ES of East». Subject of the Additional agreement: The Trustee returns to the Trustor of the trust management belonging on the property right to Founder management the following actions (in the exercise of rights on shares, except the right to receive dividends): 995 12 500 000 (twelve billion nine hundred ninety five million five hundred thousand) pieces of ordinary registered uncertified shares of JSC «Sahalin GRES-2» (state registration number of issue 1-01-58922-N dated 05.09.2013, the nominal value of one share is 1 (one) ruble); 7 744 760 000 (Seven billion seven hundred forty-four million seven hundred sixty thousand) pieces of ordinary registered uncertified shares of JSC «HPP in Sovetskaya Gavan» (state registration number of issue 1-01-58919-N-001D dated 30.01.2014, the nominal value of one share is 1 (one) ruble); 500 000 (five Hundred thousand) pieces of ordinary registered uncertified shares of JSC «HPP in Sovetskaya Gavan» (state registration number of issue 1-01-58919-N dated 16.08.2013, the nominal value of one share is 1 (one) ruble); 861 16 500 000 (sixteen billion eight hundred sixty one million five hundred thousand) pieces of ordinary</p>	<p>Interest due to the fact that a member of the Board of Directors, the Chairman of the Board – General Director of PJSC RusHydro N. G. Shulginov is also a member of the Board of Directors of PJSC «RAO ES of East».</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>

			<p>registered uncertified shares of JSC «Yakutskaya GRES-2 plant» (state registration number of issue 1-01-58921-N dated 10.09.2013, the nominal value of one share is 1 (one) ruble).</p> <p>2. Paragraph 6.1. The Agreement in the following edition: «6.1. The Trustee shall be paid remuneration in the amount of 750 (seven hundred fifty) rubles per quarter. This fee includes VAT (18 %) 114 (one hundred fourteen) rubles 40 kopeks» The price of the Agreement taking into account the Supplementary agreement: is 72 000 (seventy two thousand) rubles (including VAT) for the entire term of the Agreement, but not more than 750 (seven hundred fifty) rubles per quarter (including VAT).</p>	
20.	<p>Additional agreement No. 8 to Agreement No. 414 dated 26.08.2010, concluded between RusHydro and PJSC Joint-stock company «Non-State pension Fund of electric power industry» (JSC «NPF of Electric Power Industry»).</p>	<p>Approved by the Board of Directors (Protocol № 246 dated 27.12.2016)</p>	<p>Additional agreement to the pension benefit Agreement dated 26.08.2010 No. 414 signed on the following essential terms: The parties of the additional agreement: The Fund – JSC «NPF of Electric Power Industry»; The Contributor – PJSC RusHydro. Beneficiaries – Participants, including members of the collegial Executive body of the company. Subject of the Additional agreement: The following changes in the Agreement: - Inclusion in the list of Participants members of the collegial Executive body of the company. - Increase the duration of pension payment to a Participant to "not less than ten (10) years." The exception of remuneration for services of the Fund. Other material terms of the Supplementary agreement: The depositor makes pension contributions in favour of Participants in the amount established by an administrative letter sent to the Fund. The frequency of contributions and their size is determined by the Depositor independently. The price of the Agreement taking into account the Supplementary agreement: is the aggregate pension contributions paid by the company in accordance with the terms of the Agreement, and shall not exceed 0,1 (zero point one tenth) percent of the balance cost of assets of the company as at the date of its conclusion. The size of pension contributions under the Agreement is approved annually in the business plan of the company. Validity period of Supplementary agreement: With 20.12.2016 until the full implementation of obligations under the Agreement.</p>	<p>The interest of the members of the management Board as beneficiaries under the contract.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>
21.	<p>The pension benefit agreement between PJSC RusHydro and the Joint-stock company non-state pension Fund VTB Pension Fund (JSC NPF VTB Pension Fund).</p>	<p>Approved by the Board of Directors (Protocol № 246 dated 27.12.2016)</p>	<p>The pension benefit agreement concluded on following essential terms: Parties to the Agreement: The Fund – JSC NPF VTB Pension Fund; The Contributor – PJSC RusHydro (The Society). Beneficiaries – Participants, including members of the collegial Executive body of the company. The subject of the Agreement: The subject of the Agreement is a non-state pension provision, appointed by the Depositor of physical persons (further – the Parties), in the manner and on the conditions specified in the Agreement, the legislation of the Russian Federation on non-state pension coverage and the Pension Rules of the Fund (hereinafter the Fund Rules). The depositor undertakes to remit pension contributions to the Fund, and the Fund shall upon the occurrence of pension grounds in accordance with the Rules of the Fund and established by the Agreement</p>	<p>The interest of the members of the management Board as beneficiaries under the contract.</p> <p>Shulginov N. G., recognized at the time of the transaction the dependent Director.</p>

			<p>of the pension scheme to pay the non-state pension.</p> <p>The Agreement is governed by the established rules of the pension scheme № 10 "a Pension scheme for the investor is a legal entity, to set the size of pension contributions with pension payments until exhaustion, but not less than five (5) years and provides for a deferred claim on the pension Agreement", providing for the recording of pension contributions to the personal accounts of Participants.</p> <p>Other essential conditions of the Agreement:</p> <p>The depositor makes pension contributions in favour of Participants in the amount established by an administrative letter sent to the Fund.</p> <p>The frequency of contributions and their size is determined by the Depositor independently.</p> <p>The price of the Agreement:</p> <p>Is the aggregate pension contributions paid by the company in accordance with the terms of the Agreement, and shall not exceed 0,1 (zero point one tenth) percent of the balance cost of assets of the company as at the date of its conclusion. The size of pension contributions under the agreement is approved annually in the business plan of the company.</p> <p>The term of the Agreement:</p> <p>With 20.12.2016 until the full implementation of obligations under the Agreement.</p>	
22.	Surety agreement between PJSC RusHydro and VTB Bank (public joint-stock company)	Approved by the Annual General Meeting of Shareholders (Minutes No. 15 of June 29, 2016)	<p>The contract of guarantee is concluded on the following essential conditions:</p> <p>Parties to the Treaty:</p> <p>Bank - VTB Bank (public joint-stock company);</p> <p>Guarantor - the Company;</p> <p>Beneficiary - Joint Stock Company "Far Eastern Generating Company" (Borrower).</p> <p>Subject of the Agreement:</p> <p>The Company's guarantee for the fulfillment of obligations of Far East Generation Company to the Bank under the Agreement on the opening of a credit line dated May 23, 2016 No. KC-IY-702000/2016/00035.</p> <p>The maximum price of the contract: 9,279,356,493, 64 (Nine billion two hundred seventy nine million three hundred fifty six thousand four hundred ninety three) rubles 64 kopecks.</p> <p>Term of the agreement: 22.05.2022.</p> <p>Interest for using the loan: 10.86% per annum.</p>	The interest of the Russian Federation, owning more than 20% of the shares from the authorized capital, both in PJSC RusGidro and in VTB Bank (PJSC).
23.	Surety agreement between PJSC RusHydro and VTB Bank (public joint-stock company)	Approved by the Annual General Meeting of Shareholders (Minutes No. 15 of June 29, 2016)	<p>The contract of guarantee is concluded on the following essential conditions:</p> <p>Parties to the Treaty:</p> <p>Bank - VTB Bank (public joint-stock company);</p> <p>Guarantor - the Company;</p> <p>Beneficiary - Joint Stock Company "Far Eastern Energy Company" (Borrower).</p> <p>Subject of the Agreement:</p> <p>Guarantee of the Company for the performance of obligations of Far Eastern Energy Company to the Bank under the Agreement on opening a non-revolving credit line dated 28.04.2016 No. KC-IY-702750/2016/00016.</p> <p>The maximum price of the contract: 2 820 950 000 (Two billion eight hundred twenty-million nine hundred and fifty thousand) rubles 00 kopecks.</p> <p>Term of the agreement: June 30, 2020.</p> <p>Interest for using the loan: 11.5% per annum</p>	The interest of the Russian Federation, owning more than 20% of the shares from the authorized capital, both in PJSC RusGidro and in VTB Bank (PJSC).
24.	The contract for the	Approved by the	The contract is concluded on the following essential terms:	Members of the Board of

	lease of optical fibers between PJSC RusHydro and PJSC FGC	Board of Directors (Minutes No. 227 of 16.11.2015)	<p>Parties to the Treaty: PJSC RusHydro (host party) PJSC "FGC UES" (the transferring party)</p> <p>Subject of the agreement: PJSC "FSK" provides PJSC "RusHydro" with leasing optical fibers for a period and on terms. Determined by the Contract, and also carries out maintenance of the specified optical fibers, and PJSC "RusHydro" undertakes to accept and pay for the above-mentioned optical fibers under the conditions stipulated by the Contract.</p> <p>Price of the Agreement: 478,000 (four hundred seventy-eight thousand) rubles 71 kopecks, including VAT (18%) - 72,915, 37 (seventy-two thousand nine hundred fifteen) rubles 37 kopecks.</p> <p>Contract time: Start date- from the date of signing (July 25, 2016) of the Contract. The end date is 11 (eleven) months from the date of the signing of the Optical Fiber Transmission Act</p>	Directors of PJSC RusHydro Bystrov MS, Kravchenko VM, as well as Chairman of the Management Board - General Director of PJSC RusHydro, Shulginov NG are interested. (Member of the Board of Directors of PJSC RusHydro since 27.06.2016).
25.	Additional agreement to the Agreement on voluntary medical insurance between PJSC RusGidro and SOGAZ.	Approved by the Board of Directors (Minutes No. 228 of 11.12.2015).	<p>The additional agreement is concluded on the following essential terms:</p> <p>Parties to the Treaty: The insured is PJSC RusHydro; The insurer is SOGAZ.</p> <p>Subject of the Supplementary Agreement: Change of the list of insured persons. Change of insurance conditions. Change in the size of the insurance premium.</p> <p>Contract time: Start date is 01/01/2016, The end date is December 31, 2016. The price of the Agreement subject to the Supplementary Agreement: 39,005,534.38 rubles.</p>	Interested members of the Management Board of PJSC RusHydro, who are insured persons (beneficiaries under the agreement).
26.	Additional agreement to the Agreement on voluntary medical insurance between PJSC RusGidro and SOGAZ.	Approved by the Board of Directors (Minutes No. 228 of 11.12.2015).	<p>The additional agreement is concluded on the following essential terms:</p> <p>Parties to the Treaty: The insured is PJSC RusHydro; The insurer is SOGAZ.</p> <p>Subject of the Supplementary Agreement: Change of the list of insured persons. Change of insurance conditions. Change in the size of the insurance premium.</p> <p>Contract time: Start date is 01/01/2016, The end date is December 31, 2016. The price of the Agreement, subject to the Supplementary Agreement: 38,695,182.92 rubles.</p>	Interested members of the Management Board of PJSC RusHydro, who are insured persons (beneficiaries under the agreement).
27.	Supplementary agreement to the Agreement of voluntary medical	Approved by the Board of Directors (Minutes No. 228	<p>The additional agreement was concluded on July 25, 2016 on the following material terms and conditions:</p> <p>Parties to the Treaty: The insured is PJSC RusHydro; The insurer is SOGAZ.</p>	Interested members of the Management Board of PJSC RusHydro, who are insured persons

	insurance between JSC "RusHydro" and JSC "SOGAZ".	of 11.12.2015	Subject of the Supplementary Agreement: Change of the list of insured persons. Change of insurance conditions. Change in the size of the insurance premium. Contract time: Start date is 01/01/2016, The end date is December 31, 2016. The price of the Agreement subject to the Supplementary Agreement: 38,849,881.96 rubles.	(beneficiaries under the agreement).
28.	Additional agreement to the Voluntary Medical Insurance Agreement between PJSC RusHydro and JSC SOGAZ.	Approved by the Board of Directors (Minutes No. 228 of 11.12.2015).	The additional agreement was concluded on the following essential terms: Parties to the Treaty: The insured is PJSC RusHydro; The insurer is SOGAZ. Subject of the Supplementary Agreement: Change of the list of insured persons. Change of insurance conditions. Change in the size of the insurance premium. Contract time: Start date is 01/01/2016, The end date is December 31, 2016. The price of the Agreement, subject to the Supplementary Agreement: 38,792,231.45 rubles.	Interested members of the Management Board of PJSC RusHydro, who are insured persons (beneficiaries under the agreement).
29.	Additional agreement to the Agreement of insurance between JSC "RusHydro" and OJSC IC Alliance.	Approved by the Board of Directors (Minutes No. 228 of 11.12.2015).	The additional agreement was concluded on the following material terms and conditions: Parties to the Treaty: The insured is PJSC RusHydro; The insurer is OJSC IC Alliance. Subject of the Supplementary Agreement: Change of the list of insured persons. Change of insurance conditions. Change in the size of the insurance premium. Contract time: Start date is 01/01/2016, The end date is December 31, 2016. The price of the Agreement subject to the Supplementary Agreement: 4,091,597.44 rubles.	Interested members of the Management Board of PJSC RusHydro, who are insured persons (beneficiaries under the agreement).
30.	Additional agreement to the Agreement on insurance against accidents between PJSC RusHydro and OJSC IC Alliance.	Approved by the Board of Directors (Minutes No. 228 of 11.12.2015).	The additional agreement was concluded on the following material terms and conditions: Parties to the Treaty: The insured is PJSC RusHydro; The insurer is OJSC IC Alliance. Subject of the Supplementary Agreement: Change of the list of insured persons. Change of insurance conditions. Change in the size of the insurance premium. Contract time: Start date is 01/01/2016,	Interested members of the Management Board of PJSC RusHydro, who are insured persons (beneficiaries under the agreement).

			<p>The end date is December 31, 2016. Price of the Agreement subject to the Supplementary Agreement: 3,996,727.07 rubles.</p>	
31.	<p>Additional agreement to the Agreement on insurance against accidents between PJSC RusHydro and OJSC IC Alliance.</p>	<p>Approved by the Board of Directors (Minutes No. 228 of 11.12.2015).</p>	<p>The additional agreement was concluded on the following material terms and conditions: Parties to the Treaty: The insured is PJSC RusHydro; The insurer is OJSC IC Alliance. Subject of the Supplementary Agreement: Change of the list of insured persons. Change of insurance conditions. Change in the size of the insurance premium. Contract time: Start date is 01/01/2016, The end date is December 31, 2016. The price of the Agreement subject to the Supplementary Agreement: 4,003,778.48 rubles.</p>	<p>Interested members of the Management Board of PJSC RusHydro, who are insured persons (beneficiaries under the agreement).</p>
32.	<p>Additional agreement to the Agreement on insurance against accidents between PJSC RusHydro and OJSC IC Alliance.</p>	<p>Approved by the Board of Directors (Minutes No. 228 of 11.12.2015).</p>	<p>The additional agreement was concluded on the following material terms and conditions: Parties to the Treaty: The insured is PJSC RusHydro; The insurer is OJSC IC Alliance. Subject of the Supplementary Agreement: Change of the list of insured persons. Change of insurance conditions. Change in the size of the insurance premium. Contract time: Start date is 01/01/2016, The end date is December 31, 2016. Price of the Agreement subject to the Supplementary Agreement: 4,128,377.97 rubles.</p>	<p>Interested members of the Management Board of PJSC RusHydro, who are insured persons (beneficiaries under the agreement).</p>

3. 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, %				
<i>Information concerning the companies, in which RusHydro PLC owns less than 2 %</i>								
JSC «TECHNOPARK RUMYANTSEVO»	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	10,00	0,000005	18 142	(110 688)	-	Construction and installation works
Irkutskenergo OJSC*	Strategic and financial investment	Participation in the company's statutory capital	4 297 368,00	0,09	-	-	-	Power generation
LLC Energy Index HydroOGK	The target model of activity – accumulation purchased for PJSC RusHydro assets	Participation in the company's statutory capital	9 215 800 000,00	0,11	114 468	9 317 862	-	Activity on management of securities
Far East Energy Company PLC	Strategic and financial investment	Participation in the company's statutory capital	178 714 322,00	1,04	77 470 169	609 879	-	Trade in electric power (capacity)
Krasnoyarsk HPP PLC*	Strategic and financial investment	Participation in the company's statutory capital	457 681,00	0,12	-	-	-	Power generation
Inter RAO PLC*	Strategic and financial investment	Participation in the company's statutory capital	5 701 572 102,90	1,94	-	-	34 019 (in 2015)	A diversified holding group including power generation and trade operations in the domestic and foreign market
Bank of Cyprus Public Company Ltd*	The shares were acquired during the liquidation of RusSUNHydro Limited	Participation in the company's statutory capital	-	0,0037	-	-	-	Banking operations
JSC «Non-state pension Fund of electric power industry»*	Strategic and financial investment	Participation in the company's statutory capital	730 906,14	0,609	-	-	-	the activities of non-state pension funds
<i>Information concerning the companies, in which RusHydro PLC owns from 2 % to 20 %</i>								

Boguchanskaya HPP OJSC	Support of the Company's main line of business	Participation in the company's statutory capital	163 578 869,00	2,89	16 149 127	5 104 566	-	Power generation
Information concerning the companies, in which RusHydro PLC owns from 20 % to 50 %								
Zharki OJSC*		Participation in the company's statutory capital	6 095 900,00	25%+1 share	-	-	-	Tourist and recreation services
PJSC Yakutskenergo	Support of the Company's main line of business	Participation in the company's statutory capital	2 769 811 893,00	29,8	26 468 768	109 053	-	Energy generation, transmission and distribution
Sakhalin Energy Company JSC	Strategic and financial investment	Participation in the company's statutory capital	3 507 568 000,00	28,09	534 709	(13 613)	1 038 (in 2015)	Power generation
JSC Irkutsk Electric Grid Company	Strategic and financial investment	Participation in the company's statutory capital	8 861 928 328,00	42,75	18 367 171	(998 542)		Power transmission
JSC Experimental-industrial Verkhne-Mutnovskaya GeoPP	Support of the Company's main line of business	Participation in the company's statutory capital	133 364 156,00	48,04	37 627	1 570	-	Power generation
Boguchanskaya HPP Construction Project Customer Company CJSC	Support of the Company's main line of business	Participation in the company's statutory capital	4 900,00	49	45 852	91	-	Construction of Boguchanskaya HPP
CJSC Construction Contractor of Boguchansk Aluminium Smelter	Development of a new line of business	Participation in the company's statutory capital	4 900,00	49	555 555	106	-	Construction of Boguchansk Aluminium Smelter
CJSC Verkhne-Narynskie HPPs	Support of the Company's main line of business	Participation in the company's statutory capital	2 500 000 Som	50	375 (thou. Som)	314 439 (thou. Som)	-	Construction of Verkhne-Narynsky HPP Cascade
LLC VOLGAHYDRO	Development of a new line of business	Participation in the company's statutory capital	449 814 356,00	40%	1 366 681	760 904	-	Manufacture of hydro equipment
Information concerning the daughter companies, in which RusHydro PLC owns from 50 % + 1 share to 100 % of their statutory capital								
GVC Energetiki JSC	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	325 580	100	11 977	649 334	54 333 (in recent years), 645 338 (in 2016)	Design and development in IT
JSC Ust-Srednekanskaya HPP	Support of the Company's main line of business	Participation in the company's statutory capital	18 809 586 927,00	67,82	426 548	13 290	-	Construction of Ust-Srednekanskaya HPP
Joint-Stock Company Construction Contractor of Boguchanskaya HPP	Support of the Company's main line of business	Participation in the company's statutory capital	5 100,00	51	152 278	326	197 (in 2015)	Construction of Boguchanskaya HPP

JSC Construction Customer of Boguchansk Aluminium Smelter	Development of a new line of business	Participation in the company's statutory capital	5 100,00	51	92 181	10	-	Construction of Boguchansk Aluminium Smelter
JSC ChirkeiGESstroy	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	249 690 071,50	75,00	1 825 367	(57 814)	-	Construction works
PJSC RAO Energy Systems of the East	Support of the Company's main line of business	Participation in the company's statutory capital	19 171 124 235,50	84,39	1 538 679	1 514 921	-	Management of holding companies
JSC Kamchatka Gas Power Complex	Support of the Company's main line of business	Participation in the company's statutory capital	1 187 917 534,00	96,58	250 080	(32 785)	636 (in 2015)	Power generation
JSC Geotherm Company	Support of the Company's main line of business	Participation in the company's statutory capital	984 097 918	99,65	991 235	(15 260)	-	Power generation
JSC Zaramag Hydroelectric Station	Support of the Company's main line of business	Participation in the company's statutory capital	17 933 142 000,00	99,75	268 850	120 108	-	Construction of Zaramagskie HPPs, power generation
JSC Kolimaenergo	Support of the Company's main line of business	Participation in the company's statutory capital	12 063 052 613,00	98,76	2 395 501	163 591	-	Power generation
JSC Hydrogeneration Company of Karachaevo-Cherkessia	Support of the Company's main line of business	Participation in the company's statutory capital	6 582 581,00	100	-	(7 984)	-	Construction works
HydroOGK Aluminium Company Limited**	Financial investment	Participation in the company's statutory capital	34 200,00 Euro	100	-	(8 913)	-	Holding
HydroOGK Power Company Limited**	Financial investment	Participation in the company's statutory capital	33 317 311,68 Euro	100	8 953 231	8 949 499	8 256 650 (in 2016)***	Holding
JSC HydroEngineering Siberia	Support of the Company's main line of business	Participation in the company's statutory capital	2 291 979 300,00	100	12 681	(24 489)	-	Design and survey
JSC Vedeneev VNIIG	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	8 160 200,00	100	895 442	74 394	54 174 (in 2015), 24 123 (in 2014)	R&D, design and engineering services in hydroenergy
JSC Hydroinvest	The target model of activity – accumulation purchased for PJSC RusHydro assets	Participation in the company's statutory capital	9 550 150 000,00	100	2 409 886	2 894 104	-	Investment in securities
JSC Leningradskaya GAES	Support of the Company's main line of business	Participation in the company's statutory capital	5 763 565 938,00	100	-	(39 969)	-	Redesign of the pilot Northern PES, construction of Leningrad GAES, power generation
NIIES JSC	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	733 117 789,50	100	524 146	13 769	-	R&D, design and engineering services in hydroenergy

HydroOGK MC JSC	Support of the Company's main line of business	Participation in the company's statutory capital	150 000,00	100	398 407	4 745	32 269 (in 2016)	Management company
ESCO UES JSC	Support of the Company's main line of business	Participation in the company's statutory capital	15 000 000,00	100	608 527	(232 055)	-	Construction works
JSC Nizhne-Bureyskaya HPP	Support of the Company's main line of business	Participation in the company's statutory capital	14 610 989 509,00	100	95 129	9 244	-	Construction of Nizhne-Bureyskaya HPP
JSC Nizhne-Zeiskaya HPP	Support of the Company's main line of business	Participation in the company's statutory capital	349 715 990,00	100	-	625	-	Construction of Nizhne-Zeiskaya HPP
JSC Zagorskaya PSHPP-2	Support of the Company's main line of business	Participation in the company's statutory capital	53 681 508 646,00	100	10 573	294 298	-	Construction of Zagorskaya GAES 2
JSC RusHydro Transport Company	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	18 057 693,00	100	1 755 995	56 392	94 000 (in 2015)	Transportation services
JSC Renewable Energy Engineering Center	Support of the Company's main line of business	Participation in the company's statutory capital	694 072 210,00	100	-	(1 534)	-	Construction of a pilot binary facility
JSC Yuzhno-Yakutsky Hydropower Complex	Support of the Company's main line of business	Participation in the company's statutory capital	3 255 023 323,00	100	-	(259 483)	-	Construction of Yuzhno-Yakutsky Hydroenergy Combine
JSC Sulaksky Hydrocascade	Support of the Company's main line of business	Participation in the company's statutory capital	8 961 493 852,00	100	462 300	(61 796)	-	Construction of Sulaksky Hydro Energy Cascade
CSO CSGES JSC	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	482 153 947,00	100	94 671	1 108	-	Training and production of information and innovation center
JSC Gidroremont-VKK	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	535 040,00	100	10 425 034	154 313	190 521 (in 2015)	Repair works at energy facilities
JSC ESC RusHydro	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	11 981 227 367,00	100%-1 share	6 394 501	(9 746 585)	-	Wholesale trade in electric energy and heating
JSC Lenhydroproject	Support of the Company's main line of business	Participation in the company's statutory capital	174 451,00	100	1 532 531	101 180	-	R&D, design and engineering services in energy
JSC Far East Wind Power Plant	Support of the Company's main line of business	Participation in the company's statutory capital	224 088 473,00	100	-	(1 198)	-	Construction of WPS
JSC Malaya Dmitrovka	Support of the Company's main line of business	Participation in the company's statutory capital	4 819 782 000,00	100	585 024	105 043	-	Property management
Altai Smaller HPPs JSC	Support of the Company's main line of business	Participation in the company's statutory capital	500 000,00	100	-	(11 279)	-	Construction of smaller HPPs in Altai

JSC SHPP Dagestan	Support of the Company's main line of business	Participation in the company's statutory capital	161 500 000,00	100	-	(14 882)	-	Construction of smaller HPPs in Dagestan
CJSC RusHydro International B.V.**	Support of the Company's main line of business	Participation in the company's statutory capital	5 800 000,00 Euro	100	18 648 (thou. Euro)	1 939 (thou. Euro)	-	Investment
RusHydro IT Service LLC	Auxiliary support services for the Company's main line of business	Participation in the company's statutory capital	500 000,00	100	368 127	39 464	5 235 (in 2014)	IT consulting services
LLC Verkhnebalkarskaya Small HPP	Support of the Company's main line of business	Participation in the company's statutory capital	581 256 768,00	100	-	(3 396)	-	Construction of Verkhnebalkarskaya small HPP
LLC Fiagdonskaya Small HPP	Support of the Company's main line of business	Participation in the company's statutory capital	80 417 115,49	100	-	(11 879)	-	Construction of Fiagdonskaya small HPP
LLC Small HPPs of Stavropol and Karachaevo-Cherkessia	Support of the Company's main line of business	Participation in the company's statutory capital	219 856 801,28	100	-	-	-	Construction of smaller HPPs in Karachaevo-Cherkessia
JSC RGS	Support of the Company's main line of business	Participation in the company's statutory capital	3 809 000,00	100	179 548	36 454	-	Consultancy services
JSC Blagoveshchensk HPP	Support of the Company's main line of business	Participation in the company's statutory capital	4 285 020 000,00	100	238 139	185 698	-	CHPP construction
JSC Sahalin GRES-2	Support of the Company's main line of business	Participation in the company's statutory capital	15 011 980 000,00	100	-	488 067	-	RPP construction
JSC Yakutskaya GRES-2	Support of the Company's main line of business	Participation in the company's statutory capital	16 861 500 000,00	100	-	395 487	-	RPP construction
JSC HPP in Sovetskaya Gavan	Support of the Company's main line of business	Participation in the company's statutory capital	13 843 500 000,00	100	-	95 510	-	CHPP construction
JSC BoAZ Holding Company	Strategic and financial investment	Participation in the company's statutory capital	500 000,00	100	-	(1 221)	-	Investment
JSC BoGES Holding Company	Strategic and financial investment	Participation in the company's statutory capital	500 000,00	100	-	(1 276)	-	Investment

* No information concerning the earnings and net profit of Irkutskenergo OJSC, Krasnoyarskaya HPP PLC, Inter RAO PLC, Bank of Cyprus Public Company Ltd., Zharki OJSC, JSC «Non-state pension Fund of electric power industry» as they are not affiliated companies and/or joint ventures of the RusHydro Group, and are not a part thereof. The Company has no access to the account of the said companies.

** Data provided by consolidated in accordance with IFRS (Dutch GAAP).

*** Dividends in non-monetary form (agreement to assign).

4. 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
Non-Residents				
1	International Association, IHA Hydropower	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	13 200 GBP
2	Global Sustainable Partnership, GSEP Energy	Elaboration of joint policy platforms and implementation of relevant initiatives, both on domestic markets and internationally	2008 Extract from the PJSC RusHydro Board Resolution Protocol No. 59 dated 18.07.2008	150 000 CAD
TOTAL				12 000 GBP
				150 000 CAD
Russian Residents				
3	Market Council NP	Arrangement of electric power trade in the Wholesale market	2008 Extract from the HydroOGK OJSC Board Resolution Protocol No. 48 dated 03.03.2008	5 092 000,0
4	Association of land and property owners and investors.	The partnership serves a discussion panel used by PJSC RusHydro to promote its interests and dialogue with the government authorities concerning improvement of the legal environment in the area of land and property ownership.	2012 Extract from the PJSC RusHydro Board Resolution Protocol No. 168 dated 30.11.2012	300 000,0

5	Hydro Energy of Russia NP	Improvement of efficiency of hydro power facilities and hydro resources	2008 Protocol of Supervisory Board meeting of Hydro Energy of Russia NP No. 4 dated 18.02.2008	6 775 000,0
6	All-Russian Association of Employers "Russian Union of Industrialists and Entrepreneurs" (AAE RUIE)	Protection of the members' social and economic interests and legal rights necessary for their companies' and economy's sustainable development	2006 Extract from the HydroOGK OJSC Board Resolution Protocol No. 4 dated 18.02.2008	400 000,0
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

11	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	1 500 000,0
12	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
13	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
TOTAL, RUB				35 541 000,0

5. Information Concerning Shares / Stakes Purchase Contracts made by PJSC RusHydro in 2016, Indicating the Parties to the Contracts, their Subject, Price and other Terms

1) Shares Purchase Contract dated 14.10.2016

Parties to the Contract:

Issuer: PJSC RusHydro TC

Purchaser: PJSC RusHydro

Subject of the Contract:

The Issuer undertakes to transfer the ownership of the Purchaser, and the Purchaser undertakes to pay and accept in the manner and time prescribed by this Agreement, the following securities are placed through private subscription, issued in accordance with the Decision on additional issue of securities of the Issuer, registered by the Bank of Russia 30.09.2016 (the «Shares»):

The name of the Issuer	Joint-Stock Company RusHydro Transport Company
Kind, category (type) of securities	Registered ordinary shares, uncertificated
The number of shares	613 687 513 (five hundred thirteen million six hundred thirteen thousand six hundred and eighty-seven) pieces
The nominal value of 1 share	1 (one) ruble
The placement price of 1 share	1 (one) ruble
Registration number of additional issue	1-01-40461-F-001D

The Purchaser agrees to pay for the Shares not later than 4 (four) working days prior to the end date of the placement of Shares determined in accordance with the Decision on the additional issue of Shares registered by the Bank of Russia 30.09.2016 (hereinafter – «payment Shares»).

The Purchaser pays 11 404 000 (Eleven million four hundred four thousand) Shares of the Issuer by transferring the property of the Issuer following immovable property:

Description of the property	Cadastral number	Address (location)	Cadastral number of the land plot	The entry in the unified state register	The price of property, rubles*
Name: Building Boxing on the economic court; area: 79.7 sq m; purpose: non-residential building.	64:40:000000:16185	Saratov region, Balakovo, the Saratov hydroelectric power station territory	64:40:010501:8	№ 64-64-27/008/2011-454 03.03.2011	500 000
Name: ABK carpool; area: 198,2 sq. m; purpose: non-residential building.	19:03:080104:133	Republic of Khakassia, Sayanogorsk, settlement Cheryomushki, D. 101	19:03:080104:96	№ 19-19-03/005/2008-230 26.02.2008	763 000
Name: the main building of the Depot; area: 7645,4 sq. m; purpose: non-residential	19:03:080104:137	Republic of Khakassia, Sayanogorsk, settlement Cheryomushki, D. 101	19:03:080104:96	№ 19-19-03/005/2008-231 26.02.2008	10 141 000

building.					
TOTAL					11 404 000

* Price of the property determined in accordance with the report of the appraiser without VAT.

The total value of immovable property transferred as payment for the Shares under the Agreement is 11 404 000 (Eleven million four hundred four thousand) rubles.

The remaining Shares, the Purchaser pays by cashless transfer of funds to the account of the Issuer specified in paragraph 9 of the Agreement, or any other details specified in the decision on additional issue of Shares and/or by offset of counter homogeneous monetary claims against the Issuer.

2) Shares Purchase Contract dated 23.12.2016

Parties to the Contract:

Issuer: JSC «Sahalin GRES-2»

Purchaser: PJSC RusHydro

Subject of the Contract:

The Issuer undertakes to transfer the ownership of the Purchaser the following shares placed by private subscription, issued in accordance with the Decision on additional issue of securities of the Issuer, registered by the Bank of Russia 23.12.2016 (the «Shares»):

The name of the Issuer	Joint-Stock Company «Sahalin GRES-2»
Kind, category (type) of securities	Registered ordinary shares, uncertificated
The number of shares	2 016 480 000 (Two billion sixteen million four hundred eighty thousand) pieces
The nominal value of 1 share	1 (one) ruble
The placement price of 1 share	1 (one) ruble
Registration number of additional issue	1-01-58922-N-002D

The Purchaser agrees to purchase and pay for the Shares not later than 3 (three) working days prior to the end date of the placement of Shares determined in accordance with paragraph 8.2 the Decision on the additional issue of Shares.

The Purchaser pays the Issuer's Shares by transferring funds to any Bank account of the Issuer specified in paragraph 8 of this Agreement and/or other details specified in the decision on additional issue of Shares.

The Purchaser can make the payment for the Contract period one or more payments (hereinafter – «payment date of the Shares»).

Society in 2016 were not concluded contracts of purchase and sale of shares and shares in economic partnerships and societies.

6. Information on the General Meetings of Shareholders

Date, Number	Protocol	Item Number and Title
27.06.2016, No. 15		<ol style="list-style-type: none"> 1. Approval of the Company's Annual Report for 2015. 2. Approval of annual accounting reports including the Company's 2015 Financial Statements. 3. Approval of the Company's 2015 profit distribution. 4. Size of dividends for 2015, term and method of dividend payments, determination of the date, for which the list of persons entitled to dividends shall be made. 5. Remuneration of the Directors (Board Members) who are not government officials in compliance with the Company's internal regulations. 6. Approval of the Regulations on payment of remunerations and compensations to the members of the Board of Directors in the new edition. 7. Election of the members of the Company's Board of Directors. 8. Election of the Company's Auditing Commission (Auditor). 9. Appointment of the Company's Auditor. 10. Approval of the Charter in the new edition. 11. Approval of the Regulations on the procedure for convening and holding the General meeting of shareholders of the company in the new edition. 12. Approval of the Regulations on the procedure for convening and holding meetings of the Board of Directors of the company in the new edition. 13. Approval of the Regulations on the auditing Commission of the company in the new edition. 14. Approval of the Regulations on payment of remunerations and compensations to members of the audit Commission of the company in the new edition. 15. On approval of transactions in which the interest exists.

7. Information on the Meetings of the Board of Directors

Date, Protocol Number and Title	Date, Protocol Number Item Number and Title
20.02.2016, № 231	<ol style="list-style-type: none"> 1. On the Register of non-core assets of PJSC RusHydro. 2. On the progress of the construction of Zagorsk PSHPP-2. 3. On consideration of the reports of the Chairmen of the Committees at the Board of Directors of PJSC RusHydro on the results of activity during the year 2015.
25.02.2016, № 232	<ol style="list-style-type: none"> 1. On approval of the report on implementation of Charitable and Sponsorship Program of PJSC RusHydro for 2015. 2. On approval of the Charitable and Sponsorship Program of PJSC RusHydro for 2016. 3. On the Company's priority activities. 4. On approval of the transactions concluded by the Company. 5. On enforcement of the resolutions adopted by the Board of Directors of PJSC RusHydro. 6. On the formation of management entities of PJSC RusHydro.
30.03.2016, № 233	<ol style="list-style-type: none"> 1. On approval of a Report on the insurance protection of PJSC RusHydro for 2015. 2. On approval of a Regulation on business planning system of PJSC RusHydro. 3. On approval of a Supplementary agreement (standard) to the Collective agreement of PJSC RusHydro Branch for 2014-2016. 4. On the Company's priority activities. 5. On approval of transactions concluded by the Company. 6. On approval of the Company's internal documents. 7. On issues of the Committees under the Board of Directors of the Company.
07.04.2016, № 234	<ol style="list-style-type: none"> 1. On consideration of proposals of the Company's shareholders regarding nomination of persons to be elected to management and control bodies of PJSC RusHydro. 2. On consideration of proposals of the Company's shareholders to include items in the agenda of the annual General Meeting of Shareholders of PJSC RusHydro.
08.04.2016, № 235	<ol style="list-style-type: none"> 1. On the Company's priority activities. 2. On approval of the Company's internal documents.
12.05.2016, № 236	<ol style="list-style-type: none"> 1. On approval of the agenda of the Annual General Meeting of the Company's Shareholders. 2. On preliminary approval of the Company's Annual Report for 2015. 3. On consideration of the Company's annual financial statements for 2015. 4. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the approval of distribution of the Company's earnings based on the results of 2015. 5. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the size of dividends, the period and the form of payment based on the results of 2015 and the establishment of the date on which persons entitled to receive dividends are to be determined. 6. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the payment of remuneration to the members of the Board of Directors who are not civil servants for activity in the membership of the Board of Directors of the Company in the amount established by the Company's internal documents. 7. On recommendations to the Annual General Meeting of the Company's Shareholders regarding the nomination for the Company's Auditor. 8. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the approval of the Company's Articles of Association in a new version. 9. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the approval of the Regulation on the procedure for

	<p>convening and holding the General Meeting of the Company's Shareholders in a new version.</p> <p>10. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the approval of the Regulation on the procedure for convening and holding meetings of the Board of Directors of the Company in a new version.</p> <p>11. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the adoption of the Regulation on the Audit Committee of the Company in a new version.</p> <p>12. 12. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the adoption of the Regulation on remuneration and reimbursement to the members of the Audit Committee of the Company in a new version.</p> <p>13. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the termination of participation of PJSC RusHydro in NP KONTZ UES.</p> <p>14. On recommendations to the Annual General Meeting of the Company's Shareholders regarding: the approval of non-arm's length transactions.</p> <p>15. On the issues related to convening, preparing and holding the Annual General Meeting of the Company's Shareholders.</p>
31.05.2016, № 237	<p>1. On interim results of implementation of the Company's Business Plan for 2016 taking into account actual figures for the first quarter of 2016 (including reports on implementation of the Investment Program (in particular, the Comprehensive Modernization Program for Generating Facilities) and the Annual Comprehensive Procurement Plan for the first quarter of 2016).</p> <p>2. On approval of a report regarding the compliance with the Company's Key Performance Indicators for the first quarter of 2016.</p> <p>3. On the Company's priority activities.</p> <p>4. On the Company's internal documents.</p> <p>5. On defining the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda items of the subsidiaries' management bodies.</p> <p>6. On determining the amount of payment for the services of the Company's Auditor.</p>
08.06.2016, № 238	<p>1. On implementation of the Company's Business Plan for 2015 (including reports on implementation of the Investment Program (in particular, the Comprehensive Modernization Program for Generating Facilities) and the Annual Comprehensive Procurement Plan for 2015).</p> <p>2. On approval of a report regarding the compliance with the Company's Key Performance Indicators for the fourth quarter of 2015 and 2015.</p> <p>3. On consideration of a report on the implementation of the Strategic Plan of PJSC RusHydro for the period until 2015 with an outlook for 2020.</p> <p>4. On approval of the Development Strategy of RusHydro Group for the period until 2020 with an outlook for 2025.</p>
23.06.2016, № 239	<p>1. On consideration of a Report of activity of the Management Board of the Company for 2015.</p> <p>2. On consideration of reports of Chairmen of the Committees under the Board of Directors on the results of activity for 2015.</p> <p>3. On enforcement of the resolutions adopted by the Board of Directors of the Company.</p> <p>4. On the Company's priority activities.</p> <p>5. On the Company's internal documents.</p>
11.08.2016, № 240	<p>1. On election of the Chairman of the Board of Directors of the Company.</p> <p>2. On election of the Deputy Chairman of the Board of Directors of the Company</p> <p>3. On the formation of the Committees to the Board of Directors of the Company.</p> <p>4. On the Company's priority activities.</p> <p>5. On approval of transactions concluded by the Company.</p>
23.09.2016, № 241	<p>1. On approval of the Action Plan of the Board of Directors of PJSC RusHydro for the 2nd half of 2016.</p> <p>2. On interim results of implementation of the Company's Business Plan for 2016 taking into account actual figures for the 1st half of 2016 (including reports on implementation of the Investment Program (in particular, the Comprehensive Modernization Program for Generating Facilities) and the Annual Comprehensive Procurement Plan for the 1st half of 2016).</p> <p>3. On consideration of the consolidated Business Plan (including the consolidated Investment Program) of RusHydro Group for 2016-2020 and amendments to Annex 2 to the Company's Business Plan for 2016-2020 in terms of the target value of KPI Return on equity (ROE).</p> <p>4. On approval of a report on implementation of the Innovation Development Program of PJSC RusHydro for 2011-2015 with an outlook for 2021 in 2015.</p>

	5. On the Company's priority activities.
10.10.2016, № 242	<ol style="list-style-type: none"> 1. On enforcement of the resolutions adopted by the Board of Directors of the Company. 2. On the Company's priority activities. 3. On compliance with the Key Performance Indicators for the 2nd quarter of 2016 by PJSC RusHydro. 4. On approval of transactions concluded by the Company. 5. On approval of the Company's internal documents.
14.11.2016, № 243	<ol style="list-style-type: none"> 1. On approval of the Typical Collective Agreement of PJSC RusHydro Branch for 2017-2019. 2. On preliminary approval of the resolutions on carrying out Company's transactions with shares and stakes of entities with equity participation by the Company. 3. On the Company's priority activities. 4. On ceasing equity participation and on participation of the Company in other entities. 5. On determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda items of the subsidiaries' management entities. 6. On approval of transactions carried out by the Company.
23.11.2016, № 244	<ol style="list-style-type: none"> 1. On approval of the report on implementation of the Innovation Development Program of PJSC RusHydro for 2011-2015 with an outlook until 2021 for 2015. 2. On approval of the Innovation Development Program of RusHydro Group for 2016 - 2020 with an outlook until 2025. 3. On the implementation of the Long-Term Development Program of RusHydro Group for the 1st half of 2016. 4. On approval of the Long-Term Development Program of RusHydro Group for 2016 – 2020 5. On the Company's priority activities. 5.1. <i>On the Cost Optimization Activities Plan based on the results of the independent external audit of the Company's costs, taking into account its subsidiaries.</i> 6. On the Company's priority activities: On approval of the structure of transactions as part of the debt refinancing on credits and loans of the companies of RAO ES of the East Holding. 7. On approval of the non-deliverable shares forward transaction between PJSC RusHydro and VTB Bank (PJSC). 8. On pricing of placing of Company's additional shares. 9. On increase of the Company's Authorised Capital. 10. On approval of the decision on the additional issue of the Company's securities. 11. On approval of the Company's Securities Prospectus. 12. On the Company's priority activities: On transactions with the Company's shares owned by the companies incorporated in RusHydro Group. 13. On determining the position of PJSC RusHydro (the representatives of PSC RusHydro) on the agenda item of the meeting of JSC Hydroinvest management entities: "On approval of the major transaction carried out by JSC Hydroinvest."
26.12.2016, № 245	<ol style="list-style-type: none"> 1. On the Company's business-plan. 2. On approval of the Annual Comprehensive Procurement Plan of the Company for 2017. 3. On approval of the report on compliance with Key Performance Indicators of PJSC RusHydro for the 3rd quarter of 2016. 4. On approval of the List of Annual Key Performance Indicators of the members of the Management Board of PJSC RusHydro for 2017, the target values of annual key performance indicators of the members of the Management Board of PJSC RusHydro for 2017 (including the methodology of calculation and evaluation of key performance indicators of the members of the Management Board of PJSC RusHydro). 5. On the status of implementation of priority projects for the construction of 4 facilities in the Far East (Yakutskaya SDPP-2 (the 1st stage), the 2nd stage of Blagoveshchenskaya CHPP, CHPP in Sovetskaya Gavan, Sakhalinskaya SDPP-2 (the 1st stage). 6. On approval of the Insurance Protection Program of PJSC RusHydro for 2017.
27.12.2016, № 246	<ol style="list-style-type: none"> 1. Take note of the interim results of implementation of the Company's Business Plan for 2016 taking into account actual figures for 9 months of 2016 (including reports on implementation of the Investment Program (in particular, the Complex Modernization Program for Generating Facilities), the

	<p>Annual Comprehensive Procurement Plan for 9 months of 2016 and the Report on the Implementation of the Set of Measures (list of activities) to reduce operating expenses (costs) for 9 months of 2016).</p> <ol style="list-style-type: none">2. On the Company's priority activities.3. On the Company's equity participation and termination of equity participation in other organisations.4. On approval of the Company's transactions.
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Resolutions of the meetings could be found under the link: <http://www.eng.rushydro.ru/governance/board/minutes/2016/>

8. Information on the Meetings of the Committees under the Board of Directors

Far East energy development Committee

Date, Number	Protocol	Item Number and Title
19.09.2016, No. 1		<ol style="list-style-type: none"> 1. Election of Vice-Chairman of the Committee on energy development of the Far East under the Board of Directors of PJSC RusHydro. 2. Election of the Secretary of the Committee on energy development of the Far East under the Board of Directors of PJSC RusHydro. 3. Approval of the work Plan of the Committee on energy development of the Far East under the Board of Directors of PJSC RusHydro for 2016-2017. 4. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the priority directions of the company activities: On the implementation of renewable energy projects".
22.12.2016, No. 2		<ol style="list-style-type: none"> 1. On the outcome of the Eastern economic forum -2016. 2. The status of power supply to priority development areas and infrastructure facilities of the gas transportation system "Power of Siberia". 3. On the recommendations of the Board of Directors on the issue: "On the status of implementation of priority projects on construction of 4 facilities in the far East: Yakut GRES-2 (1st stage, 2nd stage of the Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, the Sakhalin GRES-2 (1st stage). 4. On the recommendations of the Board of Directors on the issue: On approval of loan Agreements between PJSC RusHydro and JSC «RAO ES of the East» are transactions in which the interest exists.

Strategy Committee

Date, Number	Protocol	Item Number and Title
05.04.2016, No. 84		<ol style="list-style-type: none"> 1. Preliminary consideration of the issue "On approval of Strategy of development of the Group RusHydro for the period till 2020 with prospect till 2025". 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On consideration of the report on the implementation of the Strategic plan of PJSC RusHydro for the period till 2015 and on prospect till 2020".
12.05.2016, No. 85		<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of development strategy of the RusHydro Group for the period up to 2020 with prospect till 2025".
27.05.2016, No. 86		<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On consideration of the report of the Chairman of the strategy Committee under the Board of Directors of the company on results of activities for the 2015 corporate year."
03.06.2016, No. 87/50		<ol style="list-style-type: none"> 1. Questions on the development strategy of the RusHydro Group for the period up to 2020 with a perspective until 2025. 2. On priority activities of the company (Confidential): <ol style="list-style-type: none"> 2.1 Detailed analysis of the system of material motivation of the management, PJSC RusHydro; 2.2. The principles of the formation of the amount of the bonus Fund of management of PJSC RusHydro. 3. The method of calculation and evaluation of the implementation of the performance indicator TSR and other KPIs of management of PJSC RusHydro.
05.10.2016, No. 88		<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the Regulations on the strategy Committee under the Board of Directors of PJSC RusHydro in new edition". 2. Approval of the work plan of the strategy Committee under the Board of Directors of PJSC RusHydro for the 2nd half of 2016. 3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "approval of transactions of the Society." 4. Election of the Secretary of the strategy Committee under the Board of Directors of PJSC RusHydro.
27.10.2016, No. 89		<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On course of implementing Long-term development program of RusHydro Group for the 1st half of 2016".
02.11.2016,		<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On determination of the position of PJSC RusHydro (representatives of PJSC

No. 90	RusHydro) on the agenda of the management body of the JSC "RAO ES of the East": "to increase the authorized capital of OAO "RAO ES of the East" by placing additional shares."
10.11.2016, No. 91	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "the plan of measures to optimize costs on the basis of the results of the independent external audit costs, Companies with affiliated organizations." 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of Long-term development program of RusHydro Group for the period 2016 – 2020". 3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the following question of the agenda of the meeting of the Board of Directors of JSC "ESK RusHydro "On the approval of contracts of purchase and sale of the shares in the Charter capital of LLC "ESKB" by JSC "ESC RusHydro is a major interrelated transactions and transactions related to alienation of shares of the company, a child of JSC "ESK RusHydro" and engaged in the sale of electric energy".
21.11.2016, No. 92	1. On the recommendations of the Board of Directors of PJSC RusHydro on refinancing of debt of RAO ES of the East.
12.12.2016, No. 93	1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "the termination of participation in other organizations".
21.12.2016, No. 94	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue "Approval of the non-deliverable forward transactions of shares between PJSC RusHydro and VTB Bank (PJSC)". 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue "On the transfer of PJSC RusHydro cash in subsidiaries of JSC "RAO ES of the East".
26.12.2016, No. 95	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of transactions with shares of organizations in which the company participates". 2. On the recommendations of the Board of Directors on the issue: "On termination of participation in other organizations". 3. On the recommendations of the Board of Directors on the issue: "On determination of the position of the Society (representatives of Society) in the management bodies of JSC "Holding company Boges" on the question "On participation in other organizations"". 4. On the recommendations of the Board of Directors on the issue: "On determination of the position of the Society (representatives of Society) in the management bodies of subsidiaries". 5. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On consideration of the report of the Chairman of the strategy Committee under the Board of Directors on the results of operations for the year 2016".

Audit Committee

Date, Protocol Number	Item Number and Title
16.02.2016, No. 77	1. On determination of priority directions of activity: consideration of the results of routine field inspection of energy of the Russian Federation "The implementation of the investment project "Zaramagsky HPP", under the investment program of PJSC RusHydro for 2014 – 2016".
20.02.2016, No. 78	<ol style="list-style-type: none"> 1. About the Report of JSC "PricewaterhouseCoopers Audit" (Auditor) on the results of the interim audit of financial statements under RAS for 9 months of 2015. 2. Report on the compliance by the company with the requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of PJSC RusHydro for the 4th quarter of 2015. 3. On execution of the schedule of control measures of PJSC RusHydro for the 4th quarter of 2015.
15.03.2016, No. 79	1. On consideration of the plans of measures on elimination of the remarks revealed by the results of field tests, the Ministry of energy of the implementation of the project "Construction of Yakutskaya GRES-2 (1st stage); the implementation of the project "Construction of Blagoveshchenskaya CHPP (2nd stage); the

	implementation of the project "Construction of CHPP in Sovetskaya Gavan"; the implementation of the project "Construction of Sakhalinskaya GRES-2 (1st stage).
24.03.2016, No. 80	1. On review of the updated work Plan of the audit Commission of PJSC RusHydro in 2016.
25.03.2016, No. 81	1. On consideration of materials on anti-corruption activities of the company, for consideration of the Board of Directors of the company. 2. On the review of the Integrated program of anti-corruption activities of PJSC RusHydro (2016 – 2019), and Report on the implementation of the action Plan for the implementation of the Comprehensive program for the prevention of the Commission by employees of PJSC RusHydro illegal actions for 2015.
28.04.2016, No. 82	1. On the recommendations of the Board of Directors on the issue: On preliminary approval and recommendations to the General meeting of shareholders to approve the Annual report of the company. 2. On the recommendations of the Board of Directors on the question of the annual accounting statements, including the Report on financial results of the company prepared in accordance with Russian accounting standards for the year 2015. 3. About the audit report of the company's Auditor for the audit of financial statements of the company prepared in accordance with Russian accounting standards for the year 2015. 4. About the Report of JSC "PricewaterhouseCoopers Audit" (Auditor) on the results of the audit of financial statements of the company prepared in accordance with Russian accounting standards for the year 2015. 5. On the recommendations of the Board of Directors on the candidacy of the Auditor of the company for 2016. 6. On the recommendations of the Board of Directors for determining the amount of remuneration to the Auditor of the Society for 2016. 7. On the Conclusion of the auditing Commission on the results of the audit of the company for 2015. 8. On the recommendations of the Board of Directors of PJSC RusHydro on the issue of the regulation on the audit Commission of the company in the new edition. 9. On the recommendations of the Board of Directors of PJSC RusHydro on the issue of regulations on remuneration and compensation to members of the audit Commission of the company in the new edition. 10. Consideration of the results of the evaluation of the effectiveness of the risk management system of the company. 11. On consideration of the auditor's opinion on the implementation in 2015 of a long-term program of development of Society.
18.05.2016, No. 83	1. Report on the observance of PJSC RusHydro of requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of the company for the 1st quarter of 2016. 2. About the report of JSC "PricewaterhouseCoopers Audit" the audit of the consolidated financial statements of RusHydro Group under IFRS for the year ended 31 December 2015. 3. On execution of the schedule of control measures of PJSC RusHydro for the 1st quarter of 2016. 4. Approval of the report about results of activity of the audit Committee under the Board of Directors for 2015 corporate year.
27.05.2016, No. 84	1. On the recommendations of the Board of Directors on the issue: "About execution of the Federal property Agency "On the preparation of the roadmap for organization of risk management processes and internal control in preventing and combating corruption". 2. On the outcome of the procurement activities of PJSC RusHydro for 2015, analysis of corruption risks in the implementation of the Society of procurement activities and mechanisms aimed at minimization of corruption risks. 3. On consideration of the Regulations on the audit Committee of the Board of Directors of PJSC RusHydro in a new edition.
10.06.2016, No. 85	1. On the outcome of the analysis of corruption risks in the implementation of Society projects of capital construction of PJSC RusHydro for 2015 and mechanisms to minimize corruption risks. 2. Approval of the report about results of activity of the audit Committee under the Board of Directors for 2015 corporate year.
24.06.2016, No. 86	1. Proposals for improving the effectiveness of the company's audit of the DWP in 2015
19.08.2016, No. 87	1. Election of Vice-Chairman of the audit Committee. 2. Appointment of the Secretary of the audit Committee. 3. On execution of the schedule of control measures of PJSC RusHydro for the 2nd quarter of 2016. 4. Report on the observance of PJSC RusHydro of requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of the company for the 2nd quarter of 2016. 5. On determination of priority lines of action: On the results of the implementation of the plan of measures on elimination of the remarks revealed the Ministry of

	energy of Russia on results of a field test "the implementation of the investment project "Zaramagsky HPP", under the investment program of PJSC RusHydro for 2014 – 2016".
28.09.2016, No. 88	<ol style="list-style-type: none"> 1. On approval of the work plan of the audit Committee of the Board of Directors of PJSC RusHydro on the 2nd half of 2016. 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue "Approval of the Report on corporate social responsibility and sustainable development the RusHydro Group in 2015". 3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue "On approving Policy of internal audit of PJSC RusHydro. 4. About The Registrar Of Companies.
12.10.2016, No. 89	1. Consideration of the results of a field test of the Ministry of energy of the implementation of investment projects "Reconstruction of turbines, a Branch of PJSC RusHydro - "Cheboksary HPP", "Modernization of hydraulic units, a Branch of PJSC RusHydro - "Cheboksary HPP" and consideration of action Plans to address the comments received by the PJSC RusHydro that provide input of objects in operation.
25.11.2016, No. 90	<ol style="list-style-type: none"> 1. Report on the compliance by the company with the requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of PJSC RusHydro for 3Q 2016. 2. On execution of the schedule of control measures of PJSC RusHydro in the 3rd quarter of 2016.
29.11.2016, No. 91	<ol style="list-style-type: none"> 1. The Plan of JSC "PricewaterhouseCoopers Audit" (Auditor) on the audit of the Group RusHydro for the year 2016. 2. About the Report of JSC "PricewaterhouseCoopers Audit" (Auditor) on the results of the interim audit of financial statements of the company for the company for 6 months in 2016. 3. About the Report of JSC "PricewaterhouseCoopers Audit" (Auditor) on the results of audit of consolidated interim condensed financial information of the RusHydro Group under IFRS for 6 months ended 30 June 2016. 4. On the recommendations of the Board of Directors of PJSC RusHydro on the issue "On consideration of the results of a field test of the Ministry of energy of the implementation of investment projects "Reconstruction of turbines, a Branch of PJSC RusHydro - "Cheboksary HPP", "Modernization of hydraulic units, a Branch of PJSC RusHydro - "Cheboksary HPP" and consideration of action plans on elimination of the revealed remarks that were taken Of PJSC RusHydro that provide input of objects in operation. 5. On the recommendations of the Board of Directors of PJSC RusHydro on the issue "On consideration of the results of field tests, the Ministry of energy of the implementation of investment projects "Construction of the 2nd stage of the Annunciation CHP", "Construction of CHPP in Sovetskaya Gavan, Construction of Yakutskaya GRES-2 (1st place), "Construction of Sakhalinskaya GRES-2 (1st stage)" and consideration of action plans on elimination of the revealed comments received by the PJSC RusHydro that provide input of objects in operation.
14.12.2016, No. 92	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors on the issue: "On approval of insurance protection Program of PJSC RusHydro for 2017". 2. About manage strategic risks Companies 2016-2017 3. On approval of the schedule of control actions of service of internal audit of PJSC RusHydro in 2017.

HR and Remuneration Committee

Date, Protocol Number	Item Number and Title
12.02.2016, No. 48	1. On the recommendations of the Board of Directors on the issue "On the formation of management bodies of PJSC RusHydro: the education of a member of the Board of PJSC RusHydro
17.03.2016, No. 49	<ol style="list-style-type: none"> 1. Election of the Secretary of the Committee for personnel and remuneration under the Board of Directors. 2. On the recommendations of the Board of Directors of the company on issue "On approving the Additional agreement (model) to the collective agreement of the branch of PJSC RusHydro for 2014-2016"
27.04.2016, No. 50	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On recommendations to the annual General meeting of shareholders on the issue: "approval of the Regulations on payment of remuneration and compensations to the members of the Board of Directors of the company in new revision". 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On recommendations to the annual General meeting of shareholders on the issue: "payment to members of the Board of Directors of the company of remunerations and compensations"

	<p>3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On termination of participation of PJSC RusHydro in non-commercial partnership "Corporate educational and scientific center of Unified energy system".</p> <p>4. On priority activities of the company CONFIDENTIALLY.</p>
16.06.2016, No. 51	1. On approval of the report on the activities of the Committee for personnel and remuneration under the Board of Directors of the company during the period from 01.06.2015 17.06.2016 on.
22.06.2016, No. 52	1. Preliminary review of Provisions on the Committee for personnel and remuneration (nominations) the Board of Directors of PJSC RusHydro in a new edition.

Investment Committee

Date, Protocol Number	Item Number and Title
17.02.2016, No. 74	<p>1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the construction of Zagorskaya PSP-2".</p> <p>2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the Report on the implementation of activities in 2015, approved by the Registry of non-core assets".</p> <p>3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the Registry of non-core assets of PJSC RusHydro for 2016".</p>
19.02.2016, No. 75	<p>1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the transactions connected with gratuitous transfer of property."</p> <p>2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the agreement between PJSC RusHydro and JSC "so UES", being a transaction in an interest".</p> <p>3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of Additional agreement to the Agreement between PJSC RusHydro and Voith GmbH & Co. KG, which is a transaction which constitutes an interested party".</p> <p>4. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approving the additional agreement to the surety agreement between PJSC RusHydro and JSC Sberbank, being a transaction in an interest".</p>
22.03.2016, No. 76	<p>1. Approval of the report on insurance protection of PJSC RusHydro in 2015.</p> <p>2. Approval of report on carrying out public technological and price audit of investment projects in 2015.</p> <p>3. About approval "Provisions on the system of business planning of PJSC RusHydro.</p> <p>4. About the priority directions of activity of the Companies.</p> <p>4.1. On the status of implementation of priority projects on construction of 4 facilities in the far East: Yakut GRES-2(1st stage), 2nd phase of the Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, the Sakhalin GRES-2 (1st stage).</p> <p>5. On approval transactions made by the company.</p> <p>5.1. On approval of contract of lease of immovable property concluded between PJSC RusHydro and JSC "FGC UES", being a transaction in interest.</p>
24.03.2016, No. 77	<p>1. About the priority directions of activity of the Companies.</p> <p>1.1. Preliminary approval of draft investment programs of PJSC RusHydro for the year 2016 (adjustment) and 2017-2019 in order for the disclosure of information about projects of investment programs of PJSC RusHydro in accordance with the decree of the Government of the Russian Federation of 21.01.2004 No. 24.</p>

04.05.2016, No. 78	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors on the issue: "On consideration of the report on execution of the Business plan of the company for 2015 (including reports on execution of Investment program (including comprehensive modernization Program of generating facilities) and the Annual integrated purchasing program in 2015)". 2. On the recommendations of the Board of Directors on the issue: "On approval of the list of investment projects for carrying out public technological and price audit in the period of 2016-2017 years". 3. On the recommendations of the Board of Directors on the issue: "On approval of the report on execution of key performance indicators of the company for the 4th quarter of 2015 and 2015." 4. On the recommendations of the Board of Directors on the issue: "On recommendations to the annual General meeting of shareholders on the issue: the amount of dividends, terms and form of payment by results of work for the year 2015 and fixing a date for determination of persons entitled to receive dividends". 5. On the recommendations of the Board of Directors on the issue: "On recommendations to the annual General meeting of shareholders on distribution of profits of the company by results of 2015". 6. About determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agendas of management bodies of subsidiaries. 6.1. About determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda of the management body of JSC "holding company Boges": "On approval of conclusion of the loan agreement between PJSC RusHydro and JSC "holding company Boges", a major transaction". 6.2. About determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda of the management body of JSC "holding company Boaz": "On approval of conclusion of the loan agreement between PJSC RusHydro and JSC "holding company Boaz", which is a big deal. 6.3. About determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda of the management body of JSC "holding company Boges": "On approval of conclusion of the loan agreement between JSC "Holding company Boguchanskaya HPP" and JSC "SGChE Boges", which is a big deal. 7. On the recommendations of the Board of Directors on the issue: "On recommendations to the annual General meeting of shareholders on the issue: "On approval of the Commission by the Society transactions with VTB Bank (OAO), interested-party transactions which may be effected in future in the process of conducting normal economic activity."
26.05.2016, No. 79	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors on the issue: "On the interim results of the execution of the Business plan of the company for the year 2016 given the fact that for the 1st quarter of 2016 (including reports on execution of Investment program (including comprehensive modernization Program of generating facilities) and the Annual comprehensive program of purchases for the first quarter of 2016)". 2. On the recommendations of the Board of Directors on the issue: "On the performance of the key performance indicators of the company for the 1st quarter of 2016". 3. On priority activities of the company 3.1. On the recommendations of the Board of Directors on the issue: "On the status of implementation of priority projects on construction of 4 facilities in the far East (Yakut GRES-2 (1st stage), 2nd phase of the Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, the Sakhalin GRES-2 (1st stage)". 4. Internal documents of the company 4.1. On the recommendations of the Board of Directors on the issue: "On increasing the efficiency, transparency and cost optimization of purchasing activities of PJSC RusHydro (Directive of the Government of the Russian Federation from 19.04.2016 No. 2793p-P13". 4.2. On the recommendations of the Board of Directors on the issue: "On the Regulation on the procedure of consideration of investment projects included into the list of investment projects of RusHydro (directives of the Government of the Russian Federation from 15.03.2016 No. 1659p-1PZ)". 5. About determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agendas of management bodies of subsidiaries. 5.1. On the recommendations of the Board of Directors on the issue: "On determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda of the governing body of the JSC "Annunciation CHP": "On approval of conclusion between JSC "Annunciation CHP" and OJSC "Power machines" the contract on performance of stroitelnomontazhnyh of works that are interrelated deals with General contract for construction of the facility "Second phase of Blagoveshchenskaya TPP" No. 1-KS-2013-CHP plant-2/12A 26.12.2013, which is a big deal." 5.2. On the recommendations of the Board of Directors on the issue: "On determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda of the governing body of the JSC "CHP in Sovetskaya Gavan":

	<p>"On approval of conclusion between JSC "CHPP in Sovetskaya G East" and JSC Globalelectroservice additional agreement No. 4 to the General contract for construction of TPP in Sovetskaya Gavan No. SG CHP - 14/0027 from 23.06.2014, is a big deal."</p> <p>6. On the financial performance of the Group RusHydro, given the possible scenario of non-payments from electricity and capacity G1AO RusHydro for the period 2016-2019.</p>
15.06.2016, No. 80	<p>1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On consideration of the report of the Chairman of the investment Committee under the Board of Directors of PJSC RusHydro on the results of corporate activities for the 2015 year."</p> <p>2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On determination of the procurement policy of OJSC RusHydro: "On approval of the Regulations on procurement of products for the needs of PJSC RusHydro in a new edition".</p> <p>3. On the recommendations of the Board of Directors on the issue: "On consideration of the consolidated Business plan (including the consolidated Investment program) of the RusHydro Group for 2016 — 2020 years."</p> <p>4. On the recommendations of the Board of Directors on the issue: "On introducing amendments to Appendix 2 to the Business plan for 2016 - 2020 in the part of the target value of the KPI "return on equity (ROE)".</p> <p>5. On the recommendations of the Board of Directors on the issue: "On approval of the Registry of non-core assets of PJSC RusHydro in a new edition".</p> <p>6. On the recommendations of the Board of Directors on the issue: "On approval of the Regulations on the procedure for disposing of noncore assets of PJSC RusHydro in a new edition".</p>
21.06.2016, No. 81	<p>1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: On determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda issue of meeting of Board of Directors of JSC "Karachaevo-Cherkessia Hydrogeneration company" "On approval of transaction of sale of immovable and movable property, the balance value of which exceeds 25% of book value of assets of JSC "Karachaevo-Cherkessia Hydrogeneration company.</p> <p>2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: the making of transactions with shares and stakes of organizations which the company participates.</p> <p>3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: On determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda issue of meeting of Board of Directors of JSC "Zaramag HPP": "On approval of the General Contract as a major transaction".</p> <p>4. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On execution of decisions of the Board of Directors".</p>
06.09.2016, No. 82	<p>1. Election of the Deputy. The Chairman of the investment Committee under the Board of Directors of PJSC RusHydro.</p> <p>2. Election of the Secretary of the investments Committee of the Board of Directors I LAO RusHydro.</p> <p>3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the interim results of the execution of the Business plan of the company for the year 2016 given the fact that for the 1st half of 2016 (including reports on execution of Investment program (including comprehensive modernization Program of generating facilities) and the Annual comprehensive program of purchases for the 1st half of 2016)".</p> <p>4. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On execution of key performance indicators of PJSC RusHydro for the 2nd quarter of 2016".</p> <p>5. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On execution of decisions of the Board of Directors".</p> <p>6. On the recommendations of the Board of Directors of PJSC RusHydro on the issue of "On the adjustment of start date of carrying out public technological and price audit of the project "Reconstruction of the dam the main dam with two spillway bays (Complex reconstruction of the Moscow state University)".</p> <p>7. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the surety Agreement between PJSC RusHydro and the Bank "Russian regional development Bank" (JSC), being a transaction which constitutes an interested party".</p> <p>8. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the surety Agreement between PJSC RusHydro and "Gazprombank" (Joint-stock company), a transaction which you have interest".</p> <p>9. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of Additional agreement No. 2 to the General loan agreement dated 13.09.2013 No. 1 concluded between the company, Joint-stock company "RUSSIAN ALUMINIUM" (JSC "RUSAL"), a Joint-stock company "RUSAL Krasnoyarsk Aluminum Plant" (JSC "RUSAL Krasnoyarsk") and Closed joint stock company "Boguchansky aluminum plant" (JSC "Boaz"), as transactions entailing the emergence of the Society of the obligations (claims) denominated in foreign currency (tied to changes in foreign currency exchange rate)".</p> <p>10. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the Agreement of paid rendering of services between PJSC</p>

	RusHydro and Federal budgetary educational institution of higher education "national research Moscow state University of civil engineering" (NRU MSUCE), being a transaction which constitutes an interested party".
20.09.2016, No. 83	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On execution of decisions of the Board of Directors". 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the postponement of the execution of the order on issue No. 2 agenda meeting of the Board of Directors of the company 19.02.2016 "On the construction of Zagorskaya GAES-2 (minutes from 20.02.2016 No. 231)". 3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: On the priority directions of the company activities: On the status of implementation of priority projects on construction of 4 facilities in the far East: Yakut GRES-2 (1st stage), 2nd phase of the Blagoveshchenskaya TPP, TPP in Sovetskaya Gavan, the Sakhalin GRES-2 (1st stage)".
04.10.2016, No. 84	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of transactions made by the company: On the transactions associated with gratuitous transfer of property." 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: On determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda of management bodies of subsidiaries — JSC "Annunciation CHP": "Approval between JSC "Annunciation CHP", PJSC "Power machines" the Contract on performance of construction and Assembly works with the negotiation Protocol differences, which are interrelated deal with the General Contract for construction the object "the Second phase of Blagoveshchenskaya TPP" No. 1-KS-2013-CHP plant-2/12A 26.12.2013 as a major transaction".
06.10.2016, No. 85	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "Approval of transactions in which the interest exists". 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the disposal of non-core assets".
08.11.2016, No. 86	<ol style="list-style-type: none"> 1. Approval of the plan of work of the investment Committee under the Board of Directors of PJSC RusHydro on the 2nd half of 2016. 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "preliminary approval of decisions on making transactions with shares and stakes of organizations which the company participates". 3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On determination of the position of PJSC RusHydro (representatives of PJSC RusHydro) on the agenda issues of the management body of JSC "Sakhalin GRES-2": <ol style="list-style-type: none"> 1) On determination of quantity, nominal value, category (type) of declared shares and rights granted by these shares; 2) to increase the authorized capital of JSC "Sakhalin GRES-2" by placing additional shares." 4. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approving the Additional agreement to the Contract of trust management between PJSC RusHydro and JSC "RAO ES of the East", which is a transaction which constitutes an interested party". 5. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the priority directions of the company activities: on the model of management by construction of generating capacities in the far East". 6.1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On determination of the position of the Society on the acquisition of JSC "VNIIG im. B. E. Vedeneeva" share in the limited liability company "Servicesdigital RusHydro" (JSC "SNG"), the price of which is 15 or more percent of the book value of assets of JSC "VNIIG im. B. E. Vedeneeva", defined according to its accounting reporting for the last reporting date". 6.2 On the recommendations of the Board of Directors on the agenda issue of meeting of Board of Directors: "On termination of participation, and about participation in other organizations".
22.12.2016, No. 87	<ol style="list-style-type: none"> 1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the interim results of the execution of the Business plan of the company for the year 2016 given the fact that in 9 months of 2016 (including reports on execution of Investment program (including comprehensive modernization Program of generating facilities), the Annual comprehensive program of purchases for 9 months of 2016 and the progress Report on the implementation of measures (list of measures) reduction in operating expenses (costs) for the 9 months of 2016)". 2. On the recommendation of the Board of Directors of PJSC RusHydro on the issue: "On execution of key performance indicators of PJSC RusHydro in the 3rd quarter of 2016". 3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the Registry of non-core assets". 4. On the recommendations of the Board of Directors on the issue: "On approval of the annual comprehensive procurement program of PJSC RusHydro for 2017". 5. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the business plan of the company for the years 2017-2021".

	6. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On consideration of the report of the Chairman of the investment Committee under the Board of Directors of PJSC RusHydro for the 1st half of 2016-2017 corporate of the year".
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Reliability, Energy Efficiency and Innovations Committee

Date, Number	Protocol	Item Number and Title
23.03.2016, No. 40		1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the Environmental policy of PJSC RusHydro in a new edition".
08.04.2016, No. 41		1. On measures to improve the reliability and efficiency of electrical energy industry of the Far East.
02.06.2016, No. 42		1. Approval of the report of the Chairman of the Committee on reliability, energy efficiency and innovations under the Board of Directors of PJSC RusHydro on the results of activities for 2015 corporate year. 2. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On approval of the report on the implementation of the innovative development Program of PJSC RusHydro for 2011-2015 with a perspective up to 2021, 2015".
10.06.2016, No. 43		1. On the recommendations of the Board of Directors of PJSC RusHydro on the issue "On priority directions of the company activities: On approval of the innovative development Program of RusHydro Group for 2016 – 2020 with an Outlook to 2025."
31.08.2016, No. 44		1. Election of Deputy Chairman of the Committee on reliability, energy efficiency and innovations under the Board of Directors. 2. Election of the Secretary of the Committee for reliability, energy efficiency and innovations under the Board of Directors. 3. On the recommendations of the Board of Directors of PJSC RusHydro on the issue: "On the change method of calculation and assessment of KPI fulfillment "rate" in terms of the indicator "not to exceed normative values of the accident rate". 4. On the review of the Program of activities ensuring the implementation of Environmental policy of PJSC RusHydro.

9. Information about the sales of non-core assets

The program of disposal of non-core assets of PJSC RusHydro (hereinafter – the Program) approved by the Board of Directors (minutes 10.10.2016 No. 242)¹, defines General principles and procedures of the Society for the disposal of non-core assets.

The goal of the Program is to develop the methodology for the management of non-core assets.

The main directions of the Program:

- creation and maintenance of a Registry of non-core assets and the Plan of measures on realization of non-core assets;
- methods and procedures for implementation of non-core assets;
- information support of the process of sale of non-core assets;
- providing reports on the sale of non-core assets.

The plan of measures on realization of non-core assets of PJSC RusHydro for 2016 (4th quarter) 2017, and adjusted the Registry of non-core assets of PJSC RusHydro in a new edition approved by the Board of Directors (minutes 27.12.2016 No. 246)².

The registry of non-core assets provides basic information on non-core assets, their carrying amount, the alleged acts against non-core assets and other information.

In the action Plan for the implementation of non-core assets non-core assets planned for implementation in 2016-2017 with the terms of its non-core assets and their market value determined by evaluation organization.

Report on the implementation of non-core assets for 2016 approved by the Board of Directors (minutes 27.02.2017 No. 248).

¹ Previously, the regulations on the procedure for disposing of noncore assets of PJSC RusHydro, approved by the Board of Directors (minutes dated 01.09.2010 № 106 from 23.06.2016 No. 239).

² In 2016, the Registry of non-core assets actualized by the Board of Directors four times (reports from 20.02.2016 No. 231, from 23.06.2016 No. 239, from 10.10.2016 242 and from 27.12.2016 No. 246).

Information on the sales of non-core assets of PJSC RusHydro in 2016.

№	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	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	457 681 PCs of shares of JSC "Krasnoyarsk HPP"	-	1170	9101040101/9102040101	43 709	44 395	+686	
2	105 apartments in the settlement Talakan of the Amur region	1003_25, 1003_26 1003_22, 1003_37 1003_4, 1003_5 1004_52, 1004_60 1004_62 - 1004_70 1004_55, 1004_56 1004_1, 1004_5 1003_11, 1004_49 1004_41 - 1004_46 1003_16 - 1003_20 1004_6 - 1004_8 1004_57 - 1004_59 5046_2, 5047_2 5528_2, 1766 - 1771 1004_11, 1004_12 1004_14, 1004_15 1004_17, 1004_40 1004_2, 1004_4 1004_35, 1004_37 1004_29, 1004_31 1004_25, 1004_26 10301010000002690000 10301010000002720000 10301010000002730000 10301010000002750000 - 10301010000002820000 10301010000002840000 -	1151.1	9101010101/ 9102010101	40 978	26 718	- 14 260	Selling at market value, a specific valuation organization, employees of the branch of PJSC RusHydro - "Bureyskaya HPP"

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	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
		10301010000002870000 10301010000002890000 10301010000002910000 - 10301010000002930000 10301010000002960000 - 10301010000002990000 10301010000003010000 - 10301010000003050000 10301010000003070000 10301010000003090000 10301010000003100000 10301010000003130000 10301010000003140000 10301010000003240000 10301010000003250000 10301010000003270000 10301010000003280000 10301010000003310000 10301010000003320000 10301010000003340000 10301010000003350000 10301010000003380000 10301010000003450000 10301010000003460000 10301010000003480000						
3	The apartment is in the city of Volzhsky in Volgograd region	5874	1151.1	910101011	875,2	1 752,0	+ 876,8	Selling at market value, of a particular appraisal organization
4	Garage with land in	WT10107;	1151.1;	9101010101/9102010101	290,88	200	-90,88	Selling at market

№	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	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
	the town of Tchaikovsky of the Perm region	WT000001	1151.2					value, of a particular appraisal organization
5	6 shop units pyrolysis in Shusha district of the Krasnoyarsk territory	SSH9000006393, SSH9000006388, SSH9000006390, SSH9000006389, SSH9000006392, SSH9000006391	1151	-	17 771	4 047	-13 724	Selling at market value, of a particular appraisal organization
6	34 apartments in the settlement Talakan of the Amur region	1003_38, 1004_53 1004_50, 1004_51 1004_47, 1003_12 1003_12, 1004_9 1004_10, 1004_13 1004_39, 1004_33 1004_32, 1004_30 1004_3, 1004_21 10301010000002700000 10301010000002900000 10301010000002950000 10301010000003080000 10301010000003150000 10301010000003210000 10301010000003230000 10301010000003290000 10301010000003360000 10301010000003510000 10301010000003560000 10301010000003580000 10301010000003410000 10301010000003750000 10301010000003820000 10301010000003950000	1151.1	9102051100	14 053	0,00	-14 053	Gratuitous transfer of ownership to the employees of the branch of PJSC RusHydro - "Bureyskaya HPP"

№	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	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
		10301010000003990000 10301010000004040000 10301010000004050000						
7	Backbone network FA of district number 5 in the settlement Talakan of the Amur region	12596	1151.3	9102051100	13 695	0,00	-13 695	Gratuitous transfer to municipal ownership
8	Main Sewerage networks of the residential district No. 5 in the settlement Talakan of the Amur region	12597	1151.3	9102051100	1 877	0,00	-1 877	Gratuitous transfer to municipal ownership
9	Sewage treatment plant surface runoff in the settlement Talakan of the Amur region	12598	1151.3	9102051100	7 401	0,00	-7 401	Gratuitous transfer to municipal ownership
10	Lighting permanent settlement Talakan - 3 queue in the settlement Talakan of the Amur region	12605	1151.3	9102051100	13 474	0,00	-13 474	Gratuitous transfer to municipal ownership
11	Object of incomplete construction, the degree of readiness of 9% (Solid waste landfill) in the settlement Talakan of the Amur region	-	1152.2	9102051400	18 851	0,00	-18 851	Gratuitous transfer to municipal ownership

№	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	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
12	Building experimental bases of alternative energy in the settlement Dubki of the Republic of Dagestan	10163	1151	9102051100	8 648	-	-8 648	Gratuitous transfer to municipal ownership
13	Road bridge across the river Kama in Perm in Perm region	8001.8	1151.3	9102051100	3764	0	-3 764	Gratuitous transfer to municipal ownership
14	The footbridge village Daucus the Karachay-Cherkess Republic	400020	1151	-	0	0	0	The object is decommissioned and dismantled
Total					185 387	77 112	-108 275	

10. Information on pending court proceedings

	Number of pending court proceedings	The total sum of claims, RUB
Claimant: PJSC RusHydro	8	645 686 071,98
Defendant: PJSC RusHydro	3	96 068,14

11. 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 year end

In 2016, the Company PJSC RusHydro will not attract Federal budget allocations for the implementation of projects of the investment program.

For 2016 the company used the previously obtained budgets for the decree of the President of the Russian Federation from 22.11.12 No. 1564 for the construction of generation facilities in the far East in the amount of 8 025.7 million rubles, including:

- CHPP in Sovetskaya Gavan – 334.3 million,
- Sakhalinskaya GRES-2 (1st stage) – 2 572 million rubles
- Yakutskaya GRES-2 (1st stage) – 3 818 thousand rubles
- Blagoveschenskaya TPP (2nd stage) – 1 301.4 million rubles.

As of 01.01.2017, remaining budget funds previously received by the company on account of sale of Russia of additional shares of PJSC RusHydro is 10 005.9 million rubles, including:

- on further construction of generation facilities in the far East - 9 106,6 million rubles;
- the balance of the unspent budget savings investments 899.3 million (allocated for the completion of the shore spillway of the Sayano-Shushenskaya hydropower plant construction is completed) – 476.9 million rubles for the design of hydroelectric Cancun -design – completed) – 422.4 million.

In accordance with the Federal law of 14.12.2015 № 359 "On the Federal budget for 2016" (article 21) PJSC RusHydro is entitled to use the funds of unused contributions to the authorized capital of the company:

- \$241,9 million rubles for the project "Expansion of the 220 kV substation of the Maya and construction of transmission lines visits Megino-Kangalassky district of the Sakha Republic (Yakutia) for connection to electric networks of JSC "FGC UES" electrical installations of JSC "Yakutskenergo", the Republic of Sakha (Yakutia)" in accordance with the Decree of the RF Government No. 2866-p 28.12.2016;
- \$657,4 million rubles for the implementation of the project "Construction of the Ust-Srednekanskaya HPP on the Kolyma river (Magadan region)" in accordance with the Decree of the RF Government No. 2865-p 28.12.2016.

12. Implementation Report on the Long Term Development program of the RusHydro Group for the year of 2016

1. OVERVIEW

The long - term development program of the RusHydro Group for the period of 2016-2020 (hereinafter – the LTDP) is approved by the Board of Directors of PJSC RusHydro on 22.11.2016 (minutes of 23.11.2016 № 244). The LTDP defines the main principles and directions insuring the effective and dynamic development of the RusHydro Group for the purpose of effective use of water resources, creating conditions for securing the Unified Energy System of Russia, as well as facilitation of social-economical development of the Far East regions by means of insuring energy infrastructure accessibility for existing and future consumers.

2. PERFORMANCE VERSUS PLANNED AND ESTIMATED TARGETS BASED ON CONSOLIDATED BUSINESS PLAN OF THE RUSHYDRO GROUP

The medium-term business plan is the economic planning keystone of RusHydro. The Board of Directors of PJSC RusHydro has approved the Provisions of the Business planning system (extract from Minutes of 01.04.2016 № 233), subject to which the Consolidated Business-plan of the RusHydro Group is formed based on IFRS standards.

The Consolidated Business-plan of the RusHydro Group for the years of 2016-2020, reviewed by the Board of Directors of PJSC RusHydro (Minutes of 23.09.2016 № 241), is based on the Business-plans of the companies of the RusHydro Group (PJSC RusHydro and DC PJSC RusHydro), transformation and consolidation amendments, done for adjusting of data in accordance with IFRS requirements.

As per the IFRS consolidated financial statements of the RusHydro Group as of December 31, 2016 the Authorized capital equals to 386 255 million rubles.

For performance analyses of LTDP for 2016 the data of the approved Business –Plan of the RusHydro Group for 2016 was used, represented in the approved LTDP analyses schedules as Planned Targets. The factual data of the implementation report on performance of the Long Term Development Program of the RusHydro Group for 2016 is formed on the basis of the consolidate financial statements of the RusHydro Group for the year of 2016

Revenues

Data analyses of the RusHydro Group at year end 2016 demonstrates decrease of actual revenues versus planned targets by 3 929 million rubles (or -1 %).

The maximum share in the RusHydro Group revenues' structure is represented by the revenues from sale of electricity (energy) – 79 % of the overall revenues.

In evidence structure the bulk revenues from sale of electricity (energy) are received by the RusHydro Group regardless of subgroup of RAO ES of the East. «RAO ES of the East» subgroup secures revenues from heat sale (about 10 % of the total revenues of the Group), state subsidies (share of «RAO ES of the East» subgroup is around 100 % of the total volume of the state subsidies) and other income (about 6 % of the total volume).

Current operating revenue structure for 2016, million rubles

Item	2016 planned	2016 actual	Variation (planned/actual)	
			Absolute	relative
Sale of electricity (energy)	304 729	309 650	4 921	1,6 %
Sale of heat	34 916	38 849	3 933	11,3 %
State subsidies	13 925	17 250	3 325	23,9 %
Other income	41 681	25 573	-16 108	-38,6 %
Total Revenues from current operations and State subsidies	395 251	391 322	-3 929	-1,0 %
Including revenues of PJSC RusHydro, with share in total revenues	99 129	115 037	15 908	16,0 %
	25,1 %	29,4 %		
Including revenues of the Holding subgroup “RAO	197 575	192 729	-4 846	-2,5 %

ES of the East”, with share in total revenues	50,0 %	49,3 %		
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Variance analyses of actual values versus planned targets shows growth against the estimated yield:

- from sale of electricity (energy) by 1,6 %;
- from sale of heat – by 1,3 %;
- from state subsidies received -by 23,9 %.

The general revenues reduction against the planned level has influenced the reduction of other income by 38,6 %.

Expenses

The actual expenses of the RusHydro Group for 2016 decreased by 38 793 million rubles (or by - 10,9 %) against the targeted values.

Expense structure for 2016, million rubles.

Item	2016 planned	2016 actual	Variation (planned/actual)	
			Absolute	relative
Fuel consumption	54 965	54 561	-404	-0,7 %
Depreciation of equipment and non-tangible assets	28 279	24 130	-4 149	-14,7 %
Salaries, payments to staff and taxes, related to salary, investments to pension saving fund	70 913	71 768	855	1,2 %
Taxes, except income tax	11 989	10 233	-1 756	-14,6 %
Outsourced services	27 042	25 655	-1 387	-5,1 %
Water consumption expenses	3 287	3 202	-85	-2,6 %
Unclassified stores acquisition costs ³	16 197	10 180	-6 017	-37,1 %
Infrastructure payments, related to sale of electricity and heat ⁴	54 588	53 806	-782	-1,4 %
Purchased electricity (energy)	72 063	57 610	-14 453	-20,1 %
Other expenses (balance)	15 176	4 561	-10 615	-69,9 %
TOTAL Current operation expenses	354 498	315 705	-38 793	-10,9 %
Including revenues of PJSC RusHydro, with share in total revenues	66 980	56 426	-10 554	-15,8 %
	19 %	18 %	27 %	
Including revenues of the Holding subgroup “RAO ES of the East”, with share in total revenues	187 868	189 165	1 297	0,7 %
	53 %	60 %	-3 %	

The general budget decrease versus the planned targets was affected by the below expenses:

- purchased electricity (energy) – decrease by 14 453 million rubles (or -20,1 %);
- other expenses – decrease by 10 615 million rubles (or -69,9 %);

³ Comprises «Expenses for oil-products purchase for further resale». Actual value under the item makes the amount of expenses, shown in Annex 25 to the Consolidated financial statements of RusHydro Group, done in compliance with IFR for the year, ending on 31.12.2016 and upon this date, under the items: “Other materials” in amount of 9 115 million rubles and « Expenses for oil-products purchase for further resale » in the amount of 1 065 million rubles.

⁴ Comprises «Expenses for electrical power distribution» and «Services to PC «SO EES», NPO «Market Council», PC «CFR», «Expenses for acquisition and transportation of heat energy». Actual value under the item makes the amount of expenses, shown in Annex 25 to the Consolidated financial statements of RusHydro Group, done in compliance with IFR for the year, ending on 31.12.2016 and upon this date, under the items: «Expenses for market management» in the amount of 3 642 million rubles, « Expenses for acquisition and transportation of heat energy» in the amount of 3 442 million rubles, « Expenses for electrical power distribution» in the amount of 46 722 million rubles.

- purchase of other assets – decrease by 6 017 million rubles (or -37,1 %);
- capital consumption and depreciation of intangible assets – decrease by 4 149 million rubles (or -14,7 %);
- outsourced services – decrease by 1 387 million rubles (or -5,1 %).

The general budget decrease was influenced by arrangements on cost optimization and improvement of operational efficiency of RusHydro Group, done by the Management

Financial results

Profit and Loss Report of RusHydro Group

Million rubles

Items	2016 planned	2016 actual	Variation (planned/actual)	
			Absolute	Relative
Current operating revenues	381 326	374 072	-7 254	-1,9 %
State subsidies	13 925	17 250	3 325	23,9 %
Other operating income	0	12 422	12 422	
Current operating expenses	-354 498	-315 705	38 793	-10,9 %
Fixed assets Impairment loss	0	-26 525	-26 525	
Receivables impairment loss, net	0	-7 133	-7 133	
Financial assets Impairment loss	0	-4 464	-4 464	
Loans issued Impairment loss	0	-2 378	-2 378	
Current operations income	40 753	47 539	6 786	16,7 %
Financial revenues / (expenses), net	-12 852	902	13 754	-107,0 %
Income related to associated companies and JV	2 635	6 682	4 047	153,6 %
Income before tax	30 536	55 123	24 587	80,5 %
Income tax expenses	-7 811	-15 372	-7 561	96,8 %
Income for the period	22 725	39 751	17 026	74,9 %
Managed semi-fixed costs	126 961	110 180 ⁵	-16 781	-13,2 %
Managed semi-fixed costs, indexed by CPI	125 883	110 180	-15 703	-12,5 %

The operating statement analyses makes evident that the effective profit of the RusHydro Group is above the targets by 17 026 million rubles or by 74,9 %. The determinants of the financial result versus the targets are: sale of “ESC Bashkortastan” Ltd (3 048 million rubles), sale of property and other intangible assets, in particular the dams of Bratskaya, Ust-Ilimskaya and Irkutskaya HPP (overall result makes 7 443 million rubles), receipt of insurance payout (1 931 million rubles).

Financial result has been affected by increase of revenues of PJSC RusHydro and decrease of operating expenses for all of the RusHydro Group.

As of 31.12.2016 the long-term credits and loans made 158 046 million rubles. The short-term liabilities as of 31.12.2016 made 41 757 million rubles.

The Decision of the Board of Directors of PJSC RusHydro of 28.03.2014 №195 was taken to approve the «Regulation on dividend policy». Upon the results of 2015, based on the order of the

⁵ Managed semi-fixed expenses— expenses, on which the Group has influence and an internal management mechanism. Not included are the expenses, managed by the electrical power market, the legislation of the Russian Federation, and beyond internal management mechanisms (expenses for: purchased energy (capacity), infrastructural payments, related to electricity sale, water consumption, taxes, depreciation, insurance)

Government of the Russian Federation of 18.04.2016 №705-r, the amount of dividends made 50 % of the financials of PJSC RusHydro, stipulated in the financial statements, compiled in compliance with the Russian accounting standards, or 15 011 million rubles

Referring the action plan of cost optimization based on results of conducted external independent audit of expenses

Audit was conducted in fulfillment of the Action Plan of the Government of the Russian Federation, focused on securing of stable social-economic growth of the Russian Federation in 2016, approved by the Government of the Russian Federation on 01.03.2016, the directive of the Government of the Russian Federation of 01.06.2016 № 3795p – P13 and the decision of the Board of Directors of PJSC RusHydro, (Minutes of 23.06.2016 № 239), and in compliance with the technical specifications for expenses audit of the RusHydro Group and elaboration of the action plan for their optimization, approved by the MEDT of Russia (hereafter – the Audit)

Expense audit was done in 3 key directions, being of the maximum cost saving potential:

- Operational costs;
- Management model and decrease of general and administrative expenses
- Investments;

Action plan for cost saving based on results of the conducted external independent audit of expenses of PJSC RusHydro, including the daughter companies, was approved by the decision of the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 №244).

3. POLICY MEASURES OF RUSHYDRO GROUP

Investment program of PJSC RusHydro

The approved LTDP reflects the investment projects of PJSC RusHydro for the period of 2016-2020 for the amount of 276 753,97 million rubles, of which in 2016 – 74 823,52 million rubles, of which by measures:

1. Retrofitting and upgrading: for the period of 2016-2020 in the amount of 140 133,79 million rubles, of which in 2016 – 26 120,90 million rubles.

2. Complex recovery of Sayano-Shushenskaya HPP named after P.S. Neporozhny: for the year of 2016 – in the amount of 749,99 million rubles.

3. Priority projects in the Far East: in the amount of 49 257,79 million rubles, of which in the year of 2016 – 20 862,10 million rubles.

4. New construction: for the period of 2016-2020 in the amount of 80 600,94 million rubles, of which in the year of 2016 – 25 214,96 million rubles, including:

4.1 Projects under construction: for the period of 2016-2020 in the amount of 79 736,49 million rubles, of which in the year of 2016 – 24 370,51 million rubles.

4.2 RES projects: in the amount of 864,45 million rubles, of which in the year of 2016 – 844,45 million rubles.

5. Other: for the period of 2016-2020 in the amount of 5 011,46 million rubles, of which in the year of 2016 – 875,57 million rubles.

The above parameters include: volumes of financing by investment projects, implemented by PJSC RusHydro - in the amount of 51 075,03 million rubles⁶; volumes of financing by investment projects, implemented by the daughter companies of PJSC RusHydro (hereafter – DC) - in the amount of 23 748,49 million rubles.

It should be noted that in compliance with changes done as per the order of the Government of the Russian Federation of 16.02.2015 № 132 «On making changes in acts of the Government of the Russian Federation referring the approval of the investment programs of electric power engineering entities and monitoring of their implementation», and considering the decisions taken at the meeting of Minenergo of Russia (minutes of 03.04.2015 № 09-563-pr), the investment program parameters, approved by Minenergo

⁶ Variation of the Investment program of PJSC RusHydro for 2016 is approved by order of Minenergo of Russia dated 30.12.2016 № 1458.

of Russia, do not contain the indicators for projects, implemented by the daughter companies of PJSC RusHydro⁷.

As of 01.01.2017, incremental capacities made 237,1 Megawatt: Zelenchukskaya HPP- PSPP – 140,0 Megawatt, Zaragizhskaya SHPP 030,6 Megawatt; in the frames of retrofitting and upgrading projects – 66,5 Megawatt.

Reasons to decline commissioning of Yakutskaya GRES-2 (1st stage): terms of design documentation elaboration delayed by the general designer, “Institute Teploenergoproject”; work execution delayed by the general contractor “TEK Mosenergo” PC (for more than 10 months); delay of equipment delivery of the customer - «Yakutskaya GRES-2» PC – the gas boosting station and gas conditioning station (for 4 months); OJSC “GlobalElectroService” failure to deliver on time the construction project of the main heating system (for more than 8 months). Consolidated investment program of RusHydro Group, providing for the end of project implementation of Yakutskaya GRES-2 for 2018, is approved by the Management Board of PJSC RusHydro on 06.03.2017 (minutes of 06.03.2017 № 1029pr) and acknowledged by the Board of Directors of PJSC RusHydro on 04.04.2017 (minutes of 07.04.2017 № 249).

Due to the lack of permission for reservoir storage to the level of 128,00 meters, capacity commissioning of Nizhne-Bureyskaya HPP is postponed to the year of 2017.

Within the limits of the investment program adjustment of PJSC RusHydro⁸ there is a planned delay of capacity commissioning for the year of 2017 – for Yakutskaya GRES-2 (1st stage) and Nizhne-Bureyskaya HPP - in the designed capacity volume

In the reported years, in compliance with the Investment program of PJSC RusHydro, there was 76,0 % financing of the targeted volume - 56 855,68 million rubles in total.

Investment structure in 2016

Funding stream	Financing plan for 2016, billion rubles	Real financing for 2016, billion rubles	Execution, %
Retrofitting and upgrading	26,12	21,72	83,2 %
Complex recovery SSHHPP	1,75	0,87	49,7 %
Priority projects in the Far East	20,86	12,48	59,8 %
Projects under construction	25,21	21,33	84,6 %
Other	0,88	0,45	51,1 %
Total	74,82	56,85	76,0 %

Failure to achieve planned targets in 2016 is due to the below:

1. Retrofitting and upgrading: increase of work execution terms and breach of contract by subcontractors under the projects, continuous tendering for selection of subcontractors, continuous approval and adjustment of design documentation, lack of design documentation by fault of general designer, cancellation of procurement procedures under the projects, work execution rescheduling

2. Complex recovery of Sayano-Shushenskaya HPP: main reason of budget variance was caused by partial work postponing for the year of 2017.

3. Priority projects in the Far East: for Sakhalinskaya GRES-2 (1st stage) – need to adjust the design options resulting from replacement of steam turbines manufacture under the Import Substitution Program (ground for 6-month delay); delay in preparation of designs by the general contractor, delay in preparation of detailed design documentation by the general contractor PC «TEK Mosenergo» (more than 12 months); poor management of work execution by the general contractor (general contractor omitted construction specifics in Sakhalin island); contract cancellation by the general contractor with the subcontractor OJSC «GlobalElektroService» for a considerable amount of works (delay up to 4 months); for TPP in the town of Sovetskaya Gavan – customer replaced the design company of PC «Sibirsky NTEC» (E4 Group) for PC «Lonas Technology» due to its bankruptcy (delay up to 6 months); absence of due work execution management on part of the general contractor (delay for more than 12 month); financial insolvency of the

⁷ PC «Ust-Srednekanskaya HPP», PJSC «Boguchanskaya HPP», PC «Sulaksy Hydrocascade», PC «Zaramagskiye HPP», PC «Zagorskaya GAES-2», PC «Nizhne-Bureyskaya HPP», PC «Leningradskaya GAES, PC «Kabardino-Balkaria small HPP », JSC «Stavropol and Karachayevo-Cherkessia Small HPP», PJSC«Verkhne-Narinskiye HPP».

⁸ Investment program of PJSC RusHydro for 2017 is approved by the Board of Directors of PJC RusHydro on 23.12.2016 (minutes of 26.12.2016 № 245).

general contractor, existence of cash flow constraints for settlements with subcontractors and equipment suppliers; for Yakutskaya GRES-2 (1st stage) – delay of the lead time of the design documentation by the general designer “Institute Teploenergo project”; failure to comply with working schedule by the general contractor PC «TEK Mosenergo» (more than 10 months); delay of the customer equipment delivery - PC «Yakutskaya GRES-2» - gas booster station and gas conditioning station (for 4 months); OJSC «GlobalElektroService» failure to deliver on time the construction project for the main thermal power system (more than 8 months); for the 2nd stage of Blagoveschenskaya TPP – due to nonpayment of the deferred charge under the 2nd stage

4. Projects under construction. Main reasons of the planned financing variance are: decrease of funding allocation for the actual needs, related to fixation of the final scopes of work; payment postponed to the 1st quarter of 2017. For Zagorskaya PSPP-2 – decrease of financing volumes related to measures of financing structuring

For Zelenchukskaya HPP-PSPP: variance of effective financing from the targeted volume comes from postponing to 2017 of financing in part of guarantee withholdings (10 %) in compliance with agreements signed, payment will be done within 60 calendar days upon commissioning of objects.

5. Facility addition of Sayano-Shushensky Hydro Complex: variance of effective financing from the targeted volume comes from adjustment of the detailed design documentation, change of local estimates, increase of duration of part of works, contractor failure to fulfill contract liabilities.

Investment program of «RAO ES of the East» Holding

The LTDP comprises financing of the Investment program project of «RAO ES of the East» Holding for 2016-2020 in the amount of 123 316,67 million rubles⁹ (of which in the year of 2016 – 27 303,79 million rubles), of which for PJSC «RAO ES of the East» – 23 522,88 million rubles (of which in the year of 2016 – 9 582,79 million rubles).

In 2016 the below investment programs of the Holding companies, including the adjustment for 2016 (in case the company applies for the investment program adjustment) and the plan for 2017-2019 were approved:

Company of the Holding	Document
PJSC «DEC»	Order of Minenergo of Russia dated 31.10.2016 №1155 «Concerning approval of the investment program of PJSC «DEC» for 2017-2019»
PJSC «Peredvizhnaya energetika»	Order of Minenergo of Russia dated 16.12.2016 №1335 «Concerning approval of the investment program of PJSC «Peredvizhnaya Energetika» for 2017-2019 and amendments in the investment program of PJSC «Peredvizhnaya Energetika», approved by the Order of Minenergo of Russia dated 25.12.2015 №1032
PC «Chukotenergo»	Order of Minenergo of Russia dated 28.12.2016 №1433 «Concerning approval of the investment program of PC «Chukotenergo» for 2017-2019»
PC «UESK»	Order of Minenergo of Russia dated 19.12.2016 №1355 «Concerning approval of the investment program of PC «UESK» for 2017-2019»
PC «Sakhaenergo»	Order of Minenergo of Russia dated 28.12.2016 №1434 «Concerning approval of the investment program of PC «Sakhaenergo» for 2017-2019 and amendments in the investment program of PC «Sakhaenergo», approved by the Order of Minenergo of Russia dated 25.12.2015 №1027
PC «NDES»	Order of Minenergo of Russia dated 31.10.2016 №1165 «Concerning approval of the investment program of PC «NDES» for 2017-2019»
PC «DRSK»:	
the Amur ES Affiliate	Order of the Ministry of Economic Development of the region dated 28.09.2016 №59-pr «Concerning changes in Order of the Ministry ERPT PC dated 13.03.2012 №38-pr»
Primorsk ES Affiliate	Order of the Energy Department of Primorsky Krai dated 14.10.2016 №45pr-52 «Concerning approval of adjustment in the investment program of the affiliate of PC «DRSK» «Primorsk electrical networks» for 2016-2017
Khabarovsk ES Affiliate	Order of the Government of Khabarovsk Krai dated 31.08.2016 №681-rp «Concerning changes of the investment program of the affiliate of PC «DRSK» Khabarovsk electrical networks» for 2012-

⁹ Data is given with no consideration of incidental DC PJSC “RAO ES of the East”, for which the investment programs are approved in order, stipulated by the resolution of the Government of the Russian Federation dated 01.12.2009 № 977. The total financing amount in compliance with the investment program project of “RAO ES of the East” Holding for the period of 2016-2020, including the incidental DC PJSC “RAO ES of the East”, the investment programs of which are approved as part of the Business plan of the Holding, makes 123 955, 86 million rubles (of which in the year of 2016 – 27 407,37 million rubles).

	2017, approved by the order of the Government of Khabarovsk Krai dated 14.06.2012 №366-rp»
ES JAR Affiliate	Order of housing and utilities administration and energy of the Government of JAR dated 23.09.2016 №83 «Concerning approval of adjusted investment program of affiliate of PC «DRSK» «Electrical networks of the Jewish Autonomous region» for 2016-2017»
Yuzhno-Yakutskiy ES Affiliate	Order of housing and utilities administration and energy of the Government of RS (Y) dated 01.11.2016 №490-p «Concerning approval of the investment program of the affiliate of PC «DRSK» «Yuzhno-Yakutskiy electrical networks» for 2016-2018»

For PC «DGK», PJSC «Kamchatskenergo», PJSC «Magadanenergo», PJSC «Yakutskenergo», PJSC «RAO ES of the East»¹⁰, PJSC «Sakhalinenergo», PC «Teploenergoservice» the Ministry of Energy of Russia refused to approve the adjustments of the investment programs for the year of 2016 and the targets for 2017-2019.

Inclusive of changes (including those following the refusals of Minenergo of Russia), the estimated financing volume of the below investment programs of the Holding for 2016 makes 24 334,14 million rubles¹¹, of which under the investment program of PJSC «RAO ES of the East»- 4 805,91 million rubles:

Holding company	Document
PC «DRSK»:	
Affiliate the Amur ES	Order Ministry of economic development of the Amur region dated 28.09.2016 №59-pr «On amendments to Order of the Ministry of ERPT PC dated 13.03.2012 №38-pr»
Affiliate Primorsk ES	Order of the Energy Department of Primorsky Krai dated 14.10.2016 №45pr-52 «Concerning approval of adjustment of the investment program of the affiliate of PC «DRSK» «Primorsk electrical networks» for 2016-2017
Affiliate Khabarovsk ES	Order of the Government of Khabarovsk Krai dated 31.08.2016 №681-rp «Concerning changes of the investment program of the affiliate of PC «DRSK» Khabarovsk electrical networks» for 2012-2017, approved by the order of the Government of Khabarovsk Krai dated 14.06.2012 №366-rp»
Affiliate ES JAR	Order of housing and utilities administration and energy of the Government of JAR dated 23.09.2016 №83 «Concerning approval of adjusted investment program of affiliate of PC «DRSK» «Electrical networks of the Jewish Autonomous region for 2016-2017»
Affiliate Yuzhno-Yakutskiy ES	Order of housing and utilities administration and energy of the Government of RS (Y) dated 01.11.2016 №490-p «Concerning approval of the investment program of the affiliate of PC «DRSK» «Yuzhno-Yakutskiy electrical networks» for 2016-2018»
PJSC «DEC»	For 2016: Order of Minenergo of Russia dated 21.12.2015 №982 «Concerning approval of the investment program of PJSC «DEC» for 2016-2018» For 2017-2019: Order Minenergo of Russia of 31.10.2016 №1155 «Concerning approval of the investment program of PJSC «DEK» for 2017-2019»
PC «Chukotenergo»	For 2016: Order of Minenergo of Russia dated 25.12.2015 № 1028 «Concerning approval of the investment program of PC «Chukotenergo» for 2016-2018 For 2017-2019: Order of Minenergo of Russia dated 28.12.2016 №1433 «Concerning approval of the investment program of PC «Chukotenergo» for 2017-2019»
PC «YUESK»	For 2016: Order of Minenergo of Russia dated 14.12.2015 № 949 «Concerning approval of the investment program of PC «YUESK» for 2016-2018» For 2017-2019: Order of Minenergo of Russia dated 19.12.2016 №1355 «Concerning approval of the investment program of PC «YUESK» for 2017-2019»
PC «NDES»	For 2016: Order of Minenergo of Russia dated 24.12.2015 № 949 «Concerning approval of the investment program of PC «NDES» for 2016-2018» For 2017-2019: Order of Minenergo of Russia dated 31.10.2016 №1165 «Concerning approval of the investment program of PC «NDES» for 2017-2019»
PJSC «Peredvizhnaya Energetika»	Order of Minenergo of Russia dated 16.12.2016 №1335 «Concerning approval of the investment program of PJSC «Peredvizhnaya energetika» for 2017-2019 and amendments to the investment program of PJSC «Peredvizhnaya energetika», approved by the Order of Minenergo of Russia dated 25.12.2015 №1032
PC «Sakhaenergo»	Order of Minenergo of Russia dated 28.12.2016 №1434 «Concerning approval of the investment program of PC «Sakhaenergo» for 2017-2019 and amendments to the investment program of PC «Sakhaenergo», approved by Order of Minenergo of Russia dated 25.12.2015 №1027
PC «DGC»	Order of Minenergo of Russia dated 28.12.2015 №1044 «Concerning approval of the investment program of PC «DGC» for 2016-2018»

¹⁰ Letter of Minenergo of Russia dated 27.12.2016 № 09-6858.

¹¹Data listed only for energy companies, investment programs of which are approved in order, stipulated by the Government of Russia dated 01.12.2009 № 977 and included in the approved LTDP.

PJSC «Kamchatskenergo»	Order of Minenergo of Russia dated 14.12.2015 №950 «Concerning approval of the investment program of PJSC «Kamchatskenergo» for 2016-2018»
PJSC «Magadanenergo»	Order of Minenergo of Russia dated 24.12.2015 № 1019 «Concerning approval of the investment program of PJSC «Magadanenergo» for 2016-2018
PJSC «RAO ES of East»	Order of Minenergo of Russia dated 25.11.2014 № 862 «Concerning approval of the investment program of PC «RAO ES of the East» for 2015-2017»
PJSC «Sakhalinenergo»	Order of Minenergo of Russia dated 25.12.2015 № 1031 «Concerning approval of the investment program of PC «Sakhalinenergo» for 2016-2018»
PJSC «Yakutskenergo»	Order of Minenergo of Russia dated 25.12.2015 № 1034 «Concerning approval of the investment program of PJSC «Yakutskenergo» for 2016-2018
PC «Teploenergосervice»	Order of Minenergo of Russia dated 21.12.2015 № 983 «Concerning approval of the investment program of PC «Teploenergосervice» for 2016-2018»

Below is the investment structure of «RAO ES of the East» Holding:

Investment structure in 2016

Funding stream	Financing plan for 2016, Billion rubles	Effective financing for 2016, Billion rubles	execution, %
Retrofitting and upgrading	9,05	8,12	89,7 %
New construction	6,76	8,28	122,5 %
Technological connection	7,33	3,83	52,2 %
Other	1,19	1,16	97,5 %
Total	24,33	21,39	87,9 %

Actual financing volume of the investment projects of the Holding is 21 392,36 million rubles or 87,9 % of the target, including that for the investment program of PJSC «RAO ES of the East» - 6 813,36 million rubles or 141,8 % of the target.

Execution of the investment program of «RAO ES of the East» Holding for 2016

№	Object definition	Financing volume, million rubles		Execution, %
		target	actual	
	TOTAL for «RAO ES of the East» Holding	24 334,14	21 390,48	87,9 %
1	PC "DGC"	4 254,87	4 164,98	97,9 %
2	PC "DRSK"	4 069,65	3 365,83	82,7 %
3	PJSC "DEC"	97,09	92,88	95,7 %
4	PJSC "Kamchatskenergo"	4 363,90	1 219,29	27,9 %
5	PJSC "Magadanenergo"	933,28	765,82	82,1 %
6	PJSC "RAO ES of East"	4 805,91	6 813,36	141,8 %
7	PJSC "Peredvizhnaya Energetika"	254,95	219,46	86,1 %
8	PJSC "Sakhalinenergo"	1 884,66	1 678,51	89,1 %
9	PC "Chukotenergo"	155,22	151,53	97,6 %
10	PC "YUESK"	149,27	147,81	99,0 %
11	PJSC "Yakutskenergo"	2 669,76	2 047,78	76,7 %
12	PC "Sakhaenergo"	307,96	350,94	114,0 %
13	PC "TES"	387,64	372,31	96,0 %

Main reasons of deviation from planned numbers in 2016 are the below:

PJSC «Kamchatskenergo»

Postponing of execution period under the project of "OHL 110 kV construction for power supply of SS 110/6 "Chaika", SS 110/6 "Bogatirevka", SS 110/6 "Stellera"¹² (individual technological connection) due to the available application of the Claimant for changing of connection points (letter of OJSC «Oboronenergo» dated 07.07.2016 №KMCH/100/2072). An additional agreement was signed on 04.10.2016 №3 to the main contract (technological connection deadlines postponed to December 2018). Increase of the project life caused by the initiative of the OJSC "Oboronenergo" (- 2 768,16 million rubles).

PC «DRSK»

¹² Project is done at the expense of the Claimant

Main reasons of financial plan failure:

1) Under the projects of "Construction of SS 110/35/10 kV "Agrocomplex" and Construction of SS 110/10 kV «Kuchi» (projects of Priority Social and Economical Development Area Mikhailovsky, individual techpress) advance payments were postponed to 2017 due to untimely opening by the supplier of settlement accounts with the Treasury, as per the applicant contract conditions with PC «Far East Development Corporation» (-377,0 million rubles.);

2) Under the project of "Reconstruction of SS 35/6 kV «Gorodskaya» and SS 110/6 kV «Beregovaya» with cable lines 35 kV SS «Beregovaya» - SS «Gorodskaya in the town of Komsomolsk-on-Amur»" variance is related to the untimely start of construction-installation works by the subcontracting company "MES" Ltd. Complaint management is in progress (№04-01-08/2061 dated 13.05.2016 for the amount of 2 192 693,94 rubles VAT excluded) (-70,07 million rubles.);

3) Sale difference under procurement procedures (202,7 million rubles saving).

PJSC «Magadanenergo», PJSC «Yakutskenergo»

Postponing of financing volumes to 2017-2020 and cutoff of a number of projects for cost saving purposes.

PJSC «RAO ES of East»

Target numbers under investment program of PJSC «RAO ES of the East» for 2016 were approved the Ministry of Energy in 2014 as part of the investment program for 2015-2017 (approval of IDP refused) and do not comprise a number of factors, including delay of commissioning dates for offsite facilities of power generation objects, constructed in compliance with the Decree of the President of the Russian Federation dated 22.11.2012 №1564, and GTU-TPP on the site of SCWBH.

PJSC «Sakhalinenergo»

The main reason of financial target numbers non-performance is sequestering of a number of objects as an optimization measure (-118.72 million rubles) and considerable decrease of estimated enquiries for technological connection from the applicants up to 15 kVt and from 15 to 150 kVt, as well as cancellation of contracts for technological connection (-113,14 million rubles).

During 2016 the commissioned generation facilities of «RAO ES of the East» Holding were: 3,79 Megawatt and 6,0 Gcal-hr, for grid objects: 876,30 km, 436,33 MVA.

Operational program of PJSC RusHydro

As a result of implementation of the operational program in 2016 the additional capacity gain made 66,5 Megawatt, including that by means of capacity gain of Volzhskaya HPP (10,5 Megawatt), Zhigulevskaya HPP (42,0 Megawatt), Kamskaya HPP (3,0 Megawatt), Saratovskaya HPP (6,0 Megawatt), Novosibirskaya HPP (5,0 Megawatt).

Main results for 2016:

- Completed capital improvement of hydroelectric installation № 6 Volzhskaya HPP with replacement of hydro generator and turbine;
- Completed replacement of hydro generator № 5 Volzhskaya HPP;
- Completed capital improvement of hydroelectric installations №7, №13 and №16 Zhigulevskaya HPP with replacement of turbines and updating of hydro generators;
- Completed capital improvement of switchgear 220 kV and replacement of power transformers in Ribinskaya HPP;
- Completed capital improvement of hydroelectric installation № 8 of Saratovskaya HPP with replacement of hydro generator and turbine;
- Completed replacement of turbine № 4 in Saratovskaya HPP;
- Completed replacement of turbine № 4 in Novosibirskaya HPP.

The approved LTDP reports the financing of the below listed:

- Operational program for retrofitting and upgrading¹³ for the period of 2016 – 2020 in the amount of 140 133,8 million rubles (in target prices VAT included), of which in 2016 – 26 120,9 million rubles.
- Operational repair program¹⁴ for the period of 2016 – 2020 in the amount of 15 896,3 million rubles¹⁵ (in target prices VAT excluded), of which in 2016 – 2 833,7 million rubles.

¹³ Operational program of retrofitting and upgrading for 2016 – 2021 (sent as part of Investment program of PJSC RusHydro – letter of PJSC RusHydro dated 15.08.2016 № 3649.NSH).

- Operational maintenance program¹⁶ for the period of 2016 – 2020 in the amount of 5 909,5 million rubles¹⁴ (in target prices VAT excluded), of which in 2016 – 1 061,8 million rubles.

- Operational R&D program¹⁷ for the period of 2016 – 2020 in the amount of 3 761,3 million rubles¹⁸ (in target prices VAT excluded), of which in 2016 – 686,3 million rubles.

Operational program for retrofitting and upgrading of PJSC RusHydro for 2016 is implemented for 97,4 %.

Repair program of PJSC RusHydro for 2016 is implemented for 97,0 %.

Program of maintenance of the main, auxiliary equipment and HPP systems for 2016 is implemented for 92,0 %.

R&D program for 2016 is implemented for 107,6 %.

Program Execution in 2016¹⁹

Execution targets	Target for 2016, million rubles	Actual for 2016, million rubles	Target execution, %
Retrofitting and upgrading program	30 735,7 ²⁰	29 924,2	97,4 %
Repair program	2 833,7	2 747,9	97,0 %
Maintenance program	1 061,8	976,7	92,0 %
R&D program	686,3	738,7	107,6 %

In 2016, in the frames of the operational program execution there was a reconstruction of hydrometeorological facility “Giluy” in Zeyskaya HPP done, located on the river Giluy 104 km from the embouchment. As part of modernization, the sensor, measuring the volume and the speed of the water flow of the river Giluy, was replaced for a modern one, as well as the way of installation was changed, eliminating possible influence of the river ice cover on the installation construction and the sensor efficiency.

Upon results of 2016, the net actual generation of power objects of PJSC RusHydro, including the daughter companies, made 107 138,1 million. kVt*hr²¹. In compliance with business plans for 2016²² - Business plan of PJSC RusHydro²³ and Business plan of daughter companies – the projected volume of generation by the power objects of PJSC RusHydro and the daughter companies is fixed in the amount of 98 098,6 million kVt*hr²⁴. Overrun in 2016 is determined by effective use of water sources and effective operational monitoring of HPP.

Production plan of «RAO ES of the East» Holding

Main results of production plan implementation of «RAO ES of the East» Holding for 2016:

Under the program of retrofitting and upgrading:

- Replacement of 9 diesel generation units in PC «Sakhaenergo».
- Modernization of heat networks for heating season.
- Modernization of 4 turbines of PC «DGK» and PJSC «Peredvizhnaya Energetika».
- Modernization of 2 boilers in Artemovskaya TPP and one boiler of Partizanskaya GRES.
- Reconstruction of substations and power lines of PJSC «Sakhalinenergo» and PC «DRSK».

Under repairing program:

¹⁴ Operational repair program for 2016 – 2021 (Decision of the Management Board of PJSC RusHydro dated 30.03.2016 № 969pr/3).

¹⁵ By Decision of the Management Board not the financing volume but the expenses volume is approved –in-principle. Recalculation of expenses in projected prices is done as per the target index variant of the Unified scenario conditions of PJSC RusHydro, approved by the order dated 08.02.2016 № 92.

¹⁶ Production plan of technical maintenance for 2016 – 2021 (Decision of the Management Board of PJSC RusHydro dated 30.03.2016 № 969pr/3).

¹⁷ R&D operational program (tests, experiments, researches) for 2016 – 2021 (Decision of the Management Board of PJSC RusHydro dated 30.03.2016 № 969pr/3).

¹⁸ By Decision of the Management Board not the financing volume but the volume of delivery expenses. Recalculation of expenses in projected prices is done as per the target index variant of the Unified scenario conditions of PJSC RusHydro, approved by the order dated 08.02.2016 № 92.

¹⁹ In part of implementation.

²⁰ As per adjustment of the investment program of PJSC RusHydro for 2016, approved by Minenergo of Russia dated 30.12.2016 № 1458.

²¹Data as of 01.01.2017 including generation of: CJSC «Boguchanskaya HPP» (owned by PJSC RusHydro, and UC «RUSAL», net actual generation makes 13 969,6 million kVt*hr); HPP-2 CJSC «KamGEK» (not including HPP-1 and HPP-3 CJSC «KamGEK», being confidentially managed by RusHydro Group, net actual generation is 39,4 million kVt*hr). Data on “RAO ES of the East” Holding is given in a separate section.

²² Projected values of net generation are calculated based on long-term average annual generation values, including the existing hydrological situation, water storage in HPP reservoirs, draft annual repairing execution plan and water content forecast

²³ Approved by Decision of the Management Board of PJSC RusHydro (minutes of 25.12.2015 № 229).

²⁴ Of which the generation plan for PJSC “Boguchanskaya HPP” makes 14 302,3 million kVt*hr (owned by PJSC RusHydro, and UC «RUSAL”).

During the reported year the overhaul and middle-life repairing was conducted for: turbine plants – 23 units (against 23 units planned); boiler units- 30 units (against 30 units planned); generators - 21 units (against 21 units planned); transformers -225 units (against 224 units planned), of which:

- Overhaul repair of power plants: station № 5 of Primorskaya GRES, station №4 of Khabarovskaya TPP-3 PC «DGK»;
- overhaul repair of turbine plants: station № 7 of Khabarovskaya TPP-1, station № 3 of Maiskaya GRES PC «DGK»;
- overhaul repair of boiler units: station № 7 of Magadanskaya TPP of PJSC «Magadanenergo», station № 7 of Kamchatskaya TPP-1 of PJSC «Kamchatskenergo», station № 4 of Chaunskaya TPP of PC «Chukotenergo».

In 2016 about 4 170 km of electrical and 73 km of heating networks had been repaired.

Production plan of retrofitting and upgrading of «RAO ES of the East» Holding for 2016 is implemented by 95,3 %.

Repairing program of «RAO ES of the East» Holding for 2016 is implemented by 100,1 %.

Program Execution in 2016²⁵

Execution targets	Planned for 2016 million rubles	Actual for 2016 million rubles	Target Execution %
Retrofitting and upgrading program	7 498,00 ²⁶	7 142,00	95,3 %
Repairing program	11 626,76 ²⁷	11 636,67	100,1 %

As per the approved business plans of DC/EO of PJSC «RAO ES of the East» for 2016, the projected net generation is defined in the amount of 32 001,0 million kVt*hr, including 7 759,3 million kVt*hr for isolated power systems. The real generation of the generating stations of DC/EO PJSC «RAO ES of the East» in 2016 makes 31 672,1 million kVt*hr, including 7 896,0 million kVt*hr for isolated systems.

As per the approved business plans of DC/EO PJSC «RAO ES of the East» for 2016, the projected delivery of generating objects of DC/EO PJSC «RAO ES of the East» is defined in the amount of 30 984,1 thousand Gcal, including 9 299,1 thousand Gcal for isolated power systems.

The real delivery of generating stations of DC/EO PJSC «RAO ES of the East» in 2016 makes the amount of 31 494,9 thousand Gcal, including 9 350,8 thousand Gcal for isolated power systems

Innovative development program of RusHydro Group

The approved LTDP shows financing of the Innovative development program activities of the RusHydro Group for 2016–2020 in the amount of 11 390,0 million rubles (in target prices VAT included), of which: for PJSC RusHydro- 2 655,9 million rubles; for «RAO ES of the East» Holding - 8 734,1 million rubles, of which in the year of 2016 in the amount of 2 082,9 million rubles, of which: for PJSC RusHydro- 582,5 million rubles; for «RAO ES of the East» Holding- 1 500,4 million rubles²⁸.

The listed volumes are included into the LTDP as per the Innovative development Program of the RusHydro Group for the period of 2016–2020 with an outlook for 2025 (hereafter – IDP of RusHydro), approved by the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244).

The medium –term plan of implementation of the Innovative development Program of PJSC RusHydro for 2016-2018, approved by the decision of the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244), estimates the financing plan for activities in 2016 in the amount of 582,5 million rubles, of which for innovative projects and activities – 360,4 million rubles.

Real financing volumes of the medium –term plan of PJSC RusHydro in 2016 made 463,6 million rubles or 79,6 % of the target, of which for innovative projects and activities – 242,9 million rubles or 67,4 % of the target

Underruns of the planned numbers in 2016 are mainly due to the below:

²⁵ In part of implementation.

²⁶ As per the IP in part of retrofitting and upgrading (implementation) of specialized DC of PJSC «RAO ES of the East», approved as part of business plans for 2016

²⁷ Repairing program is reviewed and approved duly by the management of DC PJSC «RAO ES of the East», in particular for 2016 the repairing work programs were approved on December 9, 2016 by minutes of meeting for production programs validation of DC (EO) for 2016: OJSC "Sakhalinenergo" № - № 218, PJSC "Yakutskenergo" № - № 219, PC "DGK" № - № 220, PC "DRSK - № 221, PJSC "Peredvizhnaya Energetika"- № 222, PC "Sakhaenergo" - № 223, PC "Teploelectroservice" - № 224, PJSC " Kamchatskenergo" - № 225, PC "YUESK" - № 226, PJSC "Magadanenergo"- № 227, PC "Chukotenergo"- № 228.

²⁸ Data on the Innovative development program execution of «RAO ES of the East» Holding is given in a separate section

- postponing of financing of several projects for 2017 related to continuous procurement procedures, need of technical requirements specification, budget adjustments;
- need of additional tests and validation of equipment installed under the pilot testing;
- failure of contractors to meet contract obligations;
- decrease of action cost as a result of the procurement procedures

The major projects, implemented by PJSC RusHydro during the year of 2016:

- Development and implementation of new control restoring method for vital areas of waterworks by increase of non-linear piezometer response. Development of non-linear piezometer cleaning technology
- Development of recommendations for treatment agents' application and requirements estimate for inclusion into the HPP emergency stock. Selection of materials preventing structural icing waterworks
- Development of measuring technique for vertical and angular displacement by means of electronic tilt meters (replacing the hydrostatic leveling method). In 2016 the development model of control system for deformations in concrete constructions in Chirkeyskaya HPP was put into operation.
- Development of pre-design technical documentation for facilities in the corridor of the Akhtuba river and operational arrangements for Volga-Akhtuba channel, feasibility study of the suggested variant
- Elaboration of constructive and technology solutions allowing water supply of Volga-Akhtuba plain at minimum idle discharge into the tail pond of Volzhskaya HPP.

Innovative Development program of «RAO ES of the East» Holding

As per the Innovative development Program of «RAO ES of the East» for 2016-2020 with outlook to 2025 (hereafter – IDP RAO ES of the East), approved by decision of the Board of Directors of PJSC «RAO ES of the East» dated 01.07.2016 № 145, financing of activities for the period of 2016-2020 makes the amount of 8 734,1 million rubles (in target prices VAT included), of which in 2016 - 1 500,4 million rubles.

The medium – term plan of implementation of the IDP «RAO ES of the East» for 2016-2018, approved by the Management Board of PJSC «RAO ES of the East» (minutes of 15.01.2016 №2), estimates the financing plan for IDP «RAO ES of the East» for 2016 in the amount of 1 500,4 million rubles, of which for innovative projects and activities – 1 479,0 million rubles.

Real financing volumes of the IDP «RAO ES of the East» in 2016 made 1 182,8 million rubles or 78,8 % of the target, of which for innovative projects and activities – 1 163,0 million rubles or 78,6 % of the target

Under runs of planned numbers in 2016 are mainly due to the below

1. In compliance with decision of PJSC «RAO ES of the East», financing of project of «Unification of accounting system of the Holding» for DC (EO) of PJSC «RAO ES of the East», PC «DRSK», PJSC «Magadanenergo», PJSC «Sakhalinenergo», PC «Sakhaenergo», PJSC «Yakutskenergo») in the amount of 1 40,0 million rubles, is postponed to 2017-2018.
2. Financing terms for some R&D work stages are postponed to 2017 due to Executors failure to complete the work schedules under the agreements.
3. 2016 failure of PJSC «RAO ES of the East» to complete the R&D activities is related to: cancellation of procurement procedures under the projects (due to financial assets deficiency); in the view of the only tender offer submitted (project tender declared void).
4. As a result of open tender for selection of the contracting work execution company there was some cost saving achieved

The major projects, implemented by «RAO ES of the East» within the IDP during the year of 2016:

- development of high end technology and mobile pilot plant for recovery of turbine and transformer oils by use of vacuum stripping, electro physical and sorption purification, oil recovery with up-to-date additive packages, quality monitoring of recovered oils and automated workflow control

R&D execution brought up the below results:

- design and detailed design documentation for pilot oil recovery plant elaborated;
- oil recovery unit manufactured;
- start-up and installations tests and commissioning of the unit done

Project execution effect:

- cost saving for purification and recovery of oils compared to expenses for purchase of fresh turbine and transformer oil;

- quality increase of transformer and turbine oil used for equipment operation;

- Reliability growth of power and electro technical equipment

As a result of R&D execution there was a state registration certificate obtained for the ECM «Mefo-1n» program №2016618368, patents of invention for “Turbine oil” and “Way of used fuel oil recovery” are submitted and registered with FGUP “Federal Institute of Industrial property”

• design of composite intermediate supports for HVTL for voltage levels of 0,4 kV and 6-10 kV.

R&D execution brought up the below results:

- design and detailed design documentation sets for composite supports;

- technological charts and individual rates formed for assembly and installation of composite supports;

- development models produced and tests conducted for intermediate composite supports for HVTL for voltage levels of 0,4 kV and 6-10 kV;

- «Type design albums» done for design and construction –installation works, including those for supports usage in difficult access areas;

- pilot series of composite supports done, being installed in 2016 in the affiliate PC «Far-Eastern distribution company» - «Amur electrical networks» in a number of 20 units

As a result of R&D execution there was a patent obtained for a utility model «Composite tower body of the OHPL» № 162084, a patent of invention for «Process of manufacture of the composite support module of the OHPL» № 164151.

• development, implementation and running efficiency analyses of the development model for the mixed-up complex for 100 % power supply insuring of the settlement of Verhnaya Amga of Aldan Ulus at the expense of renewable energy resources.

The uniqueness of the project is the power supply of a settlement in spring-summer time by the exclusive use of power supply of the solar power station and operation of power blocks based on developed automated management system of the mixed-up complex, full substitution of diesel generation.

4. CONCERNING EFFICIENCY AND COMPETITIVENESS OF «RAO ES OF THE EAST» HOLDING

The Holding is one of the major employers in the region. The average staff number of the Holding is above 52 thousand people

Financial analyses of «RAO ES OF THE EAST» Holding

Results of financial and economic activity of «RAO ES of the East» Holding as of IFRS data for the year of 2016:

№	Definiton	Units	2016 actual
1	Revenue	million rubles.	175 545
2	State subsidies	million rubles.	17 184 ²⁹
3	OPEX (depreciation and other non-cash items excluded)	million rubles.	(168 835)
4	EBITDA	million rubles.	23 894
5	Depreciation	million rubles.	(7 747)
6	Other non-cash items of OPEX and expenses	million rubles.	(12 498)
	<i>of which:</i>	<i>million rubles.</i>	
6.1.	<i>impairment loss of receivables, net</i>	<i>million rubles.</i>	<i>(3 968)</i>
6.2.	<i>Loss from assets sale, net</i>	<i>million rubles.</i>	<i>(228)</i>
6.3.	<i>impairment loss of capital assets</i>	<i>million rubles.</i>	<i>(5 581)</i>
6.4.	<i>impairment loss of financial assets</i>	<i>million rubles.</i>	<i>(3 120)</i>
6.5.	<i>Revenue from daughter companies retirement</i>	<i>million rubles.</i>	<i>399</i>
7	Profit from operating performance	million rubles.	3 649
8	Financial income	million rubles.	1 264

²⁹Including: subsidies for differential made 14 223, 049 million rubles

9	Financial expenses	million rubles.	(11 028)
10	Share in loss of associated companies	million rubles.	(291)
11	Loss before taxation	million rubles.	(6 406)
12	Income tax benefit	million rubles.	222
13	Loss for period	million rubles.	(6 184)

For the reported period the loss of «RAO ES of the East» Holding made 6 184 million rubles.

The main unprofitability factors of the Holding in 2016 are:

– Problem of tariff regulation: insufficient decisions on tariffs (tariff undocumented expenses for 2013-2015, certified by the federal executive authority, make 31 628,2 million rubles), cross subsidization;

– Bad payment history of electrical and heat power consumers, thus the payment level for electricity of PJSC «Kamchatskenergo» makes 96 %; for heat: in PJSC «Kamchatskenergo» - 89,5 %, in PJSC «Yakutskenergo» - 91,5 %, in PC «Teploenergосervice» - 95,4 % (as a consequence – attraction of credit resources for cash deficiency settlement, creation of provisions for doubtful debts, withdrawal of uncollectable receivables);

– Problem of power equipment physical wear (70 % of generating equipment was commissioned before 1985), insufficient technical and technological modernization. Substantial stake of equipment and electrical networks worked out the projected service life, which worsens the total economic indicators of electrical stations operation;

– Largeness of credit portfolio as of 31.12.2016 - 103 587 million rubles (enlargement made 11 931 million rubles versus the data as of 31.12.2015), defined by: unfeasibility of operation of PC «DGC», PC «Chukotenergo»; absence of own financing resources of major investment projects; subsidization of isolated companies operation and short delivery of subsidies in full volume and as a consequence increase of expenses for its service, which make 9 697 million rubles;

– Non-reimbursable in full expenses of PC «DGC», related to price increase for gas, supplied under delivery-sale contract, signed with consortium for the project of “Sakhalin -1” (Short fall in revenue for 2016 makes 1 687 million rubles);

– Short delivery of subsidies for 2016 in PC «Chukotenergo» in the amount of 1 063 million rubles for reimbursement of part of expenses for the purchased electrical power (energy), bought from the affiliate PC «Concern Rosenergoatom» - Bilibinskaya NPP;

– impairment loss of the main assets - 5 581 million rubles, of which: the amount of 8 597 million rubles is announced the impairment loss (PJSC «Magadanenergo» - 2 524 million rubles, PJSC «Sakhalinenergo» - 2 293 million rubles, PJSC «Yakutskenergo» - 1 261 million rubles, PC «Sakhaenergo» - 1 165 million rubles, PJSC «Kamchatskenergo» - 1 093 million rubles, PC «YUESC» - 124 million rubles, PC «Chukotenergo» - 93 million rubles, PJSC «RAO ES of the East» - 44 million rubles) and in the amount of 3 016 million rubles for PC «DGC» impairment restored («Khabarovskaya generation» and «Primorskaya generation»);

– impairment loss of financial assets (JSCB «Peresvet») – 3 120 million rubles.

For 2016 within business plans of the specialized DC of PJSC «RAO ES of East», there is the subsidies volume foreseen for differential in total amount of 13 855 528,0 thousand rubles, shown in LTDP of RusHydro Group. On actual basis, subsidies for differential in 2016 were received in the amount of 14 223 049 thousand rubles, of which by power generating companies:

	2016 (planned)	2016 (actual)	thousand rubles
			Δ2016 Planned-actual
Group "RAO Energy Systems of the East"	13 855 527	14 223 049	367 522
PJSC "Yakutskenergo"	596 173	624 580	28 407
PJSC "Kamchatskenergo"	2 777 598	3 090 036	312 438
PC "YUESC"	2 292 170	2 341 145	48 975
PJSC "Magadanenergo"	2 080 899	1 955 646	-125 253
PJSC "Sakhalinenergo"	817 054	840 873	23 819

PC "Far East Generation Company"	486 405	483 167	-3 238
PJSC "Peredvizhnaya Energetika"	295 225	264 247	-30 978
PC "Chukotenergo"	425 642	610 818	185 176
PC "Sakhaenergo"	372 277	338 701	-33 576
PC "Teploenergосervice"	3 712 085	3 673 836	-38 249
For reference only: subsidy volume by regions:			
The Sakha Yakutia republic	4 965 547	4 830 421	-135 126
The Kamchatka region	5 069 768	5 431 181	361 413
The Magadan region	2 080 899	1 955 646	-125 253
Sakhalinskaya region	817 054	840 873	23 819
Chukotka Autonomous region	425 642	610 818	185 176
Yamalo-Nenets Autonomous region	295 225	264 247	-30 978
The Amur Region	0	4 042	4 042
Khabarovsk Territory	201 392	285 821	84 429

Increase of actual subsidies in 2016 versus the target is defined in particular by the below:

- partial offset in PC «Chukotenergo» of tariffs increase for electrical power (energy) sold by affiliate PC «Concern Rosenergoatom» Bilibinskaya NPP for 2015 - in the amount of 185,2 million rubles;
- change of consumer structure of electrical and heat energy at increase of net electricity supply and decrease of net heat energy supply, which influenced the increase of actual received subsidy in PJSC «Kamchatskenergo» versus the target by 312,4 million rubles.

At this in PJSC «Magadanenergo» the decrease of subsidies volume by 125,3 million rubles is related to in fact signed agreement between PJSC «Magadanenergo» and the Ministry of Construction, Housing and Utility and energy of the Magadan region for the amount of 1 950,0 million rubles.

For the rest of DC of PJSC «RAO ES of the East» increase/decrease of subsidies was defined by changes of actual consumption of electrical and heat energy versus the target

State subsidies, in fact obtained by the specialized DC of PJSC «RAO ES of the East» in 2016 made: 14 223 049 thousand rubles – subsidies for differential; 2 082 113 thousand rubles – subsidies for gas for PC «DGC» (for 2015); 878 838 thousand rubles – other subsidies.

Aiming at operational efficiency increase and provision of adequate liquidity level the Turnaround Program of «RAO ES of the East» Holding for 2016 -2020 was developed.

For implementation of the Turnaround Program of the «RAO ES of East» Holding³⁰ for 2016 the Total Economic Effect is planned to be obtained in the amount of 5 424,6 million rubles. In fact, upon the results of the reported year, the received economic effect makes 6 445,3 million rubles. By the end of 2016 the below results of cost saving are obtained for «RAO ES of the East» Holding, of which:

- decrease of fixed costs - 4 872 million rubles;
- decrease of direct charges - 924 million rubles;
- profit tax optimization in PJSC «Sakhalinenergo» - 207 million rubles.

The maximum fixed costs optimization effect was obtained for labor costs with deductions in the amount of 2 634 million rubles

At the expense of the below activities:

- organizational structure optimization, decrease of basic premium and extra payments;
- change of amount and indexation period of salaries (base salaries) from quarterly to half-yearly;
- limitation of payments for unutilized vacations

In 2016 in the frames of yield increase «RAO ES of the East» Holding has taken measures for revenue increase by 442 million rubles (with target of 429 million rubles), including the below major activities:

³⁰Turnaround program of PJSC «RAO ES of the Far East» for 2016 is approved by decision of the Management Board of PJSC «RAO ES of the Far East» (minutes of July 01,2016 № 19). Turnaround program is reviewed at meetings of the Board of Directors of the controlled companies of PJSC «RAO ES of the Far East»

- Signature of purchase-sale agreement for electric power with PC "Pervenets" (PJSC «Yakutskenergo») – 148 million rubles;
- Increase of net electrical power sale at the expense of consumer service improvement (PJSC «Yakutskenergo») – 136 million rubles.

Tariff regulation

Under the improvement of operational efficiency «RAO ES of the East» Holding is in progress of changes of the existing tariff regulation system

From July 2016 there was a transfer done to the new remuneration model for electrical power in non-cost zone³¹.

In order to settle the issue of investment projects payback during the year of 2016 PJSC «RAO ES of the East» has addressed the federal authorities with offers to implement the payback mechanism for investments in construction of generation objects. In December 2016, in order to execute the list of instructions of the President of Russia referring the phased price (tariff) drop for electrical power in all subjects of the Russian Federation, being part of the Far East federal region, to the average Russian level, the Federal Law № 508 «On amendments to the Federal law “About the electrical energy industry” was adopted, stipulating tariff decrease in the Far East to the basic level. The Federal Law secures implementation of compensation surcharge mechanism for compensation of shortfall in income of energy companies due to the tariffs decrease.

At present, PJSC RusHydro participates in activities of the federal authorities (Minenergo of Russia, FAS of Russia, and Ministry for Development of Russian Far East) for development of regulatory acts, securing direct implementation of compensation surcharge and tariff decrease. The draft of changes to resolutions of the Government of Russia is elaborated and posted on the website regulation.gov.ru. In the nearest time the by-laws are expected, stipulating the detailed mechanism of estimation, collection, and distribution of the surcharge and decrease of tariffs in the Far East federal region.

Surcharge introduction and tariffs decrease are expected from July 01, 2017 (with consumer tariffs review from January 01, 2017). It is as well expected that in 2018 and 2019 the energy companies, being part of «RAO ES of the East» Holding, will be able to include the additional expenses into tariffs due to the implemented compensation source. Further development of initiative for implementation of the long-term tariff regulation is planned after implementation of the compensational surcharge mechanism deployment in 2017.

Receivables management

The receivables of consumers for electrical energy to the DC of PJSC «RAO ES of the East» as of 31.12.2016 made 13 821,7 million rubles³² (rise of debts of the reported period - 1 992,3 million rubles).

The main growth noted by groups: industrial consumers - OJSC «Amurmetal» (the Khabarovsk region), «Sakhalinugol-6» Ltd (Sakhalinskaya region); by enterprises, financed from the federal budget (there were long-term limit thresholds), by municipal enterprises – KGUP «Primteploenergo», GUP ZHKH (The republic of Sakha (Yakutia) and Condominium partnerships).

The main part of receivables are the consumers groups: population – 24,5 %, Utility and Housing facilities – 21,8 %, industry – 13,1 %, «Wholesale resellers³³» – 12,1 %. Share of the given groups makes 71,5 % of the total receivables volumes.

Receivables for heat energy to DC of PJSC «RAO ES of the East» as of 31.12.2016 made 15 948,9 million rubles³⁴ (the depth growth for the reported period - 1 567,9 million rubles). Main share in receivables structure comes to the population, Condominium Partnership, housing associations and facility management companies. The share of the given groups makes 77,7 % of the total receivables volume.

DC PJSC «RAO ES of the East» takes all measures, stipulated by the existing legislation, to secure cash inflow against current payments and collection of receivables.

For the most problematic consumer groups and separate companies there is activity on federal subjects and municipality heads level for the purpose of establishment of combined effect on the debtors

³¹ Order of the Government of the Russian Federation dated 17.05.2016 № 43.

³² By composite data of the sales departments of «RAO ES of the East» Holding.

³³ Wholesale resellers

³⁴ By composite data of sale departments of «RAO ES of the East» Holding.

Thus, as an example, applications had been submitted and meetings held with the Government of the Amur region and the Administration of the town of Blagoveschensk about the major debtor for heat energy – OJSC “Amur Utility networks”. Finally, there was an agreement signed in 2016 for restructuring and way of settlements for the current year. As a result of measures undertaken as of 31.12.2016 there is a decrease of receivables of the major heat consumer of the Amur region

A high percentage in receivables belongs to intermediaries in energy supply, including that for the needs of the Ministry of Defense of Russia and companies under the jurisdiction of the Ministry of Defense of Russia, namely the following: PC «REU» and PC «Slavyanka» - for heat energy, PC «Oboronenergobit» - for electrical power, «GU ZF» and PC «GU ZHKH» - for heat and electrical energy.

Signature of agreement between PJSC «DEC» and Federal State Institution “Unified strategic Eastern Command», energy supply agreements (state contracts) for delivery of electrical energy from 01.01.2016 for the territories of Primorsk and Khabarovsk regions, the Amur region and Jewish Autonomous region, allowed considerable decrease in receivables as of the end of financial year for electrical energy by consumers under jurisdiction of the Ministry of Defense

DC PJSC «RAO ES of the East» makes efforts to transfer the population to “direct settlements” primarily – for heat energy to start with. As of the end of 2016 the share of population “under direct settlements” for heat energy to PJSC «RAO ES of the East» makes 77,8 %.

Orders of the Government of Russia dated 29.06.2016 № 603 «On amendments to some acts of the Government of the Russian Federation concerning the communal service providing» and of 26.12.2016 № 1498 «Concerning the issues of communal services providing and maintenance of common property in blocks of flats” made some changes in enactments, adjusting the relations between the utility providers, management companies, partnerships or cooperatives and owners (users) of premises in blocks of flats and empowering the utility providers.

Fuel factor decline in value

In 2016 «RAO ES of the East» Holding continued the optimization process of the fuel supply system

In 2016 the targeted activities were taken, among which are:

1) Demonopolization of fuel and energy market of the Far Eastern Federal District, increase of competition and diversification of fuel supplies by means of use of design coal types.

In Compliance with the program of test burning of off-design coal in 2016 the below test burnings were done:

- Xyloid coal of «2Br» type from Erkovetsky section in Primorskaya GRES of affiliate «LuTEC» PC «DGC».

- Xyloid coal of «3B» type of Krutoyarsky section in Egvekinotskaya GRES PC «Chukotenergo».

- Hardcoal of «Tr» type in Kiyzasky section Khabarovskaya TPP affiliate “Khabarovsk Generation” PC «DGC».

As a result of the test burnings there was a possibility marked to use the given coals in the corresponding TPP in pure form or in estimated ratio with other coals. While preparation and arrangement of consecutive procurement procedures for fuel acquisition for needs of the given TPP, coal requirements can be enlarged to the level, admitting the possibility to offer coals after the test burning.

2) Signature of long-term, minimum for 3 years period, agreements for coal delivery, with stipulations included, concerning the regulations on pricing for each following calendar year, taking into account the market conditions inclusively.

In 2016 upon results of open tendering there were long-term coal delivery agreements signed with the below listed companies:

- «Kolima coal company» Ltd- for delivery to Arkagalinskaya GRES PJSC «Magadanenergo» for the period of 2016-2019;

- «Chukotka trade company» LTD – for delivery to Egvekinotskaya GRES PC «Chukotenergo» for the period of 2016-2018;

- «Tuymaada -coal» LTD – for delivery to Chaunskaya TPP PC «Chukotenergo» for the period of 2016-2018;

- «Gornyak-1» LTD – for delivery to PJSC «Kamchatskenergo» for the period of 2016-2019.

All above stated agreements record the price increase for coal and transportation at the level below the related deflator indexes, defined by the Ministry of economic development of Russia, accepted while

tariff approval for heat/electrical energy

2) Unified contract conditions for delivery of fuel and use of special payment terms

Due to inclusion of conditions for coal products price decrease, depending on its quality (humidity, ash level, combustion heat), cost saving on current coal deliveries in 2016 is estimated by 148,0 million rubles.

4) Signature of frame agreements for fuel delivery.

At closing the overbalancing need, the arrangement of regulated procurement procedures (frame selections with consecutive price requests) secures creation of competition and possible fuel purchase at spot market starting from the lowest bidding price. In 2016 frame agreements were signed for coal delivery for overbalance requirements of stations of PC «DGC» and for delivery of hard coal for Adan affiliate of PC «Teploenergoservice».

5) Cooperation with Minenergo of Russia for creation of retention mechanism for purchase price growth rates on the territory of the Far Eastern region – not above the local prices index advance for power plant coal, at the expense of new tariff control deployment inclusively, and due to deployment of tariff regulation for coal suppliers.

Application was sent to the address of the Minenergo of Russia on launching of export duties for power plant coal (Ref.#. dated 20.12.2016 №5963. NSH «About initiative to implement export duties for energy plant coals»).

Business assets deterioration level decrease

Heat networks: «RAO ES of the East» Holding operates 2966 km of heat networks (hereafter - HN), HN equipment wear as of the end of 2016 increased by 1 % and as of 31.12.2016 makes 49 %.

As of 31.12.2016 the HN length with useful life term above 25 years makes 990 km (33 % of the total length). In 2016 - 73 km of heat networks pipelines were replaced

Electrical networks: «RAO ES of the East» Holding operates more than 20 200 units of transformer substations 0,4-220 kV and more than 104 000 km of power lines, as of 31.12.2016 the depreciations makes: power lines 52 %³⁵ (in 2015 - 51 %), transformer substations -65 %³⁶ (in 2015 - 64 %).

Utilities: «RAO ES of the East» Holding operates: turbine units– 141 units³⁷ (in 2015 – 140 units), depreciation as of the end of 2016 makes 77 %³⁸ (in 2015 - 76 %); boiler units - 230 units³⁹ (in 2015 – 233 units), depreciation as of the end of 2016 makes 65 %⁴⁰ (in 2015 - 64 %).

Additional sources of development programs financing of «RAO ES of the East» Holding

Deficiency payments related to financing of development programs of «RAO ES of the East» Holding are done in the following directions:

1. Yield increase of «RAO ES of the East» Holding. As part of yield increase at the expense of placing the account balance of controlled companies to the cash pool, «RAO ES of the East» Holding has taken measures to increase the number of the Pool participants from 18 companies as of the beginning of the year to 22 companies by the end of 2016. In 2016 the amount of revenues on accounts pool deals made 327,1 million rubles.

2. Refunding of debts of «RAO ES of the East» Holding companies. In execution of order of President of the Russian Federation Putin V.V. dated 01.11.2016 №Pr-2097 and dated 18.09.2015 №Pr-1898 key activities had been completed for refunding of debts of «RAO ES of the East» Holding in the amount of 55 billion rubles. In compliance with Decisions of Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244, of 27.12.2016 № 246 and of 27.02.2017 № 248) placement of additional shares of PJSC RusHydro is done (the total issuing volume made 40,429 billion pcs, additional placement is registered with the Bank of Russia on 07.12.2016). At present, PJSC RusHydro has fully accomplished activities for fund raising in the amount of 55 billion rubles (monetary assets in balance) by way of sale to VTB Bank (PJSC) of 40 billion pcs of additional shares and 15 billion pcs of treasury stock of

³⁵ Preliminary data indicated.

³⁶ Preliminary data indicated.

³⁷ Steam turbine commissioned in Blagoveschenskaya TPP.

³⁸ Preliminary data indicated.

³⁹ Steam boiler commissioned in Blagoveschenskaya TPP. 4 KA withdrawn

⁴⁰ Preliminary data indicated.

PJSC RusHydro, and signature of a 5-year forward contract with VTB Bank (PJSC) for shares of PJSC RusHydro.

- In order to increase management effectiveness of the Far East assets of the RusHydro Group and provision of control of intended use of the raised funds for refinancing of debts of «RAO ES of the East» Holding, up to 100 % shares of PJSC «RAO ES of the East» are consolidated on balance of PJSC «RAO ES of the East» and activities are ongoing in order to integrate the executive bodies of PJSC RusHydro and PJSC «RAO ES of the East». Completion of activities on additional issue of shares of PJSC RusHydro and submitting of report on additional placement of shares of PJSC RusHydro for state registration with the Bank of Russia is planned for May 2017.

- **Implementation of measures for import substitution**

- «RAO ES of the East» Holding works hand in glove with Russian suppliers and producers of equipment and spares (PJSC «Power Machines»; CJSC «Ural Turbine Works»; CJSC «Energomash – Uraltiyazhmash»; «Profsoft-Systems» LTD; “Yunitel Engineering” LTD «Togliatti transformer» LTD, «SPA Sibelektroshield»; JSC «CheAZ» and others)

- For the implemented and current projects of the Holding, such as TPP Vostochnaya, Blagoveschenskaya TPP (2nd stage), Sakhalinskaya GRES-2 (1st stage), Yakutskaya GRES-2 (1st stage), TPP in Sovetskaya Gavan the equipment of Russian origin is mainly used. As part of operational activity for equipment upgrade and reconstruction in energy companies the Holding’s priorities are equipment procurement from local producers. As per the summary procurement analyses of the Holding for the reported year, the share of purchased local equipment comes to 90%.

- In compliance with its technical policy, PJSC «RAO ES of the East» conducts the phased substitution of imported equipment, in the course of its depreciation, for local analogues

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- **Renewable power generation development in the Far Eastern federal region**
Business opportunity of the RusHydro Group in the Far East is the increase of generation, based on renewable energy sources in the Far East

- As part of implementation of the RES development program in 2016, the below was implemented:

- Project for construction of solar electric plant with installed capacity of 80 kVt in Delgey settlement of Olekminsky region in the Republic of Sakha (Yakutia). Project cost is 9 063,3 thousand rubles (VAT excluded). Annualized fuel savings make 1 032 thousand rubles

- - Construction project of solar electric plant with installed capacity of 20 kVt in Innyakh settlement of Olekminsky region in the Republic of Sakha (Yakutia). Project cost is 3 353,7 thousand rubles (VAT excluded). Annualized fuel savings make 354 thousand rubles.

- - Project for construction of energy complex of a solar power plant with capacity of 36 kVt with power blocks of 144 kVt*hr in the Upper Amga village of Aldan region in the Republic of Sakha (Yakutia). Project cost is 11 642,64 thousand rubles (VAT excluded). Annualized fuel savings make 816 thousand rubles

- In 2016 The Holding held the IV International conference “Development of renewable energy in the Russian Far East”, which is an important milestone in the development of RES branch in the Far Eastern federal region

5. MAIN THRUSTS OF REFORMING OF THE SCIENTIFIC-DESIGN COMPLEX

Scientific - design complex (hereafter - SDC) is an asset of PJSC RusHydro, producing the high technology products (rendering services) for high-tech sectors of economy of Russia and comprising 5 institutes as of today: PC «Institute HYDROPROJECT», PC «Lenhydroproject», PC «Mosoblhydroproject», Limited Liability Partnership “VNNIG” and PC «NIIES».

As part of reforming strategy concept for the scientific-design complex of PJSC RusHydro, the 1st stage of reforming included analyses of internal and outer market (versus the orders of RusHydro Group) of surveys and researches with a long term planning time frame. Based on this data, for the purpose of reasonable availability of competencies in demand, the Institutes had started the optimization of financial - economic activities and staff number

An Action plan for creation of affiliate of PC «Institute HYDROPROJECT» - «NIIES» and unification of industrial resources of PC «Institute HYDROPROJECT»-«NIIES» was approved in 2016

Additionally, in the reported year the below measures were taken to increase the efficiency of the SDC:

- processes of competency redistribution in the institutes of the scientific- design complex launched
- Institutes organizational structure optimized, resulting in actual headcount reduction by 227 people.

Share of other customers, other than general contractors of PJSC RusHydro, increased in revenues from 14 % in 2015 to 20 % in 2016

Share of works, executed by subcontracting companies, decreased in revenues from 38 % in 2015 to 18 % in 2016.

As of the end of 2016 the collective results of financial –economic activity in scientific-design complex made:

- Revenues of SDC in 2016 equals to 5 073,28 million rubles, which is 21 % below this figure of the previous year

- Share of proceeds from foreign customers by the end of 2016 made 6 %⁴¹ (for 2015 –3 %⁴⁴).

- Cost saving for 61, 49 million rubles or by 13 % compared to previous year at the expense of resource systematization and allocation of core labs.

Own output per 1 employee in 2016 made 1 736,0 thousand rubles/person.

6. CORPORATE MANAGEMENT SYSTEM DEVELOPMENT

During 2016 PJSC RusHydro implemented the Roadmap, approved by the Board of Directors of PJSC RusHydro on 27.02.2015 (minutes of 02.03.2015 № 210), for implementation of the corporate governance code. As part of the Roadmap:

The Decision of the annual Shareholders meeting of PJSC RusHydro on 27.06.2016⁴² approved the below documents in new wording:

- The Charter;
- General Meeting procedure;
- Regulations on Board of Directors procedure;
- regulations on payment of remunerations and compensations to the Board of Directors of the Company;
- Stipulation on Company audit committee;
- Stipulation on remunerations and compensations to members of the Company audit committee

In 2016 PJSC RusHydro approved the below documents:

- Regulation on audit committee and the HR and remunerations (nominations) committee in new wording (minutes of the Board of Directors dated 23.06.2016 № 239).

- Internal audit policy and Regulation on corporate secretary of PJSC RusHydro in new wording (minutes of the Board of Directors dated 10.10.2016 № 242).

- Regulation on Company communication strategy in new wording was approved by the decision of the Board of Directors of PJSC RusHydro dated 21.02.2017 (minutes of the Board of Directors dated 27.02.2017 № 248).

Share privatization of PJSC RusHydro

As part of Roadmap for share privatization of PJSC RusHydro, approved previously by the President of the Russian Federation and the Government of the Russian Federation dated 01.07.2013 № 1111-r), the state authorities did not take any measures for privatization of shares of PJSC RusHydro.

At this as per the orders of the President of the Russian Federation for debt refunding of companies of «RAO ES of the East» Holding there were measures taken to expropriate in favor of VTB Bank (PJSC) the additional reacquired stock of PJSC RusHydro. Share of the Russian Federation in the registered capital of PJSC RusHydro as of results of the deal decreased from 66,84 % to 60,56 %, complying with Order of the President of Russia dated 23.05.2014 № 362.

⁴¹ Calculated from the proceeds volume of the scientific-design DC: PC «Institute Hydroproject», PC «Lengidproject», PC «Mosoblhydroproject», PC «B.E. Vedenev VNIIG» JSC and PC «NIIES

⁴² Minutes of 29.06.2016 № 15.

During 2017-2022 there is a plan of strategic investor (investor) search together with federal executives and VTB Bank (PJSC), as well as review and provision to the Government of the Russian Federation of sales conditions for the shareholdings, acquired by the VTB (PJSC) from PJSC RusHydro (12,9 % of the registered capital).

It should be noted, that any measures for privatization of PJSC RusHydro, can only be taken in compliance with decisions, taken by the President and the Government of the Russian Federation

7. STAFFING SYSTEM DEVELOPMENT

In 2016 the below activities for staffing system development as part of “Corporate elevator” program implementation were executed:

«Corporate Elevator – New School»

- Implementation of measures for early career choice:

- In 2016 about 158 school children attended classes in technical creativity centers (techno classes) in the Company presence regions (6 classes and one technical laboratory). 496 school children studied in energy classes. In 2016 a new energy class opened in the small town of Novobureyskiy. Above 90 % of graduates entered energy and technical specific higher institutions.

- Industrial Olympiad «Energy of education» for 2015-2016 school year, held for 780 schoolchildren from 50 towns and settlements of Russia.

- 39 school children participated in summer energy school.

- Training modules arranged for school children as part of project shifts of educational centers «Sirius» and «Ocean».

- Implementation of activities under the Program of social-vocational adjustment of orphans:

- In 2016 the program of “Young energy”, addressing socialization and career choice of orphans and abandoned children, was attended by 450 orphaned children, of whom 20 followed the specialized training programs.

«Corporate Elevator – High school».

- Arrangement of strategic partnership with specialized educational institutions of secondary and higher professional education:

- Signature of strategic partnership agreement with the Far East federal university, preparing for Group specialized areas «Electric power and electrotechnics» and «Thermal power and thermal technology». PJSC RusHydro reinforced the special –purpose capital of «Fundamental and research study» of the Endowment Fund of the Far East federal university.

- From the target assignments upon application of PJSC RusHydro the number of students, that entered the FSBEI of higher education National research institute MPEI” in the town of Volzhsky for «Electric power and electrotechnics» direction, «Hydro electrical plants» specialization (Bachelor’s program) – 4 persons; Electric power and electrotechnics» direction, «Hydro-electric power plants» specialization (Master program) – 5 people; in Sayano-Shushensky affiliate of FSBEI of higher education «Sibirsky federal university» for «Electric power and electrotechnics» direction, «Hydro-electric power plants» specialization (Master program) – 8 people.

- 2016 Summer energy students school for the students of the specialized high institutions was attended by 47 students of affiliate of “FSBEI of higher education National research institute MPEI” in the town of Volzhsky

- The VII competition of students projects «Energy of development» was held, the winners of the «Energy of development - 2016» competition participated in the All-Russian engineering contest 2016, held by the Ministry of education and science of Russia

- PJSC RusHydro together with MPEI arranged the laboratory zone in the All-Russian forum «Future intellectual leaders of Russia».

«Corporate Elevator – Company».

- Company staff training:

- In 2016 company staff was trained in 14 730 training programs.

- Creation of complex system for Company operational staff training:

- In 15 Company affiliates there is training in corporate simulator of switch-over in electrical plants, hydro turbine and hydro mechanical equipment operation

– In 2016 a virtual simulator was designed for increase of operative staff skills development, arrangement of urgent negotiations, command and order recording, compiling of on-line documentation, sending (receipt) of orders and permissions.

- All-Russian contest of HPP operating staff:

– In 2016 there were 7 all-Russian contests of HPP operating staff held, with participation of 25 teams, among which 2 teams, representing the daughter companies of PJSC RusHydro, and 4 teams of outer power enterprises.

- Implementation of Program on maintenance and increase of efficiency of substation operational staff:

– Model regulations for arrangement of activity directed on maintenance and increase of efficiency of substation Operational Service (operational staff) of the affiliate of PJSC RusHydro (Order dated 22.12.2016 №1037 «On arrangement of activity directed on maintenance and increase of efficiency of substation operational staff in PJSC RusHydro) developed and implemented.

Psycho physiological tests done and remedial measures taken for 970 employees of the operative service of affiliates of PJSC RusHydro. “Stress management” training was done for 294 employees of affiliates of PJSC RusHydro.

8. ANTITERRORIST ECONOMICAL AND INFORMATIONAL SAFETY SYSTEM DEVELOPMENT

In 2016 the below activities were taken under the projects:

- Integrated safety control system modernization:

- Completion of works on implementation of integrated informational security management system in the following affiliates: Volzhskaya HPP, Saratovskaya HPP, North Ossetia affiliate, Verkhnevolzsky HPP Cascade, Kuban HPP Cascade, Cheboksarskaya HPP, Nizhegorodskaya HPP.

- Start of works on design of integrated informational security management system in Zeiskaya HPP, Zagorskaya PSPP and in Kabardino-Balkaria affiliate.

- Integrated project for segment protection of automated process control systems of affiliates against cyber threats:

- Technical design was completed for protection systems of automated process control systems from cyber threats in 18 affiliates of the Company.

- Technical specifications were developed for work execution while creation of the central node of the protection system of automated process control systems from cyber threats

- Creation of information security situational center:

- Technical specifications for work execution developed.

- Remote access protection system created:

- Technical specifications for work execution developed.

- pilot project was implemented for arrangement of secured remote access to Company corporate network

- Measures to develop integrated safety systems taken in 2016:

- In 2016 Company affiliates had been tested for hazard categorization and confirmation. As part of revision the requirements for safety systems were specified on account of violator’s model. Inspection results are shown in appropriate acts, approved by representatives of MIA and FSB of Russia.

- From the beginning of 2016 integrated security system was commissioned in Zelenchugskaya HPP-PSPP, integrated security system modernization stages completed in Volzhskaya HPP, Vrekhnevolzhskaya HPP Cascade, Kama HPP and Bureyskaya HPP.

- As part of planned antiterrorism exercises and trainings there was a check conducted for security systems and staff training.

9. GLOBAL OPERATIONS DEVELOPMENT

Activities in global operations of RusHydro Group, done in 2016:

1. Capture of foreign partners with high-end technologies and investments for participation in retrofitting and upgrading projects in existing objects and construction of new power plants (small HPP, HPP, PSPP) on the territory of the Russian Federation

Cooperation with Mitsui & Co., Ltd (Mitsui).

Technology cooperation agreement signed between PJSC RusHydro and Mitsui for mutual development of strategic cooperation, using technologies and expertise of the Japanese party. Memorandum of understanding was signed for agreement on mutual projects implementation

In September 2016 technical staff of Mitsui investigated the sites of geothermal plants of the RusHydro Group in the Kamchatka region and together with J-Power company offered preparation of pre-feasibility report for operating capacity increase. The companies intend to study the new wind power objects in isolated regions on the territory of Kamchatka, Yakutia, Primorye and Sakhalin island for further implementation of wind plants construction program with total installed capacity of up to 44 Megawatt.

Cooperation with KOMAIHALTEC Ink.

Pilot project was deployed for implementation of micro grid system in regions with cold climate in absence of network infrastructure with use of wind power plants (hereafter – WPP) in the settlement of Ust-Kamchatsk in the Kamchaka region.

MOU is signed between PJSC RusHydro, Mitsui and Komai, as per which the investigation is done of possible production localization of WPP or elements, produced by Komai for further application while mutual projects realization

Cooperation with Kawasaki Heavy Industries, Ltd.

RusHydro Group, Kawasaki Heavy Industries, Ltd. (Kawasaki) and Sojitz Corporation (Sojitz) conduct mutual research on technological and economic efficiency of project implementation for construction of new electrical plants (GTP-TPP) in the town of Artem and Vladivostok of Primorski krai, based on GTP Kawasaki. Companies signed the cooperation agreement for deployment of GTP while project realization on the territory of the FAR EASTERN FEDERAL DISTRICT.

Cooperation with Japanese development company NEDO

PJSC RusHydro, The Republic of Sakha (Yakutia) and New Energy and Industrial Technology Development Organization of Japan (NEDO) signed Declaration of intention for cooperation in RES development sphere. The parties agreed to develop mutually the issues of RES objects construction on the territory of the Republic of Sakha (Yakutia). The pilot project is defined to be implemented on the territory of Tiksi settlement

2. Promotion of engineering services of the RusHydro Group in the sphere of hydro energetics and RES in the foreign markets, including consulting and design works, HPP operating services

PC «Institute HYDROPROJECT» signed a contract with the Italian company Salini for engineering services of design and supervision of construction execution works for Rogunskaya HPP dam (Tadjikistan); works completed under the project with PC «Atomenergoproject» for design services of NPP Akkuyu (Turkey); contract signed with PC «Atomenergoproject» for development of detailed design documentation for technical facilities of power blocks in NPP Kudan Kulam (India).

3. Enlargement of the offered products and services range, based on development of existing and creation of new partnerships, using the resources, available in engineering and project activity experience.

PC “B.E. Voith Hydro VNIIG” signed a number of contracts with objects of thermal power and ore-mining and processing mills of the Republic of Kazakhstan for design of tailing dams and slurry ponds, as well as research-scientific works for nuclear power objects under construction abroad (NPP Akkuyu (Turkey); NPP Busher-2 (Iran); NPP Ninhuan -1 (Vietnam); NPP Khanhikivi -1 (Finland)

4. Participation in development projects of HPP, PSPP and RES through representation of the RusHydro Group in various international companies, sites and projects, intergovernmental commissions, business-partnerships

In order to monitor and define the prospects for collaboration in 2016 the RusHydro Group took part in 20 intergovernmental commissions on trade-economic and scientific-technical cooperation between RF and foreign countries, as well as in activity of the World Energy Council, Electrical Council of CIS, Global Sustainable Electricity Partnership, International hydro energetic Association, International commission on Large Dams and Russian-Chinese Business Council

5. Cooperation with foreign companies in the area of joint manufacturing of hydro energy equipment, retrofitting of existing HPPs, service maintenance

In 2016 RusHydro continued cooperation with «Voith Hydro» company under the project of hydro power equipment production localization on the territory of the Russian Federation, as well as retrofitting of hydroelectric installations of Saratovskaya HPP.

Under the terms of the contract dated 17.06.2011 for complex modernization of vertical Kaplan turbines of Saratovskaya HPP, two hydroelectric installations had been commissioned (station №№ 8, 4).

RusHydro, «Voith Hydro» and «VolgaHydro» Ltd (joint venture of PJSC RusHydro and «Voith Hydro») signed an additional agreement to the Contract, stipulating order of hydro turbines of the 4th delivery Set obtaining 10 % contract cost optimization of manufacturing operations to be executed on «VolgaHydro» Ltd site.

PJSC RusHydro put into operation Zaragizhskaya SHPP (30,6 Megawatt) on the territory of Kabardino-Balkaria Republic. Within the project the delivery of hydro power equipment was done of Zhjiang Fuchunjiang Hydropower Equipment Co, Ltd (ZHEFU) origin.

In the frame of agreement with GE Packaged Power, INC of 26.12.2013 for delivery of 4 gas turbine plants for the project of construction of the 1st stage of Yakutskaya GRES-2 installation of equipment was done and start-up works are in progress at present.

Installation works were done in the frames of the contract between PJSC «RAO ES of the East» and GE Packaged Power, INC of 07.08.2012 for delivery of 3 gas turbine power blocks for the project «Construction of GTI-TPP in Vladivostok on CSWBH site.

10. RISK MANAGEMENT

As part of performance management control of the risk management system of LTDP and implementation of Development program and update of the internal control and risk management corporate system⁴³ the below measures were taken in 2016:

Corporate level

1. As part of Policy implementation in the sphere of internal control and risk management the “Strategic risks management Plan of PJSC RusHydro for 2016 – 2017⁴⁴” was reviewed and approved by the Management Board

Based on scenario approach, the indication system of PJSC RusHydro and the RusHydro Group strategic risks implementation for 2016-2017 was developed and implemented as part of the Strategic risk management Plan for 2016 – 2017.

2. The key daughter companies of PJSC RusHydro (design and scientific-research institutes, construction organizers and customers, service and maintenance companies, sale companies) got the approved risk management Plans for 2016-2017.

In the 1st quarter of 2017 the listed daughter companies of PJSC RusHydro submit their reports on risk management in 2016 for approval of the Board of Directors

In the view of risk management activity «RAO ES of the East» Holding arranged implementation of measures, stipulated by the general master plan for strategic risks management of “RAO ES of the East» Holding for 2015-2016⁴⁵, developed for strategic risks of PJSC «RAO ES of East», as well as for strategic risks of daughter companies of PJSC «RAO ES of East»: PC «DGC», PC «DRSK», PJSC «DEK» and PJSC «Yakutskenergo».

3. Estimation procedure for maturity level of the corporate structure of internal control and risk management of PJSC RusHydro⁴⁶ and daughter companies⁴⁷ has been developed.

4. Affiliates and daughter companies of PJSC RusHydro were evaluated and prioritized as per the risk level and status of implementation of risk management procedures for creation of the risk-oriented plan of internal audit control measures of PJSC RusHydro for 2017-2018.

5. Report on operation of the risk management system was reviewed by the audit Committee with the Board of Directors of PJSC RusHydro in April 2016⁴⁸. Report on execution of the Action Plan for

⁴³ Approved by the Decision of the Management Board of PJSC RusHydro (minutes of 28.11.2014 № 884pr).

⁴⁴ Minutes of the Management Board of PJSC RusHydro dated 01.11.2016 № 1006pr/5.

⁴⁵ Approved by decision of the Board of Directors of PJSC «RAO ES of the East» (minutes of 03.08.2015 № 123)

⁴⁶ PJSC RusHydro (executive branch and affiliates).

⁴⁷ Approved by order of PJSC RusHydro dated 28.09.2016 № 755.

⁴⁸ Minutes of Audit Committee with the Board of Directors of PJSC RusHydro dated 28.04.2016 № 82

strategic risks management for 2016 was approved by the Management Board of PJSC RusHydro on 17.01.2017.

Business and operational level

6. Estimation had been done for efficiency and adequacy of control procedures of business processes in “Inventory procurement and service management”, «Management of electricity and power sales» and «R&D Management».

7. Operational efficiency was tested (estimate of implementation and actual execution) for control procedures of the business plan «Inventory procurement and service management ».

8. As part of self-assessment of internal control system PJSC RusHydro held a control environment estimate, using the model, formed in compliance with maturity rating technique of the internal control and risk management corporate system, and with account of result of business –processes of PJSC RusHydro, held in 2015 and 2016.

The priority development areas were defined for the test environment of PJSC RusHydro, with the view of the maturity level of internal control system blocks.

9. In the frames of coordination and methodological maintenance of implementation for the process of internal control system management in PJSC RusHydro:

- Administrators of the internal control and risk management system were appointed for key business-processes;
- Test procedures matrix formed for the key business-processes;
- Corporate training arranged for “Construction and management of internal control system in PJSC RusHydro.

10. Monitoring of implementation of measures for development of the internal control system for the key business-processes of PJSC RusHydro is done on regular basis.

11. EXECUTION OF ACTIVITIES OF THE LONG-TERM DEVELOPMENT PROGRAM OF RUSHYDRO GROUP, STIPULATED BY THE GUIDELINES OF THE GOVERNMENT OF THE RUSSIAN FEDERATION

On increase in labor productivity in the society (dated 31.10.2014 № 7389p-P13)

In pursuance of the guideline of The Government of the Russian Federation as of 31.10.2014 № 7389p-P13, the Long-term Development program of the RusHydro Group for the period of 2016 – 2020, approved by the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244), comprises the key indicator «Labor efficiency», calculated as per Rosstat procedure⁴⁹.

Achievement of target values by “Labor efficiency” indicator

Indicator Definition	Planned for 2016	Actual for 2016
Labor efficiency (revenue, thousand rubles/man-hours)	10,24	12,33

Execution of the given indicator in 2016 is based on 7,3 % revenue increase from sale of products and reduction of average headcount by 6,1 % as a result of Company restructuring, addressing elimination of double functioning and process optimization.

Concerning the labor force demand, including the engineering occupations, required for implementation of the main program measures (of 05.11.2014 № 7439p-P13)

Basic parameters of labor force demand in PJSC RusHydro (executive branch and affiliates) are defined, taking into account reaching of age limits, as well as possibility of internal staff rotation upon the relevant recommendations available, received while staff evaluation, available labor pools, as well as candidates databases.

Calculation of engineering occupations demand comprises job openings with professional training not below the Bachelor degree from the technical educational institution. Such approach is defined by requirements of the maintenance, repair and service workflow of the basic HPP/PSPP equipment.

Execution of key parameters of labor source demand, including engineering occupations of PJSC RusHydro for 2016

Indicator name	Planned for 2016	Actual for 2016
Total vacancies number:	110	108

⁴⁹ Order of Rosstat dated 23.09.2014 № 576.

Including engineering occupations	69	80
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Concerning enhancement of Company performance efficiency and transparency (as of 12.11.2014 № 7558p-P13)

In compliance with the Directive of the Government of the Russian Federation, dated 24.06.2015 № 3984p-P13, the Company has the below approved internal documents:

- Regulation on promotion of investment and operating efficiency and cost saving (minutes of the Board of Directors dated 11.12.2015 № 228).
- Internal audit policy of PJSC RusHydro in new edition (Minutes of the Board of Directors dated 10.10.2016 № 242).
- Provision on business performance quality management of PJSC RusHydro (Minutes of the Board of Directors dated 11.12.2015 № 228).
- Internal control and risk management Policy of PJSC RusHydro (Minutes of the Board of Directors dated 16.11.2015 № 227).
- Provision on way of development and execution of the Innovative development Program of PJSC RusHydro (Order of PJSC RusHydro dated 16.11.2015 №1018).

All DC have standard Charters, meeting requirements of the existing legislation, as well as unified standards for the following business directions: procurement policy, credit policy, internal control and risk management, insurance, business-planning and other

Concerning planned and phased purchase substitution of foreign products (works, services) with purchase of technically equivalent Russian products (works, services), used in investment projects implementation and current operations in the year of 2015 (dated 05.03.2015 № 1346p-P13)

In the framework of implementation of integrated generation objects retrofit Program, PJSC RusHydro ramps up volumes of local manufactures equipment deliveries, secured by manufacturing localization of definite types of equipment and spares on the territory of Russia.

In 2016 the share of imported equipment purchased in the course of operational activity and aiming at execution of the phased substitution of imported products (works, services) for purchase of technically equivalent and consumer suitable Russian products (works, services

Share of imported equipment

	Planned for 2016	Actual for 2016
Imported equipment share, %	56	36

Under the import substitution and in compliance with Federal law of 18.07.2011 № 223 «On purchase of goods, works, services by certain types of legal entities», as well as in execution of directive of the Government of the Russian Federation dated 15.03.2016 № 1659p-P13⁵⁰, the Company has approved the Stipulation on accounting procedure for investment projects, included into the list of the investment projects of RusHydro Group⁵¹, establishing a set of regulations, rules and requirements in the process of investment projects selection and obtaining of decision on recording of the investment projects into the Register, approved by the Governmental commission on import substitution. Standard provisions on accounting procedures in the daughter companies of PJSC RusHydro for investment projects, included into the list of investment projects of RusHydro Group, are approved by the Management Board of PJSC RusHydro⁵².

On OPEX cutting by at least 2-3 % annually (of 16.04.2015 № 2303p-P13) and on operating expenses cutting by 10 % in 2016 (dated 04.07.2016 № 4750p-P13)

Measures for operational expenses saving of PJSC RusHydro in 2016 provide for reduction of expenses (spending) to the maximum allowable level, nonessential for security of objects smooth running and maintaining of technological reliability and safety.

In execution of directive of the Government of the Russian Federation dated 04.07.2016 № 4750p-P13, the Long-term development program of the RusHydro Group for the period of 2016 – 2020, approved by the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244), stipulates target value of the key efficiency indicator “Cutting of operational costs (expenses)” on the level of minimum 10 % in 2016.

⁵⁰ On approval of investment projects accounting, included into the list of investment projects.

⁵¹ Decision of the Board of Directors of PJSC RusHydro dated 31.05.2016 (minutes № 237).

⁵² Approved by the Management Board of PJSC RusHydro dated 20.05.2016 (minutes № 980pr/7).

Values of the “Cutting of operational costs (expenses)” indicator, based on results of 2016, made 11 %.

million rubles

Measures/Cost items	Basis 2014	Actual 2016	Discounted actual 2016*	Effect	% of operational costs (expenses) decrease
Efficient procurement tendering:	946	664	558	-388	-41 %
Material costs	475	407	342	-133	-28 %
Other costs	471	258	217	-255	-54 %
Support of assets life cycle management system	3 696	3 712	3 119	-577	-16 %
Production, maintenance and delivery services	3 696	3 712	3 119	-577	-16 %
Measures for organizational structure and Company business-processes optimization	10 619	9 705	8 156	-2 463	-23 %
Labor remuneration, including insurance fees	10 619	9 705	8 156	-2 463	-23 %
Implementation and development of IT systems:	709	577	485	-224	-32 %
Non-productive services	342	231	194	-148	-43 %
Other expenses	367	346	291	-76	-21 %
Non-productive cost saving	491	369	310	-181	-37 %
Non-productive services	491	369	310	-181	-37 %
<i>Furthermore</i>					
Transportation services		1 180	991	991	
Other services		1 324	1 112	1 112	
Total	16 461	17 530	14 732	-1 730	-11 %**

*In 2014 prices except inflation in the amount of 5,4 % in 2016, 12,9 % in 2015 as per Rosstat data.

** The given percentage of OPEX decrease reflects achievement of the specified value of performance indicator for the planned measures (included in the basis) and distribution of extra charges in the reported year

On application of indicator «Total shareholders return» (TSR) (dated 29.04.2016 № 3035p-P13)

In execution of directive of the Government of the Russian Federation dated 29.04.2016 № 3035p-P13, the Long – term development program of the RusHydro Group for the period of 2016-2020, approved by the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244), in part of calculation method and estimation of the LTDP KPI «Total shareholders return (TSR)», comprises the method, using the aggregated index of MOEX – index of MICEX (index code – MICEXINDEXCF). To minimize the influence of random/nonmarket fluctuations while TSR calculation, the “smoothing period” of 22 trading days is used, for which the average share price is calculated, for end of the year, previous to the reported one, and for the end of the reported year.

- **On innovative development (dated 03.03.2016 № 1472p-P13)**

In execution of directive of the Government of the Russian Federation dated 03.03.2016 № 1472p-P13, the Long – term development program of the RusHydro Group for the period of 2016-2020, approved by the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244), stipulates the relative share of 20 % for the key performance indicator «Cumulative innovative KPI» in the KPI list of the LTDP.

Cumulative innovative indicator is approved by the Minutes of meeting of the Interdepartmental working group for implementation of priority innovative development with the Committee of the council under the President of the Russian Federation for economy and innovative development of the Russian Federation, dated 17.12.2015 № AD-P36-247pr. Indicators, being part of the Cumulative innovative KPI, are included into the Innovative development Program of the RusHydro Group for 2016-2020 with an outlook for 2025, approved by the Board of Directors of PJSC RusHydro(minutes of 23.11.2016 №244).

On priority of power complex development targets on the territory of the FAR EASTERN FEDERAL DISTRICT (dated 28.06.2016 № 4531p-P13)

One of the strategic targets in the development strategy of PJSC RusHydro, approved by the Board of Directors for the period of up to 2020 with an outlook for 2025 (minutes of 08.06.2016 №238), is the

development of power production of the Far East, consisting of security of sustainable development of power production in the FAR EASTERN FEDERAL DISTRICT and participation in implementation of state tasks for speed up social-economic development of the region. The Strategy has a separate section, comprising tasks for increase of effectiveness of the Far East assets management system and development of power generation of the Far East.

Separate sections in the Long-term development Program of PJSC RusHydro Group for the period of 2016-2020 (minutes of 23.11.2016 №244) are refreshed, referring the priority of development tasks for power complex on the territory of the FAR EASTERN FEDERAL DISTRICT:

- subsection «The investment program of “RAO ES of the East Holding»;
- subsection «The investment program of PJSC RusHydro, comprising Priority projects of construction of 4 TPS in the Far East;
- section, devoted to efficiency increase and competitiveness increase of the Far East assets of the RusHydro Group and development of power generation of the Far East.

12. EXECUTION OF THE KEY PERFORMANCE INDICATORS OF THE LONG-TERM DEVELOPMENT PROGRAM OF RUSHYDRO GROUP IN 2016

	Indicator	2016 planned	2016 actual	Execution estimate
1	Total shareholders return (TSR), %	100 %	100 %	Done
2	Equity capital profitability (ROE), %	4,2 %	11,1 %	Done
3	Leverage ratio	≤ 1,5	0,5	Done
4	Debt load restriction (Debt/Ebitda)	≤ 4	2,2	Done
5	Avoidance of industrial accidents and limit number of accidents by RusHydro Group	In parallel	In parallel	Done
	Number of industrial accidents, (pcs.)	0	0	Done
	Number of accidents, pcs.	0	0	Done
6	Execution of capacity commissioning schedule for the main new construction objects	333,48 Megawatt	140 Megawatt	Not done
7	Purchase share from small and medium-sized businesses ⁵³	≥ 18 %	≥ 18 %	Done
8	Labor efficiency (revenue, thousand rubles/man-hours) ⁵⁶	10,24	12,33	Done
9	Cumulative innovative KPI	85 %	89,4 %	Done*
10	OPEX (expenses) decrease ⁵⁶	≥10 %	11 %	Done

* Indicator estimate is done in the frames of the independent audit of the Long-term development program as of 30.03.2017

Reasons for non-execution of KPI of the LTDP «Execution of capacity commissioning schedule of main objects of the new construction»: non-execution of indicator is related to violation of scheduled dates for capacity commissioning period in Yakutskaya GRES-2 (1st stage) as a result of delay by the general contractor PC «Institute Teploenergo» of development times for detailed design documentation; violation of work execution terms by the general contractor PC «TEK Mosenergo» (more than 10 months); delay of customer equipment delivery -PC «Yakutskaya GRES-2» gas booster station and gas conditioning station (for 4 months); delay of implementation by the OJSC «GlobalElektroServis» of project for construction of the main thermal power system (above 8 months).

⁵³ For PJSC RusHydro.

**COMMENTS TO CALCULATION OF KEY PERFORMANCE INDICATORS OF THE
LONG-TERM DEVELOPMENT PROGRAM OF RUSHYDRO GROUP**

Calculation techniques and estimation of all indicators are done based on the KPI of the LTDP of RusHydro Group, approved as part of the Long-term development program of RusHydro Group.

1. Return on investments of shareholders, (Achieving target level of TSR) (TSR)

1.1. Calculation:

As per the approved method, the indicator is calculated for the reported period (2016) based on the data of Company quoted shares in MOEX and data of the consolidated financial statements of RusHydro Group, formed as per the international financial reporting standards (hereafter -IFRS) with the following formula:

$$TSR = \frac{(\bar{P}_1 - \bar{P}_0) + DPS}{\bar{P}_0},$$

\bar{P}_0 – average share price in MOEX for 22 trading days by the end of the year, preceding the reported one, in rubles;

\bar{P}_1 – average share price in MOEX for 22 trading days by the end of the reported year, in rubles;

DPS (dividend per share) – total volume of dividends or other payments (special dividends, stock buybacks, etc) to the shareholders, paid per share within the reported year, in rubles

Absolute value of TSR of PJSC RusHydro with the above formula made 53,8 %

1.2. Performance appraisal:

Performance evaluation is done based on comparison of the real TSR value of the company to the dynamics of the consolidated index of MOEX – MICEX index (index code -MICEXINDEXCF, hereafter – Index). Index change is calculated as percentage of change of the average Index value for 22 trading days by the end of the year, preceding the reported one, and the average Index value for 22 trading days by the end of the reported year. The indicator is deemed obtained (makes 100 %), subject the actual value of the TSR KPI of the Company overcomes the index dynamics for the reported period by positive value

Index change for the reported period with the given formula made **25,9 %**.

Thus, at the year end, KPI «Total shareholders return (TSR), %» for 2016 was achieved.

2. Return on equity (ROE)

2.1. Calculation:

Initial data used for calculation:

Profit for a period	39 751
Yearly average paid-in capital	632 425
Shareholders' equity of PJSC RusHydro as of 31.12.2016	646 669
Minority interest as of 31.12.2016	4 263
Shareholders' equity of PJSC RusHydro as of 31.12.2015	602 479
Minority interest as of 31.12.2015	11 440

Nonmonetary items, eligible:

Indicator	Statements for Group as per IFRS as of 31.12.2016
Total non-monetary items of operational costs (expenses)	(30 409)
Impairment loss of main assets	(26 525)
Profit from retirement of other fixed assets	7 202
Impairment loss of receivables	(7 133)
Impairment loss of financial assets	(4 464)
Impairment loss of loans issued	(2 378)
Loss of main assets retirement	(555)
Loss of daughter companies and associated companies retirement	3 444

Indicator target value, declared for 2016, made 4,2 %

Actual value - 11,1 %.

2.2. Performance appraisal:

Indicator achieved.

3. Debt to equity ratio

3.1. Calculation:

Debt to equity ratio is calculated as ratio of credit capital to property assets

Indicator	Statements for Group as per IFRS as of 31.12.2016
<i>Credit capital</i>	332 514
Long-term liabilities	215 858
Short-term liabilities	116 656
<i>Property assets</i>	650 932
Debt to equity ratio	0,5

3.2. Performance appraisal:

$$Ker = 0,5(\text{targeted value for 2016} \leq 1,5)$$

Indicator achieved.

4. Debt load limit

4.1. Calculation:

Debt load is calculated based on Debt/EBITDA ratio. Calculation is done based on the data of published consolidated financial statements of RusHydro Group, formed in compliance with IFRS:

$$Debt/Ebitda = \frac{226,55}{102,08} = 2,2 \leq 4$$

4.2. Performance appraisal:

Indicator achieved.

5. Prevention of accidents at works and accidents limit number for RusHydro Group

5.1. Calculation:

Calculation was done by each of the indicator components:

- number of accidents at work, cases;
- number of major accidents.

Indicator	Number of accidents within the scope of accounting indicators of the LTDP execution				KPI performance estimate
	2013	2014	2015	2016	
Number of accidents	3	4	1	2	
Average for the last 3 years	2,66			2	2<2,66 Done
Accidents within the scope of LTDP indicator calculation					
Deaths				0	Done
Group severe accidents				0	Done

5.2. Performance appraisal:

Indicator achieved.

6. Time schedule execution for commissioning of the new construction basic objects capacities

6.1. Calculation:

The schedule of new construction basic objects commissioning for 2016, approved as part of the Long-term development program of RusHydro Group:

№	Object definition	Installed electric power (Megawatt)	Object commissioning in 2016.
1	Construction of Yakutskaya GRES-2 (1 st stage)	193,48	Not commissioned
2	Construction of Zelenchucskaya HPP-PSPP	140	commissioned

6.2. Performance appraisal:

Indicator not achieved.

Reasons for non-execution of the LTDP KPI «Time schedule execution for commissioning of the new construction basic objects capacities» are: infringement of schedule time for capacity commissioning of Yakutskaya GRES-2 (1st stage) due to the delay of the general designer PC «Institute Teploelectroproject» of the detailed design documentation lead time; failure to meet the work execution schedule by the general contractor PC «TEK Mosenergo» (more than 10 months); delay of equipment delivery of the customer PC «Yakutskaya GRES-2» gas booster station and gas conditioning station (for 4 months); failure to meet the delivery date by OJSC «GlobalElektroServis» for the construction project of the main thermal power system (more than 8 months).

7. Purchase share from small and medium entrepreneurs

7.1. Calculation:

Defined as part of shares (PsmеTOTAL), under the signed contracts with small and medium entrepreneurs in total volume of contracts, signed upon the results of tender procedures. Target indicator value is calculated for PJSC RusHydro.

$$\begin{aligned} \text{PsmеTOTAL} &= \frac{(\text{Sign}^{\text{pr}} \text{SME} + \text{SignSME} + \text{SignSMEsub})}{\text{Sign}^{\text{total}} \cdot 100 \%} \\ &= \frac{4\,316\,211\,180 + 1\,233\,103\,660 + 56\,813\,333}{7\,598\,400\,380} \cdot 100 \% = 74 \% \end{aligned}$$

Sign^{pr}SME – amount of contracts, signed with small and medium entrepreneurs upon results of procurement among small and medium entrepreneurs only, as per section 2 of Stipulation №1352, in rubles;

SignSMEsub – amount of subcontracting contracts of the 1st level, signed directly between the small and medium entrepreneurs and companies of any form of incorporation, having signed direct contracts with the Company, in rubles

SignSME - amount of contracts, signed with small and medium entrepreneurs, upon results of tender procedures, in rubles;

Sign^{total} – total amount of contracts, signed upon results of tender procedures, except the contracts, listed in item 2.3.1.1. of the Method of the LTDP indicators calculation and estimate, in rubles

Performance appraisal:

Indicator is achieved

8. Labor efficiency

8.1. Calculation:

In execution of Directive of the Government of the Russian Federation dated 31.10.2014 № 7389p-P13, the Long-term development Program of the RusHydro Group for the period of 2016 – 2020, approved by the Board of Directors of PJSC RusHydro (minutes of 23.11.2016 № 244), comprises the key performance indicator «Labor efficiency», calculated as per Rosstat procedure⁵⁴.

Progress of target values for the “Labor efficiency” indicator (revenues in thousand rubles /worked man hours)

Definition	Planned for 2016	Actual for 2016
Labor efficiency (revenues, thousands of rubles/man hour)	10,24	12,33

Achievement of this indicator is due to the growth of 7,3 % of the sales revenues and reduction of average headcount by 6,1 % as a result of Company restructuring, elimination of functional duplication and operational processes optimization

Performance appraisal:

Indicator is achieved

9. Cumulative innovative KPI

9.1. Calculation:

Cumulative innovative indicator is calculated based on the below indicators, characterizing the innovation activity of the Company

9.1.1. IDP Development (actualization) quality indicator/IDP execution

Execution is defined based on final estimate of IDP development (actualization)/ IDP execution, formed by intergovernmental commission for technology development with the presidium of the

⁵⁴ Order of Rosstat dated 23.09.2014 № 576.

Presidential Council of the Russian Federation for modernization of the economy and innovative development of Russia

In compliance with the Minutes of meeting of the Intergovernmental working group for implementation of priority innovative development with the presidium of the Presidential Council of the Russian Federation for modernization of the economy and innovative development of Russia (hereafter - MVK) dated 17.12.2015 № AD-P36-247pr, the indicator of “IDP Development (actualization) quality indicator/IDP execution”, %», being part of IKPI, is calculated as follows:

«As of the end of 2016 and during the years, for which the IDP actualization is done, to use the weight coefficient with values of 0,5 for estimate of IDP Development (actualization) quality indicator and the value of 0,5 for estimate of IDP execution quality. In other years - to estimate just the IDP execution quality».

By the date of reporting on LTDP indicators execution (March 2017) the indicator «IDP Development (actualization) quality indicator/IDP execution”» cannot be calculated, as such calculation requires available estimates for both components:

a) IDP Development (actualization) quality indicator estimate- received, fixed by the Minutes of MVK dated 26.12.2016 № 23-DO1. Estimate is of 95,2 %, which is one of the highest estimates of IDP Development (actualization) quality indicator among fuel and energy sector companies

b) IDP execution quality – not done, as can be received only upon results of review by the specialized federal executive authorities of the report on IDP execution of the RusHydro Group for 2016.

In compliance with “Guidance papers for creation of monitoring system of implementation of programs for innovative development of joint-stock companies partially owned by government, state corporations and federal state unitary enterprises”, approved by decision of the working group for development of private – state partnerships in innovation sphere with the Governmental commission for high-end technologies and innovations, reporting period for the report on IFP implementation for 2016, approved by the Board of Directors, is fixed before 01.05.2017. Period for consideration of the IDP report and obtaining of evaluation for 2016 IDP execution from the Government of the Russian Federation, is not defined, but judging by the past experience, the evaluation can be received in the 2nd half of 2017.

In compliance with the approved IKPI calculation method as part of the LTDP:

«In absence of evaluation at the moment of index calculation its weight is redistributed among all other components of the indicator “Cumulative innovative KPI” in direct proportion to their weights”.

As the evaluation of the indicator “ IDP Development (actualization) quality/IDP execution” was not available on the date of preparation of report on LTDP, and in compliance with the approved IKPI calculation method, the weight of the indicator “IDP Development (actualization) quality/IDP execution” was redistributed among other components of the indicator “Cumulative Innovative KPI” in direct proportion to their weights

9.1.2. Share of R&D expenses in proceeds.

Indicator is calculated in percentage and is defined as ratio of annual volume of R&D expenses of companies, implementing the Program of innovation development in the companies of RusHydro Group, including «RAO ES of the East» Holding, to proceeds of companies, implementing the Program of innovation development in the companies of the RusHydro Group and «RAO ES of the East» Holding, upon the data of RAS for the reported period, with deduction of expenses for purchased electrical and power energy, expenses for network companies services for electrical and heat energy transmission, for internal Holding procedures, as well as revenues from services on technological connection

Indicators	Target use	Total for PJSC RusHydro and for “RAO ES of the East” Holding	Execution level
Expected proceeds, thousand rubles		236 934 898,98	
R&D financing, thousand rubles VAT included		314 353,02	
Share of R&D expenses from proceeds, %	0,25 %	0,13 %	53,2 %

Execution level - 53,2 %.

9.1.3. Increase of number of intellectual property objects, placed on the balance sheet in the reported year

Indicator is calculated in percentage and is defined as ratio of actual number of intellectual property objects, placed on the balance sheet of the companies (executed with security documents), participating in implementation of the innovative development Program in the companies of the RusHydro Group and «RAO ES of the East» Holding in the reported year, to the actual number of intellectual property objects, placed on the balance sheet of the companies (executed with security documents), participating in implementation of the innovative development Program in the companies of the RusHydro Group and «RAO ES of the East» Holding in the year, preceding the reported one.

Number of intellectual property objects, placed on balance sheet in 2015, pcs	11
Number of intellectual property objects, placed on balance sheet in 2016, pcs	12
Planned increase of number of intellectual property objects, placed on balance sheet during the reported period, %	4 %
Actual increase of number of intellectual property objects, placed on balance sheet in 2016, %	9 %

Execution level - 100 %.

9.1.4. Combustion efficiency index in power generation

Index is calculated in percentage and is defined as ratio of summary sale of electrical and heat energy in reduced units for companies, participating in implementation of Innovative development Program «RAO ES of the East» Holding, to the summary fuel consumption of these companies in reduced units for output of electrical and heat energy in the reported year

In total for «RAO ES of the East» Holding:

Planned value of "Combustion efficiency index", %"	Sale of electricity from busbars, million kVt*hour	Sale of heat energy from collectors, Gcal	Summary consumption of reference fuel for output of electrical and heat energy, ton of coal equivalent	Actual value of Combustion efficiency index, %"
51,71	25 798,76	29 967,84	14 715 044,22	50,63

Execution level - 97,9 %.

9.1.5. HPP output control efficiency

Index is calculated as ratio of average main business headcount to the installed capacity

Average main business headcount, persons	5 282,00
HPP installed capacity, Megawatt	25 118,35
Planned HPP output control efficiency, %	22,43
Actual HPP output control efficiency, %	21,03

The above index is executed at actual value below the planned one (the less is the specific headcount per unit of installed capacity, the better). Taking this into account:

Execution level - 100 %.

Calculation of cumulative innovative KPI:

$$P_{int} = \sum_{i=1}^5 P_i^0 \cdot weight_i = 53,2 \cdot 0,2143 + 100 \cdot 0,2143 + 97,9 \cdot 0,2857 + 100 \cdot 0,2857$$

$$P_{int} = 89,4 \%$$

9.2. Performance appraisal:

Indicator achieved.

10. OPEX cost (expenses) reduction

10.1. Calculation:

Index is calculated as ratio of amount of the OPEX costs (expenses) for the reported year, reduced to the base year, to the amount of the OPEX costs (expenses) of the base year

million rubles.

Measures/Cost items	Base 2014	Actual 2016	Deducted actual 2016*	effect	% of OPEX costs (expenses)
Efficient procurement procedures	946	664	558	-388	-41 %
Materials costs	475	407	342	-133	-28 %
Other costs	471	258	217	-255	-54 %
Support of assets life cycle management system	3 696	3 712	3 119	-577	-16 %
Production, maintenance and delivery services	3 696	3 712	3 119	-577	-16 %
Measures for Company organizational restructuring and business processes optimization	10 619	9 705	8 156	-2 463	-23 %
Salary payment, including insurance fees	10 619	9 705	8 156	-2 463	-23 %
Implementation and development of IT systems	709	577	485	-224	-32 %
Non-productive services	342	231	194	-148	-43 %
Other costs	367	346	291	-76	-21 %
Non-productive services cost saving	491	369	310	-181	-37 %
Non-productive services	491	369	310	-181	-37 %
<i>therewith</i>					
Transportation services		1 180	991	991	
Other services		1 324	1 112	1 112	
Total	16 461	17 530	14 732	-1 730	-11 %**

*In 2014 prices except inflation in the amount of 5,4 % in 2016, 12,9 % in 2015 as per Rosstat data.

** Given percentage of OPEX (expenses) reduction shows achievement of the planned value of the execution index of the planned measures (being the basic) and implementation of additional expenses in the reported year.

Achievement of the targeted index is grounded by execution of the Program of operating and investment activity efficiency enhancement and cost saving in PJSC RusHydro for 2016, approved by the Board of Directors as part of the Business plan of PJSC RusHydro for 2016-2020. (Minutes dated 25.12.2015 №229).

10.2. Indicator appraisal:

Target value of “Reduction of OPEX (expenses)” index is fixed on the level not less than 10 %, the actual value is 11 %.

Indicator is achieved.

Calculation and estimate of “Cumulative execution indicator of the Long-term development program” indicator

Calculation of cumulative indicator of the Long-term development program is done based on execution of the approved target indicator values as part of the Log-term development program of RusHydro Group.

$$P_{\text{intLTDP}} = \sum_{i=1}^{10} \frac{\text{exec}_i \cdot v_i}{n \cdot 100 \%}$$

$$P_{intLTDP} = 95 \%$$

Cumulative KPI of the Long-term development program is achieved
Execution level - 100 %.

13. The auditor's report on the implementation in 2016 Long-term development program of RusHydro Group for the period 2016-2020

Section 1. Brief information on the auditor

Name: ZAO «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 2016 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 2016 the Group has calculated the following actual performance results and determined the degree of achievement of the target values.

Table 1


№	Indicator (KPI)	Unit	The plan for 2016	The fact in 2016	Performance
1	Total shareholder returns (TSR)	%	100	100	Executed
2	Return of equity (ROE)	%	4,2	11,1	Executed
3	Leverage ratio	Unit	≤ 1,5	0,5	Executed
4	The limit on debt load (Debt/Ebitda)	Unit	≤ 4,0	2,2	Executed
5	Preventing accidents in production and limit the number of accidents in the Group RusHydro		at the same time	at the same time	Executed
5.1	The number of accidents in industry	Pcs	0	0	Executed
5.2	The number of accidents	Pcs	0	0	Executed
6	The schedule of commissioning of the main objects of the new construction	MW	333,48	140	Not executed
7	The share of purchases from small and medium-sized enterprise	%	≥ 18	≥ 18	Executed
8	Labor productivity (Revenue, thousand rubles/person-hours)		10,24	12,33	Executed
9	Integral innovation KPIs	%	85	89,4	Executed
10	The reduction in operating expenses (costs)	%	≥ 10	11	Executed

Calculated the actual performance of the Group for 2016 confirm implementation of the integrated purchasing program of LTDP for 2016, All the indicators are met, except in comprehensive procurement program of "Implementation of the schedule of commissioning of the main objects of the new construction."

Failure to observe this indicator is connected with the violation of the terms of input power of the Yakutskaya GRES-2 (1st stage) in consequence of the delay the General designer of JSC "Teploenergoproject Institute" timing of the development of the working documentation; breaches of the schedule of works by the General contractor JSC "TEK Mosenergo" (over 10 months); delayed delivery of equipment the customer is JSC "Yakutskaya GRES-2" gas booster compressor station and gas treatment (at 4 months); delays implementation of JSC Globalelectroservice of the project on construction of heating

mains (more than 8 months).

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 2016 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 2016 respective budgets was carried out inefficiently.



Митрофанов Л. М.
Генеральный директор
ЗАО «Эйч Эл Би Внешаудит»



30 Mar 2017

14. Information Concerning Establishment of Unified Treasuries in the Head Companies, Subsidiaries and Affiliates

In the execution of the directives of the Government of the Russian Federation dated 08.08.2014 No5110 p - P13 by the Board of Directors of PJSC RusHydro (hereinafter – the company) adopted the decision "On creation of a unified Treasury of PJSC RusHydro, its subsidiaries and dependent companies" (minutes dated 15.09.2014 No. 203) and issued instructions for holding the annual analysis of the results of creating a single Treasury Group RusHydro (minutes dated 05.05.2015 no. 215).

Developed and approved:

- Structure of the EC Group RusHydro and the concept of the organization of the payment system (hereinafter - PSA) (decision of the Board dated 20.03.2015 No. 901pr/4);
- Regulation on the EC and regulates its activity documents (decision of the Board dated 29.05.2015 No. 914pr/6).

Unified Treasury (hereinafter - UT) operates from 30.06.2015 as a single methodological and information center, which aims to regulate the activities of EC, optimization of cash flows and centralization of financial risk management the Group RusHydro.

The UT is a vertically integrated three-tier system of organization of the Treasury Group RusHydro:

- UT – at the top level of management
- The Treasury of the Sample – average control
- Treasury subsidiaries on the lower level of management.

On an annual basis, inventory the payment system of the RusHydro Group, the results of which Report an annual analysis of the results of creating a Single Treasury Group RusHydro forwarded to the Ministry of Finance of the Russian Federation and the Federal service for financial monitoring.

In the intervening period 2016 in order to further develop the EC, financial stability, transparency and efficiency of financial activities of the Group RusHydro, a decision of the Board dated 06.05.2016 No. 976pr/3 amendments to documents regulating the activities of the EC, in particular, developed and approved documents concerning the financial policy of the Group RusHydro, according to which:

- increased requirements for reliability and financial stability of partner banks;
- established uniform for all companies of the Group RusHydro rules of implementation of financial policy through the adoption of uniform Regulations, lists of banks-counterparties and risk Limits for operations with them;
- limited the powers of management of the subsidiaries a self-opening of accounts and implementation of financial policies.

Transition to the system of distributed control of the financial liabilities of the Group RusHydro. In parallel, work is continuing on automation of Treasury functions.

15. 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 2016

№	Ref. No.	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.	Rin-00023.NSH	Government of the Russian Federation	The draft Federal law "On Federal budget for 2016".	11.01.2016	20.01.2016
2.	Rin-00024.NSH	Government of the Russian Federation	On the progress of work on creation of Fund of development of technology Far Eastern Federal district.	11.01.2016	01.03.2016
3.	Rin-00167.NSH	Government of the Russian Federation	On transfer to the Government of the Altai Republic of the unfinished building of the SHPP "Cibit".	15.01.2016	26.01.2016
4.	Rin-000224.NSH	Government of the Russian Federation	On the implementation of the decisions and recommendations recorded in the minutes of the 18th meeting of the intergovernmental Russian-Kyrgyz Commission on trade-economic, scientific-technical and humanitarian cooperation from 03.12.2015.	18.01.2016	24.06.2016
5.	Rin-00676.DR	Office of the Government of the Russian Federation	For proposals with respect to the mechanism of return of funds under the loan agreement between PJSC RusHydro and JSC "Verkhne-Narynskiye HPP".	01.02.2016	02.02.2016
6.	Rin-00820.NSH	Office of the Government of the Russian Federation	About the funding for the design of overhead line 110 kV Pevek-Bilibino in 2016.	04.02.2016	09.02.2016
7.	Rin-00821.NSH	Government of the Russian Federation	On the adoption of measures aimed at elimination of violations detected by the accounts chamber of the Russian Federation.	04.02.2016	17.02.2016

8.	Rin-01422.NSH	Government of the Russian Federation	On the development of the diamond mining and diamond cutting industries.	24.02.2016	14.03.2016
9.	Rin-01608.NSH	Office of the Government of the Russian Federation	On the implementation of the decisions and recommendations recorded in the minutes on the results of the 14th session of the intergovernmental Russian-Serbian Committee on trade, economic and scientific-technical cooperation.	29.02.2016	12.05.2016
10.	Rin-01634.NSH	Government of the Russian Federation	On the instructions of the Government of the Russian Federation 02.02.2016 No. UT-P9-463 about the funding for the design of overhead line 110 kV Pevek-Bilibino in 2016.	01.03.2016	04.03.2016
11.	Rin-01972.NSH	Government of the Russian Federation	About the feasibility of expenses of ZAO "Verhne-Narynskiye HPP" for the project of construction of Verhne-Narynskiye HPP cascade at the expense of means of PJSC RusHydro.	14.03.2016	15.03.2016
13.	Rin-02169.NSH	Government of the Russian Federation	About approval of the accounting treatment of investment programs.	17.03.2016	18.03.2016
14.	Rin-02178.NSH	Government of the Russian Federation	About the direction of the Directive on innovation-driven development.	18.03.2016	18.03.2016
15.	Rin-02178.NSH	The Administration Of The President Of The Russian Federation	About the direction of information on issues of preparation and holding of the Eastern economic forum in 2016.	22.03.2016	25.03.2016
16.	Rin-02623.NSH	Government of the Russian Federation	On the substantive direction of the negotiations with Venezuela, Cuba and Nicaragua.	30.03.2016	11.06.2016
17.	Rin-02787.NSH	The Administration Of The President Of The Russian Federation	On entering into the composition of the Supervisory Board of the Foundation "Recongress".	04.04.2016	07.06.2016
18.	Rin-02790.NSH	Government of the Russian Federation	On implementation of schedule of activities to complete the construction of the Cheboksary HPP.	04.04.2016	11.04.2016
19.	Rin-02791.NSH	Government of the Russian Federation	On the return of funds invested by society in the construction of the Verhne-Narynskiye HPP cascade.	04.04.2016	23.09.2016

20.	Rin-02883.NSH	Deputy Chairman of the Government of the Russian Federation - Plenipotentiary representative of the RF President in the Far Eastern Federal district	On the financing of works on preparation of the reservoir Nizhne-Bureyskaya HPP.	06.04.2016	29.04.2016
21.	Rin-02987.NSH	Office of the Government of the Russian Federation	On power supply of the Chukotka Autonomous district.	08.04.2016	15.06.2016
22.	Rin-03016.NSH	Deputy Chairman of the Government of the Russian Federation - Plenipotentiary representative of the RF President in the Far Eastern Federal district	On technological connection of facilities of the gas transportation system "Power of Siberia" to electric networks.	11.04.2016	14.04.2016
23.	Rin-03056.NSH	Deputy Chairman of the Government of the Russian Federation - Plenipotentiary representative of the RF President in the far Eastern Federal district	On the modernization of the electric grid complex of the Sakhalin region.	11.04.2016	01.11.2016
24.	Rin-03434.NSH	Government of the Russian Federation	On the development of action Plans (roadmaps) for integrated socio-economic development of constituent entities of the Russian Federation in Far East Federal district.	21.04.2016	12.05.2016
25.	Rin-03473.NSH	Office of the Government of the Russian Federation	On examination of applications COMAR "ADBAS"	22.04.2016	29.04.2016
26.	Rin-03729.NSH	Government of the Russian Federation	Directive on the development and approval of local regulations according to the standards of procurement.	04.05.2016	12.05.2016
27.	Rin-03761.NSH	Government of the Russian Federation	The rental of hydroelectric dams of the Angara cascade.	04.05.2016	07.07.2016

28.	Rin-03762.NSH	Government of the Russian Federation	On consideration of proposals of the accounts chamber of the Russian Federation.	04.05.2016	16.05.2016
29.	Rin-03828.NSH	Government of the Russian Federation	On the implementation of projects for the construction of Taishet aluminum plant and the Krasnoyarsk metallurgical plant.	06.05.2016	14.06.2016
30.	Rin-03830.NSH	Government of the Russian Federation	About the National anti-corruption plan for 2016 - 2017 - Decree No. 147 of 01.04.2016	06.05.2016	13.05.2016
31.	Rin-04070.NSH	Office of the Plenipotentiary representative of the President of the Russian Federation in far East Federal district	Information about measures aimed at execution of orders in terms of ensuring energy supply gas production, gas processing organizations in the Far Eastern Federal district.	17.05.2016	27.05.2016
32.	Rin-04196.NSH	Government of the Russian Federation	The order about modification of the Governmental Commission on security of electricity supply.	19.05.2016	23.06.2016
33.	Rin-04239.NSH	Government of the Russian Federation	On proposals on the question of support of energy development of the Far East.	20.05.2016	25.05.2016
34.	Rin-04240.NSH	Office of the Government of the Russian Federation	For proposals on candidates to the Federal reserve of managerial staff.	20.05.2016	29.07.2016
35.	Rin-04509.NSH	Government of the Russian Federation	The Protocol on the development of grid infrastructure in the far East.	30.05.2016	24.06.2016

36.	Rin-04596.NSH	The Secretariat of the Government Commission on electricity supply security (Federal HQ)	About the change in the accounting treatment of losses of electric energy and reducing losses of PJSC RusHydro in the distribution of power from the Boguchanskaya HPP About the change in the accounting treatment of losses of electric energy and reducing losses of PJSC RusHydro in the distribution of power from the Boguchanskaya HPP.	01.06.2016	01.07.2016
37.	Rin-04597.NSH	The Government Commission on electricity distribution security	About the presentation of information.	01.06.2016	15.06.2016
38.	Rin-04701.NSH	Government of the Russian Federation	An external independent audit costs.	06.06.2016	14.06.2016
39.	Rin-04739.NSH	Office of the Government of the Russian Federation	On the development of the territory of advancing socio-economic development of Kamchatka.	06.06.2016	15.06.2016
40.	Rin-04740.NSH	Government of the Russian Federation	On the implementation of the state policy of development of the Far East.	06.06.2016	08.06.2016
41.	Rin-04827.NSH	Office of the Government of the Russian Federation	For proposals, OOO "UK "ROSNANO" on mechanisms for the investment of high-tech projects, for example, industry and corporate funds.	08.06.2016	20.06.2016
42.	Rin-05405.NSH	Government of the Russian Federation	About the position of preparedness of the formation of a joint corporate and industry funds.	27.06.2016	01.08.2016
43.	Rin-05642.NSH	Government of the Russian Federation	About the need for changes in the Contract on granting of budgetary investments from 18.12.2012, № 01-08/827 and the Agreement on granting of budgetary investments to Finance the construction of electric power facilities in the Far East of 14.12.2012, № S-718-AB/D07.	04.07.2016	21.07.2016
44.	Rin-05643.NSH	Office of the Government of the Russian Federation	Control over the construction of electric power facilities in the Far East.	04.07.2016	06.09.2016

45.	Rin-56837.NSH	Government of the Russian Federation	On the direction of Directives to representatives of interests of the Russian Federation to participate in the meetings of the Board of Directors on the development (updating) of plans to reduce operating costs by 10%.	08.07.2016	29.07.2016
46.	Rin-05906.NSH	Government of the Russian Federation	On the work to implement the orders of the Government of the Russian Federation from 07.06.2016 № DM-P9-3466r on the construction of Taishet aluminium plant.	11.07.2016	06.07.2016
47.	Rin-05908.NSH	Government of the Russian Federation	On determination of payment for technological joining of objects on manufacture of electric energy - hydro power plants to the electricity grid.	11.07.2016	14.07.2016
48.	Rin-06063.NSH	Office of the Government of the Russian Federation	On the submission of information about the graduates of the Federal program.	14.07.2016	09.08.2016
49.	Rin-06068.NSH	Government of the Russian Federation	On the organization of activities of a working group to develop proposals for the digital space of the Eurasian economic Union (Protocol No. 04-1/CPU from 07.07.2016).	14.07.2016	21.07.2016
50.	Rin-08153.NSH	Government of the Russian Federation	About the direction of the Directive.	09.09.2016	10.10.2016
51.	Rin-08675.NSH	Office of the Government of the Russian Federation	Control over the construction of electric power facilities in the Far East.	26.09.2016	29.11.2016
52.	Rin-08678.NSH	Office of the Government of the Russian Federation	On the implementation of the orders of the President of the Russian Federation on ensuring the priority to the financing of socio-economic development of the Far East in the framework of implementation of state programs and activities of development institutions and companies with state participation, including in the implementation of their investment programs.	26.09.2016	19.12.2016
53.	Rin-08839.NSH	Office of the Plenipotentiary representative of the President of the Russian Federation in far East Federal district	The present position about the correctness of the conclusions given in the report of the Government of Kamchatskiy Krai from 27.09.2016 on the implementation of the instructions of the President of the Russian Federation № PR-1968.	29.09.2016	07.10.2016
54.	Rin-09235.NSH	Office of the Plenipotentiary representative of the President of the Russian Federation in far East Federal district	About the direction of information on the implementation of the Protocol from 20.04.2016 No. UT-P9-32pr.	10.10.2016	14.10.2016

55.	Rin-09236.NSH	Government of the Russian Federation	On the provision in the Government of the Russian Federation information on the progress of negotiations, information about the potential project, financial and organizational solutions to supply electrical energy to the Asia-Pacific region.	10.10.2016	07.10.2016
56.	Rin-09469.NSH	Office of the Government of the Russian Federation	On the direction of proposals for the digital space of the Eurasian economic Union.	14.10.2016	20.10.2016
57.	Rin-09643.NSH	Deputy Chairman of the Government of the Russian Federation – Plenipotentiary representative of the RF President in the Far Eastern Federal district	On power supply of the Chukotka Autonomous district.	19.10.2016	23.11.2016
58.	Rin-09676.NSH	The Commission under the RF President on issues of strategic development of the fuel and energy sector and environmental security	To submit presentation materials, the textual part of the report and proposals in the agenda of the meeting of the Commission on the development strategy of power industry of the Russian Federation.	19.10.2016	27.10.2016
59.	Rin-10270.NSH	Office of the Plenipotentiary representative of the President of the Russian Federation in far East Federal district	On reporting on the implementation of the orders of the President of the Russian Federation to provide electricity for gas production and gas transmission capacities in the Far Eastern Federal district.	03.11.2016	11.11.2016
60.	Rin-10396.NSH	Office of the Government of the Russian Federation	On the progress and problems of implementation of investment programs realized in the territory of the Republic of Buryatia, Zabaykalsky Krai, and Irkutsk oblast.	08.11.2016	16.11.2016
61.	Rin-11407.NSH	Deputy Chairman of the Government of the Russian Federation – Plenipotentiary representative of the RF President in the Far Eastern Federal district	On completion of the construction of VL 220 kV "Orotukan-Tent-Central".	05.12.2016	12.12.2016
62.	Rin-11700.NSH	The Administration Of The President Of The Russian Federation	For proposals to the investment forum 27.02.2016 - 28.02.2016.	12.12.2016	20.12.2016
63.	Rin-11874.NSH	Office of the Government of the Russian Federation	On ensuring the energy supply of the Chukotka Autonomous Okrug in the replacement of retired generating facilities. The plan of measures ("Roadmap").	16.12.2016	06.02.2017

64.	Rin-12047.NSH	Government of the Russian Federation	On the preparation and holding of the International conference on development of oil and gas resources of Russian Arctic and continental shelf of CIS - 12.09.2017 - 15.09.2017.	17.12.2017	17.01.2017
65.	Rin-12274.NSH	Deputy Chairman of the Government of the Russian Federation – Plenipotentiary representative of the RF President in the Far Eastern Federal district	On submission of agreed proposals for implementation on the territory of the Russian Far East investment projects in the energy sector with the participation of Japanese investors.	22.12.2016	27.02.2017
66.	Rin-12329.NSH	Office of the Government of the Russian Federation	On the need for a timely update on Portal of information about reservists.	28.12.2016	09.01.2017

16. 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.

In the capacity of the most significant transactions performed in 2016 by controlled organizations that have for the PJSC RusHydro substantial significance there is an overview of major transactions, transactions in fulfillment of which there is an interest and a decision on which is adopted by the General shareholders meeting of a corresponding controlled entity, as well as transactions, the amount of obligations under which is 10 and more percent of the balance value of the corresponding controlled entity assets (excluding intra-group).

In 2016 from controlled organizations having for PJSC RusHydro a significant value of such transactions was done only PJSC «RAO ES of the East».

Of the transaction, the size of obligations under which is 10 and more percent of the book value of assets of PJSC RusHydro do not occur.

Controlled by the PJSC RusHydro of the organization, having substantial significance for it as of 31.12.2016

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 East»**
3. Full corporate name: **Public Joint-Stock Company «Far Eastern Energy Company»**
Abbreviated company name: **PJSC «FEEC»**
4. Full corporate name: **Stock company «Far Eastern Generating Company»**
Abbreviated company name: **SC «FEGC»**
5. Full corporate name: **Public Joint-Stock Company «Krasnoyarskenergosbyt»**
Abbreviated company name: **PJSC «Krasnoyarskenergosbyt»**
6. Full corporate name: **Public Joint-Stock Company «Yakutskenergo»**
Abbreviated company name: **PJSC «Yakutskenergo»**

An overview of the most significant transactions of PJSC «RAO ES of the East» in 2016

№ No.	Type and subject of a transaction	Transaction Parties	Content of a transaction, including civil rights and obligations, on establishment, modification or termination of which a transaction is directed	Deadline for the fulfillment of the obligation under the transaction, parties and beneficiaries under the transaction, the amount of the transaction in money terms and in percentage of the value of the issuer's assets	The value of assets of the controlled company that has substantial significance for PJSC RusHydro as at the end date of accounting period (quarter, year), that preceded making the transaction (date of contract) and concerning which book-keeping (financial) report is composed in accordance with legislation of the Russian Federation	Transaction closing date (date of contract)	Data on transaction approval PJSC RusHydro	Category of transaction in relation to a controlled entity that has substantial significance for PJSC RusHydro	Regulatory body of a controlled entity that has substantial significance for PJSC RusHydro, having taken decision about transaction approval	Date of taking decision about transaction approval	Date of composing and number of Minutes of Meeting (proceedings) of authorized regulatory body of a controlled entity that has substantial significance for PJSC RusHydro, where the decision about transaction approval was taken
1	The agreement on opening of non-revolving credit line for financing the project "Construction of off-site infrastructure for the Sakhalin GRES-2"	The lender – PJSC "Sberbank"; the Borrower - PJSC "RAO ES East"	PJSC "Sberbank" shall open for the Borrower a non-revolving credit line in the amount and on the terms stipulated in the agreement, and PJSC "RAO ES of the East" undertakes to return the obtained loan and pay interest for the use of them	The period of performance of obligations under the transaction: until 28 July 2028; Parties and beneficiaries under transaction: the Lender – PJSC "Sberbank"; the Borrower - PJSC "RAO ES East"; The size of the transaction in monetary terms: 10 290 130 251,35 RUB x 1 The size of the transaction in percentage of the	45 859 198 000 RUB	28.07.2016	The transaction is not approved	Significant transaction, the size of obligations under which is 10 and more percent of balance cost of assets of the Issuer	_____	_____	_____

				Issuer's assets value: 22.44							
2	The agreement about opening of credit line for the purpose of: refinancing credit portfolio	The lender – VTB Bank (PJSC); Borrower - PJSC "RAO ES of the East"	Bank VTB (PJSC) under the contract undertakes to open Credit Line in the amount and on conditions specified in the Contract, and PJSC "RAO ES of the East" shall return the Credit obtained under the Credit line, pay interest and fulfill other obligations under the Contract	The period of performance of obligations under the transaction: the loan period until 22 December 2018; Parties and beneficiaries under transaction: the Lender – VTB Bank (PJSC); Borrower - PJSC "RAO ES of the East"; The size of the transaction in monetary terms: 8 548 523 835,60 RUB x 1 The size of the transaction in percentage of the Issuer's assets value: 16.61	51 459 878 000 RUB	23.12.2016	The transaction is not approved	Significant transaction, the size of obligations under which is 10 and more percent of balance cost of assets of the Issuer	_____	_____	_____

17. Information about terms of office (in accordance with the employment contract) of members of the collegial executive body and the person acting as the sole executive body

Members of the Board of PJSC RusHydro 31.12.2016		
Surname, given name, patronymic	Duty Position	Terms of office in accordance with the employment contract
Shulginov Nikolay Grigorievich	Chairman of the Management Board - General Director	14.09.2020
Bogush Boris Borisovich	Member of the Management Board, First Deputy Director General – engineer in chief	termless
Kirov Sergey Anatolievich	Member of the Management Board, First Deputy Director General	termless
Rizhinashvili George Ilich	Member of the Management Board, First Deputy Director General	termless
Kazachenkov Andrey Valentinovich	Member of the Management Board, First Deputy Director General	termless
Markin Vladimir Ivanovich	Member of the Management Board, First Deputy Director General	termless

18. Auditor's report on financial statements 2016. Translation from Russian original

19. Consolidated financial statements prepared in accordance with ifrs with independent auditor's report as at and for the year ended 31 December 2016

20. Conclusion the audit commission public joint stock company «Federal hydrogenerating company RusHydro» (PJSC RusHydro) the results of the financial and economic activities audit for 2016

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

Auditor's Report
on Financial Statements
2016

Translation from Russian original



Auditor's Report

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

Client

Public Joint-Stock Company Hydro-Generating Company – RusHydro (PJSC RusHydro)

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

660017, Russian Federation, Krasnoyarsky region, Krasnoyarsk

Auditor

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

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

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

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

Major registration record number (ORNZ) in the register of auditors and audit organisations – 11603050547.

*AO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru*

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



Auditor's Report

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

We have audited the attached financial statements of Public Joint-Stock Company Hydro-Generating Company – RusHydro (hereinafter – PJSC RusHydro) which comprise the balance sheet as of 31 December 2016, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2016 and notes to the balance sheet and statement of financial results (hereinafter all the reports together are referred to as the “financial statements”).

PJSC RusHydro's responsibility for the financial statements

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

The auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC RusHydro as of 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.



Auditor's Report

Emphasis of matter

Without modifying our opinion on the fairness of the financial statements we draw attention to Note 3.1.2 Long-term investments (balance sheet line 1170) to the financial statements which describes the reasons for non-revaluation of quoted financial investments in shares of PAO RAO ES of East, PAO Yakutskenergo and PAO Far East Energy Company at their current market values.

As of 31 December 2016 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 6,614 million, as of 31 December 2015 – RUB 5,047 million.

Director of AO PricewaterhouseCoopers Audit

A. S. Ivanov

30 March 2017

BALANCE SHEET

as at 31 December 2016

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)
 OKPO
 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES	
Form on OKUD	0710001
Date (year, month, day)	2016/12/31
OKPO	75782411
INN	2460066195
OKVED	35.11.2
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	1,324	893	1,032
	Results of research and development	1120	1,077	1,091	843
3.1.1	Property, plant and equipment, incl.:	1150	409,109	392,723	378,027
	fixed assets	1151	372,514	344,986	321,645
	construction in process	1152	36,595	47,737	56,382
3.1.1	Income-bearing investments in tangible assets	1160	-	7,065	7,189
3.1.2	Financial investments, incl.:	1170	292,273	320,097	264,352
	investments in subsidiaries, associates and other entities	1171	264,587	267,664	230,313
	loans issued	1172	27,085	51,832	34,039
	promissory notes	1173	601	601	-
3.1.3	Other non-current assets	1190	4,703	3,287	3,538
	Total Section I	1100	708,486	725,156	654,981
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	4,252	4,115	3,437
3.9	Value added tax on goods purchased	1220	51	40	105
3.2.2	Accounts receivable, incl.:	1230	149,614	129,291	144,565
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	62,615	62,549	62,341
	buyers and customers	1231.1	178	976	409
	advances issued	1231.2	20,004	28,524	31,099
	promissory notes	1231.3	29,312	28,578	27,563
	loans issued	1231.4	11,258	3,447	1,503
	other debtors	1231.5	1,863	1,024	1,767
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	86,999	66,742	82,224
	buyers and customers	1232.1	7,120	6,741	5,840
	advances issued	1232.2	10,206	14,495	12,870
	promissory notes	1232.3	5,459	20,809	19,119
	loans issued	1232.4	30,792	12,925	26,384
	other debtors	1232.5	33,422	11,772	18,011
3.2.3	Financial investments (excl. cash equivalents), incl.:	1240	5,305	15,879	43,446
	bank deposits	1241	4,075	10,609	33,307
	loans issued	1242	1,230	5,270	10,139
3.2.4	Cash and cash equivalents	1250	40,954	18,139	9,032
	Other current assets	1260	11	11	14
	Total Section II	1200	200,187	167,475	200,599
	TOTAL	1600	908,673	892,631	855,580

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Note	Narrative	Line code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
1	2	3	4	5	6
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	386,255	386,255	386,255
3.3.2	Revaluation of non-current assets	1340	52,705	52,928	53,111
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	58,424
3.3.4	Reserve capital	1360	11,278	9,776	8,240
	Retained earnings (loss), incl.:	1370	260,674	235,086	212,430
	undistributed profit of previous years	1371	218,797	205,064	181,701
	undistributed profit of the current year	1372	41,877	30,022	30,729
	Total Section III	1300	769,336	742,469	718,460
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	94,848	105,070	92,262
3.9	Deferred tax liabilities	1420	13,676	12,402	9,672
3.4.2	Other liabilities	1450	3,746	2,195	2,335
	Total Section IV	1400	112,270	119,667	104,269
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	14,025	18,940	21,915
3.5.2	Accounts payable, incl.:	1520	9,681	9,822	8,575
	suppliers and contractors	1521	4,190	5,492	5,295
	payables to employees	1522	24	669	823
	payables to state non-budgetary funds	1523	14	135	119
	taxes payable	1524	4,697	3,103	1,923
	dividends payable	1525	122	67	65
	payables in respect of shares issued	1526	33	-	-
	other creditors	1527	601	356	350
	Income of future periods	1530	73	70	75
3.5.3	Estimated liabilities	1540	2,447	601	1,405
	Other liabilities	1550	841	1,062	881
	Total Section V	1500	27,067	30,495	32,851
	TOTAL	1700	908,673	892,631	855,580

Chairman of Management Board – General Director

N. G. Shulginov

(clarification of signature)

Chief accountant

Y. GV. Medvedeva

(clarification of signature)

30 March 2017

STATEMENT OF FINANCIAL RESULTS

for the year ended 31 December 2016

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)
 OKPO
 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES	
Form on OKUD	0710002
Date (year, month, day)	2016/12/31
OKPO	75782411
INN	2460066195
OKVED	35.11.2
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	Year ended 31 December 2016	Year ended 31 December 2015
1	2	3	4	5
3.7.1	Revenue	2110	115,033	107,099
3.7.2	Cost of sales	2120	(56,356)	(63,969)
	Gross profit	2100	58,677	43,130
	Profit from sales	2200	58,677	43,130
3.12.7	Income from participation in other companies	2310	9,481	809
	Interest income	2320	8,777	9,362
	Interest expense	2330	(7,592)	(8,251)
3.8	Other income	2340	23,754	15,005
3.8	Other expense	2350	(38,336)	(20,396)
	Profit before tax	2300	54,761	39,659
3.9	Current income tax, incl.:	2410	(11,188)	(6,814)
	permanent tax liabilities	2421	1,776	(1,902)
	Change in deferred tax liabilities	2430	(2,658)	(2,786)
	Change in deferred tax assets	2450	1,384	(152)
	Other	2460	(422)	115
	Net profit	2400	41,877	30,022
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	41,877	30,022
3.11	Basic earnings per share, RR	2900	0,10842	0,07773

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

30 March 2017

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

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)
 OKPO
 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES
0710003
2016/12/31
75782411
2460066195
35.11.2
12247 / 41
385

I. Changes in equity

Narrative	Line code	Share capital	Additional capital	Reserve capital	Retained earnings	Total
1	2	3	4	5	6	7
Equity as of 31 December 2014	3100	386,255	111,535	8,240	212,430	718,460
for 2015						
Increase of equity, including:	3210	-	-	-	30,022	30,022
net profit	3211	x	x	x	30,022	30,022
additional shares issue	3214	-	-	x	x	-
Decrease of equity, including:	3220	-	-	-	(6,013)	(6,013)
Dividends	3227	x	x	x	(6,013)	(6,013)
Other	3228	-	-	x	-	-
Additional capital change	3230	x	(183)	x	183	x
Reserve capital change	3240	x	x	1,536	(1,536)	x
Equity as of 31 December 2015	3200	386,255	111,352	9,776	235,086	742,469
for 2016						
Increase of equity, including:	3310	-	-	-	41,877	41,877
net profit	3311	x	x	x	41,877	41,877
additional shares issue	3314	-	-	x	x	-
Decrease of equity, including:	3320	-	-	-	(15,010)	(15,010)
Dividends	3327	x	x	x	(15,010)	(15,010)
Other	3328	-	-	x	-	-
Additional capital change	3330	x	(223)	x	223	x
Reserve capital change	3340	x	x	1,502	(1,502)	x
Equity as of 31 December 2016	3300	386,255	111,129	11,278	260,674	769,336

III. Net assets

Narrative	Line code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
1	2	3	4	5
Net assets	3600	769,399	742,536	718,529

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

30 March 2017

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

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**

CODES	
Form on OKUD	0710004
Date (year, month, day)	2016/12/31
OKPO	75782411
INN	2460066195
OKVED	35.11.2
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	For 2016	For 2015
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	118,301	108,833
	sales of products, goods, work and services	4111	113,249	105,028
	lease payments, license payments, royalties, commissions and other payments	4112	843	1,099
3.2.4	other receipts	4119	4,209	2,706
	Payments including:	4120	(59,326)	(64,139)
	to suppliers (contractors) – raw materials, works and services	4121	(22,137)	(29,796)
	wages and salaries	4122	(6,471)	(7,429)
	interest on debt liabilities	4123	(7,788)	(7,484)
	corporate income tax	4124	(10,864)	(6,202)
3.2.4	other payments	4129	(12,066)	(13,228)
	Net cash flows from operating activities	4100	58,975	44,694
	Cash flows from investing activities			
	Receipts, including:	4210	49,554	48,222
	sale of non-current assets (except for investments)	4211	9,382	150
	sale of shares of other organisations (ownership interest)	4212	44	11
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	22,459	14,086
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	9,091	11,244
3.2.4	other receipts	4219	8,578	22,731
	Payments, including:	4220	(58,435)	(84,704)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(20,580)	(28,969)
	related to purchase of shares of other organisations (ownership interest)	4222	(23,951)	(35,317)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(10,893)	(17,739)
	borrowing costs included in the cost of the investment assets	4224	(3,011)	(2,679)
	Net cash flows from investing activities	4200	(8,881)	(36,482)

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Note	Narrative	Line code	For 2016	For 2015
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	15,750	27,034
	borrowings and bank loans	4311	719	2,037
	issue of shares, increase in ownership interest	4313	33	-
	issue of bonds, promissory notes and other debt securities, etc.	4314	14,998	24,997
	Payments, including:	4320	(42,934)	(26,061)
	dividends and other distributions to owners	4322	(14,977)	(5,964)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(27,949)	(20,067)
3.2.4	other payments	4329	(8)	(30)
	Net cash flows from financing activities	4300	(27,184)	973
	Net cash flows for the reporting period	4400	22,910	9,185
3.2.4	Cash and cash equivalents at the beginning of the reporting period	4450	18,139	9,032
3.2.4	Cash and cash equivalents at the end of the reporting period	4500	40,954	18,139
	Foreign exchange rate difference	4490	(95)	(78)

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

Y. G. Medvedeva
(clarification of signature)

30 March 2017

Explanatory Notes to the 2016 balance sheet and statement of financial results

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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 and sale of electricity (power). The Russian Government is the Company's major shareholder.

The Company's registered address is: 43 Dubrovinskogo str., bld. 1, Krasnoyarsk, Krasnoyarsk Territory, Russian Federation, 660017. The Company's postal address: 7, Malaya Dmitrovka str., Moscow, Russian Federation, 127006.

As of 31 December 2016 the Company employed 5,499 people (as of 31 December 2015 – 5,635 people).

The Company's shares are traded on OAO MICEX-RTS stock exchange (<http://moex.com>). American depository 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 2016 the ownership share of the Russian Federation in the Company's share capital amounted to 66,84%.

As of 31 December 2016 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 2016 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 of OAO 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, President, PAO Polyus Zoloto;
- Kravchenko Vyacheslav Mikhailovich, Deputy Minister of Energy of the Russian Federation;
- Pivovarov Vyacheslav Victorovich, Chief Executive Officer, LLC Altera Capital;
- Podguzov Nikolay Radievich, Deputy Minister of Economic Development of Russian Federation;
- Rogalev Nikolay Dmitrievich, rector of the Federal State Budget Educational Institution of Higher Education "National Research University "MEI";
- Chekunov 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, OJSC Rosneft;
- Shulginov Nikolay Grigoryevich, Chairman of Management Board, General Director, PAO RusHydro.

According to the decision made by the Company's general meeting of shareholders held on 27 June 2016 (Minutes No 15) Grachev Pavel Sergeevich, Podguzov Nikolay Radievich, Rogalev Nikolay Dmitrievich, Chekunov Alexey Olegovich, Shulginov Nikolay Grigoryevich were elected

to the Board of Directors; the powers of Dod Evgeny Vyacheslavovich, Zimin Victor Mikhaylovich, Kalanda Larisa Vyacheslavovna, Morozov Denis Stanislavovich and Osipov Alexander Mikhailovich were terminated.

As of 31 December 2016 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,
- Rizhinashvili George Ilyich, First Deputy General Director,
- .

There were following changes in Management Council during 2016 year:

- according to the decision made by the Company's Board of Directors held on 10.12.2015 (minutes № 228) the powers of Tokarev Vladimir Alexandrovich were terminated since 11.01.2016,
- according to the decision made by the Company's Board of Directors held on 25.02.2016 (minutes № 232) Kazachenkov Andrey Valentinovich was elected to the Management Council.
- As of 31 December 2016 members of the Company's Internal Audit Commission included:
 - Anninkova Natalia Nikolaevna, First deputy of General Director on economics and finance OJSC "Stroitelnoe upravlenie №308",
 - Bogashov Aleksandr Evgenyevich, head of department at the Russian Energy Ministry,,
 - Kant Mandal Denis Rishievich, Acting Head of department at the Federal Property Management Agency,
 - Repin Igor Nikolaevich, Deputy Executive Director, Investor protection association,
 - Hvorov Vladimir Vasilyevich, Department Leading Expert in the Russian Ministry of Economic Development.

According to the decision made by the Company's annual general meeting of shareholders held on 27 June 2016 (Minutes No 15) Bogashov Aleksandr Evgenyevich was elected to the Internal Audit Commission; the powers of Kharin Andrey Nikolaevich were terminated.

1.2 The Company's operating environment

The Russian economy displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas price fluctuations. The legal, tax and customs frameworks continue to develop and are subject varying interpretation.

Continuing politic tensions and international sanctions negatively influenced on Russian economy at 2016 year. Mentioned factors contributed to economy downturn that is characterized with decrease of gross domestic product. Financial markets are still characterized with lack of stability, frequent and considerable price changes and increase of trade operations spreads.

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.

Developing capacity and power wholesale and retail markets possess higher level of risks than developed markets of other products and services.

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.

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 country risk may be indirectly assessed by credit rating with some assumptions (less political risks for business). Due to external factors such as oil price and Rouble currency rate decrease rating of Russia as for the end of 2014 was reduced from BBB at stable forecast to BB+ at negative forecast according to international rating agency Standard & Poor's which is negative factor that is connected with anti-Russian sanctions. The country risk level may differ depending on the continuity or termination of this policy.

In 2016, the credit rating of Russia under the version of the international rating agency Standard & Poor's remains at the level of BB +, while the forecast has been revised from negative to stable. According to analysts, external risks for the Russian Federation decreased, the Russian economy adapts to low world prices for raw materials.

Also in 2016 international rating agency Standard & Poor's confirmed Company's long-term credit rating at BB level, but changed forecast from stable to positive.

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 company takes the required steps to prevent negative influence of the above risks on its operations.

The Russian regions where the Company performs its operations are characterised by peaceful political situation. Probability of war conflicts, strikes, introduction of the state of emergency in these regions is low except for entities located in North-Caucasus Federal District.

However, changes in the Company's business environment in Russia and in the regions of the Company's presence, the nature and frequency of such changes and related risks are hard to predict and so are their effects on the Company's operations in the future. Such risks are largely beyond the Company's control due to their global scale. If the situation is destabilised in Russia or in any Russian regions, the Company will implement crisis management strategies to minimise the risk of the negative effect of the situation on the Company to the fullest extent possible.

To manage the risks the Company is implementing a complex action plan to enhance safety of the Company's facilities under which the existing plan on ensuring safety at the power plants, including those under construction is amended.

Reputation risks

Reputation risks are associated with a decrease in the number of an entity's customers as a result of negative perception of the quality of products, works, services sold, the ability to meet the deadlines for products delivery, work performance, etc.

The Company assesses its exposure to these risks as low due to the fact that the Company sells electricity and capacity in the wholesale market and has high and sustainable reputation in the market.

To manage these risks the Company analyses key indicators of reputation risks based on the forecast of changes in the share of positive references in mass media, control over compliance with production and market discipline, cooperating actively with all stakeholders to maintain high reputation. 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 60.6569 as of 31 December 2016 (31 December 2015: USD 1 = RUB 72.8827, 31 December 2014: USD 1 = 56.2584), EUR 1 = RUB 63.8111 as of 31 December 2016 (31 December 2015: EUR 1 = RUB 79.6972, 31 December 2014: EUR 1 = RUB 68.3427).

Exchange differences arising during the year from translation (including those as of the reporting date) of foreign currency-denominated assets and liabilities payable in foreign currencies or Russian roubles were reported in the statement of financial results as other income or expenses.

2.3 Accounting for assets and liabilities

In the balance sheet, investments, accounts receivable and accounts payable, including bank credits and estimated liabilities, are treated as short-term if the term of their circulation (maturity) does not exceed 12 months after the reporting date. Other assets and liabilities are recognised as long-term.

Interest on loans issued and other investments are recorded in the balance sheet line 1230 "Accounts receivable"; interest on bank credits and loans received are recorded in the balance sheet line 1510 "Borrowings".

Advances to the suppliers of equipment and capital construction contractors are recognised in line 1230 "Accounts receivable".

Advances issued and received are recorded in the balance sheet including VAT. VAT on advances issued and received is recognised on a gross basis in the balance sheet line 1260 "Other current assets", 1450 "Other liabilities" and 1550 "Other liabilities", respectively.

Deferred tax asset and deferred tax liability are recognized on the balance sheet on a net basis.

2.4 Property, plant and equipment, construction-in-progress and income-bearing investments in tangible assets

Property, plant and equipment are accounted for in accordance with the Russian Accounting Regulation "Accounting for property, plant and equipment" (RAR 6/01).

Property, plant and equipment include land, buildings, facilities, machinery, equipment, transport vehicles and other assets whose useful lives are over 12 months.

Property, plant and equipment are recognized at their historical cost equal to actual acquisition (construction, production) cost. At the same time, fixed assets received in 2008 in connection with the merger of subsidiaries and affiliates (hereinafter - "SDCs") 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 (hereinafter - SAC) into the Company in 2008 or over the whole period of their operation, if they were put into operation after merging SAC into the Company.

The Company does not perform the revaluation of property, plant and equipment items.

Useful lives of the acquired property, plant and equipment including those which had been in operation before the acquisition, received as a contribution to the share capital or under legal succession in connection with restructuring, are established by the review committee for commissioning of a facility based on the Classification of the Company's property, plant and equipment when PP&E item is initially recognised. Useful lives of assets which were in use in prior periods are determined with consideration to the number of years (months) they were used by the previous owner.

The adopted standard useful lives by groups of property, plant and equipment in accordance with the Classification of the Company's property, plant and equipment are presented below.

Property, plant and equipment group	Useful lives of property, plant and equipment (years) on the balance sheet
Facilities and transmission equipment	3 to 100
Machinery and equipment	1 to 40
Buildings	7 to 75
Other	1 to 20

Depreciation of property, plant and equipment is accrued on a straight-line basis proceeding from their historical values and depreciation rates calculated based on their useful lives.

Depreciation is not accrued on:

- land plots and natural resources;
- 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 SDCs (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 OAO MICEX-RTS (<http://moex.com>).

Investments for which no current market value is determinable are recorded on the balance sheet at their carrying (book) value, except for investments for which there are indications that the decline in their value (impairment) is significant and non-temporary as of the reporting date.

Investments are tested for their impairment once a year as of 31 December of the reporting year, if there are indications of impairment.

The Company accrues the impairment provision for the amount of difference between carrying (book) value and estimated value of the investments with regard to investments for which significant and constant impairment indicators are proved by impairment test. The estimated value of investments is determined based on the data about net assets, revenue, composition of expenses, schedule of projects financing and other factors.

Despite of the fact that well-grounded judgements are applied to determine the estimated value of investments, there are unavoidable limitations as in any valuation technique. Therefore, the estimated value represents the Company management's best estimate based on all the information available as of the reporting date. Future events will also have impact on determining the estimated value and impact of such events can be significant for the Company's financial statements.

Difference between the historical cost and nominal value of debt securities for which current market value is not determinable, is recorded on a straight-line basis during the period of their circulation and is recognised in the Company's financial results within other income (expenses). When investments for which current market value is not determinable are disposed, they are carried at book value of each unit of these investments except for issuance securities (shares, bonds) which are disposed under FIFO; when investments for which current market value is determinable under the established procedure are disposed - based on the latest valuation.

The Company discloses information about measurement at discounted value, the amount of the discounted value of debt securities of other related parties and loans issued to them.

Income and expenses associated with investments are reported within other income or expenses. Interest on loans issued and other income from investments are recognised in the balance sheet line 1230 "Accounts receivable".

2.6 Inventories

Inventories are accounted for in accordance with the Russian Accounting Regulation "Accounting for inventories" (RAR 5/01).

Inventories are accounted for at their actual cost of acquisition (production).

If market value of inventories as of the end of the reporting year is below their historical cost including due to on-going (long-term) price reduction, Company makes a provision in the amount of inventory impairment which is charged against increase in other expenses. Such inventories are recognised on the balance sheet net of the inventories' impairment provision.

The average cost method is applied to determine the material expenses when writing-off inventories used to produce goods (provide services).

2.7 Expenses of future periods

Expenses incurred by the Company in the reporting period but related to future reporting periods (payments under voluntary and mandatory insurance of property and employees, one-off payments to purchase licenses and other expenses) are recorded as expenses of future periods. These expenses are written-off for the purpose intended on a straight-line basis during the periods which they relate to.

Expenses of future periods to be written-off during the period exceeding twelve months are recognised on the balance sheet as non-current assets in line 1190 "Other non-current assets"; those to be written-off during twelve months - in line 1210 "Inventories".

2.8 Accounts receivable

Trade receivables are accounted for in the amount of services provided, works performed, good dispatched at justified prices and established tariffs. Settlements with other debtors are recognised for accounting and reporting purposes based on the contractual prices. Accounts receivable 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.

Doubtful debts provision is made on a quarterly basis as of the end of the respective period. The provision amount is separately determined based on the unbiased information about solvency of the specific debtor and assessment of probability of receivables repayment in full or partially.

Accrual (release) of doubtful debts provision increases other expenses (income).

Uncollectable receivables are written-off when recognized as such. These receivables are recorded in off-balance-sheet accounts over five years after the debt is written off for monitoring whether there is a possibility of their collection in case of any changes in the debtor's property status.

2.9 Cash equivalents and presentation of cash flows in the statement of cash flows

Cash equivalents comprise current highly liquid investments, which are readily convertible into a predictable amount of cash and are exposed to an insignificant risk of changes in value.

The Company recognises short-term bank deposits with a maturity of up to three months (not longer than 91 days) within cash equivalents if they are treated as funds used for settlements and repayment of liabilities, not intended for investment and other purposes.

The Company's cash flows which cannot be clearly attributed to cash flows from operating, investing or financing activities are included in the cash flows from operating activities in the statement of cash flows. Such cash flows include receipts and payments related to financial instruments of forward deals.

The following items are presented on a net basis in the statement of cash flows:

- indirect taxes within receipts from buyers and customers and payments to suppliers and contractors;
- cash flows used for investing activities and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period.

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 when the respective trading positions are closed;
- fines, penalties and interest for breaching contractual terms, compensation of losses caused by the Company;
- prior year losses identified in the reporting period (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010);
- charity and social security;
- expenses incurred as a result of extraordinary events in business operations (natural disaster, fire, accident, etc.)
- other expenses according to RAR 10/99.

2.15 Changes in the accounting policies

There are no significant changes in the Company's accounting policies for 2016 and 2017 based on the Russian Accounting Regulation "Accounting policies of an organisation" (RAR 1/2008).

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 2016	31 December 2015	31 December 2014
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	192,240	189,819	188,410
Machinery and equipment	140,215	120,251	98,216
Buildings	39,539	34,274	34,457
Motor vehicles	6	23	56
Production and maintenance tools	293	412	281
Land plots	4	4	3
Other types of property, plant and equipment	217	203	222
Total line 1151 "Property, plant and equipment"	372,514	344,986	321,645
Line 1160 Income-bearing investments in tangible assets, including:			
Facilities and transmission equipment	-	7,065	7,189
Total in line 1160 "Income-bearing investments in tangible assets"	-	7,065	7,189

As of 31 December 2016 there are no income-bearing investments in tangible assets (as of 31 December 2015 – RUB 7,065 million, as of 31 December 2014 – RUB 7,189 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.

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Availability and movement of property, plant and equipment and income-bearing tangible assets

Narrative	Period	At the beginning of the year		Changes for the period				At the end of the year	
		Cost	Accumulated depreciation	Additions*	Disposals		Depreciation accrued*	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment including:	2015	389,140	(67,495)	42,761	(3,401)	1,414	(17,433)	428,500	(83,514)
	2016	428,500	(83,514)	43,735	(1,291)	890	(15,806)	470,944	(98,430)
Facilities and transmission equipment	2015	213,984	(25,574)	7,633	(2,260)	367	(4,331)	219,357	(29,538)
	2016	219,357	(29,538)	6,783	(63)	11	(4,310)	226,077	(33,837)
Machinery and equipment	2015	135,135	(36,919)	34,270	(997)	947	(12,185)	168,408	(48,157)
	2016	168,408	(48,157)	30,786	(1,081)	824	(10,565)	198,113	(57,898)
Buildings	2015	38,672	(4,215)	574	(12)	4	(749)	39,234	(4,960)
	2016	39,234	(4,960)	6,106	(96)	20	(765)	45,244	(5,705)
Motor vehicles	2015	82	(26)	5	(37)	8	(9)	50	(27)
	2016	50	(27)	-	(37)	21	(1)	13	(7)
Production and maintenance tools	2015	889	(608)	266	(89)	86	(132)	1,066	(654)
	2016	1,066	(654)	18	(9)	9	(137)	1,075	(782)
Land plots	2015	3	-	1	-	-	-	4	-
	2016	4	-	-	-	-	-	4	-
Other types of property, plant and equipment	2015	375	(153)	12	(6)	2	(27)	381	(178)
	2016	381	(178)	42	(5)	5	(28)	418	(201)
Income-bearing investments in tangible assets including:	2015	7,592	(403)	-	-	-	(124)	7,592	(527)
	2016	7,592	(527)	-	(7,592)	641	(114)	-	-
Facilities and transmission equipment	2015	7,592	(403)	-	-	-	(124)	7,592	(527)
	2016	7,592	(527)	-	(7,592)	641	(114)	-	-

* Cost of property, plant and equipment received in 2016 and depreciation for the period includes cost of property, plant and equipment repurchased at the expiration of the lease agreements and accumulated depreciation of RUB 1,063 million (for 2015: RUB 3,679 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	2016	2015
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	23,345	23,674
Machinery and equipment	15,969	17,769
Buildings	5,592	230
Facilities and transmission equipment	1,784	5,673
Other types of property, plant and equipment	-	2
Decrease in value of property, plant and equipment as a result of partial liquidation including:	160	96
Machinery and equipment	151	86
Other types of property, plant and equipment	9	10

Other use of property, plant and equipment

Narrative	31 December 2016	31 December 2015	31 December 2014
Leased out PP&E recognised on the balance sheet	1,451	1,604	1,760
Leased PP&E recognised in the off-balance-sheet accounts	33,862	38,490	34,097
Real estate assets which were put into operation and actually used but are in the process of state registration	5,924	2,552	2,094
PP&E that have been temporarily shut down	80	89	77

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:	2015	56,382	31,083	(44)	(602)	(39,082)	47,737
	2016	47,737	31,778	(252)	4	(42,672)	36,595
Construction-in-progress	2015	51,503	14,698	(21)	15,579	(38,831)	42,928
	2016	42,928	15,900	(234)	16,997	(42,353)	33,238
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2015	35	262	(1)	-	(251)	45
	2016	45	282	(17)	33	(319)	24
Equipment for installation	2015	4,844	16,123	(22)	(16,181)	-	4,764
	2016	4,764	15,596	(1)	(17,026)	-	(3,333)

* 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 2016	31 December 2015	31 December 2014
Investments in subsidiaries	244,104	252,713	216,413
Investments in associates	11,110	11,110	11,210
Investments in other entities	9,373	3,841	2,690
Long-term loans issued	27,085	51,832	34,039
Debt securities	601	601	-
Total line 1170 "Financial investments"	292,273	320,097	264,352

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

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Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
Long-term investments including:	2015	281,529	(17,177)	62,904	780	(5,552)	-	(2,387)	338,881	(18,784)
	2016	338,881	(18,784)	11,239	5,532	(29,207)	-	(15,388)	320,913	(28,640)
Investments in subsidiaries	2015	216,427	(14)	38,771	-	(35)	-	(2,436)	255,163	(2,450)
	2016	255,163	(2,450)	8,787	-	(2,017)	-	(15,379)	261,933	(17,829)
Investments in associates	2015	11,226	(16)	-	-	(100)	-	-	11,126	(16)
	2016	11,126	(16)	-	-	-	-	-	11,126	(16)
Investments in other entities	2015	12,938	(10,248)	401	780	(79)	-	49	13,260	(9,419)
	2016	13,260	(9,419)	9	5,532	-	-	(9)	13,269	(3,896)
Long-term loans issued	2015	34,039	-	23,131	-	(5,338)	-	-	51,832	-
	2016	51,832	-	2,443	-	(27,190)	-	-	27,085	-
Debt securities	2015	6,899	(6,899)	601	-	-	-	-	7,500	(6,899)
	2016	7,500	(6,899)	-	-	-	-	-	7,500	(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 2016		31 December 2015		31 December 2014	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	244,104		252,713		216,413	
AO Zagorskaya GAES-2	60,691	100.00%	60,691	100.00%	55,924	100.00%
AO Ust-Srednekanskaya GES	23,111	67.82%	23,111	67.82%	23,111	67.82%
PAO RAO ES of East	18,495	84.39%	18,495	84.39%	18,495	84.39%
AO Zaramagskie GES	17,216	99.75%	17,216	99.75%	17,216	99.75%
AO Yakutskaya GRES-2	16,862	100.00%	16,862	100.00%	5,638	100.00%
AO Sakhalinskaya GRES-2	15,012	100.00%	12,996	100.00%	1	100.00%
AO Nizhne-Bureiskaya GES	14,611	100.00%	14,611	100.00%	8,673	100.00%
AO CCGT in the City of Sovetskaya Gavan	13,844	100.00%	7,345	100.00%	4,375	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 Gidroinvest	5,422	100.00%	9,550	100.00%	9,550	100.00%
AO Leningradskaya GAES	4,994	100.00%	4,994	100.00%	5,898	100.00%
AO Blagoveschenskaya TEC	4,285	100.00%	6,302	100.00%	6,302	100.00%
AO ESK RusHydro	3,420	100.00% - 1 share	11,832	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 Yuzhno-Yakutskiy GEK	3,005	100.00%	3,255	100.00%	3,255	100.00%
AO Geoterm	2,425	99.65%	2,425	99.65%	2,425	99.65%
PAO Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
HydroOGK Power Company Ltd	1,171	100.00%	1,171	100.00%	1,171	100.00%
AO NIIES	1,067	100.00%	983	100.00%	983	100.00%
OOO Verkhnebalkarskaya MGES	937	100.00%	937	100.00%	937	100.00%
AO CSO SGES	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 Hydro-Engineering Siberia	256	100.00%	990	100.00%	2,292	100.00%
AO GVTS Energetiki**	74	100.00%	653	100.00%	-	-
AO Renewable Energy Engineering Centre	-	100.00%	694	100.00%	694	100.00%
Other	1,480		1,874		1,916	
Associates:	11,110		11,110		11,210	
OAO Irkutsk Electric Grid Company	8,543	42.75%	8,543	42.75%	8,543	42.75%
OAO Sakhalin energy company	2,567	28.09%	2,567	28.09%	2,567	28.09%
Other	-		-		100	
Other entities:	9,373		3,841		2,690	
PAO Inter RAO	7,709	1.94%	2,217	1.94%	1,445	1.94%
PAO Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
Other	583		543		164	
Total:	264,587		267,664		230,313	

* 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 2016 are as follows:

- acquisition of shares of additional issues of subsidiaries for a total amount of RUB 8,770 million, including AO TPP in Sovetskaya Gavan for the amount of RUB

- 6,499 million, AO Sakhalinskaya GRES-2 for the amount of RUB 2,016 million and other companies for the amount of RUB 255 million;
- appraisal of financial investments having a current market value, with recognition of profit for a total of RUB 5,532 million (see paragraph 3.15 of the Explanatory Note), including profit of RUB 5,492 million on shares of PAO Inter RAO;
- creation of provision for impairment of financial investments in the amount of RUB 15,402 million, including against AO ESK RusHydro in the amount of RUB 8,412 million, AO Hydroinvest for the amount of RUB 4,128 million, AO Hydro Engineering Sibir for the amount of RUB 734 million, AO Engineering Center for Renewable Energy in the amount of RUB 694 million, AO GVC Energetiki for the amount of RUB 579 million and other companies for the amount of RUB 855 million;
- reduction of the nominal value of shares of AO Blagoveshchenskaya CHPP in the amount of RUB 2,017 million by converting with repayment of monetary funds to the Company.

In 2016, the shares of the companies of AO Blagoveshchenskaya CHPP, AO Sakhalinskaya GRES-2, AO TPP in Sovetskaya Gavan and AO Yakutskaya GRES-2 were returned from the trust management of PAO RAO ES of East.

Investments in subsidiaries that have current market value

As of 31 December 2016, 31 December 2015 and 31 December 2014, investments included shares of the Company's subsidiaries, i.e. PAO 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 2016 (as of 31 December 2015: 20,204 million; as of 31 December 2014: 20,204 million). This valuation exceeds the current market value of the shares as of 31 December 2016, 31 December 2015 and 31 December 2014 by RUB 6,614 million, RUB 5,047 million and RUB 13,535 million, respectively.

The Company's management plans to get benefits from investments in PAO 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 PAO 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 PAO RAO ES of East, carried out by one of the subsidiaries of the RusHydro Group, RusHydro's stake in PAO RAO ES of East grew from 86.20% to 99.98%. As of 31 December 2016, and to date, delisting of shares from the Moscow stock exchange did not take place, but from the middle of September 2016 the current market value of the shares of PAO RAO ES of East is not determined.

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 PAO 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 2016.

The amount of unrecognised change in the market value as compared to the carrying amount as of 31 December 2016 is RUB 6,614 million (as of 31 December 2015: RUB 5,047 million; as of 31 December 2014: RUB 13,535 million). The Company's net assets would have amounted to

RUB 762,785 million, if it included the above unrecognised change in the value (as of 31 December 2015: RUB 737,489 million, as of 31 December 2014: RUB 704,994 million).

Impairment of investments in subsidiaries, associates and other entities for which current market value is not determinable

The Company's management analysed the negative trends related to a number of subsidiaries, which is presented below. The management performed the analysis of investments to the share capital of the entities listed below for possible signs of impairment, and also analysed possible impairment of other assets related to these subsidiaries, including those recorded within accounts receivable (see paragraph 3.2.2 of the Explanatory Notes).

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 15 402 million.

The amount of provision for impairment of investments for which the current market value is not determined as of 31 December 2016 is RUB 17,855 million. (as of 31.12.2015 – RUB 2,466 million, as of 31.12.2014 – RUB 79 million). The initial value of long-term financial investments in respect of which a provision for impairment of financial investments was created is RUB 35,096 million as of 31.12.2016 (as of 31.12.2015 – RUB 8,453 million, as of 31.12.2014 – RUB 111 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 2016 are as follows:

- within long-term investments: shares of AO Zagorskaya GAES-2 for the amount of RUB 60,691 million.

The analysis of recoverability of these assets performed by the Company as of 31 December 2016 was based on the following key factors:

- Construction works and the assets are insured. As at 31 December 2016 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 2016 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 2016.

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

(b) Long-term loans issued

Loan recipient's name	31 December 2016	31 December 2015	31 December 2014	Annual rate,%
Long-term loans issued to related parties, including:				
AO Hydroinvest	12,137	14,181	-	7,51% - 10,095%
AO Far East Distribution Grid Company	4,846	5,023	6,630	7,997%/ 10,095%
AO Far East Generating Company	4,538	11,838	10,038	7,997%
AO Sakhaenergo	3,476	3,476	3,476	7,997%
AO ESK RusHydro	1,030	3,305	-	10,095%
AO Teploenergосervice	929	929	929	7,997%
AO Zagorskaya GAES-2	-	5,562	7,029	
AO Nizhne-Bureiskaya GES	-	4,653	2,300	
AO Ust-Srednekanskaya GES	-	2,111	1,747	
AO Tekhnopark Rummyantsevo	-	-	1,292	
Other	129	754	598	
Total long-term loans issued	27,085	51,832	34,039	

As of 31 December 2016 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- Loans to AO Hydroinvest amounting to RUB 12,137 million, including loans amounting to RUB 10,389 million maturing by 28 April 2018 that were removed from short-term interest-free loans (see 3.2.2 of Explanations); and loans amounting to RUB 1,748 million maturing by 29 June 2018 that were removed from short-term interest loans due to changes in conditions of contracts;
- loan to AO Far East Generating Company amounting to RUB 4,846 million to refinance liabilities maturing by 3 December 2018 and 14 October 2025;
- loan to AO Far East Distribution Grid Company amounting to RUB 4,538 million to refinance liabilities and finance working capital maturing by 03 December 2018;
- loan to AO Sakhaenergo amounting to RUB 3,476 million to refinance liabilities with due date 03.12.2018
- loans to AO ESK RusHydro in the total amount of RUB 1,030 million issued for refinance liabilities maturing by 29 June 2018 and 01 December 2025;
- loan to AO Teploenergосervis in the amount of RUB 929 million issued to refinance and debt repayment maturing by 03 December 2018.

There are no indicators of a prolonged decline in the value of the above investments.

3.1.3 Other non-current assets (line 1190 of the balance sheet)

Line 1190 "Other non-current assets" includes expenses of future periods to be written-off from expense account during the period beyond 12 months of the reporting date.

Breakdown of total expenses of future periods by types is presented in the table below:

Narrative	31 December 2016	31 December 2015	31 December 2014
Zelenchukskaya GAES connections to the grid	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	984	1,153	1,461
Borrowing costs	891	1,083	1,175
Other	150	476	458
Total expenses of future periods, including:	5,576	4,332	4,714
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)	4,703	3,287	3,538
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)	873	1,045	1,176

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 2016	31 December 2015	31 December 2014
Spare parts, materials and other inventories	3,328	3,046	2,241
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)	873	1,045	1,176
Other	51	24	20
Total line 1210 "Inventories"	4,252	4,115	3,437

Spare parts, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2016 the provision for their impairment amounted to RUB 157 million (31 December 2015: RUB 156 million, 31 December 2014: RUB 158 million).

3.2.2 Accounts receivable (line 1230 of the balance sheet)

(a) Long-term accounts receivable (payments expected beyond 12 months of the reporting date)

Total long-term accounts receivable were RUB 62,615 million, 62,549 million and 62,341 million as of 31 December 2016, 2015 and 2014, respectively.

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

Type of long-term accounts receivable	31 December 2016	31 December 2015	31 December 2014
Interest-free promissory notes received	29,312	28,578	27,563
Advances issued to suppliers of equipment and capital construction contractors	19,676	28,176	31,095
Interest-free loans issued	11,258	3,447	1,503
Buyers and customers	178	976	409
Lease receivables	152	241	495
Other long-term accounts receivable	2,039	1,131	1,276
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	62,615	62,549	62,341

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

Counterparty	31 December 2016	31 December 2015	31 December 2014
Voith Hydro GmbH & Co KG	9,371	5,289	5,851
PAO Silovye Mashiny	9,220	14,271	15,208
AO Hydroremont-BKK	616	2,859	3,120
OOO VolgaGidro	325	-	-
OOO Corporation SpetsHydroProject	-	5,491	6,565
Other	144	266	351
Total advances issued to suppliers of equipment and capital construction contractors	19,676	28,176	31,095

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2017 are included within short-term advances issued.

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

Issuer	31 December 2016	31 December 2015	31 December 2014
Other related parties, including:	25,689	25,689	25,689
PAO Boguchanskaya GES	21,027	21,027	21,027
ZAO Boguchansky Aluminium Smelter	4,662	4,662	4,662
Total interest-free promissory notes from related parties	25,689	25,689	25,689
PAO ROSBANK	1,491	1,491	935
AO Alfa-Bank	1,280	1,298	850
PAO Bank VTB	742	-	-
OAO Ulyanovskenergo	110	100	89
Total interest-free promissory notes from other counterparties	3,623	2,889	1,874
Total long-term interest-free promissory notes received	29,312	28,578	27,563

As of 31 December 2016, 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 2016 is RUB 6,269 million);
- ZAO Boguchansky Aluminium Smelter: promissory notes for RUB 4,662 million payable on demand after 31 December 2024 (the present value of the promissory notes reflecting time value of money as of 31 December 2016 is RUB 2,174 million).

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

Counterparty	31 December 2016	31 December 2015	31 December 2014
Subsidiaries, including:	10,890	3,078	1,155
AO Nizhne-Bureiskaya GES	4,653	-	-
AO CCGT in the City of Sovetskaya Gavan	2,355	631	-
AO Ust-Srednekanskaya GES	2,111	-	-
AO ESK RusHydro	1,034	1,034	1,034
AO MGES Kabardino-Balkarii	407	-	-
AO Sakhalinskaya GRES-2	330	330	-

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Counterparty	31 December 2016	31 December 2015	31 December 2014
AO Yakutskaya GRES-2	-	1,003	-
Other	-	80	121
Other related parties	7	21	28
Total interest-free loans issued to related parties	10,897	3,099	1,183
Other	361	348	320
Total interest-free loans issued to other counterparties	361	348	320
Total long-term interest-free loans issued	11,258	3,447	1,503

Counterparty	31 December 2016	31 December 2015	31 December 2014
Interest receivable accrued on loans issued and promissory notes received, including:	1,702	690	1,258
Subsidiaries	1,702	690	1,258
Other accounts receivable	337	441	18
Total other long-term accounts receivable	2,039	1,131	1,276

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:	2015	3,167	-	-	-	(144)	3,023
	2016	3,023	-	-	-	(144)	2,879
Trade receivables	2015	432	-	-	-	(144)	288
	2016	288	-	-	-	(144)	144
Other	2015	2,735	-	-	-	-	2,735
	2016	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 86,999 million, 66,762 million and 82,224 million as of 31 December 2016, 2015 and 2014, respectively.

Type of short-term accounts receivable	31 December 2016	31 December 2015	31 December 2014
Buyers and Customers, including:	7,120	6,741	5,840
Accounts receivable for electricity and capacity	6,214	5,752	5,521
Other	906	989	319
Advances issued, including:	10,206	14,495	12,870
Advances issued to suppliers of equipment and capital construction contractors	9,641	13,286	12,036
Other advances issued	565	1,209	834
Other debtors, including:	69,673	45,506	63,514
Interest-free promissory notes received	5,459	20,809	19,119
Interest-free loans issued	30,792	12,925	26,384
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	22,997	7,951	11,805
Indebtedness under assignment agreement paragraph 3.12.7 of the Explanatory Notes	8,257	-	-
Taxes receivable	676	1,322	2,252
Lease receivables	95	220	707

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Type of short-term accounts receivable	31 December 2016	31 December 2015	31 December 2014
Other	1,397	2,279	3,247
Total line 1232 "Accounts receivable" (payments expected within 12 months of the reporting date)	86,999	66,742	82,224

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 2016	31 December 2015	31 December 2014
PAO Silovye Mashiny	6,538	6,817	5,317
AO Hydroremont-BKK	838	1,017	965
OOO VolgaGidro	475	-	-
Voith Hydro GmbH & Co KG	22	739	1,160
ZAO Technoserv A/C	3	821	441
OOO Corporation SpetsHydroProject	-	986	1,817
AO ChirkeiGESstroi	-	418	286
Other	1,765	2,488	2,050
Total advances issued to suppliers of equipment and capital construction contractors	9,641	13,286	12,036

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

Issuer	31 December 2016	31 December 2015	31 December 2014
Subsidiaries, including:	5,457	20,767	18,846
AO Zaramagskie GES	3,090	2,524	1,563
AO MGES Kabardino-Balkarii	2,142	1,839	838
AO Karachaeve-Cherkesskaya Hydrogenerating Company	84	244	244
OOO Index energetiki – HydroOGK	-	13,621	13,646
HydroOGK Aluminium Company Ltd	-	2,142	2,142
AO Hydroinvest	-	256	256
Other	141	141	157
Total interest-free promissory notes from related parties	5,457	20,767	18,846
Other	2	42	273
Total interest-free promissory notes from other counterparties	2	42	273
Total short-term interest-free promissory notes received	5,459	20,809	19,119

As of 31 December 2016, 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 2016	31 December 2015	31 December 2014
Subsidiaries, including:	30,700	12,858	26,313
OOO Index energetiki – HydroOGK	13,521	-	-
AO Ust-Srednekanskaya GES	6,303	3,300	2,218
OOO EZOP	2,902	5,265	5,373
OOO Vostok-finans	2,337	-	-
AO Sulaksky Hydrocascade	1,559	1,166	923
AO Yakutskaya GRES-2	1,353	-	973
AO MGES Kabardino-Balkarii	851	780	780
AO ChirkeiGESstroi	450	-	-
AO Leningradskaya GAES	377	189	151
AO Blagoveschenskaya TEC	370	1,473	1,473

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Counterparty	31 December 2016	31 December 2015	31 December 2014
AO MGES Altaya	251	248	248
AO Tekhnopark Rumyantsevo	183	183	183
OOO Verkhnebalkarskaya MGES	165	165	165
AO Hydroinvest	-	-	12,381
AO CCGT in the City of Sovetskaya Gavan	-	-	631
AO Zagorskaya GAES-2	-	-	452
Other	78	89	362
Other related parties, including:	7	21	12
Loans issued to the Company's key management	7	21	12
Total interest-free loans issued to related parties	30,707	12,879	26,325
Total short-term interest-free loans issued to other counterparties	85	46	59
Total short-term interest-free loans issued	30,792	12,925	26,384

As of 31 December 2016, short-term interest-free loans issued include:

- loans to OOO Index energetiki – HydroOGK in the amount of RUB 13,521 million payable on demand issued as part of the replacement of the obligation to pay interest-free bills presented for redemption;
- loan to AO Ust-Srednekanskaya GES in the amount of RUB 6,303 million payable on demand issued for the financing investment project “Ust-Srednekanskaya GES”;
- loan to OOO Vostok-finans in the amount of RUB 2,337 million till 24.12.2017 for financing of the purchase by the Group of subsidiary PAO RAO ES of East shares during the voluntary offer and the following mandatory buyout.

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 2016	31 December 2015	31 December 2014
AO Nizhne-Bureyskaya GES	16,128	6,416	5,938
AO Zagorskaya GAES-2	5,473	-	4,767
AO Sulaksky Hydrocascade	1,386	863	-
AO CCGT in the City of Sovetskaya Gavan	-	400	200
Other	10	272	900
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	22,997	7,951	11,805

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

Item	31 December 2016	31 December 2015	31 December 2014
Income tax	438	945	1,530
Other taxes and levies	238	377	722
Total tax receivables	676	1,322	2,252

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,	2015	7,659	2,650	(3,490)	(424)	144	6,539
	2016	6,539	8,283	(2,368)	(179)	854	13,129

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including							
Trade receivables	2015	6,058	2,034	(3,395)	(40)	144	4,801
	2016	4,801	2,463	(1,707)	(162)	144	5,539
Advances issued	2015	31	82	(2)	(2)	-	109
	2016	109	9	(26)	(5)	-	87
Other	2015	1,570	534	(93)	(382)	-	1,629
	2016	1,629	5,811	(635)	(12)	710	7,503

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

Overdue accounts receivable

Item	31 December 2016		31 December 2015		31 December 2014	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	8,594	1,721	7,819	1,387	8,527	600
Buyers and customers	5,423	320	4,978	258	6,522	120
Advances issued	1,332	1,246	1,232	1,124	490	459
Other debtors	1,839	155	1,609	5	1,515	21

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 2016	31 December 2015	31 December 2014
Bank deposits	4,075	10,609	33,307
Loans issued	1,230	5,270	10,139
Total line 1240 "Investments" (excluding cash equivalents)	5,305	15,879	43,446

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Short-term investments and their movements

Item	Period	Opening balance		Changes for the period*				Closing balance	
		Historical cost	Accumulated adjustment	Additions*	Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2015	43,446	-	90,196	(117,053)	-	(710)	16,589	(710)
	2016	16,589	(710)	58,168	(67,196)	710	(2,256)	7,561	(2,256)
Bank deposits	2015	33,307	-	81,485	(104,183)	-	-	10,609	-
	2016	10,609	-	40,792	(47,326)	-	-	4,075	-
Short-term loans issued	2015	10,139	-	8,546	(12,705)	-	(710)	5,980	(710)
	2016	5,980	(710)	17,376	(19,870)	710	(2,256)	3,486	(2,256)
Promissory notes	2015	-	-	165	(165)	-	-	-	-
	2016	-	-	-	-	-	-	-	-

* *Movements of short-term investments received and disposed of (repaid) in the same reporting period are presented on a gross basis.*

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

(a) Bank deposits

As of 31 December 2016, bank deposits include a short-term deposit of RUB 4,075 million placed with PAO Sberbank of Russia maturing from 23.01.2017 till 01.03.2017 (as of 31 December 2015 – RUB 10,609 million maturing from 18 January 2016 till 15 March 2016). 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 2016	31 December 2015	31 December 2014	Annual rate,%
Short-term loans issued to related parties, including:				
AO ESK RusHydro	446	-	3,120	10,095%
AO Transport company RusHydro	369	72	40	10.095%-10.107%
AO Yakutskaya GRES-2	231	-	-	10,139%
AO Far East Distribution Grid Company	177	1,607	-	10,095%
ZAO Verkhne-Narynskie GES	-	2,711	1,484	
AO Nizhne-Bureyskaya GES	-	509	282	
AO Far East Distribution Company	-	200	2,000	
AO Hydroinvest	-	-	1,920	
AO ChirkeyGESstroy	-	-	450	
AO ESKO EES	-	-	260	
AO Malaya Dmitrovka	-	-	205	
Other	7	171	378	
Total short-term loans issued	1,230	5,270	10,139	

As of 31 December 2016 there was provision for impairment of short-term loans issued in the total amount of RUB 2,256 million (31 December 2015: RUB 710 million; 31 December 2014: RUB 0 million). As of 31 December 2016 provision was made for loan issued to 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 2016	31 December 2015	31 December 2014
Cash in bank	7,206	898	3,661
Cash equivalents	32,849	17,241	5,371
Cash at accounts in the Office of the Federal Treasury	899	-	-
Total line 1250 "Cash and cash equivalents"	40,954	18,139	9,032

As of 31 December 2016, 2015 and 2014, 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 2016 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. 21n of the Ministry of Finance of the Russian Federation of 25 December 2015.

As of 31 December 2016, 2015 and 2014, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2016 there were cash balances denominated in US dollars equivalent to RUB 312 million (31 December 2015: RUB 0 million; 31 December 2014: RUB 25 million). As of 31 December 2016 there were cash balances denominated in Euro equivalent to RUB 0 million (31 December 2015: RUB 0 million, 31 December 2014: RUB 2,239 million).

As of 31 December 2016, interest rates on Rouble deposits were 9.55% – 10.41% p.a. (31 December 2015: 8.64% – 11.65%, 31 December 2014: 10.00% – 18.50%).

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

Credit institution	Rating on 31 December 2016	Rating agency	31 December 2016	31 December 2015	31 December 2014
Bank deposits, including:					
Bank VTB (PAO)	BB+	Standard & Poor's	20,430	2,277	-
Bank GPB (AO)	Ba2	Moody's	12,107	-	533
PAO Sberbank	Ba1	Moody's	312	1,728	2,615
PAO Bank FK Otkrytie	-	-	-	7,644	-
PAO AKB Svyaz-Bank	-	-	-	2,718	-
AO SMP Bank	-	-	-	1,874	-
AO Globeksbank	-	-	-	1,000	-
AO UniCredit Bank	-	-	-	-	2,223
Total cash equivalents			32,849	17,241	5,371
Cash in banks, including:					
Bank GPB (AO)	Ba2	Moody's	4,918	245	2,910
Bank VTB (PAO)	BB+	Standard & Poor's	1,803	8	10
PAO Sberbank	Ba1	Moody's	479	581	663
Other			6	64	78
Total cash in bank			7,206	898	3,661

Notes to the statement of cash flows

Cash flows required for the purposes of supporting the existing scope of the Company's operations are presented within current operations. Cash flows related to expansion of the Company's business are included in investing activities.

Cash flows spent on investments and received on repayment of cash equivalents (excluding accrued interest) are not included in the cash flow statement.

Cash flows spent on investments and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period, are recorded on a net basis in line 4219 "Other receipts" or line 4229 "Other payments" of the cash flow statement if they have such characteristics as quick return, large amount and short-term maturity.

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

Item	2016	2015
Other receipts from operating activities (line 4119), including:	4,209	2,706
Value added tax	3,508	2,007
Penalties, interest and fines recognised or for which court rulings on collection have been received	385	325
GDR	277	174
Other receipts from operating activities	39	200
Other payments related to operating activities (line 4129), including:	(12,066)	(13,228)
Taxes and levies	(7,821)	(7,976)
Non-budget funds	(1,717)	(1,789)
Charity payments	(434)	(437)
Business trip expenses	(175)	(1,210)
Water usage expenses	(1,183)	(895)
Payment of corporate expenses	(194)	(262)
Other payments related to operating activities	(542)	(659)
Other payments related to investing activities (line 4219), including:	8,578	22,731
Cash placement on a short-term deposit other than cash equivalent	6,537	22,697
Proceeds from the conversion of shares of the subsidiary by reducing the nominal value	2,017	-
Other payments related to investing activities	24	34
Other payments related to financing activities (line 4329), including:	(8)	(30)
Settlement of finance lease obligations (payments under lease contracts)	(5)	(30)
Other payments related to financing activities	(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 2016, 2015 and 2014, the Company’s share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2016	Number of shares at 31 December 2015	Number of shares at 31 December 2014
Ordinary shares with nominal value of RUB 1 per share	386,255,464,890	386,255,464,890	386,255,464,890

As of 31 December 2016, the following shareholders are registered in the register of shareholders:

Shareholder	Type of shareholder	Number of shares	Ownership share, %
Russian Federation represented by the Federal Agency for State Property Management	beneficial owner	258,161,535,606	66.84%
Non-Banking Credit Organisation ZAO National Settlement Depository	nominee holder	115,667,789,603	29.95%
OOO Depository and Corporate Technologies	nominee holder	5,391,240,442	1.40%
Other		7,034,899,239	1.81%
Total		386,255,464,890	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 2016 (as of 31.12.2015 - 71 million units, as of 31.12.2014 - 622 million units). Subsidiary and dependent companies own 18,852 million shares

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of the Company (as of 31.12.2015 - 21,787 million shares, as of 31.12.2014 - 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. The placement of shares in terms of this additional issue began in January 2017 (paragraph 3.16 of the Explanatory Notes).

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

As of 31 December 2016, the amount of accumulated revaluation of non-current assets is RUB 52,705 million (31 December 2015: RUB 52,928 million, 31 December 2014: RUB 53,111 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 223 million in 2016 due to disposal of items of property, plant and equipment revalued earlier (2015: RUB 183 million,).

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

As of 31 December 2016, 2015 and 2014, 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 2016, 2015 and 2014, the Company's reserve capital was RUB 11,278 million, RUB 9,776 million and RUB 8,240 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 27 June 2016 (Minutes No. 15), the Company allocated 5% of its net profit for 2015 in the amount of RUB 1,502 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 2016	31 December 2015	31 December 2014
PAO Sberbank	33,389	33,389	33,389
Russian bonds issued in February 2013	20,000	20,000	20,000
Russian bonds issued in July 2015	15,000	15,000	-
Russian bonds issued in April 2016	15 000	-	-
Crédit Agricole Corporate and Investment Bank Deutschland	5,552	6,933	5,946
UniCredit Bank Austria AG	4,951	6,871	5,892
AO Malaya Dmitrovka	652	-	-
Russian bonds issued in April 2011	250	-	15,000
AO GVTS Energetiki	54	1,099	-
European Bank for Reconstruction and Development	-	10,653	11,030
Russian bonds issued in April 2015	-	10,000	-

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Lender / creditor	31 December 2016	31 December 2015	31 December 2014
Bayerische Landesbank (BayernLB)	-	1,125	1,005
Total line 1410 "Borrowings"	94,848	105,070	92,262

In April 2016 the Company placed non-convertible interest bearing market bonds of series BO-P04 with a nominal amount of RUB 15,000 million. The term of the offer is 3 years, coupon rate is 10,35% per annum.

Also in April 2016, holders of Russian bonds issued in April 2011 partially presented securities for early repayment under the offer, as a result of which the Company purchased bonds with a nominal value of RUB 14,750 million. Bonds that were not presented by the holders for early redemption, with a nominal value of RUB 250 million. Will apply until maturity in 2021 with a coupon rate of 9.50%.

During 2016, the loans of the European Bank for Reconstruction and Development (EBRD) and Bayerische Landesbank (BayernLB) were fully repaid in full.

Russian bonds issued in April 2015 with a total nominal value of RUB 10,000 million, as of 31 December 2016, were included in short-term borrowings (see paragraph 3.5.1 of the Explanatory Notes) due to the fact that in 2017 The right of bondholders to present securities for early repayment can be realized (in 2.5 years from the date of issue).

As of 31 December 2016 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
Crédit Agricole Corporate and Investment Bank Deutschland	2014	2029	190	Euro	Euribor 6M + 0,625%
UniCredit Bank Austria AG	2011	2026	128*	Euro	3,35%**
Russian bonds issued in February 2013	2013	2018***	20,000	RUB	8,50%
Russian bonds issued in July 2015	2015	2018	15,000	RUB	11,85%
Russian bonds issued in April 2016	2016	2019	15,000	RUB	10,35%
PAO Sberbank of Russia	2011	2020	20,000	RUB	8,30% / 9,30%****
PAO Sberbank of Russia	2013	2018	10,613	RUB	7,99% / 8,99%****
PAO Sberbank of Russia	2014	2022	2,776	RUB	MosPrime 3M + 2,10%

* As of December 31, 2016, the amount of the loan received amounted to EUR 86 million, the Company does not plan to use the remaining part of the limit, so the possibility of further sampling was canceled in 2016 by agreement with the creditor.

** Fixed interest rate is applied to 90% of the loan amount, variable quarterly interest rate published by OeKB (Oesterreichische Kontrollbank AG) less 0.25% is applied to the remaining 10% of the loan amount.

*** Bonds maturity is 10 years with the right of bond holders of early redemption in 5 years after the date of issue.

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

As of 31 December 2016, 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 10,619 million (31 December 2015: RUB 15,479 million) (see paragraph 3.5.1 of the Explanatory Notes).

Besides the credit limits from UniCredit Bank Austria AG, Crédit Agricole Corporate and Investment Bank Deutschland and EBRD which are not used in full as of 31 December 2016, the Company has opportunity to raise funds 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 maturing at 2019.

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Ageing analysis:

Due for repayment	31 December 2016	31 December 2015	31 December 2014
From 1 to 2 years	46,495	11,396	15,483
From 2 to 3 years	16,480	48,455	1,272
From 3 to 4 years	21,105	1,743	31,885
From 4 to 5 years	1,355	22,090	1,272
Over five years	9,413	21,386	42,350
Total line 1410 "Borrowings"	94,848	105,070	92,262

Interest on borrowings included into the cost of investment assets

In 2016, the amount of interest on borrowings included into the cost of investment assets was RUB 3,262 million (2015: RUB 2,746 million), of which RUB 2,900 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2015: RUB 2,406 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 1,289 million as of 31 December 2016 (31 December 2015: RUB 1,827 million, 31 December 2014: RUB 1,746 million) and trade payables in the amount of RUB 2,457 million as of 31 December 2016 (31 December 2015: RUB 368 million, 31 December 2014: RUB 589 million).

3.5 Current liabilities (Section V of the balance sheet)

3.5.1 Short-term borrowings (line 1510 of the Balance sheet)

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
Borrowings, including:	2015	20,053	16,406	(20,209)	16,250
	2016	16,250	23,371	(28,254)	11,367
Russian bonds issued in April 2015	2015	-	-	-	-
	2016	-	10,000	-	10,000
OOO AlstomRusHydroEnergy	2015	-	750	-	750
	2016	750	-	-	750
UniCredit Bank Austria AG	2015	-	-	-	-
	2016	-	550	-	550
Russian bonds issued in April 2011	2015	-	15,000	-	15,000
	2016	15,000	-	(15,000)	-
European Bank for Reconstruction and Development (EBRD)	2015	-	377	-	377
	2016	377	10,653	(11,030)	-
RusHydro Finance Ltd	2015	20,000	-	(20,000)	-
	2016	-	-	-	-
Other	2015	53	279	(209)	123
	2016	123	2,168	(2,224)	67
Interest on borrowings, including:	2015	1,862	11,001	(10,173)	2,690
	2016	2,690	10,779	(10,811)	2,658
Russian bonds issued in July 2015	2015	-	858	-	858
	2016	858	1,782	(1,773)	867
Russian bonds issued in February 2013	2015	647	1,700	(1,695)	652
	2016	652	1,704	(1,695)	661
PAO Sberbank	2015	521	2,998	(2,991)	528
	2016	528	2,882	(2,888)	522
Russian bonds issued in April 2016	2015	-	-	-	-
	2016	-	1,157	(786)	371
Russian bonds issued in April 2015	2015	-	863	(636)	227
	2016	227	1,279	(1,272)	234
Russian bonds issued in April 2011	2015	237	1,200	(1,197)	240
	2016	240	374	(614)	-
European Bank for Reconstruction and Development (EBRD)	2015	174	1,838	(1,832)	180
	2016	180	1,338	(1,518)	-

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Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
RusHydro Finance Ltd	2015	280	1,295	(1,575)	-
	2016	-	-	-	-
Other	2015	3	249	(247)	5
	2016	5	263	(265)	3
Total line 1510 "Borrowings"	2015	21,915	27,407	(30,382)	18,940
	2016	18,940	34,150	(39,065)	14,025

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts receivable were RUB 9,681 million, RUB 9,822 million and RUB 8,575 million as of 31 December 2016, 2015 and 2014, respectively:

Type of payables	31 December 2016	31 December 2015	31 December 2014
Trade payables	4 190	5 492	5 295
Settlements with personnel	24	669	823
Payables to state off-budget funds	14	135	119
Tax payables	4 697	3 103	1 923
Settlements with participants (founders) in payment of income	122	67	65
Settlements for the payment of own shares before the change of the charter capital in the constituent documents	33	-	-
Other	601	356	350
Total line 1520 "Accounts payable"	9 681	9 822	8 575

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

Type of payables	31 December 2016	31 December 2015	31 December 2014
Payables to capital construction contractors	773	1,499	1,447
Payables to suppliers of equipment and other non-current assets	1,801	2,071	2,073
Payables for purchase of electricity and capacity	432	774	856
Payables to suppliers of repair and maintenance services	322	405	276
Other	862	743	643
Total line 1521 "Trade accounts payable"	4,190	5,492	5,295

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

Tax	31 December 2016	31 December 2015	31 December 2014
Property tax payable	1,338	1,494	1,343
VAT payable	3,113	1,480	464
Income tax payable	239	-	-
Other taxes payable	7	129	116
Total line 1524 "Taxes payable"	4,697	3,103	1,923

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2016 the total estimated liabilities are RUB 2,447 million (31 December 2015: RUB 601 million, 31 December 2014: RUB 1,405 million).

The estimated liability for forthcoming payment of earned but unused employee vacations has a short-term nature.

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2015	1,405	1,342	(1,789)	(357)	601
	2016	601	3,057	(958)	(253)	2,447
for remuneration payments	2015	-	-	-	-	-
	2016	-	1,364	-	-	1,364
for litigation	2015	728	-	(667)	-	61
	2016	61	627	(61)	-	627
for forthcoming payment of earned but unused employee vacations	2015	554	1,342	(999)	(357)	540
	2016	540	1,066	(897)	(253)	456
Other	2015	123	-	(123)	-	-
	2016	-	-	-	-	-

3.6 Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2016, the total rented property, plant and equipment are RUB 33,862 million (31 December 2015: RUB 38,490 million, 31 December 2014: RUB 34,097 million). In 2016, 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 2016	31 December 2015	31 December 2014
AO Sulakskiy HydroKaskad	9,463	9,721	-
Ministry of Property Relations of Moscow region	4,956	4,956	4,956
AO Zaramagskie GES	4,927	5,042	5,042
AO Malaya Dmitrovka	3,381	3,391	3,349
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	3,185	2,549	2,549
Perm Department of Land and Property Relations	1,307	1,350	1,350
Novosibirsk Department of Land and Property Relations	777	779	779
Territorial Office of Federal Property Management Agency (Republic of Udmurtia)	16	943	943
Territorial Office of Federal Property Management Agency in the Irkutsk Region	-	1,727	3,675
Department of Property and Land Relations of Kochubeevsky region	-	1,060	1,060
Other	4,659	4,703	4,446
Total rent of property, plant and equipment	32,671	36,221	28,149
OOO Leasefinance	1,022	1,022	1,844
ZAO Business Alliance	169	321	321
OOO RB-Leasing	-	829	1,894
OOO IR-Leasing	-	-	1,792
Other	-	97	97
Total lease of property, plant and equipment under lease contracts	1,191	2,269	5,948
Total rent and lease of property, plant and equipment	33,862	38,490	34,097

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3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2016	31 December 2015	31 December 2014
PAO Silovye Mashiny	8,780	8,655	3,018
Voith Hydro GmbH & Co KG	5,433	7,041	4,840
OOO EZOP	5,428	5,428	5,428
OOO Vostok-finans	2,106	-	-
AO Hydroinvest	984	3,919	3,919
AO Transport company Rushydro	511	511	491
OAO Hydroelectromontazh	453	453	-
AO VNIIR Hydroelectroavtomatika	429	424	255
AO TEK Mosenergo	392	405	679
OAO Trest Hydromontazh	390	-	-
ZAO A-security	194	294	398
Alstom Hydro France	67	67	1,106
OOO Alstom	-	-	273
Other	1,886	2,421	2,715
Total collateral for liabilities and payments received	27,053	29,618	23,122

The Company received its own shares purchased by OOO EZOP and AO Hydroinvest as a pledge to secure loans issued for the purpose of acquisition of the Company's shares by OOO EZOP and AO Hydroinvest (see paragraph 3.2.2 of the Explanatory Notes).

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, PAO Silovye Mashiny, OAO Hydroelectromontazh, AO VNIIR Hydroelectroavtomatika, AO TEK Mosenergo and others the Company received bank guarantees for return, in full or in part, of the advances issued to these entities or due fulfilment of the contractual scope of work by these entities.

According to property sales contracts bearing interest for payment by instalments to be made by AO Transport company RusHydro, the sold property for RUB 511 million was pledged.

3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

Creditor	Debtor	31 December 2016	31 December 2015	31 December 2014
GC Vnesheconombank	PAO Boguchanskaya GES	47,777	48,426	49,133
PAO VTB Bank	AO Far East Generating Company	11,556	4,522	4,522
PAO Sberbank	AO Far East Generating Company	10,760	7,102	-
GC Vnesheconombank	ZAO Boguchansky Aluminium Smelter	4,615	4,615	4,615
PAO Sberbank	PAO Kamchatskenergo	3,978	3,978	3,979
Rosbank AKB PAO	PAO Far East Energy Company	3,313	-	-
European Bank for Reconstruction and Development (EBRD)	PAO RAO ES of East	3,276	3,695	4,097
PAO Sberbank	PAO RAO ES of East	2,878	2,095	-
Rosbank AKB PAO	AO Far East Generating Company	2,704	851	-
PAO VTB Bank	PAO RAO ES of East	1,831	-	-
European Bank for Reconstruction and Development (EBRD)	ZAO International Energy Corporation	1,538	1,845	1,417
Asian Development Bank,	ZAO International Energy	1,538	1,845	1,415

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Creditor	Debtor	31 December 2016	31 December 2015	31 December 2014
ADB	Corporation			
Bank GPB (AO)	PAO RAO ES of East	1,323	-	-
Bank GPB (AO)	PAO Magadanenergo	1,012	401	-
AO Russian Regional Development Bank	PAO Magadanenergo	900	-	-
PAO Sberbank	AO Chukotenergo	860	-	-
PAO Sberbank	AO Sakhalinenergo	651	651	651
PAO Sberbank	PAO Magadanenergo	500	-	-
PAO Sberbank	PAO Far East Energy Company	-	5,531	-
European Investment Bank	PAO RAO ES of East	-	4,012	2,326
Bank GPB (AO)	AO Far East Generating Company	-	1,002	-
Bank GPB (AO)	PAO Far East Energy Company	-	762	-
AO TEK Mosenergo	AO Yakutskaya GRES-2	-	-	15,000
OAO Bank of Moscow	AO Far East Generating Company	-	-	7,042
PAO VTB Bank	PAO Far East Energy Company	-	-	4,921
ZAO ING BANK (EURASIA)	AO Yakutskaya GRES-2	-	-	3,156
OAO Bank of Moscow	OAO Sakhalinenergo	-	-	499
Other	Other	916	1,424	1,331
Total collateral for liabilities and payments issued		101,926	92,757	104,104

In 2016 the Company issued guarantees:

- in terms of liabilities of AO Far East Generating Company the credit agreement with PAO Sberbank, Bank GPB (AO) and PAO Rosbank AKB. The guarantee covers the amount of credit and interest accrued. Maturity date – 2019.
- in terms of liabilities of PAO RAO ES of East the credit agreement with GPB (AO) and Bank VTB (AO). The guarantee covers the amount of credit and interest accrued. Maturity dates – 2019 and 2030.
- in terms of liabilities of PAO Magadanenergo the credit agreement with AO Russian Regional Development Bank and PAO Sberbank. The guarantee covers the amount of credit and interest accrued. Maturity dates – 2020 and 2021.
- In terms of liabilities of AO Chukotenergo credit agreement with PAO Sberbank. The guarantee covers the amount of credit and interest accrued. Maturity dates – 2020 and 2021.

Guarantees issued by the Company for liabilities of OAO 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 26,750 million as of 31 December 2016 (31 December 2015: RUB 27,399 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.

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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 (99,3%).

Item	2016	2015
Sale of electricity	77,338	73,262
Sale of capacity	36,833	32,583
Sale of heat	168	154
Other	694	1,100
Total line 2110 "Revenue"	115,033	107,099

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	2016	2015
Depreciation and amortisation	15,213	14,257
Wages and social insurance contributions	9,408	10,113
Purchased electricity and capacity	7,023	13,970
Property tax	6,771	6,640
Repairs and maintenance	3,724	4,109
Third party services	3,720	3,725
Fees for administering the wholesale market of electricity and capacity (AO SO UES, AO ARS, AO CFR)	2,813	2,884
Fire and other security services	1,730	1,729
Insurance expenses	1,710	1,482
Lease expenses	1,579	1,230
Water usage expenses, water tax	1,267	934
Lease of power equipment	186	479
Other expenses	1,212	2,417
Total line 2120 "Cost of sales"	56,356	63,969

Operating expenses include contributions to non-state pension fund AO NPF of Electrical Energy Industry. The type of pension plan for the Company's personnel is the defined benefit plan.

Operating expenses broken down by cost elements are as follows:

Item	2016	2015
Material expenses	17,122	19,056
Payroll expenses	7,570	8,217
Social contributions	2,142	1,896
Depreciation and amortisation	15,213	14,257
Other costs	14,309	20,543
Total for elements of costs	56,356	63,969
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	56,356	63,969

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

Item	2016		2015	
	Income	Expenses	Income	Expenses
Income and expenses from sales, write-off and other transactions with assets	9,847	(7,987)	516	(2,518)
Gains / (losses) from revaluation of investments measured at current market value	5,544	(12)	1,110	(329)
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	4,789	(2,306)	7,167	(8,840)
Doubtful debt provision	2,368	(8,283)	3,490	(2,650)
Charity donations	-	(462)	-	(553)
Expenses for social events	-	(457)	-	(573)
Provision for impairment of investments	14	(17,658)	49	(3,147)
Gain and loss on sale of promissory notes	-	-	784	(784)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	-	-	11	(114)
Other income and expenses	1,192	(1,171)	1,878	(888)
Total line 2340 "Other income" and 2350 "Other expenses"	23,754	(38,336)	15,005	(20,396)

3.9 Taxes

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 35,173 million in the reporting year (2015: RUB 30,664 million), including:

- VAT calculated on sales of goods (work, services) is RUB 22,396 million (2015 RUB 19,286 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be delivered in the future is RUB 10,652 million (2015: RUB 9,415 million);
- recoverable amount of tax is RUB 2,125 million (2015: RUB 1,963 million).

Total VAT recoverable in the reporting period was RUB 21,383 million (2015: RUB 22,008 million), including:

- VAT recoverable invoiced to the taxpayer on acquisition of goods (work, services), property rights in Russia was RUB 8,839 million (2015: RUB 9,637 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 10,652 million (2015: RUB 9,416 million);
- VAT calculated on the amounts of payment or partial payment for goods (work, services) to be delivered in the future was RUB 1,352 million (2015: RUB 2,161 million);
- VAT recovered in 2016 which was paid earlier when the goods were imported to the Russian customs territory was RUB 539 million (2015: RUB 789 million);
- other recoverable VAT was RUB 1 million (2015: RUB 5 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 10,877 million (2015: RUB 7,851 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 2016 was RUB 56,327 million (2015: RUB 34,424 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 8,949 million (2015: RUB 9,607 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 15,124 million for 2016 (2015: 4,078 million), including:

- income from participation in other entities (dividends) in the amount of RUB 9,367 for 2016 (2015: RUB 779 million);
- increase in value of financial placements determined in fair value in the amount of RUB 5,532 million (2015: RUB 780 million);
- other non-temporary differences in the amount of RUB 225 million (2015: RUB 2,519 million).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 24,073 million for 2016 (2015: 13,685 million), including:

- depreciation of RUB 3,254 million (2015: RUB 4,011 million);
- charges to doubtful debt provision in the amount of RUB 894 million (2015: RUB 944 million);
- charity donations in the amount of RUB 462 million (2015: RUB 553 million);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 530 million (2015: RUB 2,115 million);
- financial support and other social payments to employees in the amount of RUB 17,658 million (2015: RUB 3,147 million);
- other non-temporary differences in the amount of RUB 1,274 million (2015: RUB 2,915 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 6,934 million (2015: RUB (803) million), including those originated – RUB 11,724 million (2015: RUB 452 million) and settled – RUB 4,790 million (2015: RUB 1,255 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 13,080 million (2015: RUB 14,038 million), including those originated – RUB 21,776 million (2015: RUB 19,469 million) and settled – RUB 8,696 million (2015: RUB 5,431 million).

In 2016, 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 2016	31 December 2015	31 December 2014
Deferred income tax assets	(3,248)	(1,864)	(2,343)
Deferred tax liabilities	16,924	14,266	12,015
Total line 1420 "Deferred tax liabilities"	13,676	12,402	9,672

Line 2430 "Change in deferred tax liabilities" includes increase of deferred tax liabilities in amount of RUB 39 million with no effect on current income tax. Line 2450 "Change in deferred tax assets" includes increase of deferred tax assets in amount of RUB 231 million with no effect on current income tax. These amounts relate to adjustments of prior periods due to change in temporary differences classification.

Other taxes and levies

In 2016, operating expenses include other taxes and levies in the amount of RUB 8,384 million (2015: RUB 8,430 million), including:

- property tax in the amount of RUB 6,771 million (2015: RUB 6,640 million), including accrual provision for estimated liabilities for property tax;
- insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation and obligatory medical insurance funds in the amount of RUB 1,596 million (2015: RUB 1,774 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 17 million (2015: RUB 16 million).

Relations with tax authorities

Russian tax legislation active or effective as of the end of the reporting period allows varying interpretation of the separate facts of the Company's economic life. As a consequence, the position of the Company's management in terms of taxes and documents substantiates this position may be challenged by tax authorities. The tax control in Russian Federation gets stringent resulting in increase of tax inspections risk. These inspections may cover 3 calendar years preceding the year when the decision about inspection was made. In some cases the earlier periods may be examined.

As of 31 December 2016, 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 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.

The Company's annual general meeting of shareholders held on 26 June 2015 (Minutes No. 13) made the decision to pay dividends on the Company's ordinary shares for 2014 in the amount of RUB 0,01561855 per 1 share for the total of RUB 6,033 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	2016	2015
Basic profit for the reporting year (RUB million)	41,877	30,022
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	386,255,464,890	386,255,464,890
Basic earnings per share (RUB)	0.10842	0.07773

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

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 months) / 12 months	386,255,464,890
Item	2015
Number of ordinary shares outstanding as of 1 January 2015 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 1 December 2015 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2015 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2015 (shares) (386,255,464,890 * 12 month) / 12 months	386,255,464,890

In 2016 and 2015, 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 2016 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 66,84% of the Company's ordinary shares (see paragraph 3.3.1 of the Explanatory Notes).

3.12.2 Sales to related parties

Total revenue from sales to related parties was:

Name of the buyer	2016	2015
Revenue from sales to subsidiaries, including:		
PAO Far East Energy Company	6,148	5,722
OOO ESK Bashkortostana*	2,018	1,266
PAO Krasnoyarskenergosbyt	854	836
AO Chuvashskaya Energy Sales Company	634	1,562
PAO Ryazanskaya Energy Sales Company	234	245
AO ESK RusHydro	197	163
Other subsidiaries	117	144
Revenue from sales to related parties, including:		
ZAO Boguchanskiy Alluminievy zavod	668	679
PAO Boguchanskaya GES	110	35
Total sales to related parties	10,980	10,652

* 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:

Supplier	2016	2015
Repair and technical maintenance services, including:		
Subsidiaries		
AO Hydroremont-BKK	2,855	3,303
OOO RusHydro IT Service	95	-
Other	109	79
Total repair and maintenance services	3,059	3,382
Transport service, including:		
Subsidiaries		
AO Transport company RusHydro	1,271	1,502
Total transport services	1,271	1,502
Rent of premises, territories and other property, including:		
Subsidiaries		
AO Malaya Dmitrovka	514	566
AO Sulakskiy Hydrocascade	428	50
AO Zaramagskie GES	253	260
AO Transport company RusHydro	106	41
Other	100	93
Total rent of premises, territories and other property	1,401	1,010
Works and services in testing, trials and research, including:		
Subsidiaries		
AO Vedeneyev VNIIG	237	159
AO NIIES	180	248
Other	31	100
Total works and services in testing, trials and research	448	507
Electricity purchases	1	1
Other services of third parties	402	545
Total purchases from related parties	6,582	6,947

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 275 million and RUB 324 million for 2016 and 2015, respectively.

3.12.5 Settlements with related parties

As of 31 December 2016, 2015 and 2014, 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 2016	31 December 2015	31 December 2014
Short-term interest-free promissory notes received	5,457	20,767	18,846
Short-term interest-free loans issued	30,700	12,879	26,325
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	22,997	7,951	11,805
Indebtedness under the assignment agreement	8,257	-	-
Long-term interest-free loans issued	10,897	3,099	1,183
Accounts receivable related to other sales	1,217	1,574	1,458

Type of accounts receivable	31 December 2016	31 December 2015	31 December 2014
Other settlements with related parties	5,673	8,213	8,491
Total accounts receivable from related parties	110,887	80,172	93,797

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 2016 balances include advances issued for the amount of RUB 3,334 million (31 December 2015: RUB 5,926 million, 31 December 2014: RUB 5,116 million).

Doubtful debt provision for related parties' accounts receivables as of 31 December 2016 was RUB 5,904 million (31 December 2015: RUB 291 million; 31 December 2014: RUB 48 million).

As of 31 December 2016, 2015 and 2014, the Company's accounts payable to the related parties were:

	31 December 2016	31 December 2015	31 December 2014
Subsidiaries	1,164	2,707	914
Associates	-	-	30
Other related parties	81	750	-
Total accounts payable to related parties	1,245	3,457	944

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

3.12.6 Related parties' debt within investments

As of 31 December 2016, 2015 and 2014, 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 2016	31 December 2015	31 December 2014
Loans issued to related parties	28,315	57,102	44,178
Other investments	601	601	-
Total related parties' debt within investments	28,916	57,703	44,178
Total debt within long-term investments (Line 1170 of the Balance sheet)	27,686	52,433	34,039
Total debt within short-term investments (Line 1240 of the Balance sheet)	1,230	5,270	10,139

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

Entity	2016	2015
Subsidiaries, including:	4,986	4,608
AO Far East Generating Company	1,372	1,570
AO Hydroinvest	1,031	168
AO Far East Distribution Grid Company	697	892
AO Nizhne-Bureyskaya GES	424	312
AO Zagorskaya GAES-2	355	588
AO ESK RusHydro	315	250
AO Sakhaenergo	278	278
AO Ust-Srednekanskaya GES	163	156
Other	351	342
Other subsidiaries	61	52
Total interest income	5,047	4,660

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 9,447 million for 2016 (2015: RUB 775 million):

Entity	2016	2015
HydroOGK Power Company Ltd	8 257	-
AO GVTS Energetiki	698	-
OAO Hydroremont-BKK	191	339
AO Lenhydroproject	114	172
AO NIIES	-	118
Other	187	146
Total income from investments in subsidiaries	9 447	775

In 2016, dividends were received from HydroOGK Power Company Ltd in the amount of RUB 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, 2016 (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 30 June 2010 (Minutes No. 5).

Remuneration is paid to members of the Management Board and other management personnel of the Company for their services in management positions and is made up of a contractual salary and performance bonuses depending on the results for the period calculated based on key performance indicators approved by the Company's Board of directors.

The list of members of the Company's Board of directors and Management Board is included in paragraph 1.1 of the Explanatory Notes).

In 2016 and 2015, the Company remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 666 million and RUB 1,475 million, respectively. The insurance contributions amounted to RUB 146 million for 2016 (2015: 236 million). In addition, in 2016, an appraisal obligation was established for premiums to key management personnel in the amount of RUB 165 million.

3.12.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2016	2015
Cash flows from operating activities			
Receipts, including:	4110	8,896	7,872
sales of products, goods, work and services	4111	8,818	7,804
lease payments, licence payments, royalties, commission and other payments	4112	62	66
other receipts	4119	16	2
Payments, including:	4120	(6,447)	(7,229)
suppliers (contractors) – raw materials, work and services	4121	(6,329)	(7,157)
interest on debt liabilities	4123	(17)	-
other payments	4129	(101)	(72)
Net cash flows from operating activities	4100	2,449	643
Cash flows from investing activities			
Receipts, including:	4210	29,886	19,324
sale of non-current assets (except for investments)	4211	95	137
sale of shares of other organisations (ownership interest)	4212	-	10
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	22,400	13,674

Item	Line code	2016	2015
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	5,351	5,469
other receipts	4219	2,040	34
Payments, including:	4220	(40,108)	(55,731)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(6,256)	(5,983)
purchase of shares (interest) in other entities	4222	(23,829)	(34,665)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(10,023)	(15,083)
Net cash flows from investing activities	4200	(10,222)	(36,407)
Cash flows from financing activities			
Receipts, including:	4310	719	1,970
borrowings and bank loans	4311	719	1,970
Payments, including:	4320	(1,090)	(143)
redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(1,090)	(143)
Net cash flows from financing activities	4300	(371)	1,827
Net cash flows for the reporting period	4400	(8,144)	(33,937)

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 99,3%. 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 2016, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 101,926 million (31 December 2015: RUB 92,757 million, 31 December 2014: RUB 104,104 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; share of liabilities denominated in foreign currency is amounted to less than 15%. As a result effect of changes in currency exchange rates on the Company's financial position and activities is estimated as insignificant. The Company's operations are planned and carried out in such a way that all its assets and liabilities are denominated in the national currency.

Information on the Company's exposure to currency risk is presented in line with its use for the preparation of RusHydro Group's IFRS financial statements as defined in IFRS 7:

	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
31 December 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)
31 December 2014			
US Dollars	1,700	-	1,700
Euro	2,321	(13,449)	(11,128)
Total	4,021	(13,449)	(9,428)

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.

To mitigate the interest rate risk, the Company takes the following measures:

- monitors the credit market to identify favourable terms of financing;
- diversifies credit portfolio by raising fixed and floating rate loans.

Price risk. The 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 2016 didn't change significantly in comparison with an indicator of 2015.

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 liberalized 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 2016	31 December 2015	31 December 2014
Equity investments for which current market value can be determined, including:	7,818	2,286	1,505
PAO Inter RAO	7,709	2,217	1,445
PAO Irkutskenergo	65	36	25
PAO Krasnoyarskaya GES	44	33	35
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	20,204	20,204	20,204
Equity investments for which current market value cannot be determined	236,565	245,174	208,604
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	264,587	267,664	230,313

Current market value of quoted securities is determined by market prices established on the stock exchange OAO MICEX-RTS (www.rts.micex.ru), according to the 'Procedure for determining market value of securities, estimated price of securities and the threshold for the fluctuations of securities' market price for the purpose of Chapter 23 of the Russian Tax Code approved by Order of the Federal Service for Financial Markets No. 10-65/pz-n of 9 November 2010.

Credit risk

Credit risk is the possibility of the Company's losses resulting from the counterparty's inability to meet its obligations under the contract. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Although collectability of receivables can be influenced by economic factors, management believe that there is no significant risk of loss to the Company beyond the provision for impairment of receivables already recorded.

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

Additional issue of new shares. 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 priced at RR 1,00 per share, or 0.08 percent of the total volume of additional issue.

Financing from Bank VTB. 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 and 15,000,000,000 shares of the Company which were held by the Company's subsidiaries.

In accordance with the forward contract, the Company has no obligation to buy back its own shares; for the purposes of final settlement under the forward contract it is envisaged that bank sells the Company's shares. Any difference between bank's income from the sale of the above shares at the end of the forward contract and the forward price is due to be settled in cash between the Company and the bank. The forward price is defined as the purchase cost of the shares increased by the total amount of interests charged less total dividends paid during the contract period.

The agreement will allow the Company to raise additional capital for financing the debt of the Company's subsidiary PAO RAO ES Vostoka and its subsidiaries.

Chairman of Management Board - General Director
of PAO RusHydro

N.G.Shulginov

Chief Accountant of PAO RusHydro

Y. G. Medvedeva

30 March 2017



RUSHYDRO GROUP

**Consolidated Financial Statements
prepared in accordance with IFRS
with independent auditor's report**

As at and for the year ended 31 December 2016

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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 (PJSC 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 2016, 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 2016;
- the consolidated statement of profit and loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the consolidated statement of cash flows for the year then ended;
- 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”) 3,600 million, which represents 1% of total revenues and government grants.
- We conducted audit work at 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, PJSC Yakutskenergo.
- Our audit scope covered *inter alia* 67% of the Group's revenues and 83% 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
- Contingent tax liabilities

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 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 3,600 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 against which the Group's performance is represented to the fullest extent possible. We chose 1% 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 consolidated financial statements for the reporting period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Assessment of impairment of property, plant and equipment</p> <p><i>For matters requiring disclosures and related significant accounting policies, judgements and accounting estimates see Notes 2, 7 and 32 to the consolidated financial statements.</i></p> <p>At 31 December 2016, the Group's aggregate carrying amount of property, plant and equipment was RUB 765,047 million. This is the most significant asset on the Group's balance sheet, it accounts for 78% of the total value of assets.</p> <p>The Group's management performed analysis of the business performance, industry outlook and operational plans and then assessed the recoverable value of property, plant and equipment by cash generating units for the purpose of impairment testing. Impairment arises when the recoverable amount, which is determined as the higher of the asset's fair value less costs to sell and its value in use, is below the carrying amount of the analysed assets.</p> <p>The management's testing identified impairment of a number of cash generating units, and the Company accrued impairment loss of RUB 26,525 million in the statement of income for the year ended 31 December 2016.</p>	<p>We obtained and reviewed financial models that the management used for assessing the PP&E impairment. We engaged our valuation experts to form our conclusion on the assumptions and methodology that were used in the impairment assessment.</p> <p>Our audit procedures related to the management's assessment of PP&E impairment included:</p> <ul style="list-style-type: none"> • review of the methodology used by the Group's management for the impairment test purposes; • 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, external available and reliable 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 the management

Key audit matter	How our audit addressed the Key audit matter
<p>The recognition of additional loss also led to a decrease of RUB 4,920 million in the property, plant and equipment revaluation reserve in the consolidated statement of comprehensive income. There was no basis for accrual of or release of earlier accrued impairment loss for those cash generating units for which the results of the management’s assessment led the management to conclude that their recoverable amount is either higher than their carrying amount or equal to it.</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 terms 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, electricity generation output and capital investments.</p>	<p>incorporated in the financial models for 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 the management to assess the impairment of property, plant and equipment ; • consideration of potential impact of reasonably possible changes in key assumptions; • obtaining 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 2016 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 charge.</p> <p>We also assessed adequacy of disclosures in Notes 2, 7 and 32 to the consolidated financial statements and assessed their compliance with the disclosure requirements of IAS 36 ‘Impairment of Assets’.</p> <p>Our procedures have not identified any findings that would require significant adjustments to the impairment amount recorded in the consolidated financial statements.</p>

Key audit matter

How our audit addressed the Key audit matter

Assessment of impairment of accounts receivable

For matters requiring disclosure, and related significant accounting policies, judgements and accounting estimates see Notes 2, 12 and 32 to the consolidated financial statements.

At 31 December 2016, the carrying amount of the Group's trade receivables was RUB 33,036 million (RUB 56,936 million less an impairment provision of RUB 23,900 million).

Thus, the receivables that are assessed by the Group's management as doubtful, account for a significant portion within the structure of trade receivables (at 31 December 2016, the Group accrued an impairment provision amounting to 42% of the total trade receivables).

The Group's 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.

We focused on receivables impairment assessment as this process is complicated and requires significant management's judgements, and the amount of impairment is significant.

Our audit procedures related to the management's assessment of trade receivables impairment included:

- review of the management's collectability analysis taking into account counterparty solvency analysis and its deterioration as of the reporting date, presence of intention to allow payment by instalments, subsequent payments after the end of the reporting period, availability of payment security and its quality as well as other factors considered by the management;
- review of the receivables turnover analysis that was used, in particular, for supporting the Group 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 debt repayment probability, such as payment orders supporting payments received in 2017;
- review of external information from the regulators of the wholesale electricity (capacity) market, including the Supervisory Board of NP Market Council, which regularly takes the decisions on excluding the companies from the registry of participants in the wholesale electricity (capacity) market; there are the Group's buyers of its electricity (capacity) among those excluded companies, with deteriorated solvency as expected;
- obtaining management's written representations related to their performed receivables impairment test.

Key audit matter	How our audit addressed the Key audit matter
	<p>We also assessed adequacy of disclosures in Notes 2, 12 and 32 to the consolidated financial statements and assessed their compliance with the disclosure requirements of IAS 39 ‘Financial Instruments: Recognition and Measurement’ and IFRS 7 ‘Financial Instruments: Disclosures’.</p> <p>Acceptability of current estimates of the Group’s management regarding the receivables impairment for the purpose of preparing the financial statements for the year ended 31 December 2016 does not guarantee that future events that are inherently uncertain would not lead to significant changes in these estimates.</p> <p>Our procedures have not identified any findings that evidence that there is a need for significant adjustments to be made to the consolidated financial statements.</p>

Contingent tax liabilities

For matters requiring disclosure and related judgements and accounting estimates see Note 29 to the consolidated financial statements.

We consider this audit issue as a key audit matter because the Russian tax legislation (including transfer pricing legislation and rules for deductibility of certain expenses for income tax purposes), 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 the Group’s management and the formal documentation supporting these tax positions may be challenged by tax authorities. While preparing the consolidated financial statements the Group’s management assesses the probability that tax liabilities will arise and their amounts, taking into account actual or potential tax claims and existing tax law application practice.

When the Group management assesses potential tax liability, it takes into account that fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about the review was made.

Our audit procedures aimed at assessing the probability that tax liabilities will arise, and their amount included:

- sample testing of accuracy of calculations and recognition of short-term tax liabilities in the consolidated financial statements;
- sample testing of correctness of tax incentives application and calculation;
- assessing the reasonableness of the management’s position on recording significant tax liabilities arising in the course of the Group’s operations where the Group’s tax positions may be challenged by tax authorities in their audits and in application of tax incentives;
- reviewing the tax authorities’ acts and decisions based on the results of their audits;
- reviewing court decisions made with respect to tax disputes where Group companies are involved;
- analysing court practice in the area of tax disputes related to operations where the Group’s tax positions may be challenged by tax authorities during their audit;

Key audit matter	How our audit addressed the Key audit matter
<p>If the probability of incurring potential tax liabilities is assessed as high (exceeding 50%), the accrued provision is included within short-term liabilities. At 31 December 2016, the accrued provision is insignificant. Other identified potential tax liabilities are disclosed in Note 29 to the consolidated financial statements.</p> <p>While it is not possible to make a sufficiently reliable estimate of the probability of the unfavourable developments for the Group, the impact of such developments may be significant to the overall financial position and financial performance of the Group.</p>	<ul style="list-style-type: none"> • sample testing of adequacy of provisions for tax liabilities recorded in the consolidated financial statements, where the management assessed their probability as high; • obtaining management’s written representations related to their assessment of the amount of potential tax liabilities. <p>When performing the above procedures we engaged our tax specialists.</p> <p>We also assessed adequacy of disclosures on contingent tax liabilities in Note 29 to the consolidated financial statements with reference to the disclosure requirements of IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’.</p> <p>Acceptability of current estimates regarding the contingent tax liabilities made by the Group management in preparing the financial statements for the year ended 31 December 2016 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates.</p> <p>Our procedures have not identified any findings that evidence that there is a need for significant additional disclosures to be made in these 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, PJSC Yakutskenergo.

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 of individual balances and types of operations for other components of the Group.



We chose other components of the Group for auditing 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 67% of the Group's revenue and 83% 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 2016 and Issuer's Report of PJSC RusHydro for Q1 2017, but does not include the consolidated financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2016 and Issuer's Report of PJSC RusHydro for Q1 2017 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 consolidated financial statements of the current period 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

23 March 2017
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 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	7	765,047	744,585
Investments in associates and joint ventures	8	20,278	14,142
Available-for-sale financial assets	9	21,181	6,094
Deferred income tax assets	16	6,640	5,486
Other non-current assets	10	21,847	21,402
Total non-current assets		834,993	791,709
Current assets			
Cash and cash equivalents	11	67,354	48,025
Income tax receivable		889	1,396
Accounts receivable and prepayments	12	47,076	49,646
Inventories	13	24,037	23,999
Other current assets	14	9,097	22,574
		148,453	145,640
Non-current assets classified as held for sale		-	788
Total current assets		148,453	146,428
TOTAL ASSETS		983,446	938,137
EQUITY AND LIABILITIES			
Equity			
Share capital	15	386,255	386,255
Treasury shares	15	(22,578)	(26,092)
Share premium		39,202	39,202
Retained earnings and other reserves		243,790	203,114
Equity attributable to the shareholders of PJSC RusHydro		646,669	602,479
Non-controlling interest		4,263	11,440
TOTAL EQUITY		650,932	613,919
Non-current liabilities			
Deferred income tax liabilities	16	39,086	37,034
Non-current debt	18	158,046	135,179
Other non-current liabilities	19	18,726	14,551
Total non-current liabilities		215,858	186,764
Current liabilities			
Current debt and current portion of non-current debt	18	41,757	62,214
Accounts payable and accruals	20	58,784	60,307
Current income tax payable		858	898
Other taxes payable	21	15,257	14,035
Total current liabilities		116,656	137,454
TOTAL LIABILITIES		332,514	324,218
TOTAL EQUITY AND LIABILITIES		983,446	938,137

Chairman of Management Board, General Director

N. G. Shulginov

Chief Accountant

Y. G. Medvedeva



23 March 2017

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

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



	Note	Year ended 31 December 2016	Year ended 31 December 2015
Revenue	22	374,072	347,512
Government grants	23	17,250	14,314
Other operating income	24	12,422	8,230
Operating expenses (excluding impairment losses)	25	(315,705)	(315,103)
Operating profit excluding impairment losses		88,039	54,953
Impairment of property, plant and equipment	7	(26,525)	(12,593)
Impairment of accounts receivable, net		(7,133)	(4,011)
Impairment of financial assets	10	(4,464)	-
Impairment of loans issued	14	(2,378)	-
Impairment of other non-current assets	10	-	(3,220)
Impairment of goodwill of subsidiary	10	-	(448)
Operating profit		47,539	34,681
Finance income	26	9,943	12,313
Finance costs	26	(9,041)	(9,744)
Share of results of associates and joint ventures	8	6,682	428
Profit before income tax		55,123	37,678
Income tax expense	16	(15,372)	(10,519)
Profit for the year		39,751	27,159
Attributable to:			
Shareholders of PJSC RusHydro		40,205	31,539
Non-controlling interest		(454)	(4,380)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	27	0.1095	0.0865
Weighted average number of shares outstanding – basic and diluted (thousands of shares)	27	367,138,482	364,468,853

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

RusHydro Group
Consolidated Statement of Comprehensive Income
(in millions of Russian Rubles unless noted otherwise)



	Note	Year ended 31 December 2016	Year ended 31 December 2015
Profit for the year		39,751	27,159
Other comprehensive income / (loss), net of tax:			
<i>Items that will not be reclassified to profit or loss</i>			
Impairment of revalued property, plant and equipment	7	(4,920)	(994)
Remeasurement of pension benefit obligations	17	(274)	(1,495)
Total items that will not be reclassified to profit or loss		(5,194)	(2,489)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Profit arising on available-for-sale financial assets	9	15,050	1,962
Other comprehensive income / (loss)		5	(85)
Total items that may be reclassified subsequently to profit or loss		15,055	1,877
Other comprehensive income / (loss)		9,861	(612)
Total comprehensive income for the year		49,612	26,547
Attributable to:			
Shareholders of PJSC RusHydro		50,082	31,364
Non-controlling interest		(470)	(4,817)

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 2016	Year ended 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		55,123	37,678
Depreciation of property, plant and equipment and amortisation of intangible assets	7, 25	24,130	22,477
Loss on disposal of property, plant and equipment, net	25	555	3,366
Share of results of associates and joint ventures	8	(6,682)	(428)
Other operating income	24	(12,422)	(8,230)
Finance income	26	(9,943)	(12,313)
Finance costs	26	9,041	9,744
Impairment of property, plant and equipment	7	26,525	12,593
Impairment of accounts receivable, net		7,133	4,011
Impairment of financial assets	10	4,464	-
Impairment of loans issued	14	2,378	-
Impairment of other non-current assets	10	-	3,220
Impairment of goodwill of subsidiary	10	-	448
Curtailement in pension payment and pension plan	17, 25	-	(717)
Pension expenses		128	84
Other income		(886)	(298)
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		99,544	71,635
Working capital changes:			
(Increase) / decrease in accounts receivable and prepayments		(9,243)	1,992
Increase in other current assets		(3,403)	-
Increase in inventories		(28)	(2,047)
Increase in accounts payable and accruals		1,013	1,450
(Decrease) / increase in other taxes payable		(199)	2,122
(Increase) / decrease in other non-current assets		(7,083)	967
Increase in other non-current liabilities		3,549	1,630
Income tax paid		(12,777)	(7,949)
Net cash generated by operating activities		71,373	69,800
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(60,957)	(79,238)
Proceeds from sale of property, plant and equipment		266	3,386
Proceeds from sale of dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs	10	10,950	-
Investment in bank deposits and purchase of other investments		(9,993)	(56,789)
Redemption of bank deposits and proceeds from sale of other investments		25,477	75,817
Placement of special funds on special accounts		(6,998)	-
Return of special funds from special accounts		6,098	-
Proceeds from sale of subsidiaries, net of disposed cash	4	3,559	60
Purchase of shares of subsidiary	15	(414)	-
Purchase of subsidiaries from third parties, net of cash acquired		-	(651)
Proceeds from sale of investments in associates		-	81
Interest received		7,094	8,953
Net cash used in investing activities		(24,918)	(48,381)

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 2016	Year ended 31 December 2015
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt	18	64,855	83,896
Proceeds from non-current debt	18	71,829	36,487
Repayment of debt	18	(128,291)	(102,851)
Interest paid		(20,271)	(19,498)
Dividends paid to the shareholders of PJSC RusHydro		(14,228)	(5,712)
Dividends paid by subsidiaries to non-controlling interest holders		(234)	(102)
Proceeds from share issue	15	33	-
Finance lease payments		(530)	(804)
Net cash used in by financing activities		(26,837)	(8,584)
Foreign exchange difference on cash balances		(289)	796
Increase in cash and cash equivalents		19,329	13,631
Cash and cash equivalents at the beginning of the year		48,025	34,394
Cash and cash equivalents at the end of the year	11	67,354	48,025

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 2015		386,255	(26,092)	39,202	(135,075)	(362)	190,476	-	1,721	122,796	578,921	16,230	595,151
Profit for the year		-	-	-	-	-	-	-	-	31,539	31,539	(4,380)	27,159
Profit arising on available-for-sale financial assets	9	-	-	-	-	-	-	1,952	-	-	1,952	10	1,962
Remeasurement of pension benefit obligations	17	-	-	-	-	-	-	-	(1,032)	-	(1,032)	(463)	(1,495)
Impairment of revalued property, plant and equipment	7	-	-	-	-	-	(994)	-	-	-	(994)	-	(994)
Other comprehensive loss		-	-	-	-	(112)	18	-	-	(7)	(101)	16	(85)
Total other comprehensive loss		-	-	-	-	(112)	(976)	1,952	(1,032)	(7)	(175)	(437)	(612)
Total comprehensive income		-	-	-	-	(112)	(976)	1,952	(1,032)	31,532	31,364	(4,817)	26,547
Dividends	15	-	-	-	-	-	-	-	-	(5,710)	(5,710)	(102)	(5,812)
Offer for shares of PJSC RAO ES East	15	-	-	-	-	-	-	-	-	(2,108)	(2,108)	-	(2,108)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(948)	-	-	948	-	-	-
Effect of changes in non-controlling interest	15	-	-	-	-	-	-	-	-	12	12	129	141
As at 31 December 2015		386,255	(26,092)	39,202	(135,075)	(474)	188,552	1,952	689	147,470	602,479	11,440	613,919

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 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 PJSC 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



Note 1. The Group and its operations

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2016 for PJSC RusHydro (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter referred to as the “Group”).

The Company was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by shares and was set up in accordance with Russian regulations.

The Group’s primary activities are generation and sale of electricity and capacity on the Russian wholesale and retail markets, as well as generation and sale of heat energy.

Economic environment in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 29). During 2016 the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country’s economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia’s credit rating is still below investment grade.

This operating 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 2016 the Russian Federation owned 66.84 percent of the total voting ordinary shares of the Company (31 December 2015: 66.84 percent).

The Group’s major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group’s fuel and other suppliers (Note 6).

In addition, the Government affects the Group’s operations through:

- participation of its representatives in the Company’s Board of Directors;
- regulation of tariffs for electricity, capacity and heating;
- approval and monitoring of the Group’s investment programme, including volume and sources of financing.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

Overview of the electricity and capacity market. Capacity and electricity, while interrelated, are treated as separate economic products. The capacity market represents the obligation and ability to keep sufficient generation capability in reserve in order to satisfy a target level of potential demand, while the sale of electricity represents the actual delivery of electricity to the purchaser.

The Russian electricity and capacity market consists of wholesale and retail markets.

Participants of the wholesale market include: generating companies, electricity sales companies (including guaranteeing suppliers), electricity export / import operator, Federal Grid Company (in terms of electricity purchases to cover transmission losses), large electricity consumers. Participants of the wholesale market can act as electricity and capacity sellers and buyers.

Participants of the retail markets include: consumers, providers of public utilities, guaranteeing suppliers, electricity sales (supply) companies, electricity generators of retail markets, grid companies, participants of electricity dispatch.

Wholesale electricity and capacity market. The wholesale electricity and capacity market operates in accordance with the Resolution of the Russian Government No. 1172 dated 27 December 2010.

A wholesale market for electricity and capacity functions on the territory of the regions, which are integrated in pricing areas. European Russia and Urals are included in the first pricing area, Siberia is included in the second pricing area. In non-pricing areas (Arkhangelsk and Kaliningrad regions, Komi Republic, regions of the Far East), where the competitive market relationships are not possible due to technological reasons, sales of electricity and capacity are carried out based on special rules.



In the isolated energy systems which are not technically integrated into the country's unified energy system, there is no electricity and capacity wholesale market and electricity is supplied through the regulated markets.

Wholesale electricity market

The wholesale electricity market has a number of sectors varying in contractual terms, conditions and delivery timeframes: sector of regulated contracts, day-ahead market, sector of unregulated bilateral contracts and the balancing market.

During 2016 the electricity traded in pricing zones of wholesale market was sold at unregulated prices excluding volumes designated for delivery to population, groups of customers equivalent to population and customers located in North Caucasus and Republic of Tyva.

Electricity and capacity supply tariffs for the Russian Federation are calculated using the price indexing formulas determined by the Federal Tariff Service (hereinafter referred to as "the FTS").

Electricity and capacity supply volumes are determined based on the estimated consolidated balance of electricity production and supply prepared by the FTS, so that for each electricity and capacity supplier, supply under regulated contracts does not exceed 35 percent of the total electricity and capacity supply to the wholesale market determined by the decision on balance for such supplier.

Electricity volumes that are not covered by the regulated contracts are sold at unregulated prices on the day-ahead market (DAM) and balancing market (BM).

DAM is a competitive selection of seller and buyer price bids on the day ahead of planned electricity supply, including prices and volumes for each of the following 24 hours. The selection is managed by the Commercial Operator of the wholesale market (JSC TSA). At the DAM, the price is determined by balancing the demand and supply, and such price is applied to all market participants. To mitigate the price manipulation risk, the DAM introduced a system encouraging the participants to submit competitive price bids – in accordance with the trading rules, the lowest price bids for electricity supply are satisfied first.

Price indices and trade volumes for the DAM are published daily on the web-site of JSC TSA.

Electricity volumes sold under bilateral contracts and at the DAM constitute scheduled electricity consumption. However, actual consumption is inevitably different from the planned one. Deviations from scheduled production / consumption are traded on a real-time basis on BM, and the System Operator of the wholesale market (OJSC SO UES) holds additional tenders to select bids every three hours.

Under unregulated bilateral contracts, the market participants independently determine supply counter parties, prices, timing and volumes.

Wholesale capacity market

Capacity is traded based on the following trading mechanisms:

- purchase / sale of capacity under capacity sales contracts, concluded as a result of capacity competitive selection of bids;
- purchase / sale of capacity under unregulated contracts;
- purchase / sale of capacity under contracts to provide capacity and under sale contracts of new nuclear power plants and hydroelectric power plants, similar to capacity sale contracts;
- purchase / sale of capacity produced by forced generators;
- purchase / sale of capacity under regulated contracts (within the volumes for delivery to population and groups of customers equivalent to population);
- purchase / sale of capacity produced by qualified renewable energy projects under contracts to provide capacity concluded on the results of the tender for the construction of renewable energy projects.

Competitive capacity selection (CCS) held by OJSC SO UES is the basis of the capacity market and determines which capacity will be paid the wholesale market.

The Resolution of the Russian Government No. 893 dated 27 August 2015 approved new rules for CCS and improved capacity trading principles on the wholesale market. Starting from 2016, capacity under the CCS will be annually selected for the year which is in three calendar years' time from the year of the respective CCS. The CCS procedures are performed for the pricing zones not separated into free power transfer zones. Indexation is performed if CCS is conducted for more than one year ahead. The CCS price is indexed for CPI decreased by 1 percent for the period from 1 January of the year following the year when the CCS was conducted to 1 January of the year of supply.



The CCS price represents the maximum of prices in the selected bids and the price at which the demand function takes a value equal to the cumulative volume of the capacity selected (including the capacity to be paid irrespective of the CCS results). The CCS price for each pricing zone is the same for all selected generating facilities. Non-selected capacity that failed to pass through the competitive selection is not paid for. If the actual demand for capacity exceeds the volume of generating capacity selected, an adjusting CCS procedure can be conducted.

Capacity commissioned under capacity supply contracts (CSC) entered into with heating generation sites and contracts with nuclear power plants and hydropower plants similar to CSC and that of generating sites that are required to maintain the technological operating modes of the energy system or supply heat ("forced" generators) is paid for irrespective of the CCS results.

During 2016, similar to trading operations with electricity, capacity is supplied under regulated contracts only in the volumes required for supply to the population, equivalent consumer categories and consumers operating in some parts of the wholesale market pricing zones, comprising Russian constituent territories as determined by the Russian Government (North Caucasus and Republic of Tyva).

According to the Resolution of the Russian Government No. 374 dated 28 April 2015 approving changes to the regulations of the wholesale electricity and capacity market, all capacity of hydropower plants located in the second pricing area (Siberia) is supplied at the price of CCS from 1 May 2016.

Non-pricing zone of the Far East

Territories of the Amur Region, Primorsky Region, Khabarovsk Region, Jewish Autonomous Region and the Southern District of the Sakha Republic (Yakutia) are integrated into a single non-pricing zone of the wholesale electricity and capacity market of the Far East. There are specific features of managing electricity and capacity trading operations due to limitations in the competition among electricity suppliers and grid-imposed limitations for electricity flow.

Tariffs for electricity supplied by the Far East energy companies to the consumer (end-consumer tariffs) are approved by regional regulatory authorities based on the threshold tariff levels approved by the FTS for the regulated period.

The threshold tariff levels for electricity supplied to population or equivalent consumer categories and other consumers in the Russian constituent territories are determined by the FTS in accordance with the forecast of social and economic development in the Russian Federation for the regulated period.

The single buyer wholesale market model is implemented in the Far East non-pricing zone. Suppliers of the wholesale market supply electricity and capacity to the wholesale market using the tariffs established for them by the FTS.

The single buyer purchases electricity and capacity on the wholesale market at indicative prices calculated by JSC TSA based on the tariffs for suppliers of wholesale market approved by the FTS.

JSC TSA ensures settlements between the electricity suppliers and buyers. Functions of the single buyer are assigned to PJSC DEK, subsidiary of the Group, on the territory of Amur Region, Jewish Autonomous Region, Khabarovsk Region, Primorsky Region and the Southern District of the Sakha Republic (Yakutia).

However there are regions with only retail market operations – they are isolated energy systems of Kamchatsky Region, Magadan Region, Chukotsk Autonomous Region, Western and Central Regions of Sakha Republic (Yakutia) and Sakhalin Region where systems are not technically integrated into the unified energy system of the country.

Federal Law No. 508-FZ dated 28 December 2016 "On Amendments to the Federal Law" On Electric Power Industry" introduces a premium to the price for capacity in the first and second price zones, due to which tariffs in the Far East will be reduced to the average Russian level. This law is the law of indirect action. In early 2017, it is expected that the necessary subordinate legislation will be adopted to implement this support mechanism.

Retail electricity markets. In the retail electricity markets the sales of electricity purchased on the wholesale electricity and capacity market and electricity of generating companies which are not participants of the wholesale market are carried out.

The retail market rules were approved by Resolution of the Government No. 442 dated 4 May 2012 "On functioning of retail electricity markets, complete and (or) partial constraint of electricity consumption" (hereinafter referred to as "the retail market rules").



In the territories of the constituent regions of the Russian Federation integrated into pricing zones of the wholesale market electricity is sold at unregulated prices except for electricity sales to population and equivalent consumer categories.

Electricity is supplied to population and groups of customers equivalent to population at regulated prices (tariffs) approved by executive authorities of the constituent regions of the Russian Federation in terms of state tariff regulation.

Regulated prices are established based on forecast of social and economic development of Russian Federation for the next year approved by the Government. The FTS determines the threshold levels for regulated tariffs for electricity supplied to population and equivalent consumer categories.

The guaranteeing suppliers sell electricity at unregulated prices within the threshold limits of unregulated prices determined and applied according to the retail market rules. Electricity sales (supply) companies sell electricity at unregulated prices. Electricity generators in the retail markets sell electricity at unregulated prices.

In the territories of the constituent regions of the Russian Federation integrated into non-pricing zones of the wholesale market for determination of prices for electricity supplied to final customers in the retail markets principles of prices translation of wholesale market are applied. Translation of prices of wholesale market is performed for all final customers except for population and equivalent consumer categories.

Translation prices calculated by electricity sales companies according to the Rules of application of the prices (tariffs) are determined based on regulated tariffs set up for the respective group of customers and cost of purchase of electricity and capacity by guaranteeing supplier (electricity sales company) in the wholesale market. Population and equivalent consumer categories pay for electricity under the tariffs set up by executive authorities of the constituent regions of the Russian Federation.

In the territories of isolated energy systems – sales of electricity to all consumer categories are carried out at regulated prices approved by the FTS and executive authorities of the constituent regions of the Russian Federation in terms of state tariff regulation in the territories where such energy systems are located.

Heating market. Operations of the heating market are regulated by Federal Law No.190-FZ “On Heating” dated 27 July 2010 and Resolution of the Government No. 1075 dated 22 October 2012 “On pricing of heating supply”.

The Group’s entities that are included into the segment RAO ES East Group are participants on the retail heating markets in the territories of their presence. Heat energy is supplied on the centralised basis from the heat power plants and boiling houses operated by the energy systems. And a number of energy systems are involved in supplies of heat, generating and distributing heat energy, while others – just generate heat energy.

Heating market provides for:

- supply of heat and heat transfer public utilities relating to hot water and heating supply needs;
- supply of heat for the entities’ technological needs.

According to the Russian legislation, sales of heat energy are fully regulated.

Prices (tariffs) for heat supplied by utilities for all consumer groups are approved by executive authorities in the Russian constituent regions responsible for state regulation of prices (tariffs) within the threshold limits of tariffs approved by the FTS. Starting from 2016, tariffs for heat energy supplied by heat suppliers to other customers are not limited to the maximum level of tariff growth, but the growth of tariffs for heat energy for the population and equivalent consumer categories is limited by the index of changes in the amount of utility payments paid by citizens for the subjects of the Russian Federation established by the Government of the Russian Federation on annual basis. Tariffs for heat energy produced in the mode of combined generation of electric and heat energy by heat energy sources with the installed generating capacity of electric power production of 25 MW or more are approved by the executive authorities of the subjects of the Russian Federation in the field of state regulation of prices (tariffs) within the limits of tariff levels approved by FTS.

Service fee for maintenance of spare heat capacity when there is no heat consumption and fee for connection to the system of heating supply are also regulated by executive authorities in the Russian constituent regions responsible for state regulation of prices.



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 Group's presentation currency, 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 2016, 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 60.66: USD 1.00 (31 December 2015: RR 72.88: USD 1.00), between Russian Ruble and Euro was RR 63.81: EUR 1.00 (31 December 2015: RR 79.70: 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 in transactions 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 making of decisions about the relevant activities required the unanimous consent of the parties sharing control.

The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence on joint ventures and associates.

Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity, 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 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 directly to other comprehensive income in respect of revaluation of property, plant and equipment that are recorded directly in 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 service. Land and assets under construction are not depreciated.

Impairment of property, plant and equipment. Impairment reviews for property, plant and equipment are carried out when there is an indication that impairment may have occurred, or where it is otherwise required to ensure that property, plant and equipment are not carried above their estimated recoverable amounts (Note 7). If such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs 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 change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Investment property. Investment property is property held by the Group to earn rental income which is not occupied by the Group (Note 10). Investment properties are stated at cost. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs of disposal. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Intangible assets and goodwill. The Group's intangible assets other than goodwill have definite useful lives and primarily include customer base acquired in business combination (Note 10), which is amortised over 5 years, and capitalised computer software. Intangible assets are amortised using the straight-line method over their useful lives. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs 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 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.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the consolidated statement of financial position as "non-current assets classified as held for sale" if their carrying amount will be recovered principally



through a sale transaction (including loss of control of a subsidiary holding the assets) within 12 months after the reporting period. Assets are reclassified when all of the following conditions are met: (i) the assets are available for immediate sale in their present condition; (ii) the Group's management approved and initiated an active programme to locate a buyer; (iii) the assets are actively marketed for a sale at a reasonable price; (iv) the sale is expected within one year; and (v) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current and / or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs of disposal. Held for sale property, plant and equipment, investment property and intangible assets are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to the write down to the lower of their carrying amount and fair value less costs of disposal.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

Disposal groups or non-current assets that ceases to be classified as held for sale are measured at the lower of (i) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and (ii) its recoverable amount at the date of the subsequent decision not to sell.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantially enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is 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, provisioning for capacity, supply of non-utility services and on the dispatch of goods during the period. Revenue from retail operations is recognised on delivery of electricity and heat to the customer. Revenue amounts are presented exclusive of value added tax.

Revenue transactions under free bilateral contracts are shown net of related purchases of equivalent electricity volumes which the market participant is obliged to make in accordance with the industry regulations. For the year ended 31 December 2016 there was no additional turnover. For the year ended 31 December 2015 additional turnover in the amount of RR 6,288 million was shown net for presentation purposes to reflect the economic substance of transactions.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets. Government grants are included in cash flows from operating activities.

Earnings per share. The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, excluding the average number of treasury shares held by the Group.

Share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the placement value over the par value of shares issued is recorded as share premium in equity.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. In case the consideration paid is non-cash asset, the treasury shares received are recognised at the fair value of this asset. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Dividends. Dividends are 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:

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 tax payer basis. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plans of the Group companies prepared by management and extrapolated results thereafter.

Management considered the recoverability of recognised deferred tax assets, including those on tax losses carried forward, as probable 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 2016 but did not have any material impact on the Group's consolidated financial statements:

- Amendments Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued in May 2014 and effective for the periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

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 2017 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.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.



IFRS 15, Revenue from Contracts with Customers (issued in May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the new standard on its financial statements.

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.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will present this disclosure in its 2017 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).
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- 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).

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 2016 and 31 December 2015.

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 2016		31 December 2015	
	% 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 Ryazan Power Distributing Company	90.52%	90.52%	90.52%	90.52%
JSC Chuvashskaya energy retail company	100.00%	100.00%	100.00%	100.00%
LLC ESC Bashkortostan	-	-	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. The total consideration amounted to RR 4,100 million including RR 3,600 million received in cash as at 31 December 2016 and deferred consideration of RR 500 million, that was received by the Group in February, 2017.

Net assets of LLC ESC Bashkortostan at the date of disposal are represented below:

Non-current assets	567
Cash and cash equivalents	41
Accounts receivable and prepayments	6,018
Other current assets	11
Total assets of LLC ESC Bashkortostan	6,637
Non-current liabilities	197
Current debt and current portion of non-current debt	2,220
Accounts payable and accruals	3,053
Taxes payable	115
Total liabilities of LLC ESC Bashkortostan	5,585
Net assets of LLC ESC Bashkortostan	1,052

Profit from the sale of LLC ESC Bashkortostan in the amount of RR 3,048 million is included in Other operating income.

	Date of disposal
Net assets of LLC ESC Bashkortostan	(1,052)
Fair value of consideration	4,100
Profit from the sale of LLC ESC Bashkortostan	3,048



RAO ES East subgroup segment

RAO ES East subgroup segment consists of PJSC 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 2016		31 December 2015	
	% of ownership	% of voting	% of ownership	% of voting
PJSC RAO ES East*	99.98%	99.98%	85.92%	86.20%
PJSC DEK	52.11%	52.17%	44.92%	52.17%
JSC DGK	52.11%	100.00%	44.92%	100.00%
JSC DRSK	52.11%	100.00%	44.92%	100.00%
PJSC Kamchatskenergo	98.72%	98.74%	84.83%	98.74%
PJSC Magadanenergo**	48.99%	49.00%	42.10%	49.00%
PJSC Sakhalinenergo	57.80%	57.82%	49.67%	57.82%
PJSC Yakutskenergo	79.15%	79.16%	72.21%	79.16%

* Voting and ownership percent interests in PJSC RAO ES East as at 31 December 2016 include 15.59 percent interest held by the Group's subsidiary LLC Vostok-Finance (31 December 2015: 1.81 percent).

** 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.

The Group's share in PJSC RAO ES East and its subsidiaries increased as a result of voluntary and obligatory offers to purchase shares of PJSC RAO ES East (Note 15).

Other segments

Other segments include:

- the Group's subsidiaries with production and sale of electricity and capacity;
- the Group's subsidiaries primarily engaged in research and development related to the utilities industry and construction of hydropower facilities;
- the Group's subsidiaries engaged in repair, upgrade and reconstruction of equipment and hydropower facilities;
- the Group's subsidiaries engaged primarily in hydropower plants construction;
- minor segments which do not have similar economic characteristics.

Principal subsidiaries included in other segments are presented below:

	31 December 2016		31 December 2015	
	% of ownership	% of voting	% of ownership	% of voting
JSC Blagoveschensk HPP	100.00%	100.00%	100.00%	100.00%
JSC VNIIG	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 Sahalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak HidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC HPP 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	99.63%	100.00%	99.63%	100.00%
JSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
JSC ESCO UES	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:

Financial position	RAO ES East subgroup		including DEK subgroup	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Share of non-controlling interest	0.02%	14.08%	47.89%	55.08%
Share of voting rights, attributable to non-controlling interest	0.02%	13.80%	47.83%	47.83%
Non-current assets	114,628	104,873	65,407	57,183
Current assets	57,587	57,638	25,645	23,993
Non-current liabilities	(87,668)	(57,768)	(61,392)	(35,095)
Current liabilities	(74,421)	(88,518)	(33,433)	(54,549)
Net assets / (liabilities)	10,126	16,225	(3,773)	(8,468)
Carrying value of non-controlling interest	3,014	9,732	(421)	(2,656)
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Financial results				
Revenue	175,545	162,713	119,179	109,327
(Loss) / profit for the year	(6,184)	(7,518)	1,573	(8,756)
Total comprehensive (loss) / income for the year	(6,397)	(8,410)	1,744	(9,402)
(Loss)/ profit for the year, attributable to non-controlling interest	(221)	(4,621)	1,641	(4,522)
Changes in other comprehensive (loss) / income, attributable to non-controlling interest	(110)	(446)	114	(59)
Cash flows				
Cash generated by operating activities	12,982	10,919	11,397	5,592
Cash used in investing activities	(17,632)	(14,854)	(6,093)	(6,406)
Cash (used in) / generated by financing activities	(355)	1,786	(4,980)	(191)
(Decrease) / increase in cash and cash equivalents	(5,005)	(2,149)	324	(1,005)

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 PJSC 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 estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding insurance indemnity, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property, plant and equipment, impairment of other non-current assets, impairment of financial assets, impairment of goodwill, impairment of available-for-sale financial assets, of accounts receivable, of long-term promissory notes, loss on disposal of property, plant and equipment, gain on disposal of subsidiaries and associates, profit on disposal of other non-current assets, curtailment in pension payment and pension plan and other non-monetary items of operating expenses. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt's balances are excluded.

Other information provided to the CODM complies with the information presented in the consolidated financial statements.

Intersegment sales are carried out at market prices.

Segment information for the years ended 31 December 2016 and 31 December 2015 and as at 31 December 2016 and 31 December 2015 is presented below:

RusHydro Group
Notes to the Consolidated Financial Statements as at and for the year ended
31 December 2016



(in millions of Russian Rubles unless noted otherwise)

Year ended 31 December 2016	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	115,037	88,748	175,545	29,502	408,832	(34,760)	374,072
<i>including:</i>							
<i>from external companies</i>	104,441	88,715	174,716	6,200	374,072	-	374,072
<i>sales of electricity</i>	74,802	87,595	109,586	599	272,582	-	272,582
<i>sales of heat and hot water sales</i>	168	-	38,681	-	38,849	-	38,849
<i>sales of capacity</i>	28,881	-	7,795	392	37,068	-	37,068
<i>other revenue</i>	590	1,120	18,654	5,209	25,573	-	25,573
<i>from intercompany operations</i>	10,596	33	829	23,302	34,760	(34,760)	-
Government grants	-	-	17,184	66	17,250	-	17,250
Other operating income (excluding non-monetary items)	29	1	82	340	452	(17)	435
Operating expenses (excluding depreciation and other non-monetary items)	(39,707)	(85,869)	(168,917)	(29,788)	(324,281)	32,865	(291,416)
EBITDA	75,359	2,880	23,894	120	102,253	(1,912)	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)	58,640	3,009	3,646	(16,101)	49,194	(1,655)	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
Total income tax expense							(15,372)
Profit for the year							39,751
Capital expenditure	29,987	204	20,809	27,366	78,366	2,699	81,065
31 December 2016							
Non-current and current debt	107,274	550	86,912	5,067	199,803	-	199,803

RusHydro Group
Notes to the Consolidated Financial Statements as at and for the year ended
31 December 2016



(in millions of Russian Rubles unless noted otherwise)

						Unallocated adjustments and intercompany operations	
Year ended 31 December 2015	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments		TOTAL
Revenue	100,826	86,955	162,713	28,113	378,607	(31,095)	347,512
<i>including:</i>							
from external companies	90,960	86,925	162,441	7,186	347,512	-	347,512
sales of electricity	64,198	85,850	104,021	449	254,518	-	254,518
sales of heat and hot water sales	154	-	35,227	-	35,381	-	35,381
sales of capacity	25,611	-	7,047	380	33,038	-	33,038
other revenue	997	1,075	16,146	6,357	24,575	-	24,575
from intercompany operations	9,866	30	272	20,927	31,095	(31,095)	-
Government grants	-	-	14,268	46	14,314	-	14,314
Other operating income (excluding non-monetary items)	-	-	498	800	1,298	(4)	1,294
Operating expenses (excluding depreciation and other non-monetary items)	(41,387)	(84,075)	(164,682)	(29,206)	(319,350)	29,613	(289,737)
EBITDA	59,439	2,880	12,797	(247)	74,869	(1,486)	73,383
Insurance indemnity	-	-	-	6,471	6,471	-	6,471
Depreciation of property, plant and equipment and amortisation of intangible assets	(12,523)	(826)	(7,624)	(1,769)	(22,742)	265	(22,477)
Other non-monetary items of operating income and expenses	(12,586)	(1,387)	(3,547)	(5,014)	(22,534)	(162)	(22,696)
<i>including:</i>							
impairment of property, plant and equipment	(9,747)	-	(1,953)	(893)	(12,593)	-	(12,593)
impairment of other non-current assets	(3,220)	-	-	-	(3,220)	-	(3,220)
impairment of goodwill of subsidiary	-	-	-	(448)	(448)	-	(448)
reversal / (impairment) of accounts receivable, net	1,078	(1,345)	(3,021)	(723)	(4,011)	-	(4,011)
(loss) / profit on disposal of property, plant and equipment, net	(537)	(42)	59	(2,950)	(3,470)	104	(3,366)
curtailment in pension payment and pension plan	-	-	717	-	717	-	717
(loss) / gain on disposal of subsidiaries and associates	(160)	-	651	-	491	(266)	225
Operating profit / (loss)	34,330	667	1,626	(559)	36,064	(1,383)	34,681
Finance income							12,313
Finance costs							(9,744)
Share of results of associates and joint ventures							428
Profit before income tax							37,678
Total income tax expense							(10,519)
Profit for the year							27,159
Capital expenditure	35,206	223	19,554	41,956	96,939	4,896	101,835
31 December 2015							
Non-current and current debt	121,861	1,847	68,019	5,666	197,393	-	197,393



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 2016 and 31 December 2015 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 2016	31 December 2015
Promissory notes	10	6,269	5,711
Advances to suppliers		800	-
Loans issued		15	2,725
Loans received		750	750

The Group had the following transactions with its joint ventures:

	Year ended 31 December 2016	Year ended 31 December 2015
Sales of electricity and capacity	931	851
Other revenue	648	778
Purchased electricity and capacity	2,811	2,149

Associates

The Group had the following balances with its associates:

	Year ended 31 December 2016	Year ended 31 December 2015
Trade and other receivables	491	440
Accounts payable	781	481

The Group had the following transactions with its associates:

	Year ended 31 December 2016	Year ended 31 December 2015
Sales of electricity and capacity	2,679	2,351
Other revenue	137	258
Rent	521	447
Purchased electricity and capacity	17	19

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 2016 and 31 December 2015 and balances outstanding as at 31 December 2016 and 31 December 2015 with the following government-related banks: SC Vnesheconombank, PJSC Sberbank, JSC Rosselkhozbank, Bank GPB (JSC), PJSC VTB Bank, OJSC Bank of Moscow, PJSC VTB24 (Notes 10, 11, 14, 18). All transactions are carried out on market rates.

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 30 percent of total sales of electricity, capacity and heat for the year ended 31 December 2016 (for the year ended 31 December 2015: 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 17,250 million (in 2015 in the amount of RR 14,314 million) (Note 23).



The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 20 percent of total expenses on purchased electricity, capacity and fuel for the year ended 31 December 2016 (for the year ended 31 December 2015: approximately 20 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 60 percent of total electricity distribution expenses for the year ended 31 December 2016 (for the year ended 31 December 2015: approximately 50 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 2016 comprised RR 1,419 million including accrual for bonuses in the amount of RR 165 million (for the year ended 31 December 2015: RR 2,174 million).



(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 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

Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2014	81,110	378,702	226,137	256,121	14,925	956,995
Impairment of revalued property, plant and equipment	(26)	(1,160)	(56)	-	-	(1,242)
Reclassification	(55)	89	(1,806)	2,597	(825)	-
Additions	979	808	1,611	97,417	1,020	101,835
Reclassification to non-current assets and assets of disposal group classified as held for sale	(880)	-	-	-	-	(880)
Transfers	2,925	20,357	43,503	(67,292)	507	-
Disposals and write-offs	(166)	(103)	(876)	(3,551)	(1,981)	(6,677)
Balance as at 31 December 2015	83,887	398,693	268,513	285,292	13,646	1,050,031
Accumulated depreciation (including impairment)						
Balance as at 31 December 2014	(29,504)	(116,411)	(89,161)	(29,062)	(6,667)	(270,805)
Impairment charge	(644)	(4,318)	(2,180)	(6,143)	(55)	(13,340)
Reversal of impairment	346	94	299	8	-	747
Depreciation charge	(2,152)	(8,302)	(11,782)	-	(1,439)	(23,675)
Reclassification to non-current assets and assets of disposal group classified as held for sale	92	-	-	-	-	92
Transfers	12	(2,741)	(3,607)	5,819	517	-
Disposals and write-offs	47	22	550	186	730	1,535
Balance as at 31 December 2015	(31,803)	(131,656)	(105,881)	(29,192)	(6,914)	(305,446)
Net book value as at 31 December 2015	52,084	267,037	162,632	256,100	6,732	744,585
Net book value as at 31 December 2014	51,606	262,291	136,976	227,059	8,258	686,190

As at 31 December 2016 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 7,745 million (31 December 2015: RR 7,793 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 2016 such advances amounted to RR 47,105 million (31 December 2015: RR 59,531 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 14,276 million, the capitalisation rate was 10.55 percent (for the year ended 31 December 2015: RR 14,706 million, the capitalisation rate was 11.28 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 1,042 million (for the year ended 31 December 2015: RR 1,088 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 2016 and 31 December 2015 does not differ materially from their fair value at the end of the reporting period.

Process of fair value of property, plant and equipment assessment

Management of the Group determines the fair value of property, plant and equipment according to the following procedures.

The Group's property, plant and equipment are mainly represented by specialised property: the Group's key assets are represented by unique hydro engineering structures and power equipment manufactured under certain technical specifications for each power plant; such equipment is rarely sold in the market.

The Group's management determines the value of the specialised property on a regular basis, using the cost approach. The cost approach is based on the economic concept which implies that a buyer will pay no more for an asset than it would cost to develop or obtain another asset with the same functionality. The total costs of replacement or reproduction of the analysed asset resulting from such measurement are decreased by the amount of physical, functional and economic depreciation.

The replacement costs are determined based on specialised reference books, regulatory documents, construction rates, manufacturer's prices in effect as of the valuation date; physical and functional depreciation is measured based on the age of the assets, their actual condition and operating mode, etc.

To determine the economic depreciation of specialised assets, the Group's management calculates the recoverable amount using the income approach. It is based on discounted cash flow method, and the Group uses certain assumptions when building the cash flow forecast. In particular, these assumptions are used to determine the expected cash flows, capital expenditures and discount rates for each cash generating unit. The Group's management determines the forecast horizon, and net cash inflows from the asset's operation are calculated for each period of this horizon. The recoverable amount of the cash generating unit is determined by recalculating the discounted net cash flows. The Group's management believes that the Group subsidiaries and Company's branches are separate cash generating units.

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 2016 and 31 December 2015

The following key assumptions were used when the cash flow testing was performed for the years ended 31 December 2016 and 31 December 2015:

Key assumptions used in the cash flow testing	Year ended 31 December 2016	Year ended 31 December 2015
Information used	Actual operating results for 2016 and business plans for 2017–2022	Actual operating results for 2015 and business plans for 2016–2021
Forecast period*	<p>For existing plants 10 years (2017–2026)</p> <p>For plants under construction - 20 years after commissioning and before the completion of capacity sale contracts (2017–2040)</p> <p>For cash-generating units of the Far East - 11-25 years (2017–2041)</p>	<p>For existing plants 10 years (2016–2025)</p> <p>For plants under construction - 20 years after commissioning and before the completion of capacity sale contracts (2016–2039)</p> <p>For cash-generating units of the Far East - 11-25 years (2016–2040)</p>
Forecasted growth rates in terminal period	3.83 percent	4.0 percent
Discount rate before tax (based on weighted average cost of capital)	14.45–17.4 percent (RR)	14.97–16.8 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	<p>For 2017–2020 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used</p> <p>For 2021 and after – adjusted on consumer index price and forecasts of JSC TSA</p>	<p>For 2016–2019 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used</p> <p>For 2020 and after – adjusted on consumer index price and forecasts of JSC TSA</p>
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 analyzed 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 recognized in prior periods no longer exists or decreased.

As a result of analysis of property, plant and equipment of the Group on impairment as at 31 December 2016 an impairment loss in the amount of RR 33,099 million was recognised in the Consolidated Income Statement and decrease of previously recognised revaluation reserve in the amount of RR 6,150 million (before income tax of RR 1,230 million) – in other comprehensive loss, the effects relate mainly to the following cash-generating units:

- Saratovskaya HPP – impairment loss in the amount of RR 3,368 million and decrease of previous revaluation reserve in the amount of RR 2,585 million;
- Blagoveschenskaya TPP – impairment loss in the amount of RR 4,731 million;
- Leningradskaya PSHPP – impairment loss in the amount of RR 4,337 million;



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- Votkinskaya HPP – impairment loss in the amount of RR 1,901 million and decrease of previous revaluation reserve in the amount of RR 2,418 million;
- Sakhalinenergo – impairment loss in the amount of RR 3,101 million and decrease of previous revaluation reserve in the amount of RR 76 million;
- Magadanenergo – impairment loss in the amount of RR 2,525 million and decrease of previous revaluation reserve in the amount of RR 9 million;
- Kabardino-Balkarian branch – impairment loss in the amount of RR 1,606 million and decrease of previous revaluation reserve in the amount of RR 301 million;
- Yakutskenergo – impairment loss in the amount of RR 1,261 million and decrease of previous revaluation reserve in the amount of RR 407 million;
- Sakhaenergo – impairment loss in the amount of RR 1,165 million;
- Kamchatskenergo – impairment loss in the amount of RR 1,093 million;
- Cascade Verkhnevolszhskih HPP – impairment loss in the amount of RR 725 million and decrease of previous revaluation reserve in the amount of RR 345 million.

At the same time, a reversal of impairment in the amount of RR 6,582 million was recognised in the Consolidated Income Statement in respect of respect of the following cash-generating units impaired in previous periods:

- Khabarovskaya Generation – in the amount of RR 3,680 million;
- Sayno-Shushenskaya HPP – in the amount of RR 2,137 million;
- Primorskaya Generation – in the amount of RR 765 million.

The sensitivity analysis of the recoverable amounts of cash-generating units for the key assumptions is presented in Note 32.

As a result of property, plant and equipment impairment as at 31 December 2015 its net book value decreased by the total amount of RR 13,835 million. As a result, impairment loss in the amount of RR 12,593 million was recognised in Consolidated Income Statement and decrease of previous revaluation reserve in the amount of RR 1,242 million (before income tax of RR 248 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 2016	34,278	111,189	169,428	264,645	2,134	581,674
Net book value as at 31 December 2015	29,793	111,249	152,336	260,080	1,492	554,950

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 of the GAES building originated from the lower reservoir via functional joints of the station block and a newly formed cavity in the right junction of the GAES-2 building foundation. 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 have finished all payments on the insured event.

Other operating income for the year ended 31 December 2016 include insurance indemnity received from JSC SOGAZ in the amount of RR 1,384 million (for the year ended 31 December 2015: RR 868 million) and from JSC AlfaStrakhovanie in the amount of RR 353 million (for the year ended 31 December 2015: RR 847 million). For the year ended 31 December 2015 insurance indemnity from PIJSC Ingosstrakh in the amount of RR 4,756 million was also recognised.



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For the year ended 31 December 2016 a loss on disposal of damaged equipment and assets under construction which are not recoverable was recognised in Operating expenses in the amount of RR 15 million. Also for the year ended 31 December 2016 the Group has carried expenses on recovery works in the total amount of RR 1 585 million which are recognized in the following items of Operating expenses: other third parties services, other materials, employee benefit expenses, rent expenses.

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 2016 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 61,142 million.

Leased equipment. As at 31 December 2016 the net book value of assets held under finance lease and included in property, plant and equipment was RR 1,964 million (31 December 2015: RR 3,107 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 2016	31 December 2015
Less than one year	2,175	2,309
Between one and five years	7,404	3,826
After five years	30,524	38,852
Total	40,103	44,987

Pledged assets. As at 31 December 2016 RR and 31 December 2015 no property, plant and equipment have been pledged as collateral for borrowings.

Note 8. Investments in associates and joint ventures

The Group's interests in associates and joint ventures and its carrying value were as follows:

	Place of business	% held		Carrying value	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Associates					
OJSC Irkutsk Electronetwork Company (OJSC IENC)	Russia	42.75%	42.75%	7,528	7,777
OJSC Sakhalin Energy Company (OJSC SEC)	Russia	36.09%	36.09%	1,982	3,429
Other				193	172
Total associates				9,703	11,378
Joint ventures					
BoGES Group	Russia	50.00%	50.00%	9,230	1,229
BALP Group	Russia	50.00%	50.00%	-	-
Other				1,345	1,535
Total joint ventures				10,575	2,764
Total investments in associates and joint ventures				20,278	14,142

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The amounts in respect of associates and joint ventures recognised in the Income Statement are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Associates		
OJSC IENC	(249)	(283)
OJSC SEC	(1,447)	(12)
Other	24	(19)
Total associates	(1,672)	(314)
Joint ventures		
BoGES Group	8,546	684
BALP Group	-	-
Other	(192)	58
Total joint ventures	8,354	742
Share of results of associates and joint ventures	6,682	428

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.

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 2016 and 31 December 2015 and as at 31 December 2016 and 31 December 2015:

	OJSC SEC		OJSC IENC	
	2016	2015	2016	2015
As at 31 December				
Non-current assets	7,407	11,242	24,169	24,862
Current assets	1,066	761	1,151	1,037
Non-current liabilities	-	(12)	(1,814)	(1,571)
Current liabilities	(543)	(54)	(8,111)	(8,350)
Net assets	7,930	11,937	15,395	15,978
For the year ended 31 December				
Revenue	535	449	18,809	16,995
Impairment of property, plant and equipment	(4,921)	-	-	-
Loss for the year	(4,007)	(35)	(583)	(661)
Total comprehensive loss for the year	(4,007)	(35)	(583)	(661)



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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 2014	10,972	16,639	1,026	28,637
Loss for the year	(35)	(661)	(32)	(728)
Additional share issue	1,000	-	-	1,000
Disposal	-	-	(402)	(402)
Reclassification to available-for-sale financial assets	-	-	19	19
Net assets as at 31 December 2015	11,937	15,978	611	28,526
Interest in associates	4,308	6,831	172	11,311
Goodwill	-	946	-	946
Additional share issues	(879)	-	-	(879)
Carrying value as at 31 December 2015	3,429	7,777	172	11,378
Net assets as at 31 December 2015	11,937	15,978	611	28,526
Loss 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
Other movement	(879)	-	-	(879)
Carrying value as at 31 December 2016	1,982	7,528	193	9,703

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 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.

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Summarised financial information for significant joint ventures for the years ended 31 December 2016 and 31 December 2015 and as at 31 December 2016 and 31 December 2015:

As at 31 December	BoGES Group		BALP Group	
	2016	2015	2016	2015
Non-current assets	66,472	45,007	27,476	1,475
Current assets including:	3,140	3,681	6,208	6,315
<i>Cash and cash equivalents</i>	898	442	1,141	498
Non-current liabilities including:	(43,932)	(44,343)	(93,907)	(96,872)
<i>Non-current financial liabilities (excluding trade payables)</i>	(38,021)	(37,715)	(93,907)	(96,872)
Current liabilities including:	(7,236)	(1,918)	(2,172)	(3,877)
<i>Current financial liabilities (excluding trade payables)</i>	(835)	(678)	(16)	(3)
Net assets	18,444	2,427	(62,395)	(92,959)
For the year ended 31 December	2016	2015	2016	2015
Revenue	16,141	14,632	23,155	11,558
Depreciation of property, plant and equipment	(1,192)	(1,191)	(1,717)	(111)
Impairment of promissory notes	(6,000)	(5,780)	-	-
Interest income	877	489	-	7
Interest expense	(3,412)	(2,849)	(7,901)	(6,460)
Foreign exchange differences	(2)	(10)	14,713	(19,118)
Reversal / (impairment) of property, plant and equipment	25,390	-	23,402	(3,869)
Profit / (loss) before income tax	19,484	(125)	30,564	(30,123)
Income tax (expense) / benefit	(3,467)	500	-	(13,201)
Profit / (loss) for the year	16,017	375	30,564	(43,324)
Total comprehensive income / (loss) for the year	16,017	375	30,564	(43,324)

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 2014	2,052	(49,635)	2,105	(45,478)
Net assets at the date of the purchase	-	-	1,003	1,003
Profit / (loss) for the year	375	(43,324)	(623)	(43,572)
Net assets as at 31 December 2015	2,427	(92,959)	2,485	(88,047)
Interest in joint ventures	1,214	(46,480)	1,129	(44,137)
Non-controlling interest	15	-	-	15
Accumulated losses	-	46,480	406	46,886
Carrying value as at 31 December 2015	1,229	-	1,535	2,764
Net assets as at 31 December 2015	2,427	(92,959)	2,485	(88,047)
Profit for the year	16,017	30,564	44	47,569
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

The Group has issued guarantees for PJSC Boguchanskaya HPP for the loan facility in favour of the State Corporation Vnesheconombank (Note 29).



(in millions of Russian Rubles unless noted otherwise)

Note 9. Available-for-sale financial assets

	31 December 2016		31 December 2015	
	% of ownership	Fair value	% of ownership	Fair value
PJSC Inter RAO	4.92%	19,495	4.92%	5,606
PJSC Russian Grids	0.23%	638	0.28%	228
PJSC Boguchanskaya HPP	2.89%	505	2.89%	-
PJSC FGC UES	0.13%	338	0.13%	99
Other	-	205	-	161
Total available-for-sale financial assets		21,181		6,094

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).

Profit arising on available-for-sale financial assets for the year ended 31 December 2016 totaled RR 15,050 million (net of tax), including revaluation of PJSC Inter RAO – RR 13,889 million, was recorded within other comprehensive income (for the year ended 31 December 2015 loss totaled RR 1,962 million).

Note 10. Other non-current assets

	31 December 2016	31 December 2015
Long-term promissory notes	38,931	38,189
Discount	(16,415)	(16,946)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	8,491	7,218
Long-term advances to suppliers	3,173	60
VAT recoverable	2,036	2,546
Goodwill	481	481
Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs	-	2,164
Customer base of LLC ESC Bashkortostan	-	553
Other non-current assets	7,666	8,380
Total other non-current assets	21,847	21,402

Other non-current assets in the amount of RR 7,666 million (31 December 2015: RR 8,380 million) mainly include intangible assets, research and development costs and long-term accounts receivable. Also included in other non-current assets is 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 expected from the conversion of the balance of RR 4,681 million into convertible bonds of Peresvet Bank (Note 11) with recognition of impairment of financial assets in the amount of RR 4,464 million.

	Rating	Rating agency	Effective interest rate	Maturity date	31 December 2016	31 December 2015
Long-term promissory notes						
PJSC Boguchanskaya HPP	-	-	9.75%	2029	6,269	5,711
PJSC ROSBANK	Ba1	Moody's	10.90–14.58%	2020–2022	888	784
JSC Alfa Bank	BB+	Fitch Ratings	11.39–16.35%	2020–2022	761	673
PJSC Bank VTB	BB+	Standard & Poor's	11.82–13.67%	2018–2021	511	-
Other					62	50
Total long-term promissory notes					8,491	7,218

Promissory notes of PJSC Boguchanskaya HPP. As at 31 December 2016 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 State Corporation Vnesheconombank amounted to RR 6,269 million (31 December 2015: RR 5,711 million) (Note 8).



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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. The dams were received by the Company in 2011 in course of additional share issue and were leased by EuroSibEnergogroup before the sale. The transaction amount is RR 10,950 million (including VAT). Profit from the dams' sale is included in Other operating income (Note 24).

Goodwill. Presented below is the carrying value of goodwill:

	Year ended 31 December 2016	Year ended 31 December 2015
Carrying amount as of 1 January	481	929
Impairment loss	-	(448)
Carrying amount as of 31 December	481	481

Goodwill of JSC Institute Hydroproject. Goodwill of RR 929 million was recognised at the date of the acquisition of JSC Institute Hydroproject in October 2010 as the Group was able to receive economic benefits from the expected synergy from the high qualification of engineering specialists and long-term relationships between JSC Institute Hydroproject and customers, including the Group entities.

As at 31 December 2016 and 31 December 2015, the Group tested goodwill related to JSC Institute Hydroproject for its potential impairment. For the testing purposes, JSC Institute Hydroproject was considered as a single cash generating asset.

Presented below are key assumptions used for the impairment testing purposes for the years ended 31 December 2016 and 31 December 2015:

Key assumptions used for the impairment testing purposes	For the year ended 31 December 2016	For the year ended 31 December 2015
Information used	Actual performance for 2016 and results of business plans for 2017-2021	Actual performance for 2015 and results of business plans for 2016-2020
Forecast period	5 years	5 years
Growth interest rate after the forecast period	4.0 percent	4.0 percent
Discount rate	15.6 percent	15.6 percent
Net cash inflow after the forecast period	Minimum expectation: RR 57 million in 2017, RR 148 million in 2018, RR 186 million in 2019, RR 217 million in 2020, RR 236 million in 2021	Minimum expectation: RR 148 million in 2016, RR 67 million in 2017, RR 94 million in 2018, RR 110 million in 2019, RR 122 million in 2020
Net cash inflow after the forecast period	Minimum expectation: RR 255 million per year	Minimum expectation: RR 114 million per year

Based on the above assumptions, as at 31 December 2016 the recoverable amount of JSC Institute Hydroproject as a cash generating asset was higher than the carrying amount - there is no economic impairment. As at 31 December 2015 recoverable amount of JSC Institute Hydroproject as a cash generating asset was less than the carrying amount and the Group recognised impairment of goodwill in the amount of RR 448 million.

Note 11. Cash and cash equivalents

	31 December 2016	31 December 2015
Cash equivalents (contractual interest rate: 6.72-10.94%)	52,594	36,137
Cash at bank	14,738	11,857
Cash in hand	22	31
Total cash and cash equivalents	67,354	48,025

Cash equivalents held as at 31 December 2016 and 31 December 2015 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 2016 were RR 736 million (31 December 2015: RR 2,801 million). Cash and cash equivalents balances denominated in Euros as at 31 December 2016 were RR 67 million (31 December 2015: RR 61 million).



(in millions of Russian Rubles unless noted otherwise)

Cash and cash equivalents are deposited in several institutions as follows:

	Rating	Rating agency	31 December 2016	31 December 2015
Cash at banks				
Bank GPB (JSC)	BB+	Fitch Ratings	7,255	3,573
PJSC Sberbank	BBB-	Fitch Ratings	4,281	4,630
PJSC Bank VTB	BB+	Standard & Poor's	2,047	719
PJSC ROSBANK	BBB-	Fitch Ratings	387	124
PJSC Bank FK Otkritie	BB-	Standard & Poor's	169	63
CJSC ARDSHINBANK	B+	Fitch Ratings	157	170
PJSC VTB24	Ba1	Moody's	67	230
JSC Alfa-Bank	BB+	Fitch Ratings	12	364
Peresvet Bank	-	-	-	1,405
Other	-	-	363	579
Total cash at banks			14,738	11,857
Bank deposits				
PJSC Bank VTB	BB+	Standard & Poor's	23,152	4,832
Bank GPB (JSC)	BB+	Fitch Ratings	13,922	2,084
PJSC Sberbank	BBB-	Fitch Ratings	13,283	8,992
JSC Rosselkhozbank	BB+	Fitch Ratings	838	519
PJSC Promsvyazbank	BB-	Standard & Poor's	536	-
PJSC Bank FK Otkritie	BB-	Standard & Poor's	525	7,753
PJSC VTB24	Ba1	Moody's	322	6
Peresvet Bank	-	-	-	6,280
Sviaz-Bank	-	-	-	2,724
JSC Bank Severny Morskoy Put	-	-	-	1,875
GLOBEXBANK	-	-	-	1,000
Other	-	-	16	72
Total cash equivalents			52,594	36,137

Group's Cash and Deposits with Peresvet Bank

On 21 October 2016 the Russian Central Bank introduced the temporary administration in Peresvet Bank for a period of six months due to Peresvet Bank's failure to discharge its creditors' claims on monetary liabilities within the established period and in order to determine the financial position and future perspectives of the credit institution. At the same time, in accordance with the Russian law 'On Insolvency' a moratorium on discharge of Peresvet Bank creditors' claims for a period of three months was imposed, which was extended for another three month on 23 January 2017.

On 20 February 2017 functions of temporary administration of Peresvet Bank were assigned to the State Corporation Deposit Insurance Agency.

The temporary administration of Peresvet Bank has proposed to convert part of Peresvet Bank's monetary obligations into the bank's convertible bonds due in 15 years. This will allow the bank to partially settle its obligations.

As at 31 December 2016 cash and deposits placed with Peresvet Bank together with interest accrued on deposits totalled RUB 5,507 million. Under the proposed action plan which the Group's management considers most likely based on the information available as of the date of the issue of these consolidated financial statements, the Group's cash and deposits are to be converted to subordinated bonds of Peresvet Bank in the amount of RUB 4,681 million or 85% of the total cash and deposits. These assets are recorded within Other non-current assets at amortised value (Note 10). The remaining RUB 826 million of cash is recorded as restricted cash within Other current assets because its receipt is expected within 12 months of the reporting date (Note 14).



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Note 12. Accounts receivable and prepayments

	31 December 2016	31 December 2015
Trade receivables	56,936	55,075
Provision for impairment of trade receivables	(23,900)	(20,158)
Trade receivables, net	33,036	34,917
VAT recoverable	7,329	8,156
Advances to suppliers and other prepayments	2,617	3,540
Provision for impairment of advances to suppliers and other prepayments	(629)	(1,021)
Advances to suppliers and other prepayments, net	1,988	2,519
Other receivables	8,485	7,248
Provision for impairment of other receivables	(3,762)	(3,194)
Other receivables, net	4,723	4,054
Total accounts receivable and prepayments	47,076	49,646

The provision for impairment of accounts receivable has been determined based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analysis of expected future cash flows (Note 2). The Group believes that the Group's subsidiaries will be able to realise the net receivable amount through direct collections and other non-cash settlements, and the carrying value approximates their fair value.

Movements in the impairment provision for trade and other accounts receivables are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
As at 1 January	23,352	21,526
Charge for the year	8,541	6,650
Reversal of impairment	(1,304)	(3,808)
Trade receivables written-off as uncollectible	(1,678)	(1,016)
Disposal of impairment provision due to disposal of subsidiaries	(1,249)	-
As at 31 December	27,662	23,352

The ageing analysis of trade and other finance accounts receivable is as follows:

	31 December 2016	Provision as at 31 December 2016	31 December 2015	Provision as at 31 December 2015
Not past due	29,547	(1,652)	29,622	(2,426)
Past due for less than 3 months	6,098	(1,378)	6,655	(1,260)
Past due for 3 months to 1 year	9,343	(5,228)	7,499	(2,834)
Past due for more than 1 year	20,052	(19,404)	17,959	(16,832)
Total	65,040	(27,662)	61,735	(23,352)

The majority of trade debtors which are neither past due nor impaired could be aggregated in several groups based on similarities in their credit quality: large industrial consumers – participants of the wholesale and retail electricity and capacity market as well as public sector entities and population.

The Group does not hold any accounts receivable pledged as collateral.

Note 13. Inventories

	31 December 2016	31 December 2015
Fuel	14,825	14,291
Materials and supplies	6,402	6,555
Spare parts	2,539	2,782
Other materials	565	606
Total inventories before provision for impairment	24,331	24,234
Provision for impairment of inventories	(294)	(235)
Total inventories	24,037	23,999

There are no inventories pledged as collateral for borrowings as at 31 December 2016 and as at 31 December 2015.



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Note 14. Other current assets

	31 December 2016	31 December 2015
Special funds	3,507	-
Deposits and promissory notes	4,292	19,532
Restricted cash (Note 11)	826	-
Loans issued	2,808	2,837
Provision for loans issued	(2,498)	(109)
Loans issued, net	310	2,728
Other short-term investments	162	314
Total other current assets	9,097	22,574

As at 31 December 2016 the rest of special funds in the amount of RR 3,507 million received by the Group to fund construction of generating facilities are located on special accounts of the Federal Treasury of Russia. These special funds may be used by the Group only after the due procedure of expenditure approval performed by the Federal Treasury of Russia according to the Order of Ministry of Finance of the Russian Federation No. 213n dated 25 December 2015.

As at 31 December 2016 the Group impaired loans issued to ZAO Verkhne-Narynskiye HPPs in the amount of 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 2016	31 December 2015
Deposits					
PJSC Sberbank	BBB-	Fitch Ratings	7.25–10.85%	4,140	18,322
Other deposits	-	-	-	150	1,168
Promissory notes					
JSC Alfa-Bank	-	-	-	-	35
Other promissory notes	-	-	-	2	7
Total deposits and promissory notes				4,292	19,532

Note 15. Equity

	Number of issued and fully paid ordinary shares (Par value of RR 1.00)
As at 31 December 2016	386,255,464,890
As at 31 December 2015	386,255,464,890
As at 31 December 2014	386,255,464,890

Treasury shares. As at 31 December 2016 treasury shares were represented by 18,852,353,167 ordinary shares in the amount of RR 22,578 million (31 December 2015: 21,786,611,933 ordinary shares in the amount of RR 26,092 million).

During the year ended 31 December 2016, 2,934,258,766 treasury shares were transferred to non-controlling interest shareholders of PJSC RAO ES East in exchange for purchased shares of the subsidiary under voluntary and obligatory offers to purchase shares of PJSC RAO ES East as described below.

Voluntary and obligatory offers to purchase shares of PJSC RAO ES East. On 3 November 2015 in accordance with decision of the Board of Directors of the Company LLC Vostok-Finance, a subsidiary of the Group, declared a voluntary offer to purchase shares of PJSC RAO ES East. Under the voluntary offer, shareholders of PJSC RAO ES East could choose to sell their ordinary and preferred shares of PJSC RAO ES East for a cash consideration or exchange them for ordinary shares of the Company.

During 2016, PJSC RAO ES East non-controlling interest shareholders that accepted terms of the voluntary offer transferred 4,715,738,904 ordinary shares and 346,195,762 preference shares of PJSC 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.

According to current Russian legislation repurchase of more than 10 percent and consolidation of more than 95 percent of PJSC RAO ES East shares allowed the Group to make an obligatory offer to the remaining shareholders to sell their shares.



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Under the obligatory offer to purchase shares LLC Vostok-Finance has purchased 887,217,472 ordinary shares and 312,687,580 preference shares of PJSC RAO ES East for a cash consideration of RR 380 million.

As a result of voluntary and obligatory purchase of PJSC RAO ES East's shares as at 31 December 2016 the share of the Group in share capital of the PJSC RAO ES East increased up to 99.98 percent (Note 4).

Effect of changes in non-controlling interest of subsidiaries. As a result of the voluntary and obligatory offers to purchase shares of PJSC RAO ES East as described above non-controlling interest decreased by RR 6,694 million.

Retained earnings of the Group increased by RR 4,872 million as a result of treasury shares disposal, decrease in non-controlling interest and derecognition of the remaining obligation to purchase shares after they were partly purchased for cash.

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.

In March 2015 the Group's share in subsidiaries OJSC Daltehenergo and OJSC Guberovskiy machinery and repair plant was sold. In October 2015 share in JSC Kamchatskenergoemont was sold. During the year ended 31 December 2015 LLC Energokomfort Amur electricity wholesale company and JSC Amyrskaya Zhemchuzhina went bankrupt, also in June 2015 OJSC Kamchatskenergoemontservis was liquidated. As a result non-controlling interest increased by RR 141 million due to decrease of share in losses of these subsidiaries previously absorbed by shareholders of the Group.

Additional share issue. On 22 November 2016 the Board of Directors adopted a resolution to make a placement of 40,429,000,000 ordinary shares with a par value of RR 1.00 per share by open subscription. The placement price of additional issue shares is determined at RR 1.00 per share. On 7 December 2016 the share issue of 40,429,000,000 ordinary shares was registered with the Bank of Russia (Note 34).

Dividends. 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).

On 26 June 2015 the Company declared dividends for the year ended 31 December 2014 of RR 0.0156 per share in the total amount of RR 6,033 million (RR 5,710 million excluding dividends to subsidiaries).

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to RR 234 million for the year ended 31 December 2016 (for the year ended 31 December 2015: RR 102 million).

Note 16. Income tax

Income tax expense is as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax expense	13,258	8,881
Deferred income tax expense	2,114	1,638
Total income tax expense	15,372	10,519

The income tax rate applicable to the majority of the Group's entities for the year ended 31 December 2016 is 20 percent (for the year ended 31 December 2015: 20 percent).

A reconciliation between the expected and actual income tax expense is provided below:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit before income tax	55,123	37,678
Theoretical tax expense at a statutory rate of 20 percent	(11,025)	(7,536)
Tax effect of items which are not deductible or assessable for taxation purposes	(1,827)	(1,230)
Increase in other unrecognised deferred tax assets	(4,003)	(2,465)
Change in unrecognised deferred tax assets in respect of associates and joint ventures	1,336	86
Other	147	626
Total income tax expense	(15,372)	(10,519)

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The total amount of deductible temporary differences for which deferred income tax assets have not been recognised by the Group as at 31 December 2016 comprised RR 80,055 million (31 December 2015: RR 64,285 million). These temporary differences mainly relate to accumulated impairment of property, plant and equipment, assets under construction and pension liabilities of several Group's subsidiaries.

Deferred income tax. Differences between IFRS and statutory taxation regulations in the Russian Federation give rise to temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20 percent (for the year ended 31 December 2015: 20 percent).

	31 December 2015	Income tax charge	Charged directly to other comprehensive income	Other movement	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>
				Reclassification of discontinued operations and disposal of subsidiaries	
	31 December 2014	Income tax charge	Charged directly to other comprehensive income	Reclassification of discontinued operations and disposal of subsidiaries	31 December 2015
Deferred income tax assets	5,355	(142)	259	14	5,486
Property, plant and equipment	3,425	76	-	15	3,516
Accounts receivable	5,799	704	-	6	6,509
Losses carried forward	1,574	(217)	-	(7)	1,350
Other	2,622	914	259	-	3,795
<i>Deferred tax offset</i>	<i>(8,065)</i>	<i>(1,619)</i>	-	-	<i>(9,684)</i>
Deferred income tax liabilities	(35,891)	(1,496)	353	-	(37,034)
Property, plant and equipment	(43,303)	(2,977)	239	-	(46,041)
Accounts receivable	(122)	63	-	-	(59)
Loans and borrowings	(115)	(263)	-	-	(378)
Other	(416)	62	114	-	(240)
<i>Deferred tax offset</i>	<i>8,065</i>	<i>1,619</i>	-	-	<i>9,684</i>

Under existing Group' structure tax losses and current income tax assets of different Group's entities may not be offset against current income tax liabilities and taxable profits of other Group's entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has legal rights to offset it.



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Note 17. Pension benefit obligations

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2016 and 31 December 2015.

Amounts recognised in the Group's Consolidated Statement of Financial Position among other non-current liabilities (Note 19):

	31 December 2016	31 December 2015
Fair value of plan assets	(1,090)	(1,084)
Present value of defined benefit obligations	9,894	9,470
Net liability	8,804	8,386

The movements in the defined benefit liability for the years ended 31 December 2016 and 31 December 2015 are presented in the tables below:

	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

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	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2015	7,874	(986)	6,888
Current service cost	338	-	338
Interest expense / (income)	968	(128)	840
Past service cost	(58)	-	(58)
Curtailement in pension payment	(717)	-	(717)
Decrease in liabilities as a result of curtailments	(83)	-	(83)
Remeasurement effects (for other long-term benefits):			
Actuarial loss - changes in actuarial assumptions	86	-	86
Actuarial gain - experience adjustment	(1)	-	(1)
Recognised in profit or loss for the year ended 31 December 2015	533	(128)	405
Remeasurements (for post-employment benefits):			
Actuarial loss - change in demographic assumptions	112	-	112
Actuarial loss - change in financial assumptions	1,435	-	1,435
Actuarial loss - experience adjustments	249	72	321
Recognised other comprehensive income for the year ended 31 December 2015 before income tax charge of RR 374 million	1,796	72	1,868
Employer contributions for funded pension plan	-	(297)	(297)
Benefit payments (Funding NSPF pensions)	(438)	255	(183)
Benefit payments (Non-funded pension plan)	(295)	-	(295)
At 31 December 2015	9,470	(1,084)	8,386

In December 2015 JSC DGK decided to partially reduce payments to the unemployed pensioners. Also in accordance with the new collective agreement some conditions and the amount of benefits to employees have changed. As a result the Group recognized RR 717 million gain for the year ended 31 December 2015 (Note 25).

Principal actuarial assumptions for the Group are as follows:

	31 December 2016	31 December 2015
Nominal discount rate	8.20%	9.80%
Inflation rate	5.00%	6.00%
Wage growth rate	6.50%	7.50%
Staff turnover	Staff turnover depending on age based on statistics for three years	
Mortality table	Russia-2014*	Russia-2013*

* 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 2012–2016 (31 December 2015: 2012–2015)

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%	(821)	-8%
	- 1%	930	9%
Inflation rate	+ 1%	613	6%
	- 1%	(556)	-6%
Wage growth rate	+ 1%	325	3%
	- 1%	(319)	-3%
Staff turnover	+ 3%	(1,035)	-10%
	- 3%	1,483	15%
Mortality Rates	+ 10%	(169)	-2%
	- 10%	142	1%

The Group expects to contribute RR 642 million to the defined benefit plans in 2017.

The weighted average duration of the defined benefit obligation of the Group is 9 years.



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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 2016	31 December 2015
	7.99–13.20% /			
PJSC Sberbank	MosPrime 3M+2.10%	2017–2028	56,491	47,865
PJSC Bank VTB	8.39–11.50%	2017–2027	29,516	4,522
Russian bonds (PJSC RusHydro) issued in February 2013	8.50%	2018*	20,645	20,635
Russian bonds (PJSC RusHydro) issued in July 2015	11.85%	2018	15,857	15,840
Russian bonds (PJSC RusHydro) issued in April 2016	10.35%	2019	15,347	-
Russian bonds (PJSC RusHydro) issued in April 2015	12.75%	2017*	10,222	10,214
PJSC ROSBANK	9.72–10.36%	2017–2018	8,136	4,909
Bank GPB (JSC)	9.75–11.09%	2017–2023	6,171	469
UniCredit Bank Austria AG	3.35%**	2017–2026	5,242	6,585
Crédit Agricole Corporate and Investment Bank Deutschland	Euribor 6M+0.625%	2018–2029	4,920	6,252
	MosPrime 3M+1.50–3.45% /			
EBRD	LIBOR 6M+3.45%	2017–2027	4,791	20,280
Municipal authority of Kamchatka region	8.57%	2017–2034	1,561	1,535
ASIAN Development bank	LIBOR 6M+3.45%	2017–2026	1,474	1,787
Russian bonds (PJSC RusHydro) issued in April 2011	9.50%	2021***	250	15,240
Bayerische Landesbank	-	-	-	1,212
Other long-term debt	-	-	1,776	1,404
Finance lease liabilities	-	-	1,973	2,262
Total			184,372	161,011
Less current portion of non-current			(25,758)	(25,159)
Less current portion of finance lease liabilities			(568)	(673)
Total non-current debt			158,046	135,179

* The bonds mature in 10 years with a put option to redeem them in 2018, 2016 and 2017 respectively.

** Fixed interest rate applied to 90 percent of the credit facility, to the rest 10 percent of the facility the quarterly variable export finance rate published by OeKB (Oesterreichische Kontrollbank AG) less 0.25 percent is applied.

*** In April 2016 holders of the bonds issued in April 2011 partly redeemed the bonds under the put option. The rest of the bonds with nominal amount of RR 250 million will mature in 2021 year.



(in millions of Russian Rubles unless noted otherwise)

Bonds issue. In April 2016 the Group placed non-convertible interest bearing market bonds of series BO-P04 with a nominal amount of RR 15,000 million. The term of the offer is 3 years, coupon rate is 10.35 percent per annum.

Current debt

	Effective interest rate	31 December 2016	31 December 2015
PJSC Sberbank	10.44–12.00%	5,854	19,668
PJSC ROSBANK	9.90–12.39%	4,755	6,776
Bank GPB (JSC)	9.75–11.50%	3,031	7,038
LLC AlstomRusHydroEnergy	-*	750	750
Bank «RRDB» (JSC)	11.63%	150	966
JSC Alfa-Bank	-	-	501
Current portion of non-current debt	-	25,758	25,159
Current portion of finance lease liabilities	-	568	673
Other current debt	-	891	683
Total current debt and current portion of non-current debt		41,757	62,214

Reference:

Interest payable	3,044	2,942
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* 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 2016 and 31 December 2015 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 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
Minimum lease payments as at 31 December 2015	706	1,116	4,546	6,368
Less future finance charges	(33)	(475)	(3,598)	(4,106)
Present value of minimum lease payments as at 31 December 2015	673	641	948	2,262

Note 19. Other non-current liabilities

	31 December 2016	31 December 2015
Pension benefit obligations (Note 17)	8,804	8,386
Other non-current liabilities	9,922	6,165
Total other non-current liabilities	18,726	14,551

Note 20. Accounts payable and accruals

	31 December 2016	31 December 2015
Trade payables	31,451	33,475
Advances received	9,712	9,849
Settlements with personnel	8,245	8,410
Accounts payable under factoring agreements	2,957	4,071
Dividends payable	136	86
Obligation to PJSC RAO ES East shares purchase (Note 15)	3	2,108
Other accounts payable	6,280	2,308
Total accounts payable and accruals	58,784	60,307

All accounts payable and accruals are denominated in Russian Rubles.



Note 21. Other taxes payable

	31 December 2016	31 December 2015
VAT	9,833	8,085
Insurance contributions	2,925	2,864
Property tax	1,941	2,159
Other taxes	558	927
Total other taxes payable	15,257	14,035

Note 22. Revenue

	Year ended 31 December 2016	Year ended 31 December 2015
Sales of electricity	272,582	254,518
Sales of heat and hot water	38,849	35,381
Sales of capacity	37,068	33,038
Other revenue	25,573	24,575
Total revenue	374,072	347,512

Other revenue includes revenue earned from transportation of electricity and heat, connections to the grid, rendering of construction, repairs and other services.

Note 23. Government grants

In accordance with legislation of the Russian Federation several companies of the Group are entitled to government subsidies for compensation of the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel. During the year ended 31 December 2016 the Group received government subsidies in the amount of RR 17,250 million (for the year ended 31 December 2015: RR 14,314 million) in the following subsidised territories: Kamchatsky territory, the Sakha Republic (Yakutia), Magadan Region and other Far East regions.

Note 24. Other operating income

	Year ended 31 December 2016	Year ended 31 December 2015
Gain on sales of other non-current assets (Note 10) and non-current assets classified as held for sale	7,443	743
Gain on sales of subsidiaries (Notes 4, 15)	3,048	709
Insurance indemnity	1,931	6,778
Total other operating income	12,422	8,230

Gain on sales of other non-current assets and non-current assets classified as held for sale includes the gain on the sale of the dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs in the amount of RR 7,202 million (Note 10).



(in millions of Russian Rubles unless noted otherwise)

Note 25. Operating expenses (excluding impairment losses)

	Year ended 31 December 2016	Year ended 31 December 2015
Employee benefit expenses (including payroll taxes and pension benefit expenses)	71,768	72,871
Purchased electricity and capacity	57,610	60,805
Fuel expenses	54,561	54,087
Electricity distribution expenses	46,722	42,663
Depreciation of property, plant and equipment and amortisation of intangible assets	24,130	22,477
Taxes other than on income	10,233	9,792
Other materials	9,115	9,202
Third parties services, including:		
Repairs and maintenance	4,507	5,055
Provision of functioning of electricity and capacity market	3,642	3,737
Purchase and transportation of heat power	3,442	3,102
Security expenses	3,369	3,279
Services of subcontracting companies	2,465	4,249
Rent	2,155	2,111
Insurance cost	1,983	1,572
Consulting, legal and information expenses	1,911	2,340
Transportation expenses	1,213	1,108
Other third parties services	8,052	6,376
Water usage expenses	3,202	2,844
Social charges	1,319	1,445
Purchase of oil products for sale	1,065	673
Travel expenses	804	1,798
Loss on disposal of property, plant and equipment, net	555	3,366
Curtailment in pension payment and pension plan	-	(717)
Other expenses	1,882	868
Total operating expenses (excluding impairment losses)	315,705	315,103

Note 26. Finance income, costs

	Year ended 31 December 2016	Year ended 31 December 2015
<i>Finance income</i>		
Interest income	6,779	9,620
Foreign exchange gain	2,782	2,316
Income on discounting	118	132
Other income	264	245
Total finance income	9,943	12,313
<i>Finance costs</i>		
Interest expense	(6,813)	(5,762)
Foreign exchange loss	(454)	(1,744)
Expense on discounting	(407)	(885)
Finance lease expense	(295)	(241)
Other costs	(1,072)	(1,112)
Total finance costs	(9,041)	(9,744)



Note 27. Earnings per share

	Year ended 31 December 2016	Year ended 31 December 2015
Weighted average number of ordinary shares issued (thousands of shares)	367,138,482	364,468,853
Profit for the period attributable to the shareholders of PJSC RusHydro	40,205	31,539
Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.1095	0.0865

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 243,975 million for the period 2017-2019 for reconstruction of the existing and construction of new power plants (31 December 2015: RR 327,128 million for the period 2016-2018).

Capital commitments of the Group as at 31 December 2016 are as follows: 2017 – RR 115,791 million, 2018 – RR 77,133 million, 2019 – RR 51,051 million.

Future capital expenditures are mainly related to reconstruction of equipment of power plants: Zhigulevskaya HPP in the amount of RR 8,902 million, Votkinskaya HPP in the amount of RR 8,629 million, Volzhskaya HPP in the amount of RR 8,373 million; and to construction of power plants: Zaramagskie HPP in the amount of RR 23,298 million, Sakhalin GRES-2 in the amount of RR 20,882 million, Nizhne-Bureiskaya HPP in the amount of RR 13,328 million, Ust'-Srednekanskaya HPP in the amount of RR 10,367 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, recreation and other social needs in the geographical areas in which it operates. In the opinion of management there are no significant liabilities that should have been recognised at the reporting date.

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 position of the Group.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

During 2016 the Group's subsidiaries had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the year 2016. Management implemented internal controls to be in compliance with the new transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.



(in millions of Russian Rubles unless noted otherwise)

Management believes that as at 31 December 2016 its interpretation of the relevant legislation was appropriate and the Group's tax position would be sustained.

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.

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 1 048 million as at 31 December 2016 (31 December 2015: RR 683 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 2016	31 December 2015
<i>for PJSC Boguchanskaya HPP:</i>		
State Corporation Vnesheconombank	26,749	27,398
<i>for CJSC Boguchansky Aluminium Plant:</i>		
ALSTOM Grid SAS	31	77
Total guarantees issued	26,780	27,475

Based on the information available to the Group, PJSC Boguchanskaya HPP currently meets and will be able to meet its obligations under the loan facility with the State Corporation Vnesheconombank in the foreseeable future. The probability that the Group becomes liable in respect of these guarantees is low.

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 33.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

There is no independent rating for the Group's customers and therefore the Group considers the credit quality of customers at the contract execution stage. The Group considers their financial position and credit history. The Group monitors the existing receivables on a continuous basis and takes actions regularly to ensure collection or to minimise losses.

To reduce the credit risk in the wholesale electricity and capacity markets the Group has introduced marketing policy and procedure to calculate internal ratings of counterparties in the unregulated market, based on the frequency of default, and to establish limits based on the rating of the customers' portfolio.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide past due accounts receivable and other information about credit risk as disclosed in Note 12.

Cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. Management of the Group approved the list of banks for deposits, as well as rules for their placement. Moreover, management constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors of such banks.

The tables in Notes 10, 11 and 14 show deposits with banks and other financial institutions and their ratings at the end of the reporting period.

Credit risk for financial guarantees is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for other financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The Group's maximum exposure to credit risk for financial guarantees was RR 26,780 million as at 31 December 2016 (31 December 2015: RR 27,475 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 2016			31 December 2015		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
USD	840	(3,088)	(2,248)	6,409	(3,735)	2,674
EUR	67	(10,477)	(10,410)	61	(14,335)	(14,274)
Other	31	-	31	102	-	102
Total	938	(13,565)	(12,627)	6,572	(18,070)	(11,498)

The above analysis includes only monetary assets and liabilities. Equity investments and non-monetary assets are not considered to give rise to any material currency risk.

There is no significant effect of the changes of foreign currency rates on the Group's financial position.



Interest rate risk. The Group's operating profits and cash flows from operating activities are not dependent largely on the changes in the market interest rates. Borrowings issued at variable rates (Note 18) expose the Group to cash flow interest rate risk.

The Group obtains debt financing with floating rates, which are established on the basis of the MOSPRIME, Euribor, Libor rates.

As at 31 December 2016, had interest rates at that date been 2 percent higher (31 December 2015: 3 percent higher), with all other variables held constant, profit for the year ended 31 December 2016 and the amount of capital that the Group managed as at 31 December 2016 would have been RR 327 million (31 December 2015: RR 1,161 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 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 2016 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 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 20)	31,451	-	-	-	-	-
Accounts payable under factoring agreements (Note 20)	2,957	-	-	-	-	-
Obligation to PJSC RAO ES East shares purchase (Note 20)	3	-	-	-	-	-
Financial guarantees (Note 29)	800	1,008	1,269	1,536	1,791	20,376
Dividends payable (Note 20)	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



The maturity analysis of financial liabilities as at 31 December 2015 is as follows:

	2016 year	2017 year	2018 year	2019 year	2020 year	Starting from year 2021
Liabilities						
Current and non-current debt	74,633	33,577	65,664	8,313	28,242	38,978
Trade payables (Note 20)	33,475	-	-	-	-	-
Accounts payable under factoring agreements (Note 20)	4,071	-	-	-	-	-
Obligation to PJSC RAO ES East shares purchase (Note 20)	2,108	-	-	-	-	-
Financial guarantees (Note 29)	712	771	1,008	1,269	1,537	22,178
Dividends payable (Note 20)	86	-	-	-	-	-
Finance lease liabilities (Note 18)	706	442	267	203	204	4,546
Net settled derivatives	32	26	17	10	4	-
Total future payments, including principal and interest payments	115,823	34,816	66,956	9,795	29,987	65,702

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 2016 and 31 December 2015 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 2016 was RR 650,932 million (31 December 2015: RR 613,919 million).

Consistent with others in the energy industry, the Group monitors the gearing ratio, that is calculated as the total debt divided by the total capital. Debt is calculated as a sum of non-current and current debt, as shown in the Consolidated Statement of Financial Position. Total capital is equal to the total equity, as shown in the Consolidated Statement of Financial Position. The gearing ratio was 0.31 as at 31 December 2016 (31 December 2015: 0.32).

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.



(in millions of Russian Rubles unless noted otherwise)

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

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
31 December 2015				
Financial assets				
Available-for-sale financial assets	6,057	-	37	6,094
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	480,692	480,692
Total assets recurring fair value measurements	6,057	-	480,729	486,786

As at 31 December 2016 and 31 December 2015 the Group's liabilities measured at fair value are not significant.

The valuation technique, inputs used in the fair value measurement for significant Level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2016:

	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)	496,637	Discounted cash flows	Electricity and capacity prices Discount rate Capital expenditures	-10% +1% +10%	(16,725) (7,366) (1,582)
Total recurring fair value measurements at Level 3	496,637				(25,673)

The above tables discloses sensitivity to valuation inputs for property, plant and equipment as changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly.

There were no changes in valuation technique for Level 3 recurring fair value measurements during the years ended 31 December 2016 and 31 December 2015.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets carried at amortised cost. The Group considers that the fair value of cash, short term deposits (Level 1 of the fair value hierarchy) and accounts receivable (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value of long term accounts receivable, other non-current and current financial 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 2016 fair value of bonds exceeded their carrying value by RR 92 million. As at 31 December 2015 the carrying value of bonds exceeded their fair value by RR 763 million.

As at 31 December 2016 the carrying value of non-current fixed rate debt exceeded their fair value by RR 4,705 million. As at 31 December 2015 the carrying value of non-current fixed rate debt exceeded their fair value by RR 7,121 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 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 (Note 9)	-	21,181	21,181
Trade and other receivables (Note 12)	37,376	-	37,376
Trade receivables	33,036	-	33,036
Promissory notes receivable	4,340	-	4,340
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	121,686	21,181	142,867
Non-financial assets			840,579
Total assets			983,446

The following table provides a reconciliation of financial assets with the measurement categories as at 31 December 2015:

	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 10)	7,896	-	7,896
Promissory notes	7,218	-	7,218
Long-term loans issued	633	-	633
Net settled derivatives	45	-	45
Available-for-sale financial assets (Note 9)	-	6,094	6,094
Trade and other receivables (Note 12)	38,383	-	38,383
Trade receivables	34,917	-	34,917
Promissory notes receivable	9	-	9
Other financial receivables	3,457	-	3,457
Other current assets (Note 14)	22,291	-	22,291
Deposits and promissory notes	19,532	-	19,532
Short-term loans issued	2,728	-	2,728
Net settled derivatives	31	-	31
Cash and cash equivalents (Note 11)	48,025	-	48,025
Total financial assets	116,595	6,094	122,689
Non-financial assets			814,660
Non-current assets and assets of disposal group classified as held for sale			788
Total assets			938,137

All of the Group's financial liabilities are carried at amortised cost. Financial liabilities are represented mainly by the current and non-current debt (Note 18), trade payables and other accounts payable (Note 20).

Note 34. Subsequent events

Additional issue of new shares. 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 priced at RR 1,00 per share, or 0.08 percent of the total volume of additional issue (Note 15).



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. The cash in the amount of RR 55 billion received by the Company through the sale of shares is intended to repay the debts of RAO ES East subgroup. In accordance with the forward contract, the Company has no obligation to buy back its own shares; for the purposes of final settlement under the forward contract it is envisaged that bank sells the Company's shares. Any difference between bank's income from the sale of the above shares at the end of the forward contract and the forward price is due to be settled in cash between the Company and the bank. The forward price is defined as the purchase cost of the shares increased by the total amount of interests charged less total dividends paid during the contract period.

At the moment of these consolidated financial statements approval, the estimate of the forward price and the related effect of the contract on the carrying amount of assets and liabilities, and financial result within the next financial year is not completed by the Group's management.

Conclusion
The Audit Commission
Public Joint Stock Company «Federal Hydrogenerating Company RusHydro» (PJSC
RusHydro)
the results of the financial and economic activities audit for 2016

Moscow

10 April 2017

In accordance with the PJSC RusHydro Audit Commission decision (minutes of the meeting of the Audit Commission No. 2 dated October 14, 2016) financial and economic activities audit PJSC RusHydro (hereinafter - the Company) for the period from January 1, 2016 to December 31, 2016 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 27, 2016, consisting of:

1. Repin Igor Nikolayevich (Chairman),
2. Annikova Natalia Nikolaevna,
3. Bogashov Alexander Evgenievich,
4. Kant Mandal Denis Rischevich (secretary),
5. Khvorov Vladimir Vasilyevich.

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 2016 does not contain significant distortion.

During the audit, the following issues were also analyzed.

I. SHAREHOLDER CONTROL OBJECTIVES

1. Verification of purchases conducted by the Company in 2016

The Audit Commission notes that the decreasing purchases dynamics from a single source is positive.

In more detail, the results of the audit of procurement activities is in the Audit Commission Act (section I.1, p.1).

2. Verification of the Government's order implementation "Key performance indicators of the Company"(KPI)

Conclusions:

1. In 2016, the list of PJSC RusHydro annual KPIs was supplemented by four new indicators,

according to the "Methodical Guidelines for the Application of Key Performance Indicators of the Federal Property Management Agency" dated March 27, 2014. The supplement is reflected in the Company's Long-Term Development Program, target KPI values for 2016-2020 have been set.

2. PJSC RusHydro annual KPIs actual values for the year 2016 correspond to or exceed the target values for this period, with the exception of KPI "Implementation of capacity schedules and a plan for financing and development". The main reason for the failure of the indicator is a violation of the deadline for commissioning the Yakutskaya SPS-2 power plant due to the failure of the designer to complete the working documentation, the failure of the general contractor to perform the work, and the delay in the delivery of the DCU by the customer.
3. Quarterly KPIs actual values (for 1-4Q 2016) is fulfilled, except the indicator "Implementation of quarterly financing schedules and the development of the investment program with the cumulative result from the beginning of the year".
4. The Board compensation linked to achievement of key performance indicators of Companies. However, only 50% of the amount of remuneration is determined by objective indicators, and 25% -50% is a subjective decision of the Chairman of the Board.

"Regulations on payment of remuneration to the members of the Board of Directors of PJSC RusHydro", approved by the annual General meeting of shareholders as of 30.06.2010, requires improvement and harmonization guidelines of the Federal property management Agency in respect of the members of the audit Committee, in terms of the summation of the allowances for membership and/or chairmanship in two or more Committees.

More detailed results of the verification of fulfillment of the instructions of the Government, "Key performance indicators of the company" given in the Act the audit Commission (section 2, p. 6).

3. Verification of compliance of the Government Directive "Reducing operating costs"

The value of the indicator "Reduction of operating costs (expenses)" according to the results for 2016 accounted for 11 % (at the plan of 10%).

More detailed results of checking compliance with the directives of the Government "Reduce operating expenses" described in the report of the auditing Committee (section 3, p. 6).

4. The introduction of the principles of corporate governance (the implementation of the program of implementation of the principles of corporate governance)

The audit Commission studied the "Report on compliance with the principles and recommendations of corporate governance Code" and internal company documents for their compliance with the best practices of corporate governance and the Code provisions of the CG recommended by the Central Bank of the Russian Federation.

Society, in our view, generally consistent with the recommendations of the code of KU recommended by the Central Bank of the Russian Federation.

In more detail the implementation of principles of corporate governance considered in the Act of the auditing Commission (section 4, p. 2).

II. VERIFY FINANCIALLY-ECONOMIC ACTIVITIES OF THE COMPANY AND ITS ANNUAL ACCOUNTS FOR THE YEAR 2016

Report on financial and economic activities.

The results of operations of the company for the year 2016 to demonstrate effective work management to reduce operating costs. So, with revenue growth of 7%, cost of sales decreased by 12%, which has led to an increase in gross profit by 36%, to 58.6 billion rubles. While gross profit margin was 51%, the highest that has been achieved over the past 7 years only in 2011. Because Society still does not emit from the full cost distribution and administrative expenses, gross profit is the profit from the sales.

The proceeds from the sale of electricity grew by 6 percent (4.1 billion rubles), power - on 13% (4.3 billion rubles), heat energy - by 9% (0.01 billion rubles). Revenue from other sales fell by 0.4 billion rubles (main reduction due to recalculation of the revenue from the rent of the hydroelectric

dams of the Angara cascade in the judgment of 22.10.2015 (sold in October-November 2016)).

Expenditure on core activities was reduced overall by 12% without taking into account the deflator index 2016/2015.

The financial results of Companies in 2016 net profit totaled 41.9 billion rubles, which is 39.5% more than in the previous year. This corresponds to the return on net profit 36% - the highest result for the period 2011.

More detailed results of financial and economic activities described in the report of the audit Commission (Report on financial and economic activity, p. 5)

Conclusions/Recommendations:

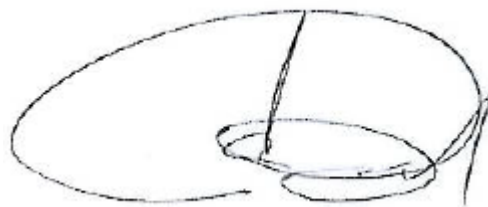
Violations of regulatory acts of the Russian Federation of an order of conducting accounting and submission of financial statements, and also legal acts of the Russian Federation when conducting financial and economic activities, which could materially affect the results of activities of PJSC RusHydro for 2016, is not revealed.

In our opinion, the annual report and Annual accounting (financial) statements of the company for the year 2016, the Report concluded by PJSC RusHydro in 2016, the transactions in which there was interest, reflect fairly, in all material respects, the financial position and results of financial-economic activities of the company for the period from 01.01.2016 to 31.12.2016 year.

However, the company is advised, according to Accounting Rule 10/99, to disclose information on administrative costs in public statements.

The audit Commission has analysed other aspects of Society, including analyzed the status of accounts receivable and payable (the Act of the auditing Commission, section 5, p. 2).

Member of the Audit Commission
PJSC RusHydro



A.E. Bogashov

Member of the Audit Commission
PJSC RusHydro



N.N. Annikova

Member of the Audit Commission
PJSC RusHydro



V.V. Khvorov

Secretary of the Audit Commission
PJSC RusHydro



D.R. Kant Mandal

Chairman of the Audit Commission
PJSC RusHydro



I.N. Repin