

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

Auditor's Report
on Financial Statements
2013

Translation from Russian original



Auditor's Report

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

Client

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

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

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

Auditor

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

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

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

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

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

*ZAO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
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TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Auditor's Report

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

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

OJSC RusHydro's responsibility for the financial statements

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

The auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OJSC RusHydro as of 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.



Auditor's Report

Emphasis of matter

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

As of 31 December 2013 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 12,394 million, as of 31 December 2012 – RUB 9,887 million.

Director of ZAO PricewaterhouseCoopers Audit

T. V. Sirotinskaya

28 February 2014

BALANCE SHEET

as at 31 December 2013

Organisation **Open joint stock company Federal Hydro Generating Company (OAO RusHydro)**

Taxpayer identification number

Type of activity **Electricity generation by hydroelectric power plants**

Form of incorporation/form of ownership

Open joint-stock company/mixed Russian ownership with a federal ownership share

Measurement unit: **RUB mln**

Address: **51 Respubliki Street, Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660075**

Form on OKUD
Date (year, month, day)

OKPO

INN

OKVED

OKOPF/OKFC

OKEI

CODES	
Form on OKUD	0710001
Date (year, month, day)	2013/12/31
OKPO	75782411
INN	2460066195
OKVED	40.10.12
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	1,078	719	335
	Results of research and development	1120	859	751	516
3.1.1	Property, plant and equipment, incl.:	1150	350,049	331,879	313,331
	fixed assets	1151	302,864	288,823	275,792
	construction in process	1152	47,185	43,056	37,539
3.1.1	Income-bearing investments in tangible assets	1160	7,313	7,437	7,561
3.1.2	Financial investments	1170	143,059	93,660	100,982
	investments in subsidiaries, associates and other entities	1171	110,041	74,900	78,047
	loans issued	1172	33,018	18,760	16,036
	promissory notes	1173	-	-	6,899
	other financial investments	1174	-	-	-
3.1.3	Other non-current assets	1190	2,987	2,772	711
	Total Section I	1100	505,345	437,218	423,436
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	2,861	2,055	1,524
3.10	Value added tax on goods purchased	1220	356	505	358
3.2.2	Accounts receivable, incl.:	1230	233,480	226,374	202,835
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	80,323	75,630	89,269
	buyers and customers	1231.1	103	128	37
	advances issued	1231.2	35,084	37,426	26,308
	promissory notes	1231.3	27,040	26,633	27,219
	loans issued	1231.4	16,817	9,235	31,423
	other debtors	1231.5	1,279	2,208	4,282
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	153,157	150,744	113,566
	buyers and customers	1232.1	5,648	6,567	6,058
	advances issued	1232.2	15,517	12,173	10,541
	promissory notes	1232.3	22,954	73,502	75,669
	loans issued	1232.4	5,552	42,312	14,603
	other debtors	1232.5	103,486	16,190	6,695
3.2.3	Financial investments (excl. cash equivalents)	1240	55,608	63,790	1,500
	bank deposits	1241	50,000	50,000	-
	loans issued	1242	5,568	12,290	-
	promissory notes	1243	40	711	711
	other financial investments	1244	-	789	789
3.2.4	Cash and cash equivalents	1250	18,546	23,820	30,628
	Other current assets	1260	10	17	11
	Total Section II	1200	310,861	316,561	236,856
	TOTAL	1600	816,206	753,779	660,292

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Note	Narrative	Line code	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
1	2	3	4	5	6
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	317,638	317,638	290,303
3.3.2	Revaluation of non-current assets	1340	53,325	53,578	53,982
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	40,657
3.3.4	Reserve capital	1360	6,474	5,739	4,208
	Retained earnings (loss), incl.:	1370	188,482	157,319	146,252
	undistributed profit of previous years	1371	153,161	142,617	115,630
	undistributed profit of the current year	1372	35,321	14,702	30,622
	Total Section III	1300	624,343	592,698	535,402
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	97,965	49,866	66,688
3.10	Deferred tax liabilities	1420	7,184	5,252	2,840
3.4.2	Other liabilities	1450	2,028	1,950	754
	Total Section IV	1400	107,177	57,068	70,282
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	4,926	44,906	2,519
3.5.2	Accounts payable, incl.:	1520	77,468	57,822	51,405
	suppliers and contractors	1521	5,170	5,326	5,221
	payables to employees	1522	601	717	742
	payables to state non-budgetary funds	1523	87	59	29
	taxes payable	1524	2,570	1,296	1,396
	dividends payable	1525	47	33	9
	payables in respect of shares issued	1526	68,618	50,000	43,604
	other creditors	1527	375	391	404
	Income of future periods	1530	77	76	75
3.5.3	Estimated liabilities	1540	1,020	408	325
	Other liabilities	1550	1,195	801	284
	Total Section V	1500	84,686	104,013	54,608
	TOTAL	1700	816,206	753,779	660,292

Chairman of Management Board

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

28 February 2014

STATEMENT OF FINANCIAL RESULTS for the year ended 31 December 2013

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

Form on OKUD _____
 Date (year, month, day) **2013/12/31**
 OKPO **75782411**
 INN **2460066195**
 OKVED **40.10.12**
 OKOPF/OKFC **12247 / 41**
 OKEI _____

CODES	
Form on OKUD	0710002
Date (year, month, day)	2013/12/31
OKPO	75782411
INN	2460066195
OKVED	40.10.12
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	Year ended 31 December 2013	Year ended 31 December 2012
1	2	3	4	5
3.7.1	Revenue	2110	108,794	94,207
3.7.2	Cost of sales	2120	(58,873)	(55,987)
	Gross profit	2100	49,921	38,220
	Profit from sales	2200	49,921	38,220
3.13.9	Income from participation in other companies	2310	408	269
	Interest income	2320	9,609	5,523
	Interest expense	2330	(5,876)	(4,095)
3.9	Other income	2340	69,813	18,084
3.9	Other expense	2350	(76,560)	(35,167)
	Profit before tax	2300	47,315	22,834
3.10	Current income tax, incl.:	2410	(9,862)	(6,193)
	permanent tax liabilities (assets)	2421	2,340	3,675
	Change in deferred tax liabilities	2430	(1,715)	(2,163)
	Change in deferred tax assets	2450	(139)	155
	Other	2460	(278)	69
	Net profit	2400	35,321	14,702
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	35,321	14,702
3.12	Basic earnings per share, RR	2900	0,09248	0,04635

Chairman of Management Board _____

E. V. Dod
(clarification of signature)

Chief accountant _____

D. V. Finkel
(clarification of signature)

28 February 2014

STATEMENT OF CHANGES IN EQUITY
for 2013

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

	CODES
Form on OKUD	0710003
Date (year, month, day)	2013/12/31
OKPO	75782411
INN	2460066195
OKVED	40.10.12
OKOPF/OKFC	12247 / 41
OKEI	385

I. Changes in equity

Narrative	Line code	Share capital	Additional capital	Reserve capital	Retained earnings	Total
1	2	3	4	5	6	7
Equity as of 31 December 2011 for 2012	3100	290,303	94,639	4,208	146,252	535,402
Increase of equity, including:	3210	27,335	17,768	-	14,702	59,805
net profit	3211	x	x	x	14,702	14,702
additional shares issue	3214	27,335	17,768	x	x	45,103
decrease of equity, including:	3220	-	-	-	(2,509)	(2,509)
Dividends	3227	x	x	x	(2,500)	(2,500)
Other	3228	-	-	x	(9)	(9)
Additional capital change	3230	x	(405)	x	405	x
Reserve capital change	3240	x	x	1,531	(1,531)	x
Equity as of 31 December 2012 for 2013	3200	317,638	112,002	5,739	157,319	592,698
Increase of equity, including:	3310	-	-	-	35,321	35,321
net profit	3311	x	x	x	35,321	35,321
additional shares issue	3314	-	-	x	x	-
Decrease of equity, including:	3320	-	-	-	(3,676)	(3,676)
Dividends	3327	x	x	x	(3,676)	(3,676)
Other	3328	-	-	x	-	-
Additional capital change	3330	x	(253)	x	253	x
Reserve capital change	3340	x	x	735	(735)	x
Equity as of 31 December 2013	3300	317,638	111,749	6,474	188,482	624,343

III. Net assets

Narrative	Line code	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
1	2	3	4	5
Net assets	3600	624,420	592,774	535,477

Chairman of Management Board

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

28 February 2014

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STATEMENT OF CASH FLOWS

for 2013

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

CODES	
Form on OKUD	0710004
Date (year, month, day)	2013/12/31
OKPO	75782411
INN	2460066195
OKVED	40.10.12
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	For 2013	For 2012
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	110,298	93,515
	sales of products, goods, work and services	4111	107,557	91,925
	lease payments, license payments, royalties, commissions and other payments	4112	237	186
3.2.4	other receipts	4119	2,504	1,404
	Payments including:	4120	(63,290)	(55,154)
	to suppliers (contractors) – raw materials, works and services	4121	(29,466)	(29,030)
	wages and salaries	4122	(6,221)	(5,971)
	interest on debt liabilities	4123	(5,496)	(3,851)
	corporate income tax	4124	(10,067)	(4,541)
3.2.4	other payments	4129	(12,040)	(11,761)
	Net cash flows from operating activities	4100	47,008	38,361
	Cash flows from investing activities			
	Receipts, including:	4210	59,435	23,670
	sale of non-current assets (except for investments)	4211	29	29
	sale of shares of other organisations (ownership interest)	4212	1,663	-
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	47,094	19,946
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	10,649	3,695
	Payments, including:	4220	(115,307)	(142,375)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(31,767)	(42,019)
	related to purchase of shares of other organisations (ownership interest)	4222	(54,932)	(2,905)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(25,667)	(44,907)
	borrowing costs included in the cost of the investment assets	4224	(2,941)	(2,544)
324	other payments	4229	-	(50,000)
	Net cash flows from investing activities	4200	(55,872)	(118,705)

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Note	Narrative	Line code	For 2013	For 2012
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	31,156	78,324
	borrowings and bank loans	4311	11,134	26,826
	issue of shares, increase in ownership interest	4313	22	51,498
	issue of bonds, promissory notes and other debt securities, etc.	4314	20,000	-
	Payments, including:	4320	(27,584)	(4,789)
	dividends and other distributions to owners	4322	(3,554)	(2,387)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(23,556)	(1,752)
3.2.4	other payments	4329	(474)	(650)
	Net cash flows from financing activities	4300	3,572	73,535
	Net cash flows for the reporting period	4400	(5,292)	(6,809)
	Cash and cash equivalents at the beginning of the reporting period	4450	23,820	30,628
	Cash and cash equivalents at the end of the reporting period	4500	18,546	23,820
	Foreign exchange rate difference	4490	18	1

Chairman of Management Board

E. V. Dod
(clarification of signature)

Chief accountant

D. V. Finkel
(clarification of signature)

28 February 2014

Explanatory Notes to the 2013 balance sheet and statement of financial results

Content

I.	General information	13
1.1	Information about the Company	13
1.2	The Company's operating environment.....	14
II.	Accounting policies	17
2.1	Basis of presentation	17
2.2	Assets and liabilities denominated in foreign currency.....	17
2.3	Accounting for assets and liabilities.....	17
2.4	Property, plant and equipment, construction-in-progress and income-bearing investments in tangible assets	18
2.5	Investments.....	19
2.6	Inventories	20
2.7	Expenses of future periods	20
2.8	Accounts receivable.....	20
2.9	Cash equivalents and presentation of cash flows in the statement of cash flows.....	21
2.10	Share capital, reserve and additional capital.....	21
2.11	Loans and bank credits received	21
2.12	Estimated liabilities, contingent liabilities and contingent assets.....	22
2.13	Revenue recognition	22
2.14	Recognition of expenses	23
2.15	Changes in the accounting policies	23
III.	Disclosure of material indicators.....	24
3.1	Non-current assets (Section I of the balance sheet)	24
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).....	24
3.1.2	Long-term investments (line 1170 of the balance sheet)	28
3.1.3	Other non-current assets (line 1190 of the balance sheet)	35
3.2	Current assets (Section II of the balance sheet)	35
3.2.1	Inventories (line 1210 the balance sheet)	35
3.2.2	Accounts receivable (line 1230 of the balance sheet).....	35
3.2.3	Short-term investments (Line 1240 of the balance sheet)	44
3.2.4	Cash and cash equivalents (line 1250 of the balance sheet).....	46
3.3	Equity and reserves (Section III of the balance sheet)	48
3.3.1	Share capital (line 1310 of the balance sheet)	48
3.3.2	Revaluation of non-current assets (line 1340 of the balance sheet)	49
3.3.3	Additional paid-in capital (line 1350 of the balance sheet).....	50
3.3.4	Reserve capital (line 1360 of the balance sheet)	50
3.4	Non-current liabilities (Section IV of the balance sheet).....	50

3.4.1	Long-term borrowings (line 1410 of the balance sheet).....	50
3.4.2	Other non-current liabilities (line 1450 of the balance sheet).....	51
3.5	Current liabilities (Section V of the balance sheet).....	52
3.5.1	Short-term borrowings (line 1510 of the Balance sheet).....	52
3.5.2	Accounts payable (line 1520 of the balance sheet)	52
3.5.3	Estimated liabilities (line 1540 of the balance sheet)	54
3.6	Off-balance-sheet valuables	54
3.6.1	Leased property, plant and equipment.....	54
3.6.2	Collateral for liabilities and payments received	55
3.6.3	Collateral for liabilities and payments issued	56
3.7	Income and expenses on operating activities (statement of financial results)	57
3.7.1	Revenue (line 2110 of the statement of financial results)	57
3.7.2	Cost of sales (line 2120 of the statement of financial results).....	57
3.8	Expenses on purchase and use of energy resources	58
3.9	Other income and expenses (line 2340 and line 2350 of the statement of financial results)	58
3.10	Taxes	58
3.11	Dividends	61
3.12	Earnings per share.....	61
3.13	Related Parties	62
3.13.1	Controlling entity.....	62
3.13.2	Sales to related parties	62
3.13.3	Purchases from related parties	62
3.13.4	Settlements with non-state pension fund	62
3.13.5	Settlements with related parties	63
3.13.6	Related parties' debt within investments	63
3.13.7	Income from investments in other companies (related parties)	64
3.13.8	Remuneration to key management personnel	64
3.13.9	Cash flows between the Company and subsidiaries/associates	64
3.14	Segment Information	65
3.15	Contingent liabilities.....	65
3.16	Financial risk management.....	65
3.17	Subsequent events	68

I. General information

1.1 Information about the Company

Principal activities of open joint stock company Federal Hydro Generating Company (ОАО RusHydro, hereinafter - the Company) are the generation and sale of electricity (power). The Russian Government is the Company's major shareholder.

The Company's registered address is: 51, Republic str., Krasnoyarsk, Krasnoyarsk Territory, Russian Federation, 660075. The Company's postal address: 7, Malaya Dmitrovka str., Moscow, Russian Federation, 127006.

As of 31 December 2013 the Company employed 6,305 people (as of 31 December 2012 – 6,101 people).

The Company's shares are traded on OAO MICEX-RTS stock exchange (<http://moex.com>). Level 1 American 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 2013 the ownership share of the Russian Federation in the Company's share capital amounted to 60.50% less actually placed additional shares of the Company under the current additional issue of shares (see paragraph 3.3.1 of the Explanatory Notes). Considering the additionally placed shares as of 31 December 2013 the ownership interest of the Russian Federation in the Company's share capital amounted to 66.84%.

As of 31 December 2013 the Company has 19 branches registered in the Russian Federation, including: branch Bureyskaya GES, branch Volzhskaya GES, branch Votkinskaya GES, Dagestan branch, branch Zhigulevskaya GES, branch Zagorskaya GAES, branch Zeiskaya GES, Kabardino-Balkarsky branch, branch Kamskaya GES, Karachaevo-Cherkessky branch, branch Cascade of Verkhne-Volzhsky GES, branch Cascade of Kuban GES, branch Corporate Energy University, branch Nizhegorodskaya GES, branch Novosibirskaya GES, branch Saratovskaya GES, branch Sayano-Shushenskaya GES named after P.S. Neporozhny, Severo-Osetinsky branch, branch Cheboksarskaya GES.

Membership of the Company's Board of directors as of 31 December 2013 is as follows:

- Boris Ayuev, Chairman of the Management Board of ОАО SO UES;
- Christian Andreas Berndt, General Director, EF-TEK LLC;
- Andrey Bugrov, Vice-President of INTERROS Holding Company CJSC, Deputy General Director, Deputy Chairman of Board of Directors, member of the Management Board of MMC Norilsk Nickel OJSC, Vice-President of RSPP;
- Maxim Bystrov, Chairman of the Management Board of ATS JSC, Acting Chairman of the Management Board of Non-profit Partnership Market Council;
- Victor Danilov-Danilyan, Head of Sectoral and Natural Resources Management Department, member of Academic Council of Lomonosov Moscow State University;
- Evgeny Dod, Chairman of ОАО RusHydro Management Board;
- Sergey Ivanov, General Director, Russian Energetic Company OJSC;
- Victor Zimin, Chairman of Republic of Khakassia Government;
- Denis Morozov, Managing Director from Russian Federation, Belarus and Tadzhikistan, Representative of the Russian Federation in the Board of Directors, European Bank for Reconstruction and Development;
- Mikhail Polyboyarinov, member of the Management Board, First Deputy of Chairman of SC Vnesheconombank;
- Vyacheslav Pivovarov, General Director, Altera Capital LLC;
- Vladimir Stolyarenko, Professor of the specialized department "Theory and practice of interaction between business and authorities" of National Research University Higher School of Economics;
- Sergey Shishin, Senior Vice-President of ОАО VTB Bank.

According to the decision made by the Company's extraordinary general meeting of shareholders held on 19 April 2013 (Minutes No. 10) Eduard Volkov, Ilya Gubin, Viktor Kudryavyy, Denis Morozov, Denis Nozdrachev, Vyacheslav Pivovarov, Berndt Pfaffenbach and Vladimir Stolyarenko were elected to the Board of Directors; the powers of Boris Kovalchuk, Grigory Kurtser, Andrey Malyshev, Vladimir Tatsy, Evgeny Tugolukov, Rashid Sharipov, Mikhail Shelkov and Sergey Shishin were terminated.

According to the decision made by the Company's general meeting of shareholders held on 28 June 2013 (Minutes No 11) Christian Andreas Berndt, Andrey Bugrov, Maxim Bystrov, Sergey Ivanov and Sergey Shishin were elected to the Board of Directors; the powers of Eduard Volkov, Ilya Gubin, Viktor Kudryavyy, Denis Nozdrachev and Berndt Pfaffenbach were terminated.

As of 31 December 2013 the Company's Management Board includes:

- Evgeny V. Dod, Chairman of the Management Board,
- Sergei Abrashin,
- Rakhmetulla Alzhanov, Deputy Chairman of the Management Board,
- Konstantin Bessmertny,
- Boris Bogush,
- Sergei Voskresensky,
- Yury Gorbenko,
- Evgeny Gorev,
- Mikhail Mantrov, Deputy Chairman of the Management Board,
- Vladimir Pekhtin, Deputy Chairman of the Management Board,
- George Rizhinashvili, Deputy Chairman of the Management Board,
- Stanislav Savin,
- Sergey Tolstoguzov,
- Sergey Tsoy, Deputy Chairman of the Management Board.

According to the decision made by the Company's Board of Directors of 16 April 2013 (Minutes No 180) Vladimir Pekhtin was elected to the Company's Management Board. According to the decision made by the Company's Board of Directors of 17 September 2013 (Minutes No 187) – Sergey Tolstoguzov was elected to the Company's Management Board; the powers of Aleksey Maslov were terminated.

As of 31 December 2013 members of the Company's Internal Audit Commission included:

- Anna Drokova, deputy head of Federal Agency for State Property Management Directorate's department,
- Leonid Neganov, Deputy Department Head in the Russian Ministry of Energy,
- Maria Tikhonova, Secretary of interdepartmental commission for business efficiency analysis of companies of fuel and energy sector,
- Alan Khadziyev, Department Head in the Russian Ministry of Energy,
- Vladimir Hvorov, Department Expert in the Russian Ministry of Economic Development.

According to the decision made by the Company's annual general meeting of shareholders held on 28 June 2013 (Minutes No 11) Leonid Neganov, Maria Tikhonova and Vladimir Hvorov were elected to the Internal Audit Commission; the powers of Adelya Vyaseleva, Dmitry Gorevoy, Elena Litvina were terminated.

1.2 The Company's operating environment

The Russian economy displays certain characteristics of an emerging market. The legal, tax and customs frameworks continue to develop and are subject varying interpretation.

The on-going uncertainty and volatility of the financial markets, in particular in Europe may have a negative effect on the Russian financial and corporate sectors. Future economic and regulatory situation, internal and external business environment may differ from Company management's current expectations.

The Company's operations are to a greater or lesser degree, exposed to various types of risks (financial, legal, country and regional, reputation, etc.).

The Company's risk management policy specifies the continuous efforts to identify risks, assess them and control and also develop and implement actions for addressing the risks, business continuity management in accordance with international and national standards of risk management (COSO ERM 2004, ISO 31000, professional standard "Risk management of an organisation", etc.).

Financial risks

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

Information about the Company's exposure to financial risks, their reasons and risk management tools is presented in paragraph 3.16 of the Explanatory Notes.

Legal risks

The reasons for legal risks are associated with potential changes in legal and regulatory base including currency and customs regulations, tax legislation and others.

Legal risks in domestic market related to regulation of electricity generation and its sale/purchase, which represent the Company's principal activities, can significantly impact the Company's position by decreasing its net profit.

Legal risks in external market related to currency and customs regulation are insignificant due to insignificant volume of foreign trade transactions the Company participates in, which are managed through legal support and control of these transactions and liability insurance.

To manage the legal risks the Company employed experienced lawyers, monitors legislation and makes amendments in the regulatory base.

Country and regional risks

The reasons for country and regional risks are associated with political and economic situation, the geographic features of the country or the region where the entity operates and (or) is registered as a taxpayer.

Exposure to country risk may be indirectly assessed by credit rating with some assumptions (less political risks for business). Rating of Russia is BBB at positive forecast (according to Fitch rating agency) that means good creditworthiness of the state which however, can be worsened due to negative changes in the economic environment.

The economy of the Russian Federation is not protected from softening of market and economic recession. Due to the impacts of the global financial crisis, the financial problems and strained perception of risks associated with investments in the emerging economies decrease the volume of foreign investments in Russia and have negative impact on the Russian economy.

In the crisis environment experienced by the financial market and reduction of manufacturing output there is a risk of decrease in electricity demand that may result in reduction of sales and decrease in the Company's revenue and also a risk of increase in accounts receivable due to non-payments by the consumers of electricity.

The management believes that it has been taking all necessary measures to mitigate the impact of these events on its activities: optimisation of the obtained cash use, assessment of the buyers' solvency, diversification of resources use and others.

Due to elevation of political risks in the world and Russian Federation in 2012 and enhancement of the state control over energy industry the Company takes the required steps to prevent negative influence of the above risks on its operations.

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

However, changes in the Company's business environment in Russia and in the regions of the Company's presence, the nature and frequency of such changes and related risks are hard to

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

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

Reputation risks

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

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

To manage these risks the Company analyses key indicators of reputation risks based on the forecast of changes in the share of positive references in mass media, control over compliance with production and market discipline, cooperating actively with all stakeholders to maintain high reputation.

Other risks

To manage the risks the Company focuses on other operating risks including - industry risk, production risk, risk of hydraulicity, risks associated with compliance with legislation on labour safety, risks of industrial safety, environmental risks and risks associated with the third parties' activities and others.

The reasons for these risks are associated with the industry-specific factors that are relevant to the operations, condition of property, plant and equipment. There is an exposure to these risks, degree of possibility of events is at statistically average or low levels. On a permanent basis, the Company implements actions for monitoring the risks and decreasing the probability of their occurrence and severity of the potential adverse consequences including assignment of responsibility, control, diversification and insurance.

II. Accounting policies

These statutory financial statements have been prepared on the basis of the following accounting policies:

2.1 Basis of presentation

The Company's statutory financial statements are prepared in accordance with the accounting and reporting rules currently effective in the Russian Federation provided for by the Federal Law "On Accounting" and "Regulation on Accounting and Reporting in the Russian Federation" as well as other accounting regulations approved by the Russian Ministry of Finance.

Assets and liabilities are stated at actual cost, except for property, plant and equipment and investments for which the current market value can be determined, and assets against which impairment provisions have been duly formed, as well as estimated liabilities.

2.2 Assets and liabilities denominated in foreign currency

Business transactions in foreign currencies were recorded using the official Rouble exchange rate as of the date of the relevant transaction. Cash on hand and in bank accounts (bank deposits), cash and payment documents, accounts receivable (except for advances received and issued and prepayments) including loans receivable and payable, denominated in foreign currencies are recorded in the financial statements in the amounts calculated based on the official currency exchange rates effective as of the reporting date. The exchange rates were as follows: USD 1 = RUB 32.7292 as of 31 December 2013 (31 December 2012: USD 1 = RUB 30.3727, 31 December 2011: USD 1 = 32.1961), EUR 1 = RUB 44.9699 as of 31 December 2013 (31 December 2012: EUR 1 = RUB 40.2286, 31 December 2011: EUR 1 = RUB 41.6714).

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

2.3 Accounting for assets and liabilities

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

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

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

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

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

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

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

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

Property, plant and equipment are recognized at their historical cost equal to actual acquisition (construction, production) cost.

The acquired property, plant and equipment with historical cost of below RUB 40 thousand per unit which were initially recognised after 1 January 2011 are accounted for within inventories; property, plant and equipment which were initially recognised before 1 January 2011 were accounted for within inventories, if their historical cost did not exceed RUB 20 thousand per unit.

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within property, plant and equipment in a separate line.

Property, plant and equipment are recognised on the balance sheet at cost less depreciation accumulated from the date of their independent valuation for merging subsidiaries and associates (hereinafter - SAC) into the Company in 2008 or over the whole period of their operation, if they were put into operation after merging SAC into the Company.

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

Useful lives of the acquired property, plant and equipment including those which had been in operation before the acquisition, received as a contribution to the share capital or under legal succession in connection with restructuring, are established by the review committee for commissioning of a facility based on the Classification of the Company's property, plant and equipment when PP&E item is initially recognised.

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

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

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

Depreciation is not accrued on:

- land plots and natural resources;
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the generally accepted procedure);
- fully depreciated assets that are still on the balance sheet.
- assets that are temporarily shutdown for more than three months and during the restoration period which exceeds twelve months.

Gains and losses on disposal of property, plant and equipment are recorded in the statement of financial results within other income and expenses.

Construction-in-progress includes real estate assets under construction, which have not been put into operation, equipment to be installed and other investments in non-current assets which are not included in PP&E. Equipment which does not require installation, stored in the warehouse and intended for assets under construction are recorded within construction-in-progress in a separate line.

These items are recognised in the balance sheet line 1150 "Property, plant and equipment".

Interest on borrowings raised for the purposes directly related to acquisition, construction and/or manufacture of investment assets, accrued prior to initial recognition of the assets is included in their historical cost; that accrued after the initial recognition of the assets are recognised in the statement of financial results within other expenses.

Interest on borrowings raised for the purposes not related to acquisition, construction and/or manufacture of investment assets, but actually used to purchase the investment assets are included in the cost of investment assets in proportion to the share of the above borrowings in total amount of borrowings raised for the purposes not related to acquisition, construction, manufacture of investment assets.

Income-bearing investments in tangible assets represent PP&E items acquired for leasing out to generate income.

These assets are recognised at their historical cost determined under the procedure used for general PP&E items.

Leased PP&E items are recognised in off-balance-sheet accounts at cost specified in the lease agreement/determined based on the acceptance certificate. If the lease agreement and acceptance certificate do not specify the cost of these assets, property, plant and equipment are recorded in the off-balance-sheet accounts at the following values:

- land plots having the cadastral value - at their cadastral value;
- other PP&E items - in the amount of lease payments inclusive of VAT under lease agreement including the repurchase price of the leasing item.

2.5 Investments

Investments are accounted for in accordance with the Russian Accounting Regulation "Accounting for investments" (RAR 19/02).

Investments include:

- contributions to the share capital of other entities (including subsidiaries);
- debt securities (including bonds, promissory notes);
- deposits in credit institutions except for short-term deposits classified as cash equivalents (paragraph 2.9 of the Explanatory Notes);
- loans issued to other entities;
- government and municipal securities and other investments.

Investments are initially recognised at their actual cost of acquisition.

The Company's actual costs to purchase investments represent the historical cost of investments purchased at a charge.

The historical cost of investments in the Company's share capital is presented by their monetary value agreed by the Company's founders, if not specified otherwise by the Russian legislation.

Investments, the current market value of which can be determined under the established procedure, are recognised on the balance sheet at their current market value as of the end of each reporting period (on a quarterly basis). The difference between the value of these investments as of the current reporting date and their prior value is recorded within other income and expenses.

Current market value of the securities which are traded by the institutors of trading is determined at market prices established at OAO MICEX-RTS (<http://moex.com>).

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

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

The Company accrues the impairment provision for the amount of difference between carrying (book) value and estimated value of the investments with regard to investments for which

significant and constant impairment indicators are proved by impairment test. The estimated value of investments is determined based on the data about net assets, revenue, composition of expenses, schedule of projects financing and other factors.

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

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

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

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

2.6 Inventories

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

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

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

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

2.7 Expenses of future periods

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

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

2.8 Accounts receivable

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

Accounts receivable which are overdue or unlikely to be repaid by the contractual deadlines and are not secured by guarantees, pledges or otherwise, are recognised on the balance sheet net of doubtful debt provision. The provision is based on the conservative assessment made by the Company's management with regard to the portion of receivables which is unlikely to be repaid.

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

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

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

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

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

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

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

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

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

Cash receipts and payments do not include cash flows changing the structure of cash equivalents, but not changing their total amount.

2.10 Share capital, reserve and additional capital

The Company's share capital has been recorded in the amount of the nominal value of ordinary shares purchased by shareholders. The share capital is equal to the amount specified in the Company's Charter.

When the share capital is increased through placement of additional shares, transactions associated with the formation of the share capital are accounted for when the respective changes made in the Company's constituent documents are registered.

The Company's additional capital includes share premium resulted from placement of the Company's shares at price exceeding their nominal value and total of additional capital of subsidiaries, associates merged into the Company during the 2008 reorganisation.

In accordance with legislation the Company forms a reserve fund in the amount of 5% of the share capital. The amount of mandatory annual deductions to reserve fund is 5% of the Company's net profit until it reaches the specified level.

2.11 Loans and bank credits received

Loans and bank credits are accounted for in accordance with the Russian Accounting Regulation "Accounting for loans and bank credits" (RAR 15/2008).

Loans payable are stated inclusive of interest payable as of the end of the reporting period according to the loan agreements.

Interest is accrued on a monthly basis at the end of each reporting period. If a lender provides for interest calculation attributable to different reporting periods, the amount of interest shall be allocated and included in the amount payable separately for each month.

Additional expenses incurred in connection with borrowings are charged to expenses of future periods with subsequent straight-line inclusion in other expenses over the repayment period.

2.12 Estimated liabilities, contingent liabilities and contingent assets

Estimated liabilities

The Company recognises estimated liability, which meets the recognition criteria established in the Russian Accounting Regulation "Estimated liabilities, contingent liabilities and contingent assets" (RAR 8/2010).

The Company recognises an estimated liability for earned but unused employee vacations, which is determined as of the end of the reporting year with reference to the number of unused vacation days of each employee at the reporting date and employee's average salary, inclusive of insurance contributions.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recorded on the balance sheet, but instead are disclosed in the Explanatory Notes to the balance sheet and statement of financial results.

Contingent liability (contingent asset) arises as a result of past business events when existence of a liability (asset) of the Company at the reporting date depends on occurrence/non-occurrence) of future uncertain events, which are beyond the Company's control.

Contingent liability is disclosed in the Explanatory Notes to financial statements, except where the likelihood of a decrease in economic benefits associated therewith is remote. Contingent asset is disclosed in the Explanatory Notes when the inflows associated therewith are probable. There is a need to disclose its estimated amount or a range of estimated amounts, if such values are identifiable.

2.13 Revenue recognition

Revenue from sales of products (provision of services) is recognized on an accrual basis (as the products/services are delivered/provided and relevant settlement documents presented to buyers). Revenue is presented net of value added tax and other similar mandatory charges.

Other revenues of the Company include:

- proceeds from sale of property, plant and equipment, investments and other assets;
- interest received in connection with providing the Company's cash for use, interest for the bank's use of cash sitting on the Company's bank accounts in the bank and interest on the acquired interest-bearing notes of the third parties - in accordance with interest provision in the note when presenting it for payment. The Company recognises the above income in the statement of financial results in line 2320 "Interest income";
- income from participation in share capital of other entities (dividends). is recognised by Company when announced and included in the statement of financial results in line 2310 "Income from participation in other entities";
- income from transactions with derivatives when the respective trading positions are closed;
- fines, penalties and interest for breaching contractual terms;
- prior year profit identified in the reporting year (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010);
- other proceeds (income) according to the Russian Accounting Regulation "Income of an organisation" (RAR 9/99) (including income in the form of insurance indemnity).

2.14 Recognition of expenses

Accounting for expenses is regulated by the Russian Accounting Regulation "Expenses of an organisation" (RAR 10/99) under which the Company's expenses are divided into general expenses and other expenses.

Administrative expenses are written-off against the cost of goods sold (services provided).

General expenses are recognised in the reporting period wherein they were incurred irrespective of the actual closure of accounts payable.

Expenses shall be accounted for irrespective of the intention to generate revenue or other income and their form.

Other expenses include:

- expenses incurred in disposal and other write-off of property, plant and equipment, investments and other assets;
- interest paid by the Company for provided cash (bank credit, loans); the Company recognises these expenses in the statement of financial results in line 2330 "Interest expense";
- expenses incurred in payment of services provided by credit institutions;
- doubtful debts provision calculated on the basis of the reporting period results in accordance with the Company's accounting policies (see paragraph 2.8 of the Explanatory Notes);
- expenses from transactions with derivatives when the respective trading positions are closed;
- fines, penalties and interest for breaching contractual terms, compensation of losses caused by the Company;
- prior year losses identified in the reporting period (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010));
- charity and social security;
- expenses incurred as a result of extraordinary events in business operations (natural disaster, fire, accident, etc.)
- other expenses according to RAR 10/99.

2.15 Changes in the accounting policies

There are no significant changes in the Company's accounting policies for 2013 and 2014 based on the Russian Accounting Regulation "Accounting policies of an organisation" (RAR 1/2008).

With effect from the Company's accounting reports for 2013, the Company retrospectively amended detailing of some balance sheet items, in particular the lines 1170 Investments, 1230 Accounts Receivable, 1240 Investments (except for cash equivalents), 1370 Retained Earnings (Accumulated Deficit) and 1520 Accounts Payable. Such amendment allows the best presentation of the Company's financial position as of the reporting date.

III. Disclosure of material indicators

3.1 Non-current assets (Section I of the balance sheet)

3.1.1 Property, plant and equipment (line 1151 of the balance sheet), construction-in-progress (line 1152 of the balance sheet), income-bearing investments in tangible assets (line 1160 of the balance sheet)

PP&E group	Net book value		
	31 December 2013	31 December 2012	31 December 2011
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	189,486	191,295	192,712
Machinery and equipment	77,085	61,930	47,618
Buildings	35,348	34,778	34,448
Motor vehicles	406	212	379
Production and maintenance tools	349	407	444
Land plots	3	3	3
Other types of property, plant and equipment	187	198	188
Total line 1151 "Property, plant and equipment"	302,864	288,823	275,792
Line 1160 "Income-bearing investments in tangible assets", including:			
Facilities and transmission equipment	7,313	7,437	7,561
Total in line 1160 "Income-bearing investments in tangible assets"	7,313	7,437	7,561

As of 31 December 2013 income-bearing investments in tangible assets amount to RUB 7,313 million (as of 31 December 2012 r. – RUB 7,437 million, as of 31 December 2011 – 7,561) and relate to five dams in Irkutsk region received in 2011 as part of additional issues of the Company's shares (see paragraph 3.3.1 of the Explanatory Notes).

Currently, OAO Irkutskenergo is leasing dams from the Company under the long-term lease agreements.

OAo RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

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

Narrative	Period	At the beginning of the year		Additions*	Changes for the period			At the end of the year	
		Cost	Accumulated depreciation		Disposals		Depreciation accrued*	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment	2012	308,044	(32,252)	25,484	(2,138)	777	(11,092)	331,390	(42,567)
including:	2013	331,390	(42,567)	27,408	(1,822)	829	(12,374)	356,976	(54,112)
Facilities and transmission equipment	2012	205,890	(13,178)	2,758	(98)	12	(4,089)	208,550	(17,255)
	2013	208,550	(17,255)	2,335	(95)	49	(4,098)	210,790	(21,304)
Machinery and equipment	2012	63,774	(16,156)	21,540	(1,864)	709	(6,073)	83,450	(21,520)
	2013	83,450	(21,520)	23,382	(1,688)	762	(7,302)	105,144	(28,060)
Buildings	2012	36,814	(2,366)	1,017	(8)	-	(679)	37,823	(3,045)
	2013	37,823	(3,045)	1,286	(2)	1	(714)	39,107	(3,758)
Motor vehicles	2012	628	(249)	17	(158)	48	(74)	487	(275)
	2013	487	(275)	273	(5)	3	(77)	755	(349)
Production and maintenance tools	2012	662	(218)	114	(8)	6	(149)	768	(361)
	2013	768	(361)	111	(31)	13	(151)	848	(499)
Land plots	2012	3	-	-	-	-	-	3	-
	2013	3	-	-	-	-	-	3	-
Other types of property, plant and equipment	2012	273	(85)	38	(2)	2	(28)	309	(111)
	2013	309	(111)	21	(1)	1	(32)	329	(142)
Income-bearing investments in tangible assets	2012	7,592	(31)	-	-	-	(124)	7,592	(155)
including:	2013	7,592	(155)	-	-	-	(124)	7,592	(279)
Facilities and transmission equipment	2012	7,592	(31)	-	-	-	(124)	7,592	(155)
	2013	7,592	(155)	-	-	-	(124)	7,592	(279)

* Cost of property, plant and equipment received in 2013 and depreciation for the period includes cost of property, plant and equipment repurchased at the expiration of the lease agreements and accumulated depreciation of RUB 585 million (for 2012 : RUB 400 million). Exposure of leased property, plant and equipment is described in paragraph 3.6.1 of the Explanatory Notes.

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

Narrative	2013	2012
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	13,791	14,000
Machinery and equipment	11,962	11,827
Facilities and transmission equipment	1,359	1,432
Other types of property, plant and equipment	470	741
Decrease in value of property, plant and equipment as a result of partial liquidation including:	657	821
Machinery and equipment	612	817
Other types of property, plant and equipment	45	4

Other use of property, plant and equipment

Narrative	31 December 2013	31 December 2012	31 December 2011
Leased out PP&E recognised on the balance sheet	1,593	1,821	1,557
Leased PP&E recognised on the balance sheet	-	-	313
Leased PP&E recognised in the off-balance-sheet accounts	33,754	33,906	26,330
Real estate assets which were put into operation and actually used but are in the process of state registration	1,716	1,103	11,058
PP&E that have been temporarily shut down	94	40	41

Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets

Narrative	Period	At the beginning of the year	Changes for the period				At the end of the year
			Costs for the period	Written off	Other movement*	Recognised as PP&E or uplifted	
Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:	2012	37,539	31,616	(109)	(906)	(25,084)	43,056
	2013	43,056	31,407	(469)	14	(26,823)	47,185
Construction-in-progress	2012	28,339	17,046	(39)	13,802	(24,835)	34,313
	2013	34,313	16,797	(220)	14,756	(26,380)	39,266
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2012	77	148	(1)	55	(249)	30
	2013	30	415	-	25	(443)	27
Equipment for installation	2012	9,123	14,422	(69)	(14,763)	-	8,713
	2013	8,713	14,195	(249)	(14,767)	-	7,892

* Transfer of equipment for installation, reclassification of equipment to be installed to construction-in-progress and other movement not related to transfer of assets to property, plant and equipment

3.1.2 Long-term investments (line 1170 of the balance sheet)

Line 1170 "Financial investments" includes contributions to share capital of subsidiaries, associates and other entities, debt securities and long-term loans issued to subsidiaries and associates:

Narrative	31 December 2013	31 December 2012	31 December 2011
Investments in subsidiaries	95,619	66,355	67,134
Investments in associates	11,210	2,284	2,300
Investments in other entities	3,212	6,261	8,613
Long-term loans issued	33,018	18,760	16,036
Debt securities	-	-	6,899
Total line 1170 "Financial investments"	143,059	93,660	100,982

Exposure of long-term investments to financial risks is described in paragraph 3.16 of the Explanatory Notes.

OAo RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
Long-term investments including:	2012	105,163	(4,181)	15,704	(2,356)	(12,971)	-	(7,699)	107,896	(14,236)
	2013	107,896	(14,236)	62,138	(3,119)	(10,394)	-	774	159,640	(16,581)
Investments in subsidiaries	2012	67,134	-	-	-	-	-	(779)	67,134	(779)
	2013	67,134	(779)	28,485	-	-	-	779	95,619	-
Investments in associates	2012	2,300	-	-	-	-	-	(16)	2,300	(16)
	2013	2,300	(16)	10,367	-	(1,441)	-	-	11,226	(16)
Investments in other entities	2012	12,794	(4,181)	9	(2,356)	-	-	(5)	12,803	(6,542)
	2013	12,803	(6,542)	75	(3,119)	-	-	(5)	12,878	(9,666)
Long-term loans issued	2012	16,036	-	15,695	-	(12,971)	-	-	18,760	-
	2013	18,760	-	23,211	-	(8,953)	-	-	33,018	-
Debt securities	2012	6,899	-	-	-	-	-	(6,899)	6,899	(6,899)
	2013	6,899	(6,899)	-	-	-	-	-	6,899	(6,899)

* Accumulated adjustment includes difference between original and current market value of investments for which current market value can be determined; difference between original and current market value of investments for which current market value is not determinable; provision for impairment of investments.

** Other movements include changes in provision for impairment of investments, accrual of discount on debt securities and reclassification within the balance sheet line 1170 "Investments".

ОАО RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Investments in subsidiaries, associates and other entities

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

Subsidiaries and associates and other entities	31 December 2013		31 December 2012		31 December 2011	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	95,619		66,355		67,134	
ОАО RAO ES of the East	18,495	84.39%	15,530	65.75%	15,530	69.28%
ОАО Ust-Srednekanskaya GES	14,722	50.04%	8,049	35.21%	8,049	41.48%
ОАО Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
ОАО Sulaksky Hydrocascade	10,094	100.00%	1,134	100.00%	1,134	100.00%
ОАО Zagorskaya GAES-2	9,780	100.00%	9,780	100.00%	9,780	100.00%
ZAO Malaya Dmitrovka	5,455	100.00%	2,055	100.00%	2,055	100.00%
ОАО Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
ОАО Yuzhno-Yakutsky GEK	3,255	100.00%	10	100.00%	10	100.00%
ОАО ESK RusHydro	2,864	100.00% - 1 share	2,864	100.00% - 1 share	2,864	100.00% - 1 share
ОАО Geotherm	2,425	99.65%	829	92.80%	829	92.80%
ОАО Zaramagskie GES	1,904	98.35%	1,904	98.35%	1,904	98.35%
ОАО Leningradskaya GAES	1,690	100.00%	1,690	100.00%	1,690	100.00%
ОАО Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
HydroOGK Power Company Ltd	1,171	100.00%	1,171	100.00%	1,171	100.00%
HydroOGK Aluminium Company Ltd	779	100.00%	-	100.00%	779	100.00%
ОАО Renewable Energy Engineering Centre	694	100.00%	-	100.00%	-	100.00%
ОАО CSO SGES	589	100.00%	22	100.00%	22	100.00%
ОАО Kamchatsky gas and energy complex	531	96.58%	531	96.58%	531	96.58%
ОАО VNIIM named after B. E. Vedeneev	448	100.00%	448	100.00%	448	100.00%
ОАО Nizhne-Bureyskaya GES	408	100.00%	408	100.00%	408	100.00%
ОАО Nizhne-Zeykaya GES	350	100.00%	-	100.00%	-	100.00%
ОАО NIIES	338	100.00%	338	100.00%	338	100.00%
ZAO Hydro-Engineering Siberia	300	100.00%	300	100.00%	300	100.00%
RusHydro International B. V.	245	100.00%	245	100.00%	245	100.00%
ОАО ChirkeiGESstroi	229	75.00% - 1 share	229	75.00% - 1 share	229	75.00% - 1 share
ОАО ESKO UES	226	100.00%	226	100.00%	226	100.00%
ООО Verkhnebalkarskaya MGES	118	100.00%	118	100.00%	118	100.00%
ОАО MGES Dagestan	101	100.00%	101	100.00%	101	100.00%
Other	290		255		255	
Associates:	11,210		2,284		2,300	
ОАО Irkutsk Electric Grid Company	8,543	42.75%	-	-	-	-
ОАО Sakhalin energy company	2,567	31.49%	743	12.44%	743	17.77%
OJSC Trest Hydromontazh	-	-	1,441	33.54%	1,441	33.54%
Other	100	-	100		116	
Other entities:	3,212		6,261		8,613	
ОАО Inter RAO UES	2,027	1.94%	5,077	1.94%	7,428	2.09%
ZAO Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
Other	104		103		104	
Total:	110,041		74,900		78,047	

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

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2013 are as follows:

- acquisition of additionally issued shares of subsidiaries for the total of RUB 20,326 million, including OAO Sulaksky Hydrocascade for the amount of RUB 8,960 million, ZAO Malaya Dmitrovka for the amount of RUB 3,400 million, OAO Yuzhno-Yakutsky GEK for the amount of RUB 3,245 million, OAO Geotherm for the amount of RUB 1,596 million, OAO Ust-Srednekanskaya GES for RUB 1,480 million, OAO Renewable Energy Engineering Centre for RUB 694 million, JFJ CSO SShGES for RUB 567 million and other companies for the amount of RUB 384 million;
- receipt as payment for the Company's additional issue registered on 3 December 2012 (see paragraph 3.3.1 of the Explanatory Notes) of equity stakes in the utilities companies for the total of RUB 18,596 million, including OAO Irkutsk Electric Grid Company for the amount of RUB 8,543 million, OAO Ust-Srednekanskaya GES for RUB 5,193 million, OAO RAO Energy Systems of the East for the amount of RUB 2,965 million, OAO Sakhalin Energy Company for the amount of RUB 1,824 million and OAO Irkutskenergo for the amount of RUB 71 million;
- disposal of investment in OAO Trest Hydromontazh with the value of RUB 1,441 million in connection with the sale of OAO TEK Mosenergo for RUB 1,663 million;
- valuation of investments which have a current market value and related recording of a loss for the total of RUB 3,119 million (see paragraph 3.16 of the Explanatory Notes), including the loss for the total of RUB 3,050 million related to the shares of OAO Inter RAO UES;
- assessment of investments having current market value with recognition of a loss amounting to RUB 3,119 million (see paragraph 3.16 of the Explanatory Notes) including a loss amounting to RUB 3,050 million related to OAO INTER RAO UES shares.

In June 2013, four new 100%-owned subsidiaries were established, with the share capital of RUB 0.5 million each, for implementing construction projects in the electricity sector in the Russian Far East, i.e. – ZAO Blagoveshchenskaya CCGT, ZAO Sakhalin GRES-2», ZAO CCGT in the City of Sovetskaya Gavan and ZAO Yakutsk GRES-2. Construction will be financed with special purpose budgetary funds in the amount of RUB 50,000 million received from the government as part of the Company's additional issue registered on 3 December 2012 (see paragraph 3.3.1 of the Explanatory Notes). As of 31 December 2012 the shares of these companies were transferred for trust management to OAO RAO Energy Systems of the East.

Investments in subsidiaries that have current market value

As of 31 December 2013, 31 December 2012 and 31 December 2011, investments included shares of the Company's subsidiaries, i.e. OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company, received in 2011–2013 as a result of the additional issue of the Company's shares which are cognised on the Company's balance sheet. These investments are recorded at the value agreed with the founders and determined on the basis of the market valuation performed by an independent appraiser totalling 20,204 million as of 31 December 2013 (as of 31 December 2012 and 31 December 2011: 17,239 million). This valuation exceeds the current market value of the shares as of 31 December 2013, 31 December 2012 and 31 December 2011 by RUB 12,394, RUB 9,887 million and RUB 7,048 million, respectively.

The Company's management plans to get benefits from investments in OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company by controlling their business operations rather than as a result of fluctuations in their market value. Thus, according to the Company's management, current market quotes do not fairly reflect the fair value of the controlling shareholdings in these companies as the number of shares traded in the market is not representative; not more than 1% of total shares issued are in circulation on a daily basis.

In view of these circumstances and considering that the Company has no plans to sell these investments, in accordance with paragraph 6 of the Russian Accounting Regulation "Accounting reports of an organisation" (RAR 4/99), approved by order No. 43n of the Russian Ministry of Finance of 6 July 1999, the Company decided against performing revaluation of its investments in

shares of OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company at the current market value from acquisition date.

The amount of unrecognised change in the market value as compared to the carrying amount as of 31 December 2013 is RUB 12,394 million (as of 31 December 2012: RUB 9,887 million; as of 31 December 2011: 7,048 million). The Company's net assets would have amounted to RUB 612,026 million, if it included the above unrecognised change in the value (as of 31 December 2012: RUB 582,287 million, as of 31 December 2011: RUB 528,429).

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

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

HydroOGK Aluminium Company Ltd. The Company is engaged on parity with United Company RUSAL ("UC Rusal") in the Project of Boguchansky Aluminium Plant construction (the "Project"). The Company together with UC Rusal have a joint control over ZAO Boguchansky Aluminium Plant. The subsidiary – HydroOGK Aluminium Company Ltd – was established for the Company to participate in this Project and implement the corporate governance of the Project. Boguchansky Aluminium Plant's financing is provided for in the Company's Investment Programme approved by the Russian Ministry of Energy and is implemented partly through the Company's acquisition of HydroOGK Aluminium Company Ltd's and ZAO Boguchansky Aluminium Plant's promissory notes.

As of 31 December 2013, the Company's balance sheet carries the following Project-related assets:

- within the accounts receivable: interest-free promissory notes of ZAO Boguchansky Aluminium Plant with redemption "on demand but not earlier than 31 December 2024" for the total of RUB 4,662 million and interest-free promissory notes of HydroOGK Aluminium Company Ltd with redemption "on demand but not earlier than 31 December 2013" for the total of RUB 3,338 million (see paragraph 3.3.2 of the Explanatory Notes);
- within long-term investments: shares of HydroOGK Aluminium Company Ltd for the amount of RUB 779 million.

The analysis of recoverability of these assets performed by the Company as of 31 December 2013 was based on the following key factors:

- the Company intends to complete construction of Boguchansky Aluminium Plant injecting additional investments into the Project, if necessary;
- the Company plans to receive economic benefits in the form of return on capital invested into the Project. Consequently, the Company has no intention to demand redemption of the above interest-free promissory notes with cash as it plans their capitalisation in the share capital of the Project's participating parties, except for a portion of promissory notes of HydroOGK Aluminium Company Ltd which will be paid using cash currently carried on its balance sheet.

Based on the analysis of the factors that might indicate the impairment of assets related to the construction of Boguchansky Aluminium Plant, the Company's management concluded that there were no impairment indicators as of 31 December 2013.

OAO Zagorskaya HAEPP-2 In September 2013, Zagorskaya HAEPP-2 which is currently under construction suffered from the flooding of a section of the HAEPP building from the lower reservoir. Due to the technical complexity of identifying the losses as a result of the accident, management are not able to estimate the amount of expenses needed to rectify the accident consequences and write off the damaged items of construction in progress.

ОАО RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Summarised information in relation to ОАО Zagorskaya HAEPP-2 on the balance sheet of ОАО RusHydro is as follows:

- within long-term investments: shares of ОАО Zagorskaya HAEPP-2 for the amount of RUB 9,780 and interest-bearing loan for the amount of RUB 7,029 million;
- within other accounts receivable for additional shares issued but not yet transferred to the Company in the course of ОАО Zagorskaya HAEPP-2's additional share issue: accounts receivable for the total amount of RUB 46,071 million (see paragraph 3.3.2 of the Explanatory Notes).

The analysis of recoverability of these assets performed by the Company as of 31 December 2013 was based on the following key factors:

- Construction works and the assets are insured. In accordance with the insurance contracts and under the current Russian law, the acknowledgement of the fact that the accident at Zagorskaya HAEPP-2 which is currently under construction is the insurable event and subsequent payment of compensation is only due after the thorough analysis of the accident reasons by insurance companies based on the report on investigation of the causes of the flooding.
- Management plans to perform recovery work and complete construction of Zagorskaya HAEPP-2. Capacity supply contracts were concluded in respect of Zagorskaya HAEPP-2. There are specific rules for the price setting in respect of new HPPs (including pumped-storage power plants) being constructed: the price is set in a manner that guarantees payback period of 20 years for all CAPEX invested in construction.
- Following the decision of the regulatory body NP Market Council of 16 December 2013 the commissioning date for generating assets of Zagorskaya HAEPP-2 and the start date of fulfilment of obligations under the committed capacity supply contracts for new HPPs (including pumped-storage power plants) was transferred from the beginning of 2014 to the beginning of 2017. As these dates were adjusted for ОАО Zagorskaya HAEPP-2 is not subject to any penalties for under-supplied capacity under the above contracts.

As of 31 December 2013 there is no significant uncertainty in terms of the expenses to be incurred on recovery of damage caused by the flooding at Zagorskaya HAEPP-2. However, these expenses can be significant.

Based on the analysis of factors that might indicate impairment of assets related to Zagorskaya HAEPP-2 construction project, the Company's management concluded that there were no such indicators as of 31 December 2013.

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

Provision for impairment of investments for which current market value is not determinable amounts to RUB 58 million (as of 31 December 2012: RUB 832 million; as of 31 December 2011: RUB - 32 million). Original cost of long-term investments for which provision for impairment of investments was made amounts to RUB 96 million as of 31 December 2013 (as of 31 December 2012 - RUB 874 million, as of 31 December 2011 - 79 million).

(b) Long-term loans issued

Loan recipient's name	31 December 2013	31 December 2012	31 December 2011	Annual rate,%
Long-term loans issued to related parties, including:				
OАО Far East Generating Company	11,538	8,000	-	MosPrime + 3.09%/ 7.997%
OАО Zagorskaya GAES-2	7,029	-	2,727	8.213%
OАО Sakhaenergo	3,476	-	-	7.997%
OАО Hydroinvest	2,082	2,282	2,553	7.875%
OАО Ust-Srednekanskaya GES	1,747	-	1,099	8.213%
OАО ESK RusHydro	1,700	3,294	3,000	8.00%

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.

OAo RusHydro**Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results**

(in millions of Russian Roubles unless otherwise stated)

Loan recipient's name	31 December 2013	31 December 2012	31 December 2011	Annual rate,%
OAo Far East Distribution Grid Company	1,670	-	-	7.997%
ZAO Tekhnopark Rumyantsevo	1,508	1,503	1,965	7.875% – 8.25%
OAo Teploenergосervice	929	-	-	7.997%
ZAO Malaya Dmitrovka	205	3,400	2,972	7.875%
OAo Leningradskaya GAES	-	-	1,051	
Other	1,134	281	669	
Total long-term loans issued	33,018	18,760	16,036	

As of 31 December 2013 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- loan to OAo Far East Generating Company amounting to RUB 11,538 million to refinance liabilities maturing by 3 December 2018 and 15 September 2021;
- loans to OAo Zagorskaya GAES-2 in the total amount of RUB 7,029 million issued to finance expenses related to investment project OAo Zagorskaya GAES-2 maturing by 05 February 2018 transferred from short-term loans due to changes of the conditions of the agreement;
- loan to OAo Sakhaenergo in the total amount of RUB 3,476 million issued to refinance liabilities maturing by 03 December 2018;
- loans to OAo Hydroinvest in the total amount of RUB 2,082 million issued to finance purchase of OAo Hydroproject Institute, OAo Krasnoyarskenergosbyt maturing by 20 October 2015;
- loans to OAo Ust-Srednekanskaya GES in the total amount of RUB 1,747 million issued to finance expenses related to investment project «Ust-Srednekanskaya GES» maturing by 5 February 2018 transferred from short-term loans due to changes of the conditions of the agreement;
- loans to OAo EKS RusHydro amounting to RUB 1,700 million to purchase an ownership interest in OOO EKS Bashkortostan and OAo RusHydro Bashkortostan maturing by 31 December 2015;
- loan to OAo Far East Distribution Grid Company amounting to RUB 1,670 million to refinance liabilities maturing by 3 December 2018;
- loans to ZAO Tekhnopark Rumyantsevo in the total amount of RUB 1,508 million issued to refinance liabilities maturing by 30 December 2015 and 30 November 2022;
- loan to OAo Teploenergосervice in the total amount of RUB 929 million issued to refinance liabilities maturing by 03 December 2018.

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

(c) Long-term debt securities

Issuer's name	31 December 2013	31 December 2012	31 December 2011	Due for repayment	Annual rate,%
Receivables from other counterparties related to long-term promissory notes, including:					
				On demand but not earlier than 12 December 2014	
OOO Energo-Finance		-	6,899		13.00%
Total debt securities		-	6,899		

Based on the assessment of the recoverable amount of OOO Energo-Finance promissory notes which was determined based on the forecast net assets of RUSENERGO FUND Ltd. which acted as a guarantor of OOO Energo-Finance promissory notes, the Company's management concluded that as of 31 December 2012, the value of OOO Energo-Finance promissory notes may not be recovered. As a result, a provision for impairment of the above investment amounting to RUB 6,899 million was made as of 31 December 2012.

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In 2013, net assets of RUSENERGO FUND Ltd. continued to decrease. As a result, as of 31 December 2013 there were no changes in the Company's management assessment of the carrying amount of OOO Energo-Finance promissory notes.

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

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

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

Narrative	31 December 2013	31 December 2012	31 December 2011
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	1,620	1,526	-
Software and licenses	1,239	823	611
Borrowing costs	647	715	353
Other	393	332	219
Total expenses of future periods, including:	3,899	3,396	1,183
Long-term expenses of future periods which are subject to writing-off from expense account during the period beyond 12 months of the reporting date (within the balance sheet line 1190)	2,987	2,772	711
Short-term expenses of future periods which are subject to writing-off from expense account during 12 months of the reporting date (within the balance sheet line 1210)	912	624	472

As a result of works performed to uplift the level of Cheboksary water reservoir it is planned to increase the production capacity of Cheboksary GES and eliminate the increased depreciation of equipment and hydraulic engineering installations. If the Company becomes aware that it won't obtain the expected additional economic benefits, the above expenses of future periods will be written-off against other expenses.

3.2 Current assets (Section II of the balance sheet)

3.2.1 Inventories (line 1210 the balance sheet)

Narrative	31 December 2013	31 December 2012	31 December 2011
Raw, materials and other inventories	1,813	1,428	1,051
Short-term expenses of future periods which are subject to writing-off from expense account during 12 months of the reporting date (see paragraph 3.1.3 of the Explanatory Notes)	912	624	472
Other	136	3	1
Total line 1210 "Inventories"	2,861	2,055	1,524

Raw, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2013 the provision for their impairment amounted to RUB 105 million (31 December 2012: RUB 20 million, 31 December 2011: RUB 30 million).

3.2.2 Accounts receivable (line 1230 of the balance sheet)

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

Total long-term accounts receivable were RUB 80,323 million, 75,630 million and 89,269 million as of 31 December 2013, 2012 and 2011, respectively.

ОАО RusHydro**Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results**

(in millions of Russian Roubles unless otherwise stated)

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

Type of long-term accounts receivable	31 December 2013	31 December 2012	31 December 2011
Advances issued to suppliers of equipment and capital construction contractors	35,074	37,296	26,246
Interest-free promissory notes received	27,040	26,633	27,219
Interest-free loans issued	16,817	9,235	31,423
Lease receivables	927	1,431	1,984
Buyers and customers	103	128	37
Other long-term accounts receivable	362	907	2,360
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	80,323	75,630	89,269

OAo RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Long-term accounts receivable and their movement

Item	Period	Opening balance		Changes for the period*					Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Repayment*	Disposals		Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Reclassified from short-term to long-term		Accrual/release of doubtful debt provision	Reclassified from long-term to short-term		
Long-term accounts receivable, including:	2012	89,269	-	22,166	694	(183)	(2,735)	(33,581)	78,365	(2,735)
	2013	78,365	(2,735)	12,944	13,519	(149)	-	(21,621)	83,058	(2,735)
Advances issued to suppliers of equipment and capital construction contractors	2012	26,246	-	17,688	486	(163)	-	(6,961)	37,296	-
	2013	37,296	-	7,787	611	-	-	(10,620)	35,074	-
Interest-free promissory notes received	2012	27,219	-	413	-	-	-	(999)	26,633	-
	2013	26,633	-	1,061	-	(149)	-	(505)	27,040	-
Interest-free loans issued	2012	31,423	-	1,133	12	-	-	(23,333)	9,235	-
	2013	9,235	-	3,260	12,840	-	-	(8,518)	16,817	-
Lease receivables	2012	1,984	-	278	32	-	-	(863)	1,431	-
	2013	1,431	-	157	53	-	-	(714)	927	-
Buyers and customers	2012	37	-	109	11	(2)	-	(27)	128	-
	2013	128	-	4	-	-	-	(29)	103	-
Other long-term accounts receivable	2012	2,360	-	2,545	153	(18)	(2,735)	(1,398)	3,642	(2,735)
	2013	3,642	2,735	675	15	-	-	(1,235)	3,097	(2,735)

* Movements of accounts receivable arising as a result of economic transactions and settled within the same reporting period are presented on a gross basis.

ОАО RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

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

Counterparty	31 December 2013	31 December 2012	31 December 2011
Subsidiaries, including:	16,530	9,006	31,321
ОАО Hydroinvest	12,381	-	20,883
ZАО Blagoveschenskaya TEC	1,473	-	-
ОАО ESK RusHydro	1,034	8,926	8,420
ОАО МGES Kabardino-Balkarii	678	-	-
ZАО Yakutskaya GRES-2	674	-	-
ОАО Zagorskaya GAES-2	-	-	1,102
Other	290	80	916
Other related parties, including:	18	24	101
Loans issued to the Company's key management	18	24	101
Total interest-free loans issued to related parties	16,548	9,030	31,422
Other	269	205	1
Total interest-free loans issued to other counterparties	269	205	1
Total long-term interest-free loans issued	16,817	9,235	31,423

As of 31 December 2013, long-term interest-free loans issued included loans of ОАО Hydroinvest amounting to RUB 12,381 million including a loan of RUB 11,301 million repayable before 20 December 2015 for financing purchase and sale agreements for ОАО RusHydro shares and a loan of RUB 1,068 million repayable before 20 December 2015 for replenishing current assets which were reclassified from short-term interest-free loans in 2013 due to amending the contractual terms.

In addition, as of 31 December 2013, long-term interest-free loans issued included a loan of ZАО Blagoveshchenskaya TPP amounting to RUB 1,473 million repayable on 20 December 2015 for replenishing current assets to ensure the priority works on constructing the second phase of Blagoveshchenskaya TPP.

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

Issuer	31 December 2013	31 December 2012	31 December 2011
Other related parties, including:	25,689	25,689	25,642
ZАО Boguchanskaya GES	21,027	21,027	21,027
ZАО Boguchansky Aluminium Smelter	4,662	4,662	4,615
Total interest-free promissory notes from related parties	25,689	25,689	25,642
ОАО Alfa-Bank	944	707	389
ОАО ROSBANK	290	-	-
ОАО Ulyanovskenergo	62	212	212
ОАО SO UES	-	-	705
ОАО Nomos-Bank	-	-	269
Other	55	25	2
Total interest-free promissory notes from other counterparties	1,351	944	1,577
Total long-term interest-free promissory notes received	27,040	26,633	27,219

As of 31 December 2013, the Company's long-term accounts receivable represented by other related parties' long-term interest-free promissory notes purchased for financing investment program consist of the following promissory notes:

- ОАО 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 2013 is RUB 4,741 million);
- ZАО 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 2013 is RUB 1,633 million).

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

Counterparty	31 December 2013	31 December 2012	31 December 2011
ОАО Silovye Mashiny	19,713	23,460	20,158
ООО Corporation SpetsHydroProject	5,534	4,642	1,870
Voith Hydro GmbH & Co KG	5,214	4,483	1,998
ОАО Hydroremont-BKK	3,818	2,883	111
Other	795	1,828	2,109
Total advances issued to suppliers of equipment and capital construction contractors	35,074	37,296	26,246

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2014 are included within short-term advances issued.

Counterparty	31 December 2013	31 December 2012	31 December 2011
Interest receivable accrued on loans issued and promissory notes received, including:	336	758	2,273
ООО Energo-Finance	-	-	1,836
Subsidiaries	336	758	437
Other accounts receivable	26	149	87
Total other long-term accounts receivable	362	907	2,360

As the Company's management does not expect that the value of ООО Energo-Finance promissory notes may be recovered in foreseeable future, the Company made a provision for impairment of these assets as of 31 December 2012 (see para 3.1.2 of the Explanatory Notes) and a doubtful debt provision for the interest accrued as of 31 December 2012 amounting to RUB 2,735 million. In addition, starting from 1 January 2013 the Company discontinued accruing interest income on ООО Energo-Finance promissory notes.

(a) Short-term accounts receivable (payments expected within 12 months of the reporting date)

Total short-term accounts receivable less doubtful debt provision were RUB 153,157 million, 150,744 million and 113,566 million as of 31 December 2013, 2012 and 2011, respectively.

Type of short-term accounts receivable	31 December 2013	31 December 2012	31 December 2011
Buyers and Customers, including:	5,648	6,567	6,058
Accounts receivable for electricity and capacity	5,437	6,381	5,933
Other	211	186	125
Advances issued, including:	15,517	12,173	10,541
Advances issued to suppliers of equipment and capital construction contractors	14,309	10,995	9,179
Other advances issued	1,208	1,178	1,362
Other debtors, including:	131,992	132,004	96,967
Interest-free promissory notes received	22,954	73,502	75,669
Interest-free loans issued	5,552	42,312	14,603
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	98,530	10,714	-
Taxes receivable	2,596	2,982	4,865
Lease receivables	805	1,037	1,399
Other	1,555	1,457	431
Total line 1232 "Long-term accounts receivable" (payments expected within 12 months of the reporting date)	153,157	150,744	113,566

OAo RusHydro

Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Short-term accounts receivable and their movement

Item	Period	Opening balance		Changes for the period*								Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Disposals		Release of provision	Accrual of provision	Reclassified from long-term to short-term and vice versa	Write-off of receivables against provision	Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Interest, penalties and other accruals	Repayment*	Write-off to the financial result						
Short-term accounts receivable,	2012	116,731	(3,165)	184,769	-	(178,744)	-	678	(2,412)	32,887	33	155,610	(4,866)
including:	2013	155,610	(4,866)	264,908	-	(268,908)	(108)	1,480	(3,060)	8,102	1	159,603	(6,446)
Buyers and customers	2012	8,177	(2,119)	112,073	-	(109,896)	-	512	(2,196)	16	5	10,365	(3,798)
	2013	10,365	(3,798)	128,609	-	(128,238)	(104)	1,384	(2,599)	29	-	10,661	(5,013)
Advances issued	2012	10,585	(44)	27,672	-	(32,590)	-	5	(5)	6,550	21	12,196	(23)
	2013	12,196	(23)	26,464	-	(33,288)	-	7	(6)	10,167	-	15,539	(22)
Other debtors	2012	97,969	(1,002)	45,024	-	(36,258)	-	161	(211)	26,321	7	133,049	(1,045)
	2013	133,049	(1,045)	109,835	-	(107,382)	(4)	89	(456)	(2,094)	1	133,403	(1,411)

* Movements of accounts receivable arising as a result of economic transactions and settled within the same reporting period are presented on a gross basis.

ОАО RusHydro

Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Short-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply within 12 months of the reporting date.

Counterparty	31 December 2013	31 December 2012	31 December 2011
ОАО Silovye Mashiny	6,401	6,200	6,375
Voith Hydro GmbH & Co KG	2,194	242	-
ОАО Hydroremont-BKK	1,365	143	197
IBERDROLA	1,061	-	-
ООО Corporation SpetsHydroProject	1,016	13	-
ОАО Hydroelectromontazh	420	1,533	922
ООО Energy Standard	135	989	375
Other	1,717	1,875	1,310
Total advances issued to suppliers of equipment and capital construction contractors	14,309	10 995	9 179

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

Issuer	31 December 2013	31 December 2012	31 December 2011
Subsidiaries, including:	22,453	72,350	74,998
ООО Index energetiki – HydroOGK	13,668	13,688	13,706
ОАО Ust-Srednekanskaya GES	4,105	3,455	-
HydroOGK Aluminium Company Ltd	3,338	3,338	3,386
ОАО Karachaeve-Cherkesskaya Hydrogenerating Company	244	244	1,943
ОАО Zagorskaya GAES-2	-	31,071	31,071
ОАО Zaramagskie GES	-	13,325	12,559
ЗАО Hydro-engineering Siberia	-	1,992	1,992
ОАО Nizhne-Bureyskaya GES	-	1,885	1,885
ОАО Leningradskaya GAES	-	1,466	1,466
ОАО Sulaksky Hydrocascade	-	-	4,316
Other	1,098	1,886	2,674
Total interest-free promissory notes from related parties	22,453	72,350	74,998
ОАО Alfa-Bank	416	176	577
ОАО SO UES	-	705	-
Other	85	271	94
Total interest-free promissory notes from other counterparties	501	1,152	671
Total short-term interest-free promissory notes received	22,954	73,502	75,669

As of 31 December 2013, short-term receivables from subsidiaries on short-term interest-free promissory notes acquired by the Company is represented by promissory notes payable on demand.

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

Counterparty	31 December 2013	31 December 2012	31 December 2011
Subsidiaries, including:	5,494	42,265	14,419
ООО EZOP	5,423	5,423	5,255
ОАО Renewable Energy Engineering Centre	8	697	555
ОАО Hydroinvest	-	21,951	1,080
ОАО Zagorskaya GAES-2	-	6,446	-
ОАО Ust-Srednekanskaya GES	-	2,501	2,501
ОАО Nizhne-Bureyskaya GES	-	1,863	77

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ОАО RusHydro

Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Counterparty	31 December 2013	31 December 2012	31 December 2011
ОАО Ленинградская GAES	-	1,138	-
ОАО ЕСК RusHydro	-	549	549
ОАО Южно-Якутский ГЭК	-	-	2,139
ОАО Сулакский Гидрокаскад	-	-	1,668
Other	63	1,697	595
Other related parties, including:	6	7	76
Loans issued to the Company's key management	6	7	76
Total interest-free loans issued to related parties	5,500	42,272	14,495
Total short-term interest-free loans issued to other counterparties	52	40	108
Total short-term interest-free loans issued	5,552	42,312	14,603

As of 31 December 2013, short-term interest-free loans issued include loans to ООО ЕЗОП (operator of the Company's stock option program) in the amount of RUB 5,423 million payable on demand issued (among other purposes) for purchasing ordinary registered uncertificated shares of the Company's additional issue.

In addition, short-term accounts receivable include receivables from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company:

Counterparty	31 December 2013	31 December 2012	31 December 2011
ОАО Загорская GAES-2	46,071	-	-
ОАО Зарамagskie GES	15,139	-	-
ОАО Hydroinvest	9,550	-	-
ОАО ЕСК RusHydro	8,969	-	-
ОАО Нижне-Бурейская	8,265	-	-
ОАО Ленинградская GAES	4,202	-	-
ОАО Уст-Среднеканская GES	2,872	-	-
ЗАО Hydro-engineering Siberia	1,992	-	-
ОАО Сулакский Гидрокаскад	-	7,566	-
ОАО Южно-Якутский ГЭК	-	3,148	-
Other	1,470	-	-
Total accounts receivable from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company	98,530	10,714	-

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

Item	31 December 2013	31 December 2012	31 December 2011
Income tax	2,082	2,212	3,462
Value added tax	-	-	1,029
Other taxes and levies	514	770	374
Total tax receivables	2,596	2,982	4,865

Overdue accounts receivable

Item	31 December 2013		31 December 2012		31 December 2011	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	6,455	362	5,104	846	3,315	151
Buyers and customers	4,931	220	4,211	655	2,243	124
Advances issued	137	115	206	183	44	-
Other debtors	1,387	27	687	8	1,028	27

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3.2.3 Short-term investments (Line 1240 of the balance sheet)

The structure of the Company's short-term investments is represented by the following assets:

Type of investment	31 December 2013	31 December 2012	31 December 2011
Bank deposits	50,000	50,000	-
Loans issued	5,568	12,290	-
Promissory notes	40	711	711
Other investments	-	789	789
Total line 1240 "Investments" (excluding cash equivalents)	55,608	63,790	1,500

OAo RusHydro

Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Short-term investments and their movements

Item	Period	Opening balance		Changes for the period*				Closing balance	
		Historical cost	Accumulated adjustment	Additions*	Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2012	1,500	-	83,892	(21,428)	-	(174)	63,964	(174)
	2013	63,964	(174)	234,449	(242,805)	174	-	55,608	-
Bank deposits	2012	-	-	61,445	(11,445)	-	-	50,000	-
	2013	50,000	-	222,711	(222,711)	-	-	50,000	-
Short-term loans issued	2012	-	-	22,447	(9,983)	-	(174)	12,464	(174)
	2013	12,464	(174)	11,648	(18,544)	174	-	5,568	-
Promissory notes	2012	711	-	-	-	-	-	711	-
	2013	711	-	90	(761)	-	-	40	-
Other investments	2012	789	-	-	-	-	-	789	-
	2013	789	-	-	(789)	-	-	-	-

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

Exposure of short-term investments to financial risks is described in paragraph 3.16 of the Explanatory Notes.

ОАО RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

(a) Bank deposits

As of 31 December 2013, bank deposits include a short-term deposit of RUB 50,000 million placed with OAO Sberbank of Russia maturing by 7 February 2014 (as of 31 December 2012 – RUB 50,000 million maturing by 18 January 2013). The deposited cash was received by the Company as a result of additional issue (paragraph 3.3.1 of the Explanatory Notes).

(b) Short-term loans issued

Loan recipient's name	31 December 2013	31 December 2012	31 December 2011	Annual rate, %
Short-term loans issued to related parties, including:				
OAO ESK RusHydro	1,520	-	-	8.00%
OAO Far East Distribution Grid Company	1,430	-	-	8.213% / 8.407%
OAO Far East Generating Company	1,000	-	-	MosPrime + 3.09%
ZAO Verkhne-Narynskie GES	530	-	-	LIBOR + 1.5%
OAO ChirkeiGESstroi	300	300	-	8.57% / 8.834%
ZAO Malaya Dmitrovka	300	-	-	8.51%
OAO ESKO UES	275	-	-	8.212%
OAO Zagorskaya GAES-2	-	7,029	-	
OAO Ust-Srednekanskaya GES	-	1,747	-	
OAO Leningradskaya GAES	-	1,321	-	
OAO Nizhne-Bureyskaya GES	-	694	-	
OAO MGES Kabardino-Balkarii	-	408	-	
ООО Verkhnebalkarskaya MGES	-	377	-	
Other	213	414	-	
Total short-term loans issued	5,568	12,290	-	

As of 31 December 2013, short-term loans issued include:

- OAO ESK RusHydro's short-term part of long-term loans in the total amount of RUB 1,520 million issued for acquisition of shares in the ООО «Bashkortostan» and participation in equity of OAO «RusHydro Bashkortostan Efficiency» maturing by 31 December 2015 (paragraph 3.1.2 of the Explanatory Notes);
- OAO Far East Distribution Grid Company's loans in the total amount of RUB 1,430 million issued for addition of current assets maturing by 14 March 2014;
- OAO Far East Generating Company's short-term part of long-term loan in the total amount of RUB 1,000 million issued for refinance liabilities maturing by 15 September 2021 (paragraph 3.1.2 of the Explanatory notes);
- ZAO Verkhne-Narynskie GES's loan in the total amount of RUB 530 million issued for refinance construction works of Verkhne-Narynskiy cascade of GES.

As of 31 December 2013 loans to OAO Zagorskaya GAES-2, OAO Ust-Srednekanskaya GES, OAO Nizhne-Bureyskaya GES and OAO MGES Kabardino-Balkarii were reclass to short-term loans due to changes of the conditions of the agreements (paragraph 3.1.2 of the Explanatory Notes).

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

3.2.4 Cash and cash equivalents (line 1250 of the balance sheet)

Item	31 December 2013	31 December 2012	31 December 2011
Cash in bank	1,981	1,615	1,093
Cash equivalents	16,565	22,205	29,535
Total line 1250 "Cash and cash equivalents"	18,546	23,820	30,628

As of 31 December 2013, 2012 and 2011, there is no restricted cash.

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OAo RusHydro**Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results**

(in millions of Russian Roubles unless otherwise stated)

As of 31 December 2013, 2012 and 2011, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2013 there were cash balances denominated in US dollars equivalent to RUB 29 million (31 December 2012, 31 December 2011: RUB 0 million). As of 31 December 2013 there were no cash balances denominated in Euro. (31 December 2012: RUB 26 million, 31 December 2011: RUB 0 million).

As of 31 December 2013, interest rates on Rouble deposits were 5.29% – 7.40% p.a. (31 December 2012: 5.44% – 7.95%, 31 December 2011: 5.60% – 8.55%).

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

Credit institution	Rating	Rating agency	31 December 2013	31 December 2012	31 December 2011
Bank deposits, including:					
OAo Sberbank of Russia	Baa1	Moody's	5,437	9,905	2,835
ZAO UniCredit Bank	BBB	Standard & Poor's	4,500	-	-
OAo Nordea Bank	BBB+	Fitch Ratings	2,910	2,100	3,460
OAo VTB Bank	Baa2	Moody's	2,140	820	14,550
OAo Gazprombank	BBB-	Standard & Poor's	1,578	2,200	8,690
OAo Alfa-Bank	BBB-	Fitch Ratings	-	5,780	-
OAo TransCreditBank	-	-	-	1,400	-
Total cash equivalents			16,565	22,205	29,535
Cash in banks, including:					
OAo Sberbank of Russia	Baa1	Moody's	1,931	326	186
OAo Gazprombank	BBB-	Standard & Poor's	21	472	457
OAo Alfa-Bank	BBB-	Fitch Ratings	14	182	429
OAo VTB Bank	Baa2	Moody's	11	2	3
ZAO VTB-24	Baa1	Moody's	4	6	7
ZAO Peresvet	-	-	-	600	-
ZAO UniCredit Bank	BBB	Standard & Poor's	-	26	-
OAo Eurofinance Mosnarbank	Ba3	Moody's	-	1	11
Total cash in bank			1,981	1,615	1,093

Notes to the statement of cash flows

Cash flows required for the purposes of supporting the existing scope of the Company's operations are presented within current operations. Cash flows related to expansion of the Company's business are included in investing activities.

Cash flows spent on investments and received on repayment of cash equivalents (excluding accrued interest) are not included in the cash flow statement.

Cash flows spent on investments and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period, are recorded on a net basis in line 4219 "Other receipts" or line 4229 "Other payments" of the cash flow statement if they have such characteristics as quick return, large amount and short-term maturity.

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

Item	2013	2012
Other receipts from operating activities (line 4119), including:		
	2,504	1,404
Receipt of proceeds of insurance and compensation for losses	76	228
Value added tax	1,877	715
Penalties, interest and fines recognised or for which court rulings on collection have been received	117	80
Other receipts from operating activities	434	381
Other payments related to operating activities (line 4129), including:		
	(12,040)	(11,761)

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Item	2013	2012
Taxes and levies	(7,024)	(6,439)
Charity payments	(1,130)	(1,357)
Non-budget funds	(1,324)	(1,229)
Water usage expenses	(995)	(769)
Business trip expenses	(813)	(720)
Other payments related to operating activities	(754)	(1,247)
Other payments related to investing activities (line 4229), including:	-	(50,000)
Cash placement on a short-term deposit other than cash equivalent	-	(50,000)
Other payments related to investing activities	-	-
Other payments related to financing activities (line 4329), including:	(474)	(650)
Settlement of finance lease obligations (payments under lease contracts)	(473)	(650)
Other payments related to financing activities	(1)	-

3.3 Equity and reserves (Section III of the balance sheet)

3.3.1 Share capital (line 1310 of the balance sheet)

As of 31 December 2013, 2012 and 2011, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2013	Number of shares at 31 December 2012	Number of shares at 31 December 2011
Ordinary shares with nominal value of RUB 1 per share	317,637,520,094	317,637,520,094	290,302,702,379

As of 31 December 2013, the following shareholders are registered in the register of shareholders:

Shareholder	Type of shareholder	Number of shares	Ownership share, %
Russian Federation represented by the Federal Agency for State Property Management	beneficial owner	258,161,535,606	66.84%
Non-Banking Credit Organisation ZAO National Settlement Depository	nominee holder	110,327,350,871	28.56%
ООО Depository and Corporate Technologies	nominee holder	10,191,600,852	2.64%
Other		7,574,977,561	1.96%
Total		386,255,464,890	100.00%

As of 31 December 2013, the number of shares registered in the register of shareholders exceeds the number of shares in the Company's share capital as of 31 December 2013 due to the additional issue of shares registered on 3 December 2012 by 110,000,000,000 shares, including 68,617,944,796 shares that were actually placed as of the reporting date. As of 31 December 2013 the placement of the additional shares was completed but changes in the share capital were registered in accordance with the established procedure in 2014, the Company did not increase the share capital.

Additional issue in 2012-2013

The Company's extraordinary general meeting of shareholders held on 16 November 2012 (Minutes No. 9) made the decision to increase the Company's share capital by placing 110,000,000,000 additional ordinary registered shares with the nominal value of RUB 1 each through public offering with payment in cash and non-monetary assets. Non-monetary assets include ordinary registered shares of the following joint stock companies: ОАО RAO Energy Systems of the East, ОАО Ust-Srednekanskaya GES, ОАО SEC, ОАО Irkutskenergo, ОАО Irkutsk Electric Grid Company.

The Company's Board of directors approved the decision on additional issue of the Company's securities on 22 November 2012 (Minutes No.166). The Company's Board of directors approved the placing price of the Company's additional shares – RUB 1 each – on 10 December 2012 (Minutes No.169).

On 3 December 2012, the Federal Service of Financial Markets (hereinafter FSFM of Russia) registered the additional issue of the Company's 110,000,000,000 ordinary registered shares No. 1-01-55038-E-041D.

26 November 2013 is the actual completion date of the placement. FSFM of Russia registered the Report based on the results of additional issue of shares on 26 December 2013. Changes in the Company's founding documents are registered on 28 January 2013.

68,617,944,796 shares were actually placed as a result of this issue, which represents 62.38% of the issue's total number of securities

As part of this issue Company had been received as payment:

- blocks of shares of energy sector companies (paragraph 3.1.2 of the Explanatory Notes);
- cash in the total amount of RUB 50,022, including cash from Russian Federation represented by the Federal Agency for State Property Management in the amount of RUB 50,000 for funding construction of electricity assets in the Russian Far East (see paragraphs 3.1.2 and 3.2.3 of the Explanatory Notes).

Additional issue in 2011-2012

The Company's annual general meeting of shareholders held on 30 June 2011 (Minutes No. 7) made the decision to increase the Company's share capital by placing 89,000,000,000 additional ordinary registered shares with the nominal value of RUB 1 each through public offering with payment in cash and non-monetary assets.

The Company's Board of directors approved the decision on additional issue of the Company's securities on 29 July 2011 (Minutes No.129). The Company's Board of directors approved the placing price of the Company's additional shares – RUB 1.65 each – on 2 August 2011 (Minutes No.130).

On 16 August 2011, the Federal Service of Financial Markets registered the additional issue of the Company's 89,000,000,000 ordinary registered shares No. 1-01-55038-E-040D. FSFM of Russia permitted the circulation of 50% of the placed additional shares outside Russia.

20 June 2012 is the actual completion date of the placement. FSFM of Russia registered the Report based on the results of additional issue of shares on 6 September 2012. Changes in the Company's founding documents are registered on 1 October 2012.

27,334,817,715 shares were actually placed as a result of this issue, which represents 30.71% of the issue's total number of securities.

As of 31 December 2013, 651 million shares of the total number of ordinary shares are owned by the Company's Management Board members (31 December 2012: 593 million shares, 31 December 2011: 516 million shares). Subsidiaries and associates own 8,704 million shares of the Company (31 December 2012: 8,704 million shares, 31 December 2011: 8,704 million shares).

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

As of 31 December 2013, the amount of accumulated revaluation of non-current assets is RUB 53,325 million (31 December 2012: RUB 53,578 million, 31 December 2011: RUB 53,982 million). This metric consists of the amounts of revaluation accumulated by subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

The amount of accumulated revaluation was decreased by RUB 253 million in 2013 due to disposal of items of property, plant and equipment revalued earlier (31 December 2012: RUB 404 million).

ОАО RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

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

As of 31 December 2013, 2012 and 2011, the Company's additional paid capital was RUB 58,424 million, RUB 58,424 million and 40,657 million, respectively, and consisted of share premium of the Company and subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

3.3.4 Reserve capital (line 1360 of the balance sheet)

As of 31 December 2013, 2012 and 2011, the Company's reserve capital was RUB 6,474 million, RUB 5,739 million and RUB 4,208 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 28 June 2013. (Minutes No. 11), the Company allocated 5% of its net profit for 2012 in the amount of RUB 735 million to the reserve capital.

3.4 Non-current liabilities (Section IV of the balance sheet)

3.4.1 Long-term borrowings (line 1410 of the balance sheet)

Balance sheet line 1410 "Borrowings" includes long-term loans payable:

Lender / creditor	31 December 2013	31 December 2012	31 December 2011
OAO Sberbank of Russia	30,613	-	23,520
RusHydro Finance Ltd	20,000	20,000	20,000
Russian bonds issued in February 2013	20,000	-	-
Russian bonds issued in April 2011	15,000	15,000	15,000
European Bank for Reconstruction and Development	9,155	10,984	3,813
UniCredit Bank Austria AG	2,862	2,336	-
Bayerische Landesbank (BayernLB)	335	46	-
EM Falcon Ltd	-	1,500	2,423
CF Structured Products B.V.	-	-	1,932
Total line 1410 "Borrowings"	97,965	49,866	66,688

In February 2013, the Company placed non-convertible interest-bearing ten-year bonded loans of Series 07 and 08 for the total of RUB 20,000 million. The buy-back option period (period of redemption on demand from holders of securities) established by the Company is five years.

In December 2013, the Company received RUB 10,613 million under the agreement on non-revolving credit facility with OAO Sberbank of Russia to refinance the existing liability of the subsidiaries of RAO Energy Systems of the East Group that is controlled by the Company.

The Company also restructured the existing liabilities to OAO Sberbank of Russia under the agreement on credit line facility amounting to RUB 40,000 million concluded in 2011 for a period of two years. Out of the total amount received RUB 20,000 million were repaid in 2013; the period for repaying the remaining part of debt was extended by seven years, up to 2020.

The key provisions of the contracts were as follows:

Lender / creditor	Agreement effective year	Redemption year	Amount in million units (in the currency of the loan)	Currency	Loan interest rate
Bayerische Landesbank	2012	2024 / 2025*	16	Euro	Euribor + 0.85%
RusHydro Finance Ltd	2010	2015	20,000	Russian Roubles	7.875%
UniCredit Bank Austria AG	2011	2026	128	Euro	3.35%**
EBRD (Tranche 1)	2006	2020	2,300	Russian Roubles	MosPrime + 3.65%
EBRD (Tranche 2)		2014	850		MosPrime + 2.75%
EBRD (Tranche 3)		2016	3,150		MosPrime + 3.05%

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Lender / creditor	Agreement effective year	Redemption year	Amount in million units (in the currency of the loan)	Currency	Loan interest rate
EBRD	2011	2021	8,000	Russian Roubles	MosPrime + 2.75%
Russian bonds issued in April 2011	2011	2016***	15,000	Russian Roubles	8.00%
Russian bonds issued in February 2013	2013	2018***	20,000	Russian Roubles	8.50%
OAO Sberbank of Russia	2011	2020	20,000	Russian Roubles	8.30% / 9.30%****
OAO Sberbank of Russia	2013	2018	10,613	Russian Roubles	7.99% / 8.99%****

* The final redemption date depends on the redemption commencement date.

** Fixed interest rate is applied to 90% of the loan amount, variable quarterly interest rate published by OeKB (Oesterreichische Kontrollbank AG) less 0.25% is applied to the remaining 10% of the loan amount.

*** Bonds maturity is 10 years, and the bond holders have the right to call for an early redemption in 2016.

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

As of 31 December 2013, the total amount of long-term loans to be repaid within 12 months of the reporting date and reclassified to short-term category was RUB 3,329 million (31 December 2012: RUB 43,512 million.) (see paragraph 3.5.1 of the Explanatory Notes).

In addition to the credit facilities from Bayerische Landesbank (BayernLB) и UniCredit Bank Austria AG which were undrawn as of 31 December 2013, the Company can raise RUB 4,400 million after 31 December 2013 under a loan agreement with the European Bank for Reconstruction and Development (EBRD) for 12 years to refinance current liabilities of OAO FEDGC, a member of RAO Energy Systems of the East Group and support upgrading the Company's distribution networks.

Ageing analysis:

Due for repayment	31 December 2013	31 December 2012	31 December 2011
From 1 to 2 years	21,676	3,329	27,204
From 2 to 3 years	16,693	21,663	2,329
From 3 to 4 years	1,529	16,663	20,659
From 4 to 5 years	32,142	1,447	15,659
Over five years	25,926	6,764	837
Total line 1410 "Borrowings"	97,965	49,866	66,688

Interest on borrowings included into the cost of investment assets

In 2013, the amount of interest on borrowings included into the cost of investment assets was RUB 2,830 million (2012: RUB 2,868 million), of which RUB 2,481 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2012: RUB 2,360 million).

3.4.2 Other non-current liabilities (line 1450 of the balance sheet)

Line 1450 "Other liabilities" includes long-term VAT on advances issued in the amount of RUB 1,559 million as of 31 December 2013 (31 December 2012: RUB 1,265 million, 31 December 2011: RUB 271 million) and trade payables in the amount of RUB 469 million as of 31 December 2013 (31 December 2012: RUB 685 million, 31 December 2011: RUB 483 million).

3.5 Current liabilities (Section V of the balance sheet)

3.5.1 Short-term borrowings (line 1510 of the Balance sheet)

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
	2012	1,752	43,764	(1,941)	43,575
Borrowings, including:	2013	43,575	3,329	(43,575)	3,329
European Bank for Reconstruction and Development (EBRD)	2012	829	829	(829)	829
	2013	829	1,829	(829)	1,829
EM Falcon Ltd	2012	923	923	(923)	923
	2013	923	1,500	(923)	1,500
ОАО Sberbank of Russia	2012	-	40,000	-	40,000
	2013	40,000	-	(40,000)	-
CF Structured Products B.V.	2012	-	2,012	(189)	1,823
	2013	1,823	-	(1,823)	-
Interest on borrowings, including:	2012	767	6,969	(6,405)	1,331
	2013	1,331	8,706	(8,440)	1,597
Russian bonds issued in February 2013	2012	-	-	-	-
	2013	-	1,346	(847)	499
ОАО Sberbank of Russia	2012	73	3,192	(2,679)	586
	2013	586	3,170	(3,299)	457
RusHydro Finance Ltd	2012	280	1,575	(1,575)	280
	2013	280	1,575	(1,575)	280
Russian bonds issued in April 2011	2012	224	1,203	(1,197)	230
	2013	230	1,200	(1,197)	233
European Bank for Reconstruction and Development (EBRD)	2012	92	490	(439)	143
	2013	143	1,131	(1,164)	110
Other	2012	98	509	(515)	92
	2013	92	284	(358)	18
Total line 1510 "Borrowings"	2012	2,519	50,733	(8,346)	44,906
	2013	44,906	12,035	(52,015)	4,926

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts payable were RUB 77,468 million, 57,822 million and 51,405 million as of 31 December 2013, 2012 and 2011, respectively.

OAO RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Accounts payable and their movement

Item	Period	Opening balance	Changes for the period*					Closing balance
			Additions		Disposals		Reclassified from long-term to short-term and vice versa	
			As a result of economic transactions*	Receivable on interest, penalties and other accruals	Repayment*	Write-off to the financial result		
Accounts payable, including:	2012	51,405	212,044	-	(205,449)	-	(178)	57,822
	2013	57,822	307,588	-	(288,156)	(1)	215	77,468
Trade payables	2012	5,221	65,976	-	(65,693)	-	(178)	5,326
	2013	5,326	67,762	-	(68,132)	(1)	215	5,170
Wages payable	2012	742	6,796	-	(6,821)	-	-	717
	2013	717	7,063	-	(7,179)	-	-	601
Payable to state non-budget funds	2012	29	1,332	-	(1,302)	-	-	59
	2013	59	1,436	-	(1,408)	-	-	87
Taxes payable	2012	1,396	23,321	-	(23,421)	-	-	1,296
	2013	1,296	27,343	-	(26,069)	-	-	2,570
Payables to the participants (founders) related to income payment	2012	9	2,387	-	(2,363)	-	-	33
	2013	33	3,543	-	(3,529)	-	-	47
Payables in respect of shares issued before the changes to the Charter	2012	43,604	51,498	-	(45,102)	-	-	50,000
	2013	50,000	18,618	-	-	-	-	68,618
Other payables	2012	404	60,734	-	(60,747)	-	-	391
	2013	391	181,823	-	(181,839)	-	-	375

* Movements in accounts payable which arose and were settled in the same reporting period are presented on a gross basis.

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

Type of payables	31 December 2013	31 December 2012	31 December 2011
Payables to capital construction contractors	1,640	2,259	1,602
Payables to suppliers of equipment and other non-current assets	1,753	1,520	1,598
Payables for purchase of electricity and capacity	759	634	521
Payables to suppliers of repair and maintenance services	329	233	334
Other	689	680	1,166
Total line 1521 "Trade accounts payable"	5,170	5,326	5,221

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

Tax	31 December 2013	31 December 2012	31 December 2011
Property tax payable	1,429	1,063	1,247
VAT payable	1,053	60	1
Income tax payable	-	69	36
Other taxes payable	88	104	112
Total line 1524 "Taxes payable"	2,570	1,296	1,396

As of 31 December 2013 the balance sheet line 1526 "Other accounts payable" includes payable to the acquirers of the Company's shares of additional issue in the amount of RUB 68,618 million (31 December 2012: RUB 50,000 million, 31 December 2011: RUB 43,604 million), including payables to the Federal Agency for Federal Property Management in the amount of RUB 66,006 million (31 December 2012: RUB 50,000 million, 31 December 2011: RUB 34,766 million) (see paragraph 3.3.1 of the Explanatory Notes).

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2013 the total estimated liabilities are RUB 1,020 million (31 December 2012: RUB 408 million, 31 December 2011: RUB 325 million).

The estimated liability for forthcoming payment of earned but unused employee vacations has a short-term nature.

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2012	325	934	(661)	(190)	408
	2013	408	2,365	(1,503)	(250)	1,020
for forthcoming payment of earned but unused employee vacations	2012	325	934	(661)	(190)	408
	2013	408	1,044	(713)	(250)	489
for litigation on property tax	2012	-	-	-	-	-
	2013	-	1,321	(790)	-	531

3.6 Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2013, the total leased property, plant and equipment are RUB 33,754 million (31 December 2012: RUB 33,906 million, 31 December 2011: RUB 26,330 million).

In 2013, the Company did not receive any property, plant and equipment under lease contracts. In 2013, no lease items were recognised on the Company's balance sheet under concluded contracts.

The Company will make lease payments of RUB 352 million (including VAT) for property, plant and equipment received under lease contracts over the period until they expire, including payment of RUB 315 million in 2014. In 2013, the Company accrued RUB 1,097 million (excluding VAT)

ОАО RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

and paid RUB 559 million in lease payments (RUB 1,298 million and RUB 650 million in 2012, respectively).

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

Lessor	31 December 2013	31 December 2012	31 December 2011
OAO Zaramagskie GES	4,995	4,995	4,983
Ministry of Property Relations of Moscow region	4,531	2,808	2,808
ZAO Malaya Dmitrovka	3,349	3,637	-
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	2,549	2,549	112
Territorial Office of Federal Property Management Agency in the Irkutsk Region	2,154	2,154	1,960
Perm Department of Land and Property Relations	1,245	27	-
Department of Property and Land Relations of Kochubeevsky region	1,190	745	-
Novosibirsk Department of Land and Property Relations	779	779	741
Corporate Jet Management Limited	-	2,005	2,125
Other	4,668	5,698	4,616
Total lease of property, plant and equipment	25,460	25,397	17,345
ООО Leasefinance	3,546	3,353	3,366
ООО RB-Leasing	2,383	2,832	2,832
ООО IR-Leasing	1,815	1,815	1,815
ZAO Business Alliance	321	321	333
Other	229	188	639
Total lease of property, plant and equipment under lease contracts	8,294	8,509	8,985
Total lease of property, plant and equipment	33,754	33,906	26,330

In 2013, the cadastral values of the following land plots were increased:

- land plots leased from the Ministry of Property Relations of Moscow region (as of 31 December 2013 the value was RUB 4,531 million);
- land plots leased from the Department of Land Relations of Perm (as of 31 December 2013 the value was RUB 1,245 million);
- land plots leased from the Department of Property and Land Relations of Kochubeevsky region (as of 31 December 2013 the value was RUB 1,190 million).

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2013	31 December 2012	31 December 2011
ООО EZOP	5,428	5,428	5,428
OAO Hydroinvest	3,919	3,919	3,919
Voith Hydro GmbH & Co KG	3,213	2,098	1,196
OAO Silovye Mashiny	2,345	2,300	1,301
Alstom Hydro France	1,038	1,068	270
ООО Energy Standard	582	1,216	1,306
ООО Alstom	273	602	602
OAO Hydroelectromontazh	46	1,679	1,427
OAO United Energy Construction Corporation	-	532	620
RUSENERGO FUND Ltd	-	-	8,735
Other	3,151	2,537	1,597
Total collateral for liabilities and payments received	19,995	21,379	26,401

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The Company received its own shares purchased by ООО EZOP and ОАО Hydroinvest as a pledge to secure loans issued for the purpose of acquisition of the Company's shares by ООО EZOP and ОАО Hydroinvest (see paragraph 3.2.2 of the Explanatory Notes).

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, ОАО Silovye Mashiny, Alstom Hydro France, ООО Energy Standard, ООО Alstom and others the Company received bank guarantees for return, in full or in part, of the advances issued to these entities or due fulfilment of the contractual scope of work by these entities.

3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

Creditor	Debtor	31 December 2013	31 December 2012	31 December 2011
ОАО Vnesheconombank	ЗАО Богучанская GES	46,632	40,973	31,574
ОАО Bank of Moscow	ОАО Far East Generating Company	7,001	6,208	-
ОАО Vnesheconombank	ЗАО Богучанский Aluminium Smelter	4,615	4,615	4,615
ОАО VTB Bank	ОАО Far East Generating Company	4,543	-	-
European Bank for Reconstruction and Development (EBRD)	ОАО RAO Energy Systems of the East	4,070	-	-
ОАО Sberbank of Russia	ОАО Камчатскэнерго	3,978	-	-
ОАО Bank of Moscow	ОАО Сахалинэнерго	700	701	-
ОАО Sberbank of Russia	ОАО Сахалинэнерго	651	-	-
Solios Environnement S. A., ALSTOM Grid SAS (AREVA T&D S. A.), ЗАО Commerzbank (Eurasija)	ЗАО Богучанский Aluminium Smelter	82	929	1,423
Other	Other	1,398	1,164	1,246
Total collateral for liabilities and payments issued		73,670	54,590	38,858

In 2013, the Company issued guarantees for liabilities of ОАО Far East Generating Company and ОАО RAO Energy Systems of the East under the loan agreements with ОАО VTB Bank and European Bank for Reconstruction and Development (EBRD) respectively, including the principal amount of the loan and accrued interest. Liabilities due date is 26 December 2015.

Guarantees issued by the Company for liabilities of ОАО Богучанская GES under its loan agreement with ОАО Vnesheconombank include:

- total liabilities of ОАО Богучанская GES under the loan agreement, including accumulated interest in the amount of RUB 25,605 million as of 31 December 2013 (31 December 2012: RUB 19,946 million);
- pledge of ОАО Богучанская GES's interest-free promissory notes for the total of RUB 21,027 million (see Note 3.2.2 of the Explanatory Notes) and pledge of shares for the total of RUB 14 thousand.

RUSAL Group undertakes to reimburse the Company for 50 per cent of liabilities settled under this guarantee by the Company for ОАО Богучанская GES.

During 2011 the Company pledged interest-free promissory notes of ЗАО Богучанский Aluminium Smelter for the total of RUB 4,615 million (see paragraph 3.2.2 of the Explanatory Notes) and shares for the total of RUB 14 thousand as a guarantee of settlement by ЗАО Богучанский Aluminium Smelter of its liabilities under the loan agreement with SC Vnesheconombank.

ОАО RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

3.7 Income and expenses on operating activities (statement of financial results)

3.7.1 Revenue (line 2110 of the statement of financial results)

Revenue from sales of electricity and capacity has the largest percentage in the Company's revenue structure (99.5%).

Item	2013	2012
Sale of electricity	78,975	65,553
Sale of capacity	29,251	28,155
Sale of heat	141	141
Other	427	358
Total line 2110 "Revenue"	108,794	94,207

The Company sells a major part of its produced electricity and capacity (99.9%) on the wholesale electricity and capacity market, where sales are made at non-regulated prices (except for sales at regulated tariffs in the RF Far East non-pricing zone and volumes produced for selling to households or equivalent consumer categories).

3.7.2 Cost of sales (line 2120 of the statement of financial results)

Item	2013	2012
Purchased electricity and capacity	16,696	16,489
Depreciation and amortisation	11,853	10,810
Wages and social insurance contributions	8,357	8,058
Property tax	6,004	5,246
Repairs and maintenance	3,308	3,515
Fees for administering the wholesale market of electricity and capacity (ОАО SO UES, ОАО АRS, ЗАО СFR)	2,672	2,425
Third party services	1,863	1,646
Fire and other security services	1,434	1,311
Insurance expenses	1,328	1,505
Lease of power equipment	1,097	1,298
Lease expenses	1,038	797
Water usage expenses, water tax	967	817
Other expenses	2,256	2,070
Total line 2120 "Cost of sales"	58,873	55,987

Operating expenses broken down by cost elements are as follows:

Item	2013	2012
Material expenses	21,166	20,644
Payroll expenses	6,915	6,737
Social contributions	1,442	1,321
Depreciation and amortisation	11,853	10,810
Other costs	17,497	16,475
Total for elements of costs	58,873	55,987
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	58,873	55,987

OAO RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

3.8 Expenses on purchase and use of energy resources

Type of energy resource	Total costs							
	2013				2012			
	Purchase	Use			Purchase	Use		
for production purposes*		for internal needs	losses	for production purposes*		for internal needs	losses	
Electricity** and capacity, including:	2,862	2,005	791	66	2,535	1,653	824	58
Electricity	2,857	2,005	786	66	2,529	1,653	818	58
Capacity	5	-	5	-	6	-	6	-

* Electricity consumption in normal pump operation by Zagorskaya GAES (Zagorskaya GAES branch) and Kuban GAES (Cascade of Kuban GES branch).

** This category does not include expenses for electricity purchased to fulfil obligations under electricity sales contracts which were RUB 13,834 million in 2013 and RUB 13,954 million in 2012 (see paragraph 3.7.2 of the Explanatory Notes).

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

Item	2013		2012	
	Income	Expenses	Income	Expenses
Gain and loss on sale of promissory notes	62,720	(62,720)	15,015	(15,015)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	1 663	(1 441)	-	-
Doubtful debt provision	1,480	(3,049)	678	(5,147)
Income and expenses from sale of right of demand	1 117	(893)	-	-
Income and expenses from sales, write-off and other transactions with assets	445	(1,354)	549	(1,680)
Provision for impairment of investments	174	(5)	-	(7,873)
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	136	(391)	621	(555)
Gains / (losses) from revaluation of investments measured at current market value	-	(3,119)	14	(2,370)
Charity donations	-	(1,321)	-	(1,352)
Expenses for social events	-	(512)	-	(482)
Other income and expenses	2,078	(1,755)	1,207	(693)
Total line 2340 "Other income" and 2350 "Other expenses"	69,813	(76,560)	18,084	(35,167)

3.10 Taxes

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 32,149 million in the reporting year (2012: RUB 26,763 million), including:

- VAT calculated on sales of goods (work, services) is RUB 19,639 million (2012: RUB 16,998 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be delivered in the future is RUB 10,797 million (2012: RUB 8,694 million);
- recoverable amount of tax is RUB 1,713 million (2012: RUB 1,071 million).

Total VAT recoverable in the reporting period was RUB 23,529 million (2012: RUB 21,455 million), including:

- VAT recoverable invoiced to the taxpayer on acquisition of goods (work, services), property rights in Russia was RUB 10,182 million (2012: RUB 10,168 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be deducted from their delivery date was RUB 10,797 million (2012: RUB 8,693 million);
- VAT calculated on the amounts of payment or partial payment for goods (work, services) to be delivered in the future was RUB 2,390 million (2012: RUB 2,578 million);
- VAT recovered in 2013 which was paid earlier when the goods were imported to the Russian customs territory was RUB 151 million (2012: RUB 0 million);
- other recoverable VAT was RUB 9 million (2012: RUB 16 million).

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

Corporate income tax

Deferred tax assets and deferred tax liabilities were:

Item	31 December 2013	31 December 2012	31 December 2011
Deferred income tax assets	(2,260)	(2,318)	(2,285)
Deferred tax liabilities	9,444	7,570	5,125
Total line 1420 "Deferred tax liabilities"	7,184	5,252	2,840

Income tax calculated on the basis of the accounting profit (theoretical income tax charge) for the reporting year was RUB 9,342 million (2012: RUB 4,525 million).

When calculating theoretical income tax charge, income from participation in other entities in the amount of RUB 408 for 2013 (2012: RUB 269 million) was deducted from income included in the accounting profit of the reporting period, as for accounting purposes such income is recorded less withholding tax.

In the reporting year, the amount of non-temporary differences which affected the theoretical income tax charge adjustment for the purposes of income tax calculated for tax accounting purposes (current income tax) was RUB 10,910 million (2012: RUB 20,361 million).

The above non-temporary differences arise from differences in recognising the following income and expenses for accounting and income tax purposes:

- income in the amount of RUB 3,609 million in 2013 (2012: RUB 1,233 million) which is not recognised for tax accounting purposes and resulted in the tax asset, including:
 - Income from reversal of doubtful debt provision in the amount of RUB 1,480 million (2012: RUB 678 million);
 - other income in the amount of RUB 2,129 million (2012: RUB 555 million);
- expenses in the amount of RUB 14,519 million in 2013 (2012: RUB 21,325 million) which are not recognised for tax accounting purposes and resulted in the tax liability, including:
 - depreciation of RUB 3,926 million (2012: RUB 4,047 million);
 - charges to doubtful debt provision in the amount of RUB 2,260 million (2012: RUB 2,969 million);
 - decrease in investments measured at current market value in the amount of RUB 3,119 million (2012: RUB 2,369 million);
 - expenses related to sale, disposal or other transactions with assets in the amount of RUB 826 million (2012: RUB 1,143 million);
 - charges to the provision for impairment of investments in the amount of RUB 5 million (2012: RUB 7,873 million);
 - charity donations in the amount of RUB 1,121 million (2012: RUB 1,352 million);
 - financial support and other social payments to employees in the amount of RUB 292 million (2012: RUB 237 million);
 - other expenses in the amount of RUB 2,770 million (2012: RUB 1,604 million).

The total amount of deductible temporary differences, which affected the adjustment of the theoretical income tax charge for the purpose of the current income tax calculated for tax accounting purposes, was RUB 49 million (2012: RUB 166 million), including those originated – RUB 1,258 million (2012: RUB 621 million) and settled – RUB 1,209 million (2012: RUB 455 million).

Total amount of taxable temporary differences that affected the theoretical income tax expense adjustment for the purpose of the income tax calculation for tax accounting purposes, was RUB 10,092 million (2012: RUB 11,845 million), including those originated – RUB 16,552 million (2012: RUB 13,885 million) and settled – RUB 6,460 million (2012: RUB 2,040 million).

In 2013, movement in deductible and taxable temporary differences was mainly due to:

- different useful lives of property, plant and equipment for accounting and income tax purposes;
- recognition of depreciation premium on items of property, plant and equipment for income tax purposes;
- application of multiplying factor for accrual of depreciation charges on property, plant and equipment used in operations in a hostile environment with a high turnover for tax accounting purposes in prior periods;
- capitalisation of interest on borrowings in the cost of investment assets for accounting purposes;
- including the costs of insurance in the value of investment assets in the accounting records of the Company.

The Company applied tax rate of 20% in the calculation of income tax based on accounting profit received by the Company's branches (excluding profits received by branches Kamskysya GES and Votkinskaya GES that apply 15.5% rate).

According to the tax accounting data, the taxable profit for 2013 was RUB 49,764 million (2012: RUB 31,247 million).

Other taxes and levies

In 2013, operating expenses include other taxes and levies in the amount of RUB 7,478 million (2012: RUB 6,597 million), including:

- property tax in the amount of RUB 6,004 million (2012: RUB 5,246 million), including accrual provision for estimated liabilities for property tax;
- insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation and obligatory medical insurance funds in the amount of RUB 1,442 million (2012: RUB 1,321 million), including contributions related to estimated liabilities on future payment of employee vacations earned but not used;
- other taxes and levies in the amount of RUB 32 million (2012: RUB 30 million).

Relations with tax authorities

In 2013, tax authorities performed a field tax audit covering 2009-2011 which resulted in additionally assessed taxes of RUB 394 million. As of 31 December 2013, these tax claims are contested through pre-trial procedures in the Federal Tax Service of Russia.

The Russian tax system is characterised by a large number of taxes and frequent changes in regulations. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. The laws often include unclear and contradictory wording and allow varying interpretation of the same issue. As a consequence, tax authorities often have different views on interpretation of the same regulatory documents at different levels. Therefore, it is probable that transactions and activities that have not been challenged in the past and the tax accounting treatment of some of the Company's income and expenses may be challenged. As a result, significant additional taxes, penalties and late payment interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

In December 2012, the Company entered into an agreement with the Federal Tax Service on extended communication, i.e. horizontal monitoring. Under the agreement, the tax authority will monitor the Company's business transactions on-line which will allow the Company to agree its position on tax issues in advance and decrease the uncertainty in interpretation and application of the tax law.

As of 31 December 2013, the Company's management believe that their interpretation of the relevant legislation was appropriate, tax liabilities are recorded in full and the Company's tax and currency positions will be sustained.

3.11 Dividends

The Company's annual general meeting of shareholders held on 28 June 2013 (Minutes No. 11) made the decision to pay dividends on the Company's ordinary shares for 2012 in the amount of RUB 0.00955606 per 1 share for the total of RUB 3,676 million.

The Company's annual general meeting of shareholders held on 29 June 2012 (Minutes No. 8) made the decision to pay dividends on the Company's ordinary shares for 2011 in the amount of RUB 0.00789317 per 1 share for the total of RUB 2,500 million.

3.12 Earnings per share

Basic earnings per share reflect a portion of reporting period's profit that may be potentially distributed between the shareholders – owners of ordinary shares. It is calculated by dividing basic profit of the reporting year by the weighted average number of ordinary shares outstanding during the year. Basic profit is equal to net profit of the reporting year (Line 2400 of the statement of financial results).

Item	2013	2011
Basic profit for the reporting year (RUB million)	35,321	14,702
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	381,935,404,392	317,183,526,761
Basic earnings per share (RUB)	0.09248	0.04635

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

Item	2013
Number of ordinary shares outstanding as of 1 January 2013 (shares)	367,637,520,094
Number of shares of additional issue registered on 3 December 2013 which were placed in 2013 and paid by shareholders (see paragraph 3.3.1 of the Explanatory Notes) (shares)	18,617,944,796
Number of ordinary shares outstanding as of 1 December 2013 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2013 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2013 (shares) (367,637,520,094 shares * 2 months + 384,632,705,292 shares * 9 months + 386,255,464,890 * 1 month) / 12 months	381,935,404,392
Item	2012
Number of ordinary shares outstanding as of 1 January 2012 (shares)	316,729,533,428
Number of shares of additional issue registered on 16 August 2011 which were placed in 2012 and paid by shareholders (see paragraph 3.3.1 of the Explanatory Notes) (shares)	907,986,666
Number of ordinary shares outstanding as of 1 December 2012 (shares)	317,637,520,094
Number of ordinary shares outstanding as of 31 December 2012 (shares)	367,637,520,094
Weighted average number of ordinary shares, outstanding in 2012 (shares) (316,729,533,428 shares * 6 months + 317,637,520,094 shares * 6 months) / 12 months	317,183,526,761

In 2013 and 2012, the Company had no debt securities potentially convertible to shares.

ОАО RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

3.13 Related Parties

The Company's related parties are its subsidiaries and associates and other entities where the Company has indirect control or significant influence through its subsidiaries and associates.

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

3.13.1 Controlling entity

As of 31 December 2013 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 66.84% of the Company's ordinary shares (see paragraph 3.3.1 of the Explanatory Notes).

3.13.2 Sales to related parties

Total revenue from sales to related parties was:

Name of the buyer	2013	2012
Revenue from sales to subsidiaries, including:		
ОАО Far East Energy Company	5,436	5,162
ОАО Чувашская Энергия Продажи	1,386	522
ОАО Красноярскэнергобыт	931	782
ОАО Рязанская Энергия Продажи	650	284
ООО ЕСК Башкортостана	412	290
Other subsidiaries	262	274
Revenue from sales to related parties, including:		
ОАО Красноярская ГЭС	1,077	925
Total sales to related parties	10,154	8,239

Sales to related parties include, among others, sales of electricity and capacity in the regulated sector of WEM at tariffs determined by the Federal Tariff Service and in the competitive sector at commercial prices established in accordance with the Wholesale Market Rules and Regulation of the Russian Government No. 109 of 26 February 2004, On Pricing of Electric and Heating Energy in the Russian Federation, and Regulation on the Company's sales policy for operating generation assets in the price zones of the wholesale electricity (capacity) market (minutes of the meeting of the Management Board No. 528 of 17 September 2010).

3.13.3 Purchases from related parties

The cost of services provided by related parties was:

Supplier	2013	2012
Repair and technical maintenance services, including:		
Subsidiaries		
ОАО Hydroremont-BKK	2,087	1,004
ОАО Турбoremont-BKK	414	967
ОАО SShGER	191	426
ОАО Electroremont-BKK	125	414
ОАО REMIC	21	173
Other	157	37
Total repair and maintenance services	2,995	3,021
Electricity purchases	4	4
Other services of third parties	1,618	1,093
Total purchases from related parties	4,617	4,118

3.13.4 Settlements with non-state pension fund

Non-state Pension Fund of Electrical Energy Industry is the non-state pension fund for implementation of the non-governmental pension security program for the Company's employees.

The total amount of contributions to the pension fund was RUB 443 million and RUB 619 million for 2013 and 2012, respectively.

3.13.5 Settlements with related parties

As of 31 December 2013, 2012 and 2011, accounts receivable from related parties to the Company less doubtful debt provision were (see paragraph 3.2.2 of the Explanatory Notes):

Type of accounts receivable	31 December 2013	31 December 2012	31 December 2011
Short-term interest-free promissory notes received	22,453	72,350	74,998
Short-term interest-free loans issued	5,500	42,272	14,495
Long-term interest-free promissory notes received	25,689	25,689	25,642
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	98,530	10,714	-
Long-term interest-free loans issued	16,548	9,030	31,422
Accounts receivable related to other sales	1,090	774	835
Other settlements with related parties	7,054	6,290	2,191
Total accounts receivable from related parties	176,864	167,119	149,583

Terms and conditions of settlements with related parties provide for the Company to make advance payments on transactions with individual related parties. As of 31 December 2013 balances include advances issued for the amount of RUB 6,257 million (31 December 2012: RUB 4,420 million, 31 December 2011: RUB 1,647 million).

Doubtful debt provision for related parties' accounts receivables as of 31 December 2013 was RUB 364 million (31 December 2012: RUB 379 million; 31 December 2011: RUB 520 million).

As of 31 December 2013, 2012 and 2011, the Company's accounts payable to other related parties were:

	31 December 2013	31 December 2012	31 December 2011
Subsidiaries	1,404	1,095	1,367
Associates	24	-	1
Total accounts payable to related parties	1,428	1,095	1,368

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

3.13.6 Related parties' debt within investments

As of 31 December 2013, 2012 and 2011, The Company's investments include the following amounts due from related parties (see paragraphs 3.1.2 and 3.2.3 of the Explanatory Notes):

Type of financial investments	31 December 2013	31 December 2012	31 December 2011
Loans issued to related parties	38,586	31,050	16,036
Other investments	40	1,500	1,500
Total related parties' debt within investments	38,626	32,550	17,536
Total debt within long-term investments (Line 1170 of the Balance sheet)	33,018	18,760	16,036
Total debt within short-term investments (Line 1240 of the Balance sheet)	5,608	13,790	1,500

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

Entity	2013	2012
Subsidiaries, including:	2,518	2,096
OAO Far East Generating Company	840	249
OAO Zagorskaya GAES-2	513	405

ОАО RusHydro**Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results**

(in millions of Russian Roubles unless otherwise stated)

Entity	2013	2012
ОАО ESK RusHydro	263	269
ОАО Hydroinvest	166	311
ЗАО Malaya Dmitrovka	116	258
Other	620	604
Total interest income	2,518	2,096

3.13.7 Income from investments in other companies (related parties)

Income from investments in other companies includes income from investments in subsidiaries in the amount of RUB 381 million for 2013 (2012: RUB 269 million).

3.13.8 Remuneration to key management personnel

The Company's key management personnel includes members of the Board of directors and Management Board and also includes heads of the Company's business divisions.

The remuneration to the members of the Board of directors is calculated according to the *Regulations on the payment of remuneration to OAO RusHydro's directors* approved by the Annual General Meeting of Shareholders held on 30 June 2010 (Minutes No. 5).

Remuneration is paid to members of the Management Board and other management personnel of the Company for their services in management positions and is made up of a contractual salary and performance bonuses depending on the results for the period calculated based on key performance indicators approved by the Company's Board of directors.

The list of members of the Company's Board of directors and Management Board is included in paragraph 1.1 of the Explanatory Notes).

In 2013 and 2012, the Company paid remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,110 million and RUB 1,509 million, respectively (excluding insurance contributions).

3.13.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2013	2012
Cash flows from operating activities			
Receipts, including:	4110	7,556	6,424
sales of products, goods, work and services	4111	7,439	6,331
lease payments, licence payments, royalties, commission and other payments	4112	107	62
other receipts	4119	10	31
Payments, including:	4120	(4,542)	(4,375)
suppliers (contractors) – raw materials, work and services	4121	(4,445)	(4,285)
other payments	4129	(97)	(90)
Net cash flows from operating activities	4100	3,014	2,049
Cash flows from investing activities			
Receipts, including:	4210	49,826	19,806
sale of non-current assets (except for investments)	4211	17	18
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	45,768	18,476
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	4,041	1,312
Payments, including:	4220	(82,134)	(48,842)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(6,807)	(9,979)
purchase of shares (interest) in other entities	4222	(54,928)	(2,897)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(20,399)	(35,966)
Net cash flows from investing activities	4200	(32,308)	(29,036)

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Item	Line code	2013	2012
Cash flows from financing activities			
Payments, including:	4320	(77)	(61)
dividend payments or other distribution of profit to owners (participants)	4322	(77)	(61)
redemption (buy-back) of promissory notes and other debt securities, loan repayment	4323	-	-
Net cash flows from financing activities	4300	(77)	(61)
Net cash flows for the reporting period	4400	(29,371)	(27,048)

3.14 Segment Information

The Company does not identify any reporting segments in its operations, as the Company's core business activity is production of electricity and capacity – their share in the revenue from sales is 99.5%. The Company does not identify trading of purchased electricity and capacity in the wholesale energy and capacity market (WEM) as a separate type of activity. The Company is also involved in other activities that are not material and do not form separate reporting segments.

3.15 Contingent liabilities

As of 31 December 2013, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 73,670 million (31 December 2012: RUB 54,590 million, 31 December 2011: RUB 38,858 million) (see paragraph 3.6.3 of the Explanatory Notes). According to the Company's management expectations, no material liabilities will arise in connection with these guarantees.

A significant number of legal claims may be filed following the accident at Sayano-Shushenskaya GES in August 2009. The subject of such claims may include:

- compensation of damage caused to life and health, compensation of moral damage;
- compensation of losses from termination of contracts;
- other legal proceedings.

Moreover, the prosecutor's office and other oversight bodies examined operations of the Company, and this also may result in additional claims filed against the Company and its employees.

The Russian transfer pricing legislation was amended effective from 1 January 2012. The new rules are more detailed and better aligned with the international principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows tax authorities to assess additional taxes for controlled transactions (transactions between related parties and some transactions between unrelated parties) if such transactions are not on an arm's length basis. The Company's management believe that the prices applied by the Company are at the market level and the Company has implemented internal control procedures to ensure compliance with transfer pricing law.

Since currently there is no practice for application of the new rules, the outcome of any disputes with tax authorities over applied prices cannot be estimated reliably but may have a material effect on the Company's financial results and operations.

3.16 Financial risk management

The primary objectives of the financial risk management function are to provide reasonable assurance of achieving the Company's goals by developing a methodology of risk identification, analysis and assessment, as well as to establish risk limits, and then ensure that exposure to risks stays within these limits and if the limits are exceeded – to treat this risk accordingly.

Market risks

The Company is subject to market risks that arise from open positions in foreign currencies, interest bearing assets and liabilities, all of which are exposed to general and specific market movements. The Company establishes acceptable risk limits and monitors them on a daily basis.

OAo RusHydro
Explanatory Notes to the 2013 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

However, this approach may not prevent losses incurred due to overlimits caused by significant market fluctuations.

Currency risk. The Company sells its produced electricity and capacity in the Russian domestic market at prices denominated in national currency, therefore, the Company's operations are subject to insignificant currency risk. The Company's financial position, its liquidity, sources of financing and performance largely are not impacted by currency exchange rates as the Company's operations are planned and carried out in such a way that all its assets and liabilities are denominated in the national currency.

Information on the Company's exposure to currency risk is presented in line with its use for the preparation of RusHydro Group's IFRS financial statements as defined in IFRS 7:

	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
31 December 2013			
US Dollars	779	-	799
Euro	54	(3,280)	(3,226)
Total	833	(3,280)	(2,477)
31 December 2012			
US Dollars	266	(1,894)	(1,628)
Euro	26	(2,400)	(2,374)
Total	292	(4,294)	(4,002)
31 December 2011			
US Dollars	105	(2,008)	(1,903)
Total	105	(2,008)	(1,903)

The above analysis includes only monetary assets and liabilities. Investments in shares and non-monetary assets are not considered to give rise to significant currency risk.

Changes in exchange rates have no significant influence on the Company's financial position.

Interest rate risk. The Company's operating profits and cash flows from operating activity are substantially independent of the changes in market interest rates.

The effect of changes in the average market interest rates on the value of the Company's investments is insignificant as the rates of return on the Company's investments are fixed.

The fixed and floating interest rate loans received by the Company (see paragraph 3.4.1 of the Explanatory Notes) expose it to interest rate risks.

The Company also receives loans with floating interest rates based on MOSPRIME, Euribor, OeKB rates. The influence of changes in these rates on the Company's profit is insignificant.

The Company's monitors interest rate risk for its financial instruments. Effective interest rates as of the end of the period are presented in paragraph 3.4.1 of the Explanatory Notes.

To mitigate the interest rate risk, the Company takes the following measures:

- monitors the credit market to identify favourable terms of financing;
- diversifies credit portfolio by raising fixed and floating rate loans.

Price risk. The price risk determines the possible changes / fluctuations in the fair value or future cash flows due to changes in market prices (excluding changes leading to interest rate or currency risk).

The table below includes the Company's investments exposed to the price risk.

Category of investments	31 December 2013	31 December 2012	31 December 2011
Equity investments for which current market value can be determined, including:	2,079	5,128	7,484
OAo Inter RAO UES	2,027	5,077	7,428
OAo Irkutskenergo	33	11	10
OAo Krasnoyarskaya GES	19	40	46

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Category of investments	31 December 2013	31 December 2012	31 December 2011
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	20,204	17,239	17,239
Equity investments for which current market value cannot be determined	87,758	52,533	53,324
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	110,041	74,900	78,047

Current market value of quoted securities is determined by market prices established on the stock exchange 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.

Due to the absence of an independent assessment of customers' creditworthiness, the Company performs such an assessment at the contracting stage taking into account the customer's financial position and credit history. The Company regularly monitors existing receivables and undertakes actions to collect them and minimize losses.

Cash has been placed in financial institutions, which are considered at the time of deposit to have minimal risk of default. The Company approves deposit banks as well as rules for making cash deposits. The Company performs regular review of financial institutions, monitors their ratings assigned by independent agencies as well as other performance indicators of these financial institutions.

Summary information on cash deposits and their equivalents including names of banks and other financial institutions and their ratings as of the end of the reporting period is provided in paragraph 3.2.4 of the Explanatory Notes.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Efficient liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of additional funding through an adequate amount of committed credit facilities. The Group follows the balanced model of working capital financing when both long-term and short-term sources of finance are used. The Company places available cash to short-term financial instruments, mainly, bank deposits and short-term bank promissory notes. Short-term liabilities are represented mainly by trade accounts payable.

The Company has implemented controls over the contracting process by using standard financial procedures that include standard payment structure, standard payment time, standard correlation between the advance and final settlement amounts, etc. This way the Company controls the maturity structure of capital.

The ageing analysis for long term borrowings is presented in paragraph 3.4.1 of the Explanatory Notes.

3.17 Subsequent events

There are no significant events which have affected or could affect the Company's financial position, cash flows or its performance in the period between the reporting date and the date of signing the financial statements for 2013.

Chairman of the Management Board of ОАО RusHydro

E. V. Dod

Chief Accountant of ОАО RusHydro

D. V. Finkel

28 February 2014